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[Redacted]



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Review of Local Government Rating System
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Dear Sir/Madam

RE: Review of Local Government Rating System – Issues Paper

Leichhardt Municipal Council welcomes the opportunity to submit a response to the questions posed in the "Review of Local Government Rating System – Issues Paper".

Please find attached our comments in this matter.

Yours sincerely
[Redacted]

Matthew Phillips
Director
Corporate and Information Services

Review of Local Government Rating
SSROC - LEICHHARDT COUNCIL SUBMISSION

1. Do you agree with our proposed tax principles? If not, why?

Local Government rates are not competitively neutral as they do not compete with private enterprise. The benefits principle is not always applied equitably in all rating structures. Any taxing system should be easy to understand & administer with consideration to capacity and user pay functionality.

2. What valuation method should be used as the basis for determining the ad valorem amounts in council rates? Should councils be given more choice in selecting a valuation method, as occurs in other states, or should a valuation method continue to be mandated?

A fairer distribution of rates across the full range of property values would be best achieved by either:

- Using CIV – with the State Government resourcing the Valuer General to implement this, or*
- Keep the existing UV approach with an increase in the base rate above 50% - to ensure a more equitable distribution of the rating burden, or*
- Keep the existing UV approach with a mandated increase in the min rate such that it ensures a more equitable distribution of the rating burden.*

The goal to be achieved is for each property to more equally share the rates burden – in particular million dollar strata properties can currently be levied the minimum rate – which is not an equitable outcome.

Capital Improved Value (CIV) is more easily understood by the public than other methods.

Unimproved Value (UV) is arguably simpler and more cost effective to implement than CIV.

Councils should be given the option of which valuation method they choose to use, as occurs in Victoria, South Australia and Tasmania.

3. Should councils be required to use the Valuer General's property valuation services, or should they also be able to use a private valuation firm (as occurs in Victoria and Tasmania)?

Given the lack of evidence of the cost benefit of engaging a private valuer this should be made optional for councils.

4. What changes (if any) should be made to the Local Government Act to improve the use of base and minimum amounts as part of the overall rating structure?

Minimums should be removed as per the intent of the original 1993 legislation. This would increase the use of Base Amounts which was the original intention of the 1993 LGA.

5. What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide?

Councils should be able to sub categorise without having to rely on centre of population/activity. Extending the residential categories to include, for example, by type of residential accommodation such as multiple occupancy(residential flat buildings), high rise (eg strata's) or single dwellings.

In the case of business land a Council should be able to sub categorise a business property use across the whole of its area by type of business such as Industrial, Commercial or Shopping centres, rather than have a need to have different sub categories as is the case now.

6. Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities?

Yes it does. The current minimum restrictions cause inequity between single dwellings and strata developments, whereby a high priced unit within the strata development is paying a minimum rate, as the UV for each unit is determined by the unit entitlement of the strata and the single dwelling next door pays higher rates based on a single valuation.

As outlined in question 2 the goal to be achieved is for each property to more equally share the rates burden – in particular million dollar strata properties can currently be levied the minimum rate – which is not an equitable outcome.

7. What changes could be made to current rate pegging arrangements to improve the rating system, and, in particular, to better streamline the special variation process?

The adoption of a Stream-lined Rate-Pegging process whereby Community consultation is considered satisfactory (as mentioned on page 44 of the Panel Report) without the need then to also obtain IPART approval.

- 8 What changes could be made to the rating system to better encourage urban renewal?

We agree with IPART's preliminary view. One suggestion is for the opportunity for a Council to apply a higher ad valorem rate to vacant land than is applied to occupied land.

9. What changes could be made to the rating system to improve councils' management of overdue rates?

An ability to be able to request payment from the mortgagee after a prescribed period as an option.

In regards to the assumption that councils are pursuing relatively low claims it needs to be stated that the claims of \$2,000 or less represents in excess of 2 years rates in some councils.

Councils have a responsibility to their communities to ensure rates are paid in a timely manner in order to maintain a proper cash flow. It should be noted that extensive measures are taken prior to taking court action. This includes issuing a minimum of 6 forms of correspondence.

Amendment of the electronic notice of sale form to allow the capture of e-mail addresses and phone numbers could assist in debt management.

10. Are the land uses currently exempt from paying council rates appropriate? If a current exemption should be changed, how should it be changed? For example, should it be removed or more narrowly defined, should the level of government responsible for providing the exemption be changed, or should councils be given discretion over the level of exemption?

