

10 May 2016

IPART
PO Box K35
Haymarket Post Shop
NSW 1240

To Whom It May Concern

RE: Review of Local Government Rating System - Issues Paper

I refer to the above and advise that at its meeting on 9 May 2016, Council was presented with a report on the *IPART Review of The Local Government Rating Systems Issues Paper* and:

1. Endorsed the lodging of a submission on the IPART Issues Paper based on responses outlined within Attachment 2 and the body of the report and
2. Delegated authority to the General Manager to finalise the submission

Please find a copy of both the Council Report and Attachment 2 as Council's submission to the Issues Paper.

Any enquiries should be directed to Council's Chief Financial Officer, Mark McDonald, on [REDACTED]

Yours sincerely



Debra Just
GENERAL MANAGER

ENGLISH

If you do not understand this letter, please come to Council's Administration Building and discuss the letter with Council staff who will arrange interpreter service. Alternatively, you may ring the Translating & Interpreting Service on 131 450 to ask an interpreter to contact Council for you. Council's phone number is (02) 9777 1000. Council office hours are from 8:30am to 5pm, Monday to Friday.

ARABIC

إذا لم تفهموا هذه الرسالة، يرجى الحضور إلى مبنى الإدارة في البلدية ومناقشتها مع موظفي البلدية الذين يترجمون لكم مترجماً. يمكنكم أيضاً الإتصال بخدمة الترجمة الخطية والشفهية على الرقم 131450 والطلب من مترجم الإتصال بالبلدية تلبية لكم. رقم هاتف البلدية 9777 1000 (02). دوام العيل في البلدية من الساعة 8.30 صباحاً حتى 5.00 بعد الظهر. من الإثنين إلى الجمعة.

ARMENIAN

Եթե այս նամակը չէք հասկնար, խնդրեմ եկեք Թաղապետարանի Վարչական Շենքը և նամակի պարունակությունն մասին խոսեցե՛ք Զաղաքապետարանի պաշտոնէության հետ որպէսզի թարգմանի սպասարկութիւն կարգադրեն: Փոխընտրաբար, կրնաք հեռաձայնել Թարգմանության Ապասարկություն 131450 թիւին և խնդրել որ թարգման մը ձեզի համար կապ հասարարի: Թաղապետարանին հետ: Թաղապետարանի հեռաձայնի թիւն է՝ (02) 9777 1000: Թաղապետարանի գրասենակի ժամերն են Երկուշաբթի:ն Ուրբաթ կա. 8.30 էլն կ.ե.5.00:

CHINESE

如果您看不懂這封信，請親臨市政府行政大樓 (Council's Administration Building) 與職員一起商討信件的内容，他們會替您安排傳譯服務。或者，您可致電131 450 給“翻譯及傳譯服務” (Translating & Interpreting Service) 請傳譯員替您聯絡市政府。市政府電話 (02) 9777 1000，市政府的辦公時間：星期一至五，上午八時半至下午五時止。

CROATIAN

Ako ne razumijete ovo pismo, molimo dođite u općinsku administrativnu zgradu - Council's Administration Building - i porazgovarajte o pismu s općinskim osobljem koje može aranžirati usluge tumača. Alternativno, možete nazvati Službu prevoditelja i tumača na 131450 i zamoliti da tumač kontaktira Općinski Odbor na (02) 9777 1000. Radno vrijeme Općinskog Odbora je od 8.30 ujutro do 5 sati poslijepodne, od ponedjeljka do petka.

ITALIAN

Se non capite questa lettera siete pregati di venire agli uffici amministrativi del Comune (Council's Administrative Building) e discuterla con il personale del Comune che organizzerà per voi un interprete. Alternativamente, potete telefonare direttamente al servizio d'interpretariato telefonico (Translating & Interpreting Service) al 131450 chiedendo che un interprete contatti il Comune a nome vostro. Il numero di telefono del Comune è (02) 9777 1000. L'orario di apertura degli uffici comunali è dalle ore 8,30 alle 17 da Lunedì a Venerdì.

