

Review of the Local Government Rating System - Comments

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Taxation principles		
1 Do you agree with our proposed tax principles? If not, why?	15	Yes
Assessing the current method for setting rates		
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?	20	<p>Council recommends the continuing use of Unimproved Value (UV). Further, given the NSW Government's role in comparing the performance of Councils it would make more sense to ensure that rates are determined on the same basis by all Councils rather than allowing options for adopting differing methodologies. Given communities' general misunderstanding of the rate determination process adding a new valuation basis will not improve that understanding.</p> <p>There are many issues to be resolved if a move to a Capital Improvements Valuation (CIV) methodology was adopted. Within each Council area there are differing levels of development/alterations and additions etc taking place every year.</p> <p>If CIV were adopted as the valuation method, It would be necessary to revalue each property annually to reflect the level of development/ redevelopment that is taking place. However, this is a costly and administratively demanding process overlaying the determination of a relatively low household bill. As an example, the average rate in Mosman for 2016/17 is \$1,375 or \$26.36 per week. Simplification of the process is preferred.</p> <p>As Mosman is the fifth highest rating Council in NSW it can be safely assumed that the majority of ratepayers in NSW pay less or significantly less than this amount for their residential rates.</p>
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	20	If the NSW Government is to use a particular valuation method for charging the proposed Emergency Services Levy and continue to charge councils for the NSW Government Planning and Environment Sydney Regional Development Fund

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in Victoria and Tasmania)?		Levy and the basis of the NSW Land Tax which are all based on a Land Value determined by the Valuer General's property services then all councils should use these services to cut down on costs and to ensure a common valuation structure.
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?	22	<p>Given the additional servicing that flows from multi-unit dwellings compared to a single dwelling, such as parking, community services, library, sporting facilities etc it is essential that Councils be given the capability to ensure that an adequate level of contribution is obtained. Lifting the limit on the base amount from 50% to say 70% will allow each Council to access and address the impact of multi-unit dwellings in their area and establish an appropriate contribution level.</p> <p>Effectively under this structure higher valued properties will continue to pay more than the lower valued properties however with an increased base amount in place a fairer level of contribution from every property will be achieved.</p>
5 What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide?	23	By adding different rating categories such as a multi-unit residential category a higher level of complexity will be created. The issue of determining the level/number of units that would be categorised as a multi-unit category would be controversial. The owner of a property that is just above the determined border would be disenchanted and aggrieved by that decision. Whilst this may assist with determining a better contribution rate from this group of ratepayers it is considered that this objective would be more simply achieved by raising the maximum base amount limitation to 70%. An increase in the base rate maximum will allow each Council to determine for its area the most equitable threshold.
6 Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities?	24	Unless base rating is used the current system is not equitable and efficient. Increasing the maximum base rate will further improve the situation.
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?	25	<p>The Local Government Cost index has a major flaw in using the State's public sector wage index. Local government has its own award base and this has varied significantly from the NSW public sector index adding a significant productivity impact every year that is compounded.</p> <p>Rate pegging does not effectively deal with growth in the number of ratepayers. Where there is a significant increase in the number of residential properties each year, the cost of service provision escalates. The current rate peg does not</p>

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		<p>recognise the actual increased expenditure required to cover these costs.</p> <p>In respect of applications for special variations, providing Council adheres to set requirements, in particular community consultation and the community's level of acceptance, there should not be a need to then obtain IPART approval.</p>
8 What changes could be made to the rating system to better encourage urban renewal?	26	It is difficult to relate how the rating system would either encourage or discourage urban renewal. Rates are paid by property owners not developers. The market place encourages urban renewal.
9 What changes could be made to the rating system to improve councils' management of overdue rates?	26	<p>Overdue rates could be managed more effectively if the quarterly instalment due dates were brought forward by a month providing a greater time frame to issue reminder notices to ratepayers who have failed to pay their final instalment prior to the end of the financial year.</p> <p>The adoption of the New Zealand practice of the ability to enforce payment by a mortgagee after rates being overdue by 12 months would assist in the recovery of rates in many circumstances.</p> <p>The current collection methods are cost effective from Council's point of view.</p>
Assessing exemptions, concessions and rebates		
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?	33	<p>The adoption of the New Zealand practice of the ability to enforce payment by a mortgagee after rates being overdue by 12 months would assist in the recovery of rates in many circumstances.</p> <p>The current collection methods are cost effective from Council's point of view.</p> <p>In any circumstance where the non-rateable institution uses any part of its property portfolio to generate commercial income or where the property is used for residential purposes, the portion of the property used for these purposes should be liable to rates.</p> <p>It should be incumbent on non-rateable institutions to lodge an annual declaration confirming the use of the property. The Act should be amended to require this and to provide penalties where false declarations are made.</p> <p>Within the Mosman Council area there are two large residential properties owned</p>