All property categorised as residential or business should be rateable regardless of ownership as ALL such properties utilise a Councils services – in some cases properties which are currently non rateable provide a greater drain on a Councils resources than rateable properties.

If it is still intended that institutions such as schools, churches, PBI's etc are to pay reduced rates, it is considered that they should not be non-rateable, as this is neither fair, efficient or equitable, but rather they be levied at, say a 50% ad valorem.

If subsidies remain, they should be in the form of a partial rebate rather than full exemptions. Any reductions in rates payable should be standardised across local government areas to ensure consistency and reduce the likelihood of localised disputes and costly and time intensive negotiations and lobbying.

11. To what extent should the exemptions from certain state taxes (such as payroll tax) that councils receive be considered in a review of the exemptions for certain categories of ratepayers?

We are unable to comment but believe if this were implemented all levels of government should be required to pay rates and no longer be exempt.

To be fair and equitable if Local Government is required to pay taxes this needs to be revenue neutral to Councils to deliver the same level of services.

12. What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?

To provide relief to eligible pensioners as defined in the Local Government Act.

As in other states the concession scheme should be fully funded by the State Government and indexed.

13. We have interpreted the rate path freeze policy to mean that in the four years after a merger, the rating path in each pre-merger council's area will follow the same trajectory as if the merger had not occurred. Do you agree with this interpretation?

We agree with IPART's interpretation.

14. Within the rate path freeze period, should merged councils be permitted to apply for new special variations:

- For Crown Land added to the rating base?
- To recover amounts that are 'above the cap' on development contributions set under the Environmental Planning and Assessment Act 1979?
- To fund new infrastructure projects by levying a special rate?

All the types of special variations mentioned above should be allowed to be applied for, however the merged entity would be required to have moved to a single valuation base date.

15. Are there any other situations where merged councils should be able to apply for new special variations within the rate path freeze period?

If there is a specific need identified by the community within the merged Council then an application should be allowed. Subject to single valuation base date.

If the merger involves a boundary change whereby rating revenue is lost the merged council should be allowed to immediately recoup this lost income.

16. During the rate path freeze period, should merged councils only be able to increase base amounts and minimum amounts each year by the rate peg (adjusted for any permitted special variations)?

No. Merged Councils should be allowed to apply for changes to minimums and base amounts in preparation for equalisation.

17. During the rate path freeze period, should merged councils be able to allocate changes to the rating burden across rating categories by either:

- relative changes in the total land value of a rating category against other categories within the pre-merger council area, or
- the rate peg (adjusted for any permitted special variations)?

No, this is too simplistic and does not take into account existing council rating structures and how the rating burden is proportioned within individual Councils.

18. Do you agree that the rate path freeze policy should act as a 'ceiling', so councils have the discretion to set their rates below this ceiling for any rating category?

Yes, this option allows councils to apply their rating structures & equitably spread the rating burden.

19. What other discretions should merged councils be given in setting rates during the rate freeze period?

Councils should be able to commence rate equalisation from year two of the merger. There should be transitional legislation implemented.

20. We considered several options for implementing the rate path freeze policy. Our preferred option is providing the Minister for Local Government with a new instrument making power. What are your views on this option and any other options to implement the rate path freeze policy?

We have no objections regarding the Minister being provided a new instrument making power for the duration of the rate freeze period to facilitate some certainty around the rate freeze path as it would be both efficient and equitable to all merging entities so that none are disadvantaged if methodologies require change.

21. Should changes be made to the LG Act to better enable a merged council to establish a new equitable system of rating and transition to it in a fair and timely manner? If so, should the requirement to set the same residential rate within a centre of population be changed or removed?

Yes. The reference to Centre of population etc. should be removed.

22. Should approved special variations for pre-merger councils be included in the revenue base of the merged council following the 4-year rate path freeze?

Yes, Approved SV's of merging Councils should be included in the revenue base of the merged Council going forward as the financial projection of the merged entity has already included this income.

Cancelling unapplied SV's would impose an undue burden on the merged entities.

23. What other rating issues might arise for merged councils after the 4-year rate path freeze period expires?

We are unable to predict what might happen after the expiration of the 4 year rate freeze.

Merged Councils should have a re valuation in year two so all properties are on the same valuation base date by the expiration of the 4 year period.