JAPANESE

言語の違いでこの英文の連絡が読めない方は、市役所(Administration Building)で担当者とお話しください。担当者が通訳サービスを手配します。または翻訳通訳サービス(Translating & Interpreting Service 電話: 131450)の通訳に、あなたの代理として市役所(電話: 02 9777 1000)に連絡するようご請求ください。市役所の業務時間は月曜日から金曜日までの午前8時30分から午後5時までです。

KOREAN

이 편지를 이해못하실 경우, 카운슬 사무실 빌딩으로 나오십시오. 그리하여 카운실 직원에게 편지를 보이고 얘기하면 통역 서비스를 알선해줍니다. 또 다른 방법으로는, 번역 & 통역 서비스 (TIS)의 번호인 131450에 전화하여 통역이 당신을 위하여 카운슬에 접촉하도록 요청하십시오. 카운슬 전화번호는 (02) 9777 1000입니다. 카운슬 근무 시간은 월요일부터 금요일 까지, 오전 8시 30분에서 오후 5시까지입니다.

IPART REVIEW OF THE LOCAL GOVERNMENT RATING SYSTEM ISSUES PAPER

ATTACHMENTS:

1. IPART REVIEW OF THE LOCAL GOVERNMENT RATING SYSTEM – ISSUES PAPER (LINK ONLY)

[http://www.ipart.nsw.gov.au/files/sharedassets/website/shared_files/investigation - section 9 - legislative - review of the local government rating system/issues paper - review of local government rating system - april 2016.pdf](http://www.ipart.nsw.gov.au/files/sharedassets/website/shared_files/investigation_section_9_-_legislative_-_review_of_the_local_government_rating_system/issues_paper_-_review_of_local_government_rating_system_-_april_2016.pdf)

2. ISSUES SUMMARY

RESPONSIBLE OFFICER:

HELEN LIOSSIS - CUSTOMER & CORPORATE DIRECTOR

AUTHOR:

MARK MCDONALD – CHIEF FINANCIAL OFFICER

CITY STRATEGY LINK:

6.1.1 A COUNCIL THAT IS OPEN, ACCOUNTABLE AND REPRESENTS ITS CONSTITUENTS

MEETING DATE:

9 MAY 2016

Purpose of Report

The purpose of this report is to:

- Advise Council of the Independent Pricing and Regulatory Tribunal (IPART) Review of the NSW Local Government Rating System (as per link); and
- Seek Council's endorsement of the feedback for the Issues Paper to be submitted on behalf of Council 2016 (Attachment 2).

Background

The Independent Pricing and Regulatory Tribunal (IPART) is conducting a review of the Local Government rating system in NSW (the Review). The aim of this Review is to recommend reforms to improve rates efficiency and equity to ensure councils can implement sustainable fiscal policies over the longer term.

IPART has been asked to undertake this review under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* and in accord with the terms of reference (ToR) provided by the Premier. These ToR requested that IPART:

- “review the current rating system and recommend reforms that aim to enhance council’s ability to implement sustainable and equitable fiscal policy; and
- recommend a legislative or regulatory approach to achieve the Government’s policy that there will “be no change to the existing rate paths for newly merged councils for four years”.

In order to commence the process, IPART has released an Issues Paper and invited interested parties to provide written submissions by 13 May 2016.

The indicative timeline for the Review is shown below:

Milestone

Timeframe

Release Issues Paper
Hold Public Hearing

13 April 2016
26 April 2016

Receive submissions to the Issues Paper	13 May 2016
Provide Interim Report to Minister	17 June 2016
Release Draft Report	August 2016
Hold public hearing(s) in Sydney and possibly 1 regional town	September 2016
Receive submissions to the Draft Report	September 2016
Provide Final Report to Minister	December 2016

Council staff attended the Public Hearing on 26 April 2016. Feedback from the Public Hearing has been incorporated into this paper.

Overview of Willoughby City Council's Rating Structure:

Total Rating Yield:

\$46M collected from 31,046 rateable assessments.

Valuation Method:

Combination of Ad Valorem and Minimum rates calculated on the unimproved land value as provided by the NSW Valuer General.

Categories of Rates:

One Residential Category and five Business Categories.

