

14 October 2016

Independent Pricing and Regulatory Tribunal of New South Wales  
Submitted via online submission form:

<https://www.ipart.nsw.gov.au/Home/Reviews/Lodge-a-submission>

To whom it may concern,

**Review of the Local Government Rating System – Draft Report**

Thank you for the opportunity to respond to the Local Government Rating Review draft recommendations dated August 2016. Council would like to express our dissatisfaction with the timeliness of this process. Considering the significance of this Review, Council is disappointed with the timelines which did not allow for the time required to consult with our community. As the review took place during Council caretaker mode due to the Local Government election, Council was unable to discuss the review in a formal sitting.

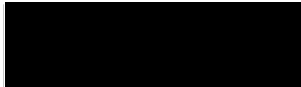
Bega Valley Shire Council's responses to the draft report are provided in the attached document. In addition, the key points we wish to bring to your attention are:

- While BVSC does not object to the recommendation that Councils be able to choose between CIV and UV when calculating rate levies we prefer that only one method be used.
- BVSC does not object to the recommended formula for calculating the growth in rates revenue outside the rate peg. However this recommendation to maintain CIV regardless of valuation methodology used for rating contradicts the previous recommendation that council be able to choose between CIV and UV.
- BVSC does not object to the proposal to classify a parcel of land as exempt/non-exempt for rating purposes where appropriate. However, we do have concerns about the practicality of applying exemption as Council will have to allocate additional resource for its administration.
- BVSC does not object to introduce a self-assessment process to determine the proportion of rates payable where land is used for an exempt purpose only part of the time. However we do have concerns about the practicality of applying exemption as Council will have to allocate additional resource for its administration.
- BVSC does not agree that the current pensioner concession scheme should be replaced with the rate deferral scheme. We support a State Government funded pensioner concession scheme as a welfare measure. The deferral scheme can result in significant complexity and recovery when a property changes ownership.
- BVSC does not object to the proposal to adopt an internal review policy, to assist those who are late in paying rates before commencing legal proceedings. However we do have concerns about the practicality of conducting these reviews, as Council will have to allocate additional resource for its administration.

- BVSC does not object to the alignment of the valuation base date and the Emergency Services Property Levy. However, BVSC does not support the ESPL in its current form and has made a submission to Treasury highlighting its concerns about the proposed change.

We trust our submission provides adequate information in relation to our position on the recommendations.

Yours sincerely

A solid black rectangular box used to redact the signature of the Mayor.

Cr Kristy McBain  
**Mayor**

# IPART Review of the Local Government Rating System

| Category  | Number | Recommendation   | BVSC Comments  |
|---|--------|--|--|
| Allow councils to use CIV as an alternative to UV in setting rates        | 1      | Councils should be able to choose between the Capital Improved Value (CIV) and Unimproved Value (UV) methods as the basis for setting rates at the rating category level. A council's maximum general income should not change as a result of the valuation me   | While BVSC does not object to the recommendation that Councils be able to choose between CIV and UV when calculating rate levies we prefer that only one method be used.   |
|   | 2      | Section 497 of the Local Government Act 1993 (NSW) should be amended to remove minimum amounts from the structure of a rate, and section 548 of the Local Government Act 1993 (NSW) should be removed.   | BVSC does not object to this recommendation  |
| Allow councils' general income to grow as the communities they serve grow | 3      | The growth in rates revenue outside the rate peg should be calculated by multiplying a council's general income by the proportional increase in Capital Improved Value from supplementary valuations.<br>– This formula would be independent of the valuation method chosen by councils for rating.  | BVSC does not object to the recommended formula for calculating the growth in rates revenue outside the rate peg. However this recommendation to maintain CIV regardless of valuation methodology used for rating contradicts the previous recommendation (point 1) that council be able to choose between CIV and UV. |
|   | 4      | The Local Government Act 1993 (NSW) should be amended to allow councils to levy a new type of special rate for new infrastructure jointly funded with other levels of Government. This special rate should be permitted for services or infrastructure that benefit the community, and funds raised under this special rate should not:<br>– form part of a council's general income permitted under the rate peg, nor<br>– require councils to receive regulatory approval from IPART.  | BVSC supports this recommendation  |
|   | 5      | Section 511 of the Local Government Act 1993 (NSW) should be amended to reflect that, where a council does not apply the full percentage increase of the rate peg (or any applicable Special Variation) in a year, within the following 10-year period, the council can set rates in a subsequent year to return it to the original rating trajectory for that subsequent year.  | BVSC supports this recommendation  |
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| Give councils greater flexibility when setting residential rates          | 6      | The Local Government Act 1993 (NSW) should be amended to remove the requirement to equalise residential rates by 'centre of population'. Instead, councils should be allowed to determine a residential subcategory, and set a residential rate, for an area by:<br>– a separate town or village, or<br>– a community of interest.   | BVSC supports this recommendation  |
|   | 7      | An area should be considered to have a different 'community of interest' where it is within a contiguous urban development, and it has different access to, demand for, or costs of providing council services or infrastructure relative to other areas in that development   | BVSC supports this recommendation  |
|   | 8      | The Local Government Act 1993 (NSW) should be amended so, where a council uses different residential rates within a contiguous urban development, it should be required to:<br>– ensure the highest rate structure is no more than 1.5 times the lowest rate structure across all residential subcategories (ie, so the maximum difference for ad valorem rates and base amounts is 50%), or obtain approval from IPART to exceed this maximum difference as part of the Special Variation process, and<br>– publish the different rates (along with the reasons for the different rates) on its website and in the rates notice received by ratepayers.   | BVSC does not object to this recommendation  |
|   | 9      | At the end of the 4-year rate path freeze, new councils should determine whether any pre-merger areas are separate towns or villages, or different communities of interest.<br>– In the event that a new council determines they are separate towns or villages, or different communities of interest, it should be able to continue the existing rates or set different rates for these pre-merger areas, subject to metropolitan councils seeking IPART approval if they exceed the 50% maximum differential. It could also choose to equalise rates across the pre-merger areas, using the gradual equalisation process outlined below.<br>– In the event that a new council determines they are not separate towns or villages, or different communities of interest, or it chooses to equalise rates, it should undertake a gradual equalisation of residential rates. The amount of rates a resident is liable to pay to the council should increase by no more than 10 percentage points above the rate peg (as adjusted for permitted Special Variations) each year as a result of this equalisation. The Local Government Act 1993 (NSW) should be amended to facilitate this gradual equalisation. | BVSC does not object to this recommendation  |
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| Better target rate exemption eligibility                                  | 10     | Sections 555 and 556 of the Local Government Act 1993 NSW should be amended to:<br>– exempt land on the basis of use rather than ownership, and to directly link the exemption to the use of the land, and<br>– ensure land used for residential and commercial purposes is rateable unless explicitly exempted.   | BVSC supports this recommendation  |

