

Pittwater Council comments on IPART Issues Paper - Review of Local Government Rating System

No	Issue on which comment is sought	Pages	Comments
	Taxation principles	13 -15	
1	Do you agree with our proposed tax principles? If not, why?	15	Yes council agrees with IPART's proposed tax principles; however some form of weighting could apply to the benefits principle and capacity to pay principles.
	Assessing the current method for setting rates	16 - 26	
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>The review of using UV for assessing rates has been raised because of inequities when levying rates on apartment buildings. Most strata units within a building are levied a Minimum Rate despite very different market values of those units. This inequity could be addressed by introducing new sub-categories of the ordinary residential rate rather than moving to CIV for assessing rates.</p> <p>Council believes the use of UV should remain the basis for assessing council rates. The use of UV is the current method and accepted by owners. A move to a new system would incur costs. More frequent valuation updates would be required if using CIV (e.g. when an owner adds improvements to the dwelling). The use of CIV may be a disincentive to the owner to add improvements.</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 in Victoria and Tasmania)?	20	The service currently provided by the Valuer-General adequately meets council needs and should be retained. Giving councils the option however of choosing a private firm is not opposed.
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	No change needed. Minimum amounts can already be increased above the legislated amount by application to IPART.

5	What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide?	23	<p>Further sub-categories for residential and business categories should be introduced.</p> <p>Residential category – for apartment building developments (strata title units); for vacant land; for secondary-dwelling properties (that cannot be subdivided).</p> <p>Business category (being the ‘catch-all’ category) – for example recreational clubs; small strata title storage units.</p>
6	Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities?	24	There may be very different rating burdens across communities; however these are not caused by the current rating system. It is up to each council to determine the amount of rating income required each year (within the rate peg and SRV limitations).
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	Council believes the current special variation process works effectively and efficiently, and accordingly no change is proposed.
8	What changes could be made to the rating system to better encourage urban renewal?	26	
9	What changes could be made to the rating system to improve councils’ management of overdue rates?	26	<p>The paper seems to indicate councils are clogging up the local courts with litigation for debt recovery, and that councils could alternatively offer more flexible payment options.</p> <p>Councils already offer alternative payment arrangements to the four legislated due dates. The majority of councils send several reminder letters encouraging owners to contact council to make alternative arrangements should they be in financial difficulty.</p> <p>The local courts have recently significantly increased the filing fee for summonses. Accordingly, most councils will only go to litigation when the overdue rates amount is several hundred dollars and includes two overdue instalment amounts (i.e. the debt is over four months overdue for payment).</p> <p>Using the local court for debt recovery is the <u>last</u> resort, not the first.</p>

			<p>Unlike water and electricity utilities, councils cannot motivate owners to make payment by reducing or ceasing the provision of goods or services.</p> <p>Interest charges on overdue amounts could be set at a higher rate than presently occurs in order to motivate owners to pay. (Noting that council can already reduce or write of interest where acceptable payment arrangements are adhered to.)</p>
	Assessing exemptions, concessions and rebates	27 - 35	
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	In order to achieve competitive neutrality, rate exemptions should cease to be available to owners who use land that vies with the private sector. Examples in the Pittwater area include retirement villages and child care centres. A specific example is an exempt owner running a large retirement village which if rateable would contribute \$32,000 in rates income this year. This not only gives the owner a competitive advantage but requires the remainder of ratepayers to carry this financial burden every year.
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	
12	What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?	35	<p>Maintain the real value of the pension rebate over time by increasing it each year by (say) the rate peg.</p> <p>Additionally, change the funding source so that it is in line with every other state in Australia, i.e. 100% funded by the state government.</p>
	Freezing existing rate paths for newly merged councils	36 - 44	
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	36	Council agrees with this interpretation; however it is noted that the NSW Government's aim to provide rating certainty for four years will be challenging given that new land values are typically provided

	trajectory as if the merger had not occurred. Do you agree with this interpretation?		<p>to councils every three years. The impact of assessing rates on new land values always results in significant movement (up and down) in individual rate assessments.</p> <p>Additionally, there will be numerous instances where merged councils are currently using different base date land values which inevitably will need to be harmonised, again resulting in individual rate assessment movement.</p> <p>Inequities will also occur where already approved SRVs result in some areas of the new council having higher rate increases than other areas that increase rates by just the general rate peg.</p>
14	<p>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	Yes, councils should be able to apply for a new SRV in each of these circumstances.
15	Are there any other situations where merged councils should be able to apply for new special variations within the rate path freeze period?	39	
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)?	41	This would seem appropriate in order to assist the NSW Government in achieving rating certainty for four years.
17	<p>During the rate path freeze period, should merged councils be able to allocate changes to the rating burden across rating categories by either:</p> <ul style="list-style-type: none"> - 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	This does not seem to be appropriate given the government's desire to freeze rate paths for 4 years.
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	The 'ceiling' is achieved via the rate peg. Councils already have the discretion to set their rates below the rate peg. If savings do eventuate from council mergers then councils will pass on these savings to the ratepayers by setting their rates below the rate peg.

19	What other discretions should merged councils be given in setting rates during the rate freeze period?	41	
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	This option would seem to be the most appropriate given the expeditious pace of the merger process. It will permit councils to legally levy rates and charges without the threat of a challenge by a ratepayer to the validity of the rates levy.
	Establishing new, equitable rates after the 4-year freeze	45 - 49	
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>The transition to a new rating system will be assisted by changes to rate exemptions and new sub-categories of rates. The current rating burden can be lessened on ratepayers if fewer rating exemptions are allowed.</p> <p>After the 4-year rates freeze, councils should be able to immediately implement changes to their rating structures. Given that there are no distinct centres of population within a metropolitan council's boundary, no change should be made to the sub-category 'centre of population'. All properties within the localities of a metropolitan council will have access to goods and services provided by the council.</p> <p>It is noted that ratepayers are already aware of and experience significant fluctuations in rates assessments when councils are required to assess rates on new land values every three years.</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	If the approved SRV was to add to the revenue base of the pre-merger council going forward, then yes this SRV should be included in the revenue base of the new council after the 4-year rate path freeze.
23	What other rating issues might arise for merged councils after the 4-year rate path freeze period expires?	49	