In 2015/2016 there are 28,066 rateable residential assessments, with 60% paying the minimum rate \$768 (excluding Domestic Waste and Stormwater Levy).

Non Rateable Land Parcels:

688 land parcels with an unimproved land value of \$667M.

Annual Number of Pension Rebates

2050 pension rebates processed annually.

Discussion

The Review is seeking feedback on 23 specific questions in the following categories:

- Taxation Principles
- Assessing the current method for setting rates
- Assessing exemptions, concessions and rebates
- Freezing existing rate paths for newly merged councils
- Establishing new, equitable rates.

The specific questions raised and corresponding staff responses are included within Attachment 2.

The following information targets key questions from each category together with relevant commentary.

Taxation Principles:

IPART propose to use the following principles to assess the rating system: efficiency, equity, simplicity, sustainability, and competitive neutrality. This methodology is supported.

Assessing the Current method for setting rates:

The issues paper discusses elements such as:

- The valuation method to be used as the basis for determining ad valorem rates.
- Should Councils be given more choice in selecting valuation methods or should a valuation system continue to be mandated?
- Should Councils be required to use the Valuer General's property valuation services or are private valuations a preferred option?
- What changes to the Local Government Act need to be made to improve the use of base and minimum amounts as part of the rating structure?
- What changes could be made to rating categories/subcategories?

Commentary:

- The introduction of a capital based (improved land valuation method) to replace the current unimproved land valuation method is supported on equity and fairness principles.

For instance, under Council's existing rating structure, the penthouse in a multi-story development pays the same amount of annual rates with a unit on the first floor. With an improved land valuation system, the rating would be more equitable.

- The ability to sub-categorise residential areas that are not contiguous is supported.

This would allow councils more flexibility to rate in a fairer manner, that is, have different minimum or base rates for different areas, particularly in high rise areas. This would also allow councils to use base rates more effectively in place of minimum rates. Sub-categorisation of residential areas is important where mergers of metropolitan councils takes place. It would also allow flexibility where revaluations occur in larger amalgamated councils.

Assessing Exemptions, Concessions and Rebates

The issues paper discusses elements such as:

- Are the land uses currently exempt from paying council rates appropriate?
- 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?
- What should the objectives of the pensioner concession scheme be? How could the current system be improved?

Commentary:

- Council strongly supports the review of the non-rateable sections of the Local Government Act, 1993 with many of the sections considered to have lost relevance over time. Council's existing property system contains 114 parcels of non-rateable land owned by Churches, Private Schools and Public Benevolent Institutions with land values totalling \$149M.

Institutions such as Churches, Private Schools and Public Benevolent Institutions should make a contribution to rates within the Council area as they benefit from services.

The sections within this part of the Act need to be clearly defined to avoid costly court cases. The Act should make it easier for councils to rule on non-rateable claims.

- Council recommends that the current pensioner concession scheme be maintained. Council issues approximately 2,050 pensioner concessions annually.

It is considered that means testing for rebates would be difficult for councils to implement and maintain. Deferring rates would affect councils with a high percentage of pensioners and does not take into account pensioners leaving their estates to beneficiaries who may also be pensioners.

Freezing existing rate paths for newly merged councils

The issues paper discusses elements such as:

- The rate path freeze policy for newly merged councils is interpreted to mean that the rate path will follow the same trajectory had the councils not merged.
- Within the rate freeze period should merged councils be permitted to apply for new special variations?
- Other questions surrounding changes to base and minimum amounts only and changes to rate burdens by councils.
- Other discretions given to councils during the period.

Commentary:

- IPART's interpretation of the rate freeze policy accords with that of staff, namely to mean that in the four years after a proposed merger, the rating path in each pre-merger council's area will follow the same trajectory as if the merger had not occurred. Council considers that there is room for changes to the rating structure during this four year period in order to begin the lengthy transition to rate equalisation..
- Council should be able to change its rating structure accordingly during this period.
- Council supports the potential creation/levying of a special rate in a certain area of a newly formed Council if it has the appropriate level of support from ratepayers.

Establishing New, Equitable Rates

The issues paper discusses elements such as:

- Should changes be made to the *LG Act, 1993*, to better enable a merged council to establish a new equitable system of rating and transition to it in a fair and equitable manner?
- 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?

