



Blayney Shire Council

Council Office 91 Adelaide Street, Blayney Postal Address PO Box 62, Blayney NSW 2799

Telephone (02) 6368 2104 Email council@blayney.nsw.gov.au

Web www.blayney.nsw.gov.au

ABN 47 619 651 511

14 October 2016

Our reference: IEM/26290

Review of Local Government Rating System
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Dear Sir / Madam,

RE: Submission on the