

**12. 2022/23 Revenue Policy - Rating Policy****FILE:** 21/00620**Executive Summary**

The purpose of this report is to advise Council of the proposed Rating Policy that has been included in Council's Revenue Policy which is contained within Council's draft Operational Plan 2022/23.

Section 405 of the *Local Government Act, 1993 (the Act)* requires a Council to include in its draft Operational Plan the Council's Revenue Policy. Incorporated in the Revenue Policy is information regarding Council's Rating Policy. The Rating Policy details each ordinary rate and each special rate which is proposed to be levied.

**RECOMMENDED** that Council adopt the following Rating Policy for inclusion in the Revenue Policy contained within Council's draft Operational Plan 2022/23 which will be exhibited for public comment in accordance with the requirements of the *Local Government Act, 1993*:

- 1) Council applies to IPART for a one-off Additional Special Variation (ASV) to its rates for 2022/23 of 2.0% total rates increase in accordance with its existing Long Term Financial Plan (LTFP)
- 2) Council's 2022/23 rate yield be increased by:
  - a) If approved by IPART, 2.0% as per Council's previously adopted LTFP
  - b) If the ASV is not approved by IPART, 0.7%
  - c) Plus, Council's approved catch-up amount as advised by the Office of Local Government of \$7,516
- 3) A rating structure consisting of the following categories/subcategories:

<b>Rate Category</b>	<b>Subcategory</b>
Residential	Singleton Rural Residential Village Ordinary
Business	Singleton Mount Thorley Village Ordinary
Farmland	Ordinary
Mining	Coal

## Report

Section 405 of the Act requires a Council to include in its draft Operational Plan the Council's Revenue Policy. Council's Revenue Policy details the proposed Rating Policy that will be used for the 2022/23 Financial Year, which has been reproduced below.

## Rating Policy

### 2022/23 Consideration

Section 494 of the NSW *Local Government Act, 1993* requires Council to make and levy ordinary rates for each financial year.

In accordance with the provisions of Section 514 of *the Act*, all parcels of rateable land in the Council's area have been declared to be within one or other of the following categories:

Farmland	Mining
Residential	Business

The determination of the category for each parcel of land is done in accordance with the definitions set out in Sections 515, 516, 517, 518 and 519 of *the Act*. The classification that applies to each parcel of land is printed on the annual rate notice that is issued. Section 524 of *the Act* requires a rateable person (or the person's agent) to notify the council within 30 days after the person's rateable land changes from one category to another.

A general revaluation of the Singleton Local Government Area (LGA) took place during 2019, with a base date of 1 July 2019. The 2022/23 rating year will be the third year in which these valuations will be used for the calculation of Council's General Purpose Rating Income.

The Independent Pricing and Regulatory Tribunal (IPART) determined the rate pegging limit for 2022/23 to be 0.7% for Singleton Council. However, in response to submissions from NSW councils, the Office of Local Government issued Circular 22-03 - Guidelines for Additional Special Variation (ASV) Process for 2022/23. That Circular will allow councils to apply to IPART for an additional special variation of either:

- 2.5% or
- the rate pegging estimate which was included in Council's 2021/22 Long Term Financial Plan (LTFP) (which was 2.0% for Singleton Council), whichever is the lower.

Under these guidelines Singleton Council may apply for a 2.0% ASV for 2022/23, which is the increased amount shown in the current LTFP adopted by Council 21 June 2021 and means no change from the existing plan. There is an application process and while Council does not yet know the outcome, Council is confident it can demonstrate that despite improving efficiencies, a 0.7% increase would make it difficult for Council to meet its financial commitments in 2022/23.

Further, a 0.7% increase would make it difficult for Council to meet its financial commitments beyond 2022/23. Therefore, it is recommended Council apply for the additional special variation to be permanent (kept in the rates base).

IPART will:

- accept applications from councils up to 29 April 2022

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- publish applications to enable community consultation for a period of at least 3 weeks and
- will notify councils of its decision no later than 21 June 2022.

Council may adopt the determination by IPART which could be either:

- a 2.0% Additional Special Variation
- or a 0.7% rate pegging limit
- or any other increase that IPART may determine for 2022/23 for Singleton Council.

Singleton Council's Rating Summary for 2022/23 is shown below and is based on a 2.0% rate peg in accordance with the current LTFP and the ASV application. If in the unlikely event that Council is unsuccessful in its ASV application, Council will reduce the rates increase to a 0.7% rates increase.

Council's 2021/22 Statement of Compliance Return in relation to the calculation of the Notional Yield indicated the Notional Yield was below the Permissible General Income by \$7,516. This amount has been added to the percentage increase as per Section 511 of *the Act*. This catch up amount along with the proposed rate peg increase of 2.0% represents a 2.03% increase in rate yield for the 2022/23 financial year.

In accordance with section 494 of *the Act*, the following Ordinary Rates are proposed:

2022/23 RATING SUMMARY						
Rate Type	Category	Sub-Category	Ad Valorem Amount Cents in \$	Base Amount \$	% of Total Rate	Rate Yield \$'000
Ordinary	Residential	Singleton	0.6735	248	21.05	6,597
Ordinary	Residential	Rural	0.5186	248	14.92	1,713
Ordinary	Residential	Residential	0.4647	248	31.61	254
Ordinary	Residential	Village	0.266	248	20.64	2,937
Ordinary	Business	Singleton	1.1585	248	7.74	1,663
Ordinary	Business	Mount Thorley	1.1469	248	6.11	337
Ordinary	Business	Village	1.0345	248	17.79	41
Ordinary	Business	Ordinary	0.3597	248	16.12	449
Ordinary	Farmland	Ordinary	0.3006	248	10.05	1,636
Ordinary	Mining	Coal	0.6825			8,472
<b>Total Yield</b>						<b>24,099</b>

Council's rating structure includes a combination of ad valorem and base amounts. The following explains these different methods of levying rates.