Commentary:

- The appropriate changes to the Act, to provide for a more equitable system of rating, is supported.

Conclusion

Council welcomes the Review of the Local Government Rating System and looks forward to providing further input to the process.

Attachment 2 to the report sets out the 23 Questions raised by IPART with officer response and is recommended to form the basis of the Council submission, together with information in this report.

OFFICER'S RECOMMENDATION

That Council:

- 1. endorse the lodging of a submission on the IPART Issues Paper based on responses outlined within Attachment 2 and the body of this report and**
- 2. delegate authority to the General Manager to finalise the submission.**

Attachment 2 - IPART

Review of the Local Government Rating System

ATTACHMENT 2

#	List of Issues IPART seeking comment on	Page No.	Willoughby Council Response / Recommendation
Taxation Principles			
1	Do you agree with our proposed tax principles? If not, why?	13-15	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?	16-20	A methodology based on the use of Improved Land Valuations should be implemented. The system whilst more difficult to maintain, would provide more accuracy in rating, particular with reference to high rise properties.
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)?	16-20	A cost efficient consistent approach is supported.
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?	20-22	The retention of both minimum and base rating is supported together with the allowance of more flexibility in rate categorisation.
5	What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide?	22-23	Council's need to have the ability to develop rating categories that are not centre of activities or contiguous. In residential metropolitan areas this would allow Council more flexibility to rate in a fairer manner – ie have different minimum or base rates for different areas particularly: ----in the case of strata plans. ----and where revaluations occur in larger (merged) councils. Council's should also have the ability to rate similar businesses (ie Child Care) within the Council area at the same rate (without separate categories for

			individual properties).
6	Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities?	24	See answer 2 for example.
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?	24-25	Whilst Council supports the mechanics of the current special variation process, newly merged councils should be afforded the opportunity to levy special rates for urban renewal projects with clear support of the community without the need to apply for an SRV.
8	What changes could be made to the rating system to better encourage urban renewal?	25-26	
9	What changes could be made to the rating system to improve councils' management of overdue rates?	26	A Council's demographics clearly plays a role in the level of outstanding rates. Council has adopted a Hardship Policy to encourage residents to seek assistance when required.
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?	29-33	<p>Council strongly supports the review of the non-rateable sections of the Local Government Act, 1993, with many sections considered to have lost relevance over time.</p> <p>Council's existing property system contains 114 parcels of non-rateable land owned by Churches, Private Schools and Public Benevolent Institutions with land values totalling in excess of \$149M.</p> <p>Institutions such as Churches, Private Schools and Public Benevolent Institutions should make a contribution to rates within the Council area as they benefit from the services.</p>
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?	29-33	Each case should be assessed separately.

12	What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?	33-35	<p>Council supports the retention of the current scheme.</p> <p>Means Testing: It is considered that it would be difficult for councils to implement and maintain.</p> <p>Deferral of Rates to individual Estates: Whilst the deferral of rates does not currently materially impact WCC, the deferral of rates to individual estates would affect councils with a high percentage of pensioners and does not address the issue of pensioners leaving their estates to a person who may also be a pensioner and the resulting impact on council.</p>
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	Agree.
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? 	37-39	Agree.
15	Are there any other situations where merged councils should be able to apply for new special variations within the rate path freeze period?	37-39	Only for those instances identified in Question 14.
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)?	39-41	The existing legislation should apply.

17	During the rate path freeze period, should merged councils be able to allocate changes to the rating burden across rating categories by either: <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)? 	39-41	Agree and Council considers that there is room for changes to the rating structure during the four year period in order to begin the lengthy transition to rate equalisation.
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?	39-41	Should be up to the discretion of the Council.
19	What other discretions should merged councils be given in setting rates during the rate freeze period?	39-41	Only those instances identified in Question 14.
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?	42-44	Hard to assess without further information.
Establishing new, equitable rates after the 4-year freeze			
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?	45-48	Agree.
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	Agree.
23	What other rating issues might arise for merged councils after the 4-year rate path freeze period expires?	49	The rationalisation of rates over a suitable period of time.