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|   | <p>11 The following exemptions should be retained in the Local Government Act 1993 (NSW):</p> <ul style="list-style-type: none"> <li>– section 555(e) Land used by a religious body occupied for that purpose</li> <li>– section 555(g) Land vested in the NSW Aboriginal Land Council</li> <li>– section 556(o) Land that is vested in the mines rescue company, and</li> <li>– section 556(q) Land that is leased to the Crown for the purpose of cattle dipping.</li> </ul> <p>12 Section 556(i) of the Local Government Act 1993 (NSW) should be amended to include land owned by a private hospital and used for that purpose.</p> <p>13 The following exemptions should be removed:</p> <ul style="list-style-type: none"> <li>– land that is vested in, owned by, or within a special or controlled area for, the Hunter Water Corporation, Water NSW or the Sydney Water Corporation (Local Government Act 1993 (NSW) section 555(c) and section 555(d))</li> <li>– land that is below the high water mark and is used for the cultivation of oysters (Local Government Act 1993 (NSW) section 555(h))</li> <li>– land that is held under a lease from the Crown for private purposes and is the subject of a mineral claim (Local Government Act 1993 (NSW) section 556(g)), and</li> <li>– land that is managed by the Teacher Housing Authority and on which a house is erected (Local Government Act 1993 (NSW) section 556(o)).</li> </ul> <p>14 The following exemptions should not be funded by local councils and hence should be removed from the Local Government Act and Regulation</p> <ul style="list-style-type: none"> <li>– land that is vested in the Sydney Cricket and Sports Ground Trust (Local Government Act 1993 (NSW) section 556(m))</li> <li>– land that is leased by the Royal Agricultural Society in the Homebush Bay area (Local Government (General) Regulation 2005 reg 123(a))</li> <li>– land that is occupied by the Museum of Contemporary Art Limited (Local Government (General) Regulation 2005 reg 123(b)), and</li> <li>– land comprising the site known as Museum of Sydney (Local Government (General) Regulation 2005 reg 123(c)).</li> </ul> <p>The State Government should consider whether to fund these local rates through State taxes.</p> <p>15 Where a portion of land is used for an exempt purpose and the remainder for a non-exempt activity, only the former portion should be exempt, and the remainder should be rateable.</p> <p>16 Where land is used for an exempt purpose only part of the time, a self assessment process should be used to determine the proportion of rates payable for the non-exempt use.</p> <p>17 A council's maximum general income should not be modified as a result of any changes to exemptions from implementing our recommendations.</p> <p>18 The Local Government Act 1993 (NSW) should be amended to remove the current exemptions from water and sewerage special charges in section 555 and instead allow councils discretion to exempt these properties from water and sewerage special rates in a similar manner as occurs under section 558(1).</p> <p>19 At the start of each rating period, councils should calculate the increase in rates that are the result of rating exemptions. This information should be published in the council's annual report or otherwise made available to the public.</p> | <p>BVSC does not object to this recommendation</p> <p>BVSC does not object to this recommendation</p> <p>BVSC does not object to the removal of the exemption category except in the case of land below the high water mark, used for oyster cultivation or aquaculture industries. Fees are already paid to other government departments for the use of this space and whilst in public waterways they do not have exclusive possession of the property and are subject to a number of environment factors. Our Shire is home to a significant oyster industry and is part of Australia's Oyster Coast and the levying of rates on this industry has the potential to have a significant impact on producers.</p> <p>BVSC does not object to this recommendation</p> <p>BVSC supports this recommendation. However the practicality of applying exemption may be difficult and will require Council to allocate additional resource for its administration.</p> <p>BVSC supports this recommendation. However the practicality of applying exemption may be difficult and will require Council to allocate additional resource for its administration.</p> <p>BVSC does not object to this recommendation</p> <p>BVSC does not object to this recommendation</p> <p>BVSC supports this recommendation</p> |
| <b>Replace the pensioner concession with a rate deferral scheme</b> | <p>20 The current pensioner concession should be replaced with a rate deferral scheme operated by the State Government.</p> <ul style="list-style-type: none"> <li>– Eligible pensioners should be allowed to defer payment of rates up to the amount of the current concession, or any other amount as determined by the State Government.</li> <li>– The liability should be charged interest at the State Government's 10-year borrowing rate plus an administrative fee. The liability would become due when property ownership changes and a surviving spouse no longer lives in the residence.</li> </ul>  | <p>BVSC does not support the rate deferral scheme. We support a 100% state government funded pensioner concession scheme as a welfare measure. The deferral scheme can result in significant complexity and recovery issues when the property exchanges hands.</p>   |
| <b>Provide more rating categories</b>                               | <p>21 Section 493 of the Local Government Act 1993 (NSW) should be amended to add a new environmental land category and a definition of 'Environmental Land' should be included in the LG Act.</p> <p>22 Sections 493, 519 and 529 of the Local Government Act 1993 (NSW) should be amended to add a new vacant land category, with subcategories for residential, business, mining and farmland.</p>  | <p>BVSC does not object to this recommendation</p> <p>BVSC does not object to this recommendation</p>  |

