wollongong
city of innovation

WOLLONGONG CITY COUNCIL

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Independent Pricing and Regulatory Tribunal
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Date: 12 May 2016

Dear Sir/Madam

REVIEW OF THE LOCAL GOVERNMENT RATING SYSTEM

Please find attached Wollongong City Council's submission on the Review of the Local Government Rating System.

Please contact Council's Rates Manager, Tracey Walker, on [redacted] should you require further information.

Yours faithfully

[redacted]

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Wollongong City Council
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INTRODUCTION

Wollongong City Council ("Council") notes that, in undertaking its work, the Independent Pricing and Regulatory Tribunal ("IPART") was required to ensure that:

- the current rating system and recommend reforms that aim to enhance councils' 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"

This submission from Council responds to a number of recommendations in the paper. Set out below are Council's comments as they pertain to relevant proposal headings identified in the paper, as well as other matters we believe should be considered by IPART during this process.

TAXATION PRINCIPLES

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

It is generally agreed that the stated key tax principles of efficiency, equity, simplicity, sustainability and competitive neutrality reasonably represent a set of parameters for the review of Local Government rating legislation and systems. The tax principles expressed will provide varying arguments in many circumstances that will require judgement and compromise to achieve optimal outcomes.

Historical principles of 'capacity to pay' and 'user pays' are included within the principles, although expressed differently, which may add some confusion or require additional explanation. It is considered that the historical terminology is reasonably well understood and may still have some value moving forward.

ASSESSING THE CURRENT METHOD FOR SETTING RATES

2 What valuation method should be used as the basis for determining the advalorem 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?

Council considers that there is potential benefit and issues with the two main valuation methods proposed, being unimproved land value (UV) and capital improved value (CIV). The arguments expressed in the issues paper provide reasonable background to explain some of these issues.

It is agreed that there are 'equity' and 'ability to pay' arguments that the distribution of rates based on UV between single dwelling property and multi dwelling housing, strata plans, or residential flat buildings is unbalanced in some areas. There are potentially some counter arguments that such benefit towards higher density is acceptable due to lower costs of servicing and potential sustainability advantages of such development. It is not necessarily considered, however that rates are an effective determinate or influencer of development and usage patterns due to the relative low cost of rates compared to development and accommodation expenses.

The panel's view at 4.1.4 that 'CIV method would be preferable in selected local government areas' and that 'councils could use them for multi-unit dwellings only', ignores the potential that the application of CIV better represents the "ability to pay' principle in areas where there has been significant growth in land value, such as in the northern areas of Wollongong and other seaside properties. In many instances, this has created circumstances where the owners of land, who have become 'asset rich' due to UV property values, but have remained 'cash poor' due to limited incomes, are being assessed as having 'ability to pay'. The application of CIV may represent a better assessment of this principle. Alternatively there is an economic view that such costs may 'drive' better economic use of the land by forcing low usage users to sell land. Such a view would be at odds with some social expectations in the community. *[A residential property at Wombarra that had a land value of $325,000 in 1998 is currently valued at $1,920,000 this property seems to have been a family home for quite some time and is currently in the ownership of two pensioners with an ordinary residential rate of $6,305.47 before pensioner concession rebates are applied. This compares to an average annual rate of $1145. Conversely, another example of a residential property at Scarborough is a property with a UV of $194,000 (at the base date of 1 July 2013) that was purchased for $735,000 and has an ordinary residential rate of $1,236.]*

Another of the perceived benefits of CIV is the potential for improved ratepayer understanding of the values applied to their property for rating purposes. The current UV is not well understood (other than for new land releases) by the ratepayer. It is possible that the use of CIV which would better represent market value would improve this understanding and allow ratepayers to be better informed, in reviewing values provided for rating and other purposes. This may create higher levels of challenge to valuations which in turn may provide greater level of accuracy over time in valuation data.