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		by religious/charitable organisations which advertise as 'affordable luxury' accommodation. The residents of these properties pay a substantial amount to live there and as they use Council's services no differently to similar residents in adjoining premises these properties should be paying rates.
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?	33	The current exemptions should be maintained. If the exemptions are not maintained then all Government properties should be required to pay Council rates.
12 What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?	35	The pensioner concession should be for low income/asset poor property owners. Any rate concessions given for eligible ratepayers should be determined and fully funded by either the Australian or NSW Government. The rebate should be increased annually in line with movement in the Consumer Price index.
Freezing existing rate paths for newly merged councils		
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?	36	<p>Yes. Mosman Council has a rating structure comprising of a 50% base amount and an ad valorem for residential ratepayers and a 40% base amount and an ad valorem for business ratepayers. The other Councils in the merger that had been approved in principle by the Government have a rate structure comprising an ad valorem and a minimum rate.</p> <p>Mosman Council would expect that its current rate structure will be maintained with annual rate peg increases over the next four years. The concern is however, that it appears that a rate freeze would mean exclusion from any general legislative rating changes applicable to all other non-merger Councils, such as an increase in the base amount limitation. Under the freeze this would not be available to merged councils. This is considered an unfair position as some ratepayers within a merged Council will not be able to benefit from a more equitable sharing of the rate burden.</p>

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<p>14 Within the rate path freeze period, should merged councils be permitted to apply for new special variations:</p> <ul style="list-style-type: none"> - For Crown Land added to the rating base? - To recover amounts that are 'above the cap' on development contributions set under the <i>Environmental Planning and Assessment Act 1979</i>? - To fund new infrastructure projects by levying a special rate? 	39	<p>Yes, however for the following reasons this would not occur until year three of the new Council.</p> <p>In the first year of operations of the merged Council in 2016/17, a new elected Council will not be in place. It is not considered appropriate that the interim administration should develop a new suite of integrated plans and expect the new Councillors to accept them and move on a matter so fundamentally important to its operations and its service delivery expectations.</p> <p>The newly elected Council will be focussed on developing its Community Strategic Plan for the combined entity, undertaking community consultation and developing an understanding of the issues before it over the broad spectrum of operations. Significant decisions will be required to ensure harmonising of service delivery across the new area.</p> <p>Further, the community (and IPART) would expect a high level of consultation to be undertaken to support any application for a special rate variation. Effectively this means at the earliest any consideration for the need for a SRV application would need to be for the 2018/19 rating year - being year three of the operations of the new Council.</p> <p>Without detailed background knowledge of the merger partners' infrastructure issues Council cannot comment in terms of the need for a SRV within the four year timescale.</p>
<p>15 Are there any other situations where merged councils should be able to apply for new special variations within the rate path freeze period?</p>	39	<p>Given the comments above, a catastrophic failure of infrastructure should permit an urgent SRV to be lodged. Where there is such a failure the rules covering SRV applications should be relaxed.</p>
<p>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)?</p>	41	<p>No, they should have the flexibility if already using base rates to increase their base rate percentage up to the maximum if they wish to do so.</p> <p>Councils already on the maximum base rate of 50% would however be unable to increase the base amount by more than the peg unless this maximum is also increased.</p>

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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)?	41	<p>Yes. Council under the current legislation is able to move the burden between rating categories. It would appear that the proposed rate freeze would prevent this.</p> <p>Issues arise where the actual use of a property changes. For example where a number of commercial/retail properties are demolished and rebuilt as high density residential properties. The relative funding proportions of each rating category should change to match this move. Alternatively, an adjustment to the rate in the dollar to ensure the same level of contribution is received from each rate category would be required. The opposite also occurs where a residential property is turned into a property used for commercial purposes ie medical practice, real estate agency etc.</p>
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?	41	Yes. The provision of the option would allow a merged Council, if it had the funds to do so, to lower the rates in one Council area to equate closer to the adjoining council.
19 What other discretions should merged councils be given in setting rates during the rate freeze period?	41	<p>If there is a general legislative change under the <i>Local Government Act</i> to increase base amounts above 50%, then this should be permitted.</p> <p>Merged Councils should also be able to commence rate equalisation earlier than year four of the new council subject to common valuation base dates being applied.</p>
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?	44	IPART's proposal for a new ministerial instrument is an acceptable interim step.
<p>Establishing new, equitable rates after the 4-year freeze</p>		

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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?	48	<p>Yes. Where the level of services are the same across a council area the one residential rate should apply, however if this is not the case then the council should be able to set a different residential rate.</p> <p>Unfortunately as rating levels vary between councils there will be friction in some areas of the merged council where ratepayers have to pay more to offset previously lower rates in their merged partners. The transitioning should start earlier than four years as it only prolongs the eventual disharmony.</p>
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?	49	<p>Yes. Each council will have an established rate base for 2016/17 and projected forward in a long term financial plan to meet the needs of that council area in particular to address infrastructure backlogs. The funding for those backlogs should not be a burden on the other pre-merger ratepayers.</p>
23 What other rating issues might arise for merged councils after the 4-year rate path freeze period expires?	49	<p>The determination of which property system software supplier will best be able to consolidate the property information from all merged councils and be able to comply with rate peg requirements and any new valuation basis that might be adopted without a major software rewrite.</p>