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|                                    | 23 | Section 518 of the Local Government Act 1993 (NSW) should be amended to reflect that a council may determine by resolution which rating category will act as the residual category.<br>– The residual category that is determined should not be subject to change for a 5-year period.<br>– If a council does not determine a residual category, the Business category should act as the default residual rating category | BVSC does not object to this recommendation   |
|                                    | 24 | Section 529 (2)(d) of the Local Government Act 1993 (NSW) should be amended to allow business land to be subcategorised as 'industrial' and or 'commercial' in addition to centre of activity.  | BVSC does not object to this recommendation   |
|                                    | 25 | Section 529 (2)(a) of the Local Government Act 1993 (NSW) should be replaced to allow farmland subcategories to be determined based on geographic location.   | BVSC does not object to this recommendation   |
|                                    | 26 | Any difference in the rate charged by a council to a mining category compared to its average business rate should primarily reflect differences in the council's costs of providing services to the mining properties.  | BVSC does not object to this recommendation   |
| <b>Recovery of council rates</b>   | 27 | Councils should have the option to engage the State Debt Recovery Office to recover outstanding council rates and charges.  | BVSC does not object to this recommendation   |
|                                    | 28 | The existing legal and administrative process to recover outstanding rates should be streamlined by reducing the period of time before a property can be sold to recover rates from five years to three years.  | BVSC does not object to this recommendation   |
|                                    | 29 | All councils should adopt an internal review policy, to assist those who are late in paying rates, before commencing legal proceedings to recover unpaid rates.   | BVSC supports this recommendation. However the practicality of applying exemption may be difficult and will require Council to allocate additional resource for its administration. |
|                                    | 30 | The Local Government Act 1993 (NSW) should be amended or the Office of Local Government should issue guidelines to clarify that councils can offer flexible payment options to ratepayers.  | BVSC supports this recommendation   |
|                                    | 31 | The Local Government Act 1993 (NSW) should be amended to allow councils to offer a discount to ratepayers who elect to receive rates notices in electronic formats, e.g., via email.  | BVSC supports this recommendation. However the practicality of applying exemption may be difficult and will require Council to allocate additional resource for its administration. |
|                                    | 32 | The Local Government Act 1993 (NSW) should be amended to remove section 585 and section 595, so that ratepayers are not permitted to postpone rates as a result of land rezoning, and councils are not required to write-off postponed rates after five years.  | BVSC supports this recommendation   |
| <b>Other draft recommendations</b> | 33 | The valuation base date for the Emergency Services Property Levy and council rates should be aligned.<br>– The NSW Government should levy the Emergency Services Property Levy on a Capital Improved Value basis when Capital Improved Value data becomes available state-wide.   | BVSC does not object to this recommendation but does object to the ESPL. BVSC has made submission to Treasury highlighting its concerns about the proposed change.                  |
|                                    | 34 | Councils should be given the choice to directly buy valuation services from private valuers that have been certified by the Valuer General.   | BVSC supports this recommendation   |