While the perceived benefits of CIV application for rating purposes is generally understood, there is no single database that currently exist and capturing such data would be complex and expensive. The NSW Valuer General, Simon Gilkes at the IPART Hearing 26 May 2016 indicated that there were costs in the tens of millions of dollars in setting up initial data requirements and that there would be additional costs in collecting and maintaining improvements on an ongoing basis. If the cost of this information creates complexity that increases the cost of rating, which is currently very efficient, then further consideration of benefit would be required.

In broad terms it is considered that there is benefit in providing councils with greater control, flexibility and accountability through its Revenue Policy and the application of a rational set of rating options that best suits its local community and its circumstances. On this basis it is argued that the options of assessing and applying either UV or CIV across the LGA or for specific categories or sub-categories would be a positive step.

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)?

It is considered that there are advantages to having a state wide and centralised service that provides a high degree of consistency in quality and pricing for all councils. It would appear that the current centralised system allows multiple levels of Government to use the same data for existing and future taxing purposes which creates level of efficiency.

At the same time it has been shown over time, that creating a competitive market place for services, can improve both cost and quality of service. A competitive market would require additional costs in the procurement process and could create inconsistency in pricing and quality across the state and between contracts within one Council.

On balance it would appear that the current centralised provision of service has provided reliable and consistent delivery and based on broader use across Government may remain a viable model. It is considered if such decision is made then there should be a higher level of oversight of pricing and service delivery provided by the State Government through IPART and the Auditor General respectively.

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?

Wollongong Council currently has base amounts for residential and minimum rates for business. Base amounts for Residential property has been applied to better balance the 'ability to pay' and 'user pay' principles in our area. Wollongong has a wide variation in land values defined by significantly higher values in the northern suburbs and sea side properties and then lower values in the southern and western suburbs. Historically this distribution has been significantly impacted by varying cycles in the changes to valuation, where inevitably the northern suburbs increase significantly in one valuation cycle and the southern areas increase in the following valuation cycle. This pattern creates increasing and decreasing rate patterns across the LGA from one valuation to the next. The application of a 50% base charge created greater 'equity in rates' and sought to dampen the variation created by valuation change from one valuation cycle to the next.

Wollongong Council, like 11 other councils in the State, applies a 50% base charge and would agree that the 50% limit is a restraint to consideration of optimal rating outcomes. It is agreed, in line with the principles espoused that rating should not be a fixed charge and that the base cannot be fixed at 100%, although there is some policy argument that a higher percentage (say 70%) could be applied to improve rating outcomes in full consideration of local circumstances. This increased based percentage would allow greater flexibility in harmonising rates after amalgamations where there are disparate values across the new area.

Wollongong City Council has determined in the past that the application of base charges to Business and other rating categories is not optimal. Unlike Residential properties that are considered relatively homogenous in terms of benefit of Council services, the variations in Business properties and their use of services, size impacts on community and environment etcetera is vast. Wollongong's business community is very diverse, ranging from very heavy industrial lands, steel mills and port operations to very small light industrial sheds and corner shops. The application of base charge on these categories would create a significant redistribution to the lower to medium valued properties that are generally typified by organisations with lower capacity to pay.

Council would argue strongly that the current minimum charge which allows a manageable entry rate payment, that is commensurate with basic service levels provided, should be maintained. Council agrees in principle, that the level of minimum rate should be a Council revenue Policy decision that is made in conjunction with its community through the Integrated Performance reporting process.

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

The current categorisation system allows for four types of rates, being Residential, Farmland, Mining, and Business. The current premise under the LGA, that a Business property is one that does not fit within the other three categories, creates some anomalies at Wollongong City Council and presumably other areas. Land that is undevelopable due to environmental sensitivity, size, zoning, and etcetera must be classified as Business. This terminology creates confusion with owners who cannot operate a business on the land, and also creates further issue, where minimum charges impose an unfair burden on the property owners, where the land has little real or assessed value. Alternatively the elimination of minimum rates for the category would significantly distort the distribution between 'real business' properties.

