

# Review of Local Government Rating System

## Session 2 : Rate path freeze & establishing rates after the freeze

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### Rate path freeze – key issues

#### Rate path

in pre-merger council area

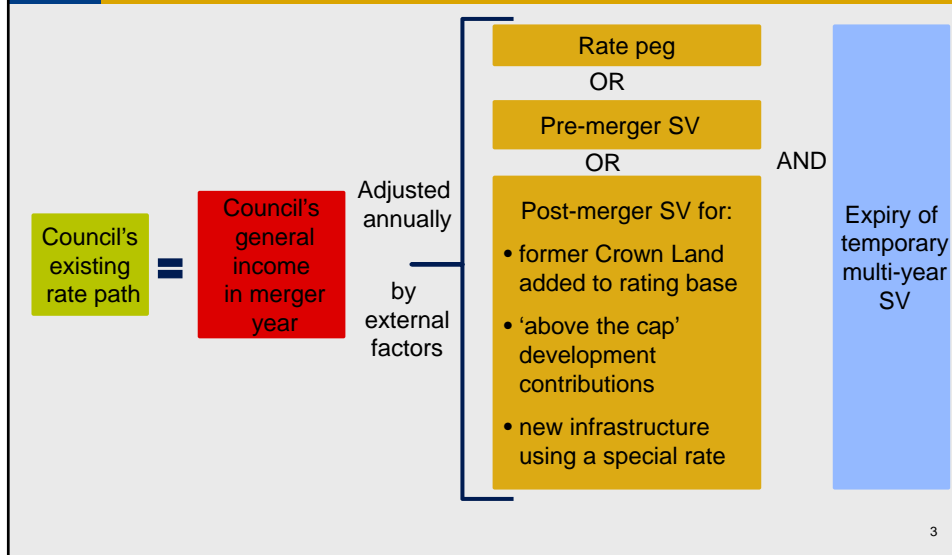
- Same trajectory as if merger had not occurred
- Only adjust for external factors
- In 3 limited circumstances, new special variations

#### Setting rates

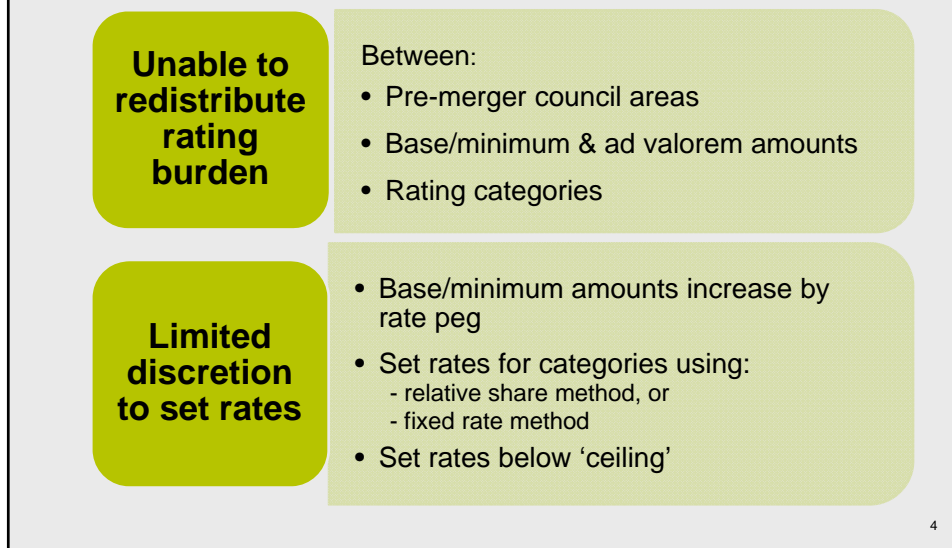
during freeze period

- Limited discretion for councils to set rates

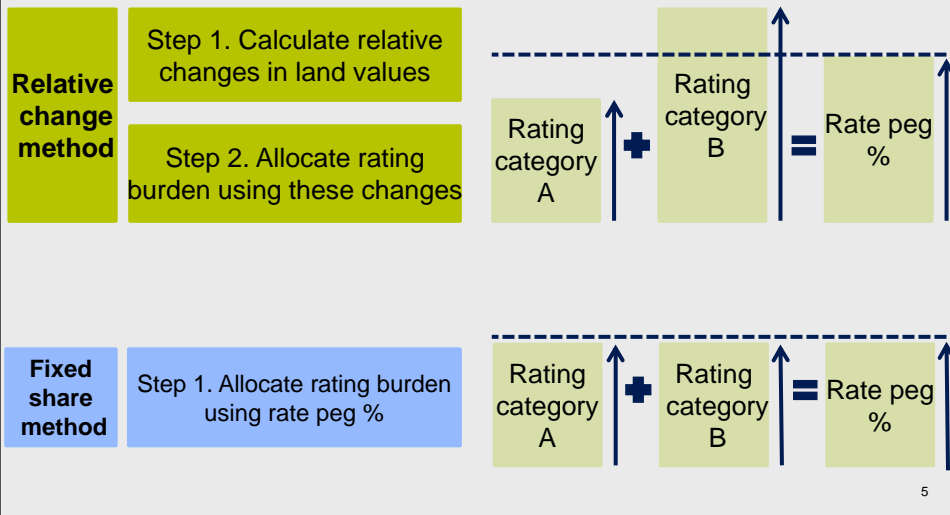
## Rate path in a pre-merger council area



## Setting rates during the freeze period



## Relative change & fixed share methods



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## Options to implement the freeze policy

1. New **instrument-making power** for Minister

- Greatest flexibility
- Reduces policy certainty

2. Expand Governor's **merger proclamation power**

- Fewer amendments to LG Act
- Less flexibility

3. Amend **Ch 15 LG Act**

- Policy certainty
- Substantial amendments to LG Act

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## Questions for consideration

- ▼ Do you agree with our interpretation of the rate path freeze policy?
- ▼ During the freeze period, should merged councils:
  - ▼ be permitted to apply for new special variations?
  - ▼ have the discretion to set rates?If so, in what circumstances?
- ▼ Do you agree with our preferred option for implementing the rate path freeze policy?
  - ▼ I.e., providing the Minister with a new instrument-making power.

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## Establishing rates after the freeze period

### Aim for new rates

- Equitable
- Transition in fair and timely manner

### Key issues

- Rate equalisation
- SV approved for pre-merger councils

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## Rate equalisation

### Current rates

Single residential rate

Might cause excessive rate changes after freeze period



### Options for future rates

1. Change rate equalisation requirement
2. Gradually equalise rates
3. Other changes to rating system to offset impact

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## Questions for consideration

- ▼ What changes should be made to avoid excessive rate increases after the freeze period?
- ▼ Any reasons why special variations for pre-merger councils should **not** be included in the revenue base of the merged council?
- ▼ What other issues might arise for merged councils after the freeze period?

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