Ad valorem - is the levying of rates by multiplying land value by a rate in the dollar

Base amounts - are a set charge for every assessment in the rating category and is used to recover the costs of common services and facilities more equitably amongst all ratepayers, rather than distributing these costs on a land value basis.

For a majority of categories, the rating structure comprises a combination of ad valorem and base amounts. As mentioned above, this provides for an equitable distribution of the overhead costs which apply to all ratepayers and then a rate on the land value of the property.

The following categories are proposed for 2022/23:

### Residential

There are four sub-categories in the Residential category.

*Residential Singleton* - applies to land within the Singleton town area which has a dominant residential use (other than as a hotel, motel, guest-house, backpacker hostel or nursing home or for any other form of residential accommodation, not being a boarding house or lodging house, prescribed by the Regulations); or zoned for residential purposes;

*Residential Rural Residential* - applies to land with a dominant residential use, located in or near a residential subdivision which is outside the NSW Fire Brigade Area and is located within 225 metres of a water main. The majority of these properties are situated on the fringe of Singleton and Branxton;

*Residential Village* - applies to land which has a dominant residential use and is located within a village area; and

*Residential Ordinary* - applies to all land which has a dominant residential use and cannot be categorised in any of the other residential categories.

### Business

The Business category consists of four sub-categories:

*Business Singleton* - applies to land within Singleton town area, which cannot be categorised as farmland, residential or mining;

*Business Mount Thorley* - applies to land situated in the Mount Thorley industrial area, which cannot be classified as farmland, residential or mining;

*Business Village* – applies to land situated in a village area, which cannot be classified as farmland, residential or mining; and

*Business Ordinary* - applies to land within the Singleton Local Government Area, other than those categorised as Business Singleton, Business Mount Thorley and Business Village, which cannot be categorised as farmland, residential or mining.

### Farmland

Council proposes to levy a *Farmland Ordinary* rate on all properties satisfying the farmland definition. The rate will apply to all farming properties within the Singleton Local Government Area.

### Mining

This category consists of one sub-category *Mining Coal* which applies to all parcels of rateable land held or used for coal mining purposes.

## **Community Strategic Plan**

The Community Strategic Plan identifies the following strategies relevant to this matter:

### **Our Leadership**

5.7 Infrastructure services, facilities and Council are managed in a financially sustainable way.

### **Delivery Program/Operational Plan**

The adoption of the draft Revenue Policy - Rating Policy will meet the following outcomes of Council's Delivery Program and Operational Plan:

5.7.6 Develop annual Operational Plan budget and review the Long Term Financial Plan.

5.7.6.1 Develop the annual budget including Fees and Charges for adoption by Council by 30 June each year.

### **Council Policy/Legislation**

Sections 405, 494, 514 – 519, and 524 of the *Local Government Act, 1993*.  
Revenue Policy.

Council's Hardship Policy is also relevant, as this policy provides financial assistance to ratepayers who are experiencing genuine financial hardship with the payment of rates and charges.

### **Financial Implications**

If IPART approves the ASV, Council will generate \$24.099 million in general rate income to fund essential services, which are provided to the community along with funding to enable Council to maintain its infrastructure assets at the required level and to remain a financially sustainable entity.

### **Consultation/Social Implications**

A Councillor briefing regarding the proposed rating structure as part of the Operational Plan 2022/23 was held on 1 March 2022 and a further Councillor briefing on rates was held on 12 April 2022.

The draft 2022/23 Operational Plan will be placed on public exhibition for a period of at least 28 days in accordance with the requirements of the *Local Government Act, 1993*.

### **Environmental Consideration**

Nil.

### **Risk Implications**

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Risk	Risk Ranking	Proposed Treatments	Proposed Risk Ranking	Within Existing Resources?
There is a risk of non-compliance with the <i>Local Government Act 1993</i> should Council not publicly exhibit the draft Rating Policy which may lead to financial loss should it be found that Council's rates are illegal.	High	Adopt the recommendation	Low	Yes
There is a risk of community dissatisfaction with the level of rate increases at this moment which may lead to reputational damage to Council.	Medium	Develop communications plan to explain increases and advising of Council's Hardship Policy to assist ratepayers experiencing financial hardship.	Low	Yes
There is a risk of not increasing rates this year by the full rate peg limit which may lead to longer term financial impacts and the ability of Council to provide services to the Community.	High	Adopt the recommendation	Low	Yes

## Options

The following options are available to Council:

1. That Council adopt the following Rating Policy for inclusion in the Revenue Policy contained within Council's draft Operational Plan 2022/23 which will be exhibited for public comment in accordance with the requirements of the *Local Government Act, 1993*:
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    - iii) Plus, Council's approved catch-up amount as advised by the Office of Local Government of \$7,516.

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c) A rating structure consisting of the following categories/subcategories:

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2. Council does not apply for an ASV and adopts a 0.7% rates increase, which would have negative short and long term impacts.

Option one is recommended.

### **Conclusions**

Adopting a rating policy to take up a 2.0% general rate increase in line with Council's previously adopted Long Term Financial Plan and the proposed ASV application to IPART.

### **Attachments**

There are no attachments for this report