Two options available would be to allow sub-categorisation of business rates, by means other than 'Centre of Activity' as these properties are numerous and spread throughout the LGA, or by creating a new category for "Other" property (preferred as this will overcome terminology issues associated with being classified as Business).

At Wollongong, we have a large number of properties that are zoned environmental or recreation, the zoning allows residents, but the owners are unable to build on the property due to size and other restrictions. Correct application of the LGA, arguably requires these to be classified as Residential as they are vacant and zoned to allow residents. It is considered that such property should be classified into a new 'Other' category, to better represent the principles of rating to be applied in this instance. This may require some review of the definition and requirements of Residential categorisation, to look beyond the zoning of vacant land to its practical application.

Council considers that the current sub-categorisation rules applied to Business rates that allows subcategories to be created, based on 'Centres of Activity' restricts the application of equitable rating structures across our city. While Council has 'Centres of Activity' that are differentially rated, it is apparent that the broad area based approach, has unintended consequences due to variability of usage within a defined area. By way of example, the Port of Port Kembla area which has a very high concentration of heavy industry will still have pockets of lighter and less costly business within. This could include retail to support the industry or light industrial business that has grown up amongst the larger operations. These properties are rated at similar rates due to proximity, where the underlying principles of the historical higher rates were based on community impacts, cost to service and ability to pay. To overcome such issue, it would be argued that greater flexibility is required in sub-categorisation to allow 'use' as well as 'Centres of Activity' to be used for moulding a rating policy that fits local purpose. Similarly heavy industrial lands that are spread across the Council area and do not easily represent a 'Centre of Activity' could be rated according to 'use' to better distribute rates based on cost and impact on community.

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

As defined within the Issues Paper, this question relates to the equity and efficiency between different local government areas. Council would agree that the provision and levels of service and amenity provided by a Council, may differ from one area to another and that it is the domain of each community to determine with their Council, the level of service and funding required to operate at that level.

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?

Councils should have the autonomy to manage their own affairs in consultation with the community through the Integrated Planning Report of the Annual Plan and Revenue Policy. Rate pegging and special variation process are instruments of the State Government that do not currently exist in other jurisdictions and should not be applied in NSW.

Should the removal of rate pegging not be achieved, then councils should be able to consult with community, through the IPR process to set its rate increases up to a nominated level above a rate peg over a period of time. Such increase would require specific consultation and outcomes of consultation to be agreed by Council and should be limited over a period of time.

Where councils are required to seek variation above a limit set by the State, the assessment of such request by IPART should be based on the existing IPR statements and consultation process without the need for further application. Should the current IPR process not provide sufficient information for IPART, the requirements should be changed to allow information to be available for the community and IPART through one process to create efficiency in the process.

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

Council agrees that there are currently special rating powers that could be used in providing specific funding to assist with development, although this is currently subject to rate pegging, which increases the cost of establishment of such schemes.

Consideration of creating changes to behaviour through rate policy is considered to be limited due to the relative impact of rates on owners against other costs of development and accommodation. Concepts that have been raised in the past, such as creating desire to relocate retirees or others out of the larger houses to downsize and allow redevelopment of greater and more efficient housing supply, do not appear feasible as the non-rate costs such cost of selling (sales tax, removal etcetera) far outweighs the cost of rates impost.

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

The issue paper makes comment to the Department of Justice communication on 5 April 2016, of over 80% of claims are for amounts of $2,000 or less, to some councils this could be more than two years of rates. Wollongong City Council believes it, along with many other councils, has fair and equitable recovery policies that allow considered and reasonable options for ratepayers. Most if not all councils, including Wollongong,

have clear hardship provisions that already allows for special circumstances where immediate payment is not possible.

Unlike utilities service providers, councils are not able to withhold service to encourage communication and or payment from its ratepayers and are sometimes left with a last resort option to commence legal recovery action through the Civil Procedures Act. Such action is only taken after billing, reminder notice and final reminder notices are issued and satisfactory arrangements have not been made. Usually this relates to no contact at all, as most people who contact Council can make satisfactory arrangements. Wollongong uses legal action as a last resort and has recently changed its legal recovery limit from greater than $500 to greater than $1,000. Based on Wollongong's local area, this amount generally reflects more than one instalment outstanding, which represents a six month delay in payment.

It is considered that recovery of rates is important to provide equity in the rating system, to ensure all people provide payments towards Council activity and that the relative cost of collecting that contribution is reasonably consistent. The cost of recovery of non-payment is high, and councils do struggle with obtaining contact details as not all residents are listed in the phone directory, and there are limited search/tracing options available to Council. Council would like to see legislative requirements to ensure that conveyancers are required to enter contact details, when lodging a notice of transfer with Land Property Information and they appear on the Notice of Sale that is submitted to Council. It is considered that more traceable contact details through government registers, such as licence or electoral roll could be legislated into the rates process to improve efficiency, and other options to allow improved communication through technology such as phone and email could be legislated.

Under s564 of the Local Government Act, Council may enter into a Payment Arrangement with any ratepayer with interest applicable. The current payment structure of quarterly instalment with set due dates, creates difficulty in structuring flexible payment arrangements within that context. The argument that this current quarterly instalment legislation could be removed to allow for regular billing, however, if that is not achieved, it is contended that options for payment arrangements that allow multiple frequencies (preferably through direct debits/credits) could be initiated without interest under the legislation.

Under s566 Accrual of interest on overdue rates and charges is the only penalty for late payment. This interest charge is minimal over a one to two month period and is therefore not a strong incentive for timely payment. / It is suggested that a late payment fee as a first option for non-payment would be more effective. Interest charges would continue to accrue after a period for non-payment penalties set within Council's Revenue Policy. This methodology better reflects the cost of pre-legal recovery processes such as 'reminder' and 'final notices' and therefore provides better equity in the rating process through a user charge.

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?

Exemptions from rates are considered to be a valid part of a rating system, based on the principles of rating and presumably with principles that would apply for other systems that interact with the Council rating system. It is contended that the principles of 'Public Good' that give rise to the need for rates for Council services is equally relevant for services provided by other organisations. The cycle of internal taxes between layers of public good providers, adds to the inefficiency and cost of delivery of such services. This is premised on the basis that such exemption for public good does not distort competitive neutrality or simplicity requirements.

Under s554 all land is rateable unless exempt from rating as defined within s555 and s556 of the LGA. The issue paper has reported the below as the main land uses that are exempt under the two sections of the act.

- Crown land
- National parks and conservation areas
- Water corporation land
- Land used for religious purposes
- Land used for schools
- Land vested in an Aboriginal Council
- Rail infrastructure land owned by a Public transport authority
- Land used for oyster cultivation
- Public places
- Public charities or Public Benevolent Institution
- Public hospitals
- Universities
- Special listed groups
- Cattle dipping

In our opinion the predominant consideration in the application of exemptions should 'the use of the land' and not the 'ownership of the land'. While some categories of exemption currently include this differentiation, it is not consistently applied across all exemption types, which leads to distortion in competitive neutrality and potentially in the benefit principle.

The review identifies at 5.1.2 a number of reasons that could be appropriate to remove exemptions for a land use being:

- Where the exemption does not provide sufficient public benefit for the local community
- Commercial activity is being carried out on the land
- The use of the land is contributing to substantial extra costs for Council
- The land owner is receiving substantial private benefit from Council services

It is considered that these principles could be effectively applied in considering the use of the land and portions of land to negate broader exemptions, in the same way that is used for leased crown land or commercial uses on properties owned by religious currently.

While accepting these principles it is argued that a 5th element to non-exempt use should be added;

- Land that is predominately used for residential purposes

There is a broad and growing existence of residential use that has gained exemption on the basis of ownership of land in Universities, public land, charity and benevolent institutions. The existence and continuing emergence of these uses on exempt property seek to distort the competitive neutrality principles and distort who is paying for the public good provided by councils. It is argued that the prominent public good provided by Council is the provision of services for residents within the local area. The growth of residential use that is exempt from this payment is at odds with the principles espoused.

Wollongong City Council has a background with strong ties to heavy industry within the ports and steel industry and historically Council has had to support services for this function at higher levels in some instances and has been able to rely on the capacity to pay of these industries contributing to the community good. The steel industry is diminishing, which has potential to shift the rates burden onto the remainder of the community. As the area of heavy industrial is slowing, the growth industries in the area are our university, education, health, 'aged' housing, much of which is subject to exemption.

In addition to the growing number of 'aged' housing there have been some changes and a growing potential risk of Public Housing moving towards delivery by Charities or Public Benevolent institutions, such as Community Housing Trust, that are seeking exemption for housing that was previously rateable in the ownership of the State Government. After the recent appeal in the Supreme Court for the Community Housing Limited – v – Clarence Valley Council, Wollongong was approached from Illawarra Community Housing resulting in 69 properties now being exempt to the total of $79K.

The number of properties under exemptions are also increasing within the areas of University Of Wollongong (UOW) where an Innovation Campus has been built and commercial business are operating in 'partnership' with the University. The broad exemption, without the application of appropriate 'use' provisions, appears to be distorting land use principles and may be impacting other urban development objectives by redirecting some services from the CBD. The application of non- exempt use provisions to broad ownership exemption provisions would require a separate valuation in order for the area to be rated, as it would be considered that portion is non-exempt as it is commercial activity being carried out. *[The Innovation Campus property has currently a UV of $1.35M and would be charged the business commercial rate of 0.01778785 resulting in $24k in rating revenue. Under a CIV valuation application it is considered the relative contribution of this site would be more substantial.]*

Some of the potential changes to exempt status have the capacity to increase the cost of maintaining data for the rating system, although there is some cost in the exemption process already. There is also a lack of clear accountability for reporting changes to exempt status and a lack of understanding. Providing incentive or impost for non-compliance in reporting of changes and clarifying the backdating of unreported changes would assist in ensuring better rating outcomes.

It is considered that transparency, accountability and understanding of exempt property information could be improved by the use of rebate rather than exemption on property. This could also be met to some degree by a requirement to issue rating notices on exempt land. The added provision of allowing flexibility in exemption, though variable levels of rebate is also an option that could be reasonably accommodated in a well-considered and articulated Revenue Policy. A potential downside in increased cost of managing across all property types would be that all properties would need to be held and valued with Council property data. It would be common that properties such as roads, railways, State forests and parks, Council parks, beaches etcetera may not be currently held and may not be valued. It is argued that, providing for some categories of land to be exempt and other categories to be provided benefit through rebate, may be a good compromise.

The LG Act does not currently define Charity for exemption purposes. This leaves the interpretation of this to common law. The current levels of confusion, legal issues and cost in administering this issue should be clarified through appropriate definition and linkage to reliable external register for determination.

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?

It is considered that the same 'public good' principles espoused for rating exemptions should be applied to intergovernmental taxes. Effectively where property is held, or services are provided, for a public good, it would not add value to add a taxation burden to the intergovernmental cycle. This type of impost would merely add to the redistribution of wealth, through multiple levels of indirect taxation, that is harder to manage and more complex to achieve appropriate outcomes.

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

The current mandatory rebate of $250 in NSW is the only pensioner rebate scheme in Australia that requires funding by the local community through rates. It has been well argued in the review and previously that this is not the optimal outcome for local communities. The inequality in this is exacerbated in seaside areas such as Wollongong that has higher and increasing pensioner representation than many areas.

It would also be argued that if a Pensioner rebate is to remain in the rating system, then there needs to be an appropriate increase in the level of rebate to keep pace with real costs and should be funded by either the state or federal government.

The South Australia model of a rates deferral that allows retirees, above a certain age, to postpone their rates is one that is attractive to Wollongong City Council as an option. Council currently provides deferral options for pensioners under sections of the LGA that are not completely satisfactory, so specific provision for this would reduce the cost of administration. The provision would be required to override s712 of the LGA (20 year limit on recovery of rates) and would need to stipulate that the deferred rates are considered as a charge on the land, and only be applicable to those above the legislative retirement age. It is considered that such a system should have interest charges based on an external borrowing indicator (plus an administrative margin), that would be less than the penalty interest rate applied for non-payment of rates in the recovery process.

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?

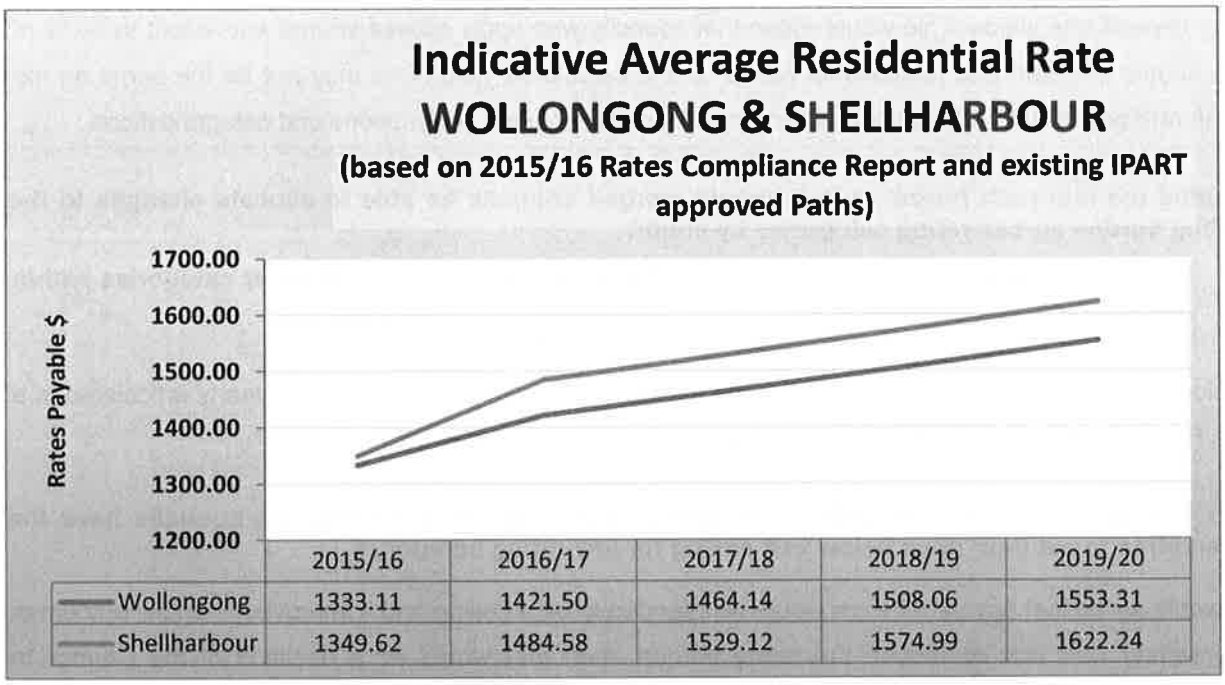
IPART appear to have taken a restrictive view of the policy that 'rates would be set in each pre-merger council area so that the rate path in that area follows the same trajectory as if the merger had not occurred' in this review. It may well be that this was the intended view and there is definitely some anecdotal evidence to suggest others have taken the same view, and some evidence that the community may think there will be no increases in rates. It was not directly evident from such a broad statement that the intent was to lock in rating structures and rating relativities at a category and sub-category level within each existing area for a period of four years from any amalgamation date. The outcome of this is that for this period effectively the term of the next Council, the Council will have no control over these components of their rating policies and will not be able to deal with future inequities in their new community. This will add significant pressure to the transition period where councils are seeking to harmonise services and pricing strategies without the ability to harmonise rating.

It will then be necessary to deal with a change to a single rating structure towards the end of their term. The existing inequalities will potentially be exaggerated over that period and make transition more difficult. Any changes to the rating legislation that would have allowed for more equitable and efficient rating will potentially be unavailable for that time.

It is considered that another interpretation of the 'same trajectory' requirements could be that Council is required to ensure that the total yield from rates (the total tax burden of the amalgamated areas) is no greater than that that would have been the case without amalgamation. This would ensure that the community would not pay any more and would allow newly formed Council to make policy decisions as part of the changing environment that best suits the needs of the new city. This would allow Council to apply through its Revenue Policies the principles of rating to meet the changing or emerging needs of the new community.

In doing this it is considered that some of the transition provisions that are being considered in the review for implementation in four years' time could be introduced for 2017/18 to allow councils greater flexibility in transitioning to new models in conjunction with other changes to rating provisions. It is agreed that new provisions allowing sub-categorisation of residential rates, by means other than 'centre of population', capping provisions, and higher base percentages to ensure changes in rates where not excessive would be beneficial for the community and in making change that may be equitable in the longer term but have unreasonable impact in the short term.

By way of example of increasing variance in rates the graph below shows the average residential rate for Wollongong and Shellharbour based on current paths. It can be seen that over the four years, the gap will increase where it was virtually the same in the current year.



	2015/16	2016/17	2017/18	2018/19	2019/20
Wollongong	1333.11	1421.50	1464.14	1508.06	1553.31
Shellharbour	1349.62	1484.58	1529.12	1574.99	1622.24

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

It is agreed that administrative and non-rating variations such as 'Crown Land added to the rating base' and 'amounts that are above the cap on development contributions set under the *Environmental Planning and Assessment Act 1979'* councils should be able to continue as normal with these applications.

It is considered that to maintain a new Council's policy making capacity that applications 'to fund new infrastructure projects by levying a special rate' should also be considered on its merit if application is still required under changed rating legislation.

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

While not applying to Wollongong City Council it is evident that some councils that were deemed to be fit and were placed under proposed merger proposals, were only deemed fit on the basis of a proposed special rate variation. It would appear in these circumstances that the Council will be left on a trajectory that will render them unfit unless the financial benefit of the amalgamation exceeds the original rate variation proposal. It would appear to be counter intuitive to expect such a Council to amalgamate and not allow the existing plan (that was not assessed) to continue without consideration of the original plan or a new plan based on the newly amalgamated Council.

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)?

It is contended that councils should be able to manage all options under their Revenue Policy powers based on the existing trajectory yields for their council. If this role of the Council is withheld in the first four years of operation then councils should be able to increase base and minimum amounts in line with their existing

policy and revised rate yields. This would mean that councils who apply a base charge equivalent to 50 % of their rate should maintain that relationship based on the calculated yield. This may not be the same as the increase in rate peg of SRV due to the changing make up of properties, exemptions and categorisations.

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)?**

It is considered that both methods should be made available to councils and should be clearly articulated in a Council's Revenue Policy placed on public exhibition to allow community consultation.

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?

Council would agree that any path freeze would be intended to be a ceiling and if improved financial outcomes or policy setting was able to reduce the rating burden, then that would be a decision of the Council in consultation with its community.

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

Council's perspective would be that they should be able to act within the confines of the LG Act to the best advantage of their community.

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?

It is generally agreed that the new instrument making powers is the most efficient and simplest way of managing transitional issues. It is Council's view however that such power would need to be used in conjunction with very effective consultation with the industry to ensure that expedience in delivery does not create unintended outcomes for councils and their communities.

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?

Changes will need to be made to ensure a smooth transition. The 'centre of population' option for sub-categorisation of residential rates will need to be considered along with capping of change in rates to allow for a smoother transition.

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.

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

Issues have been reasonably covered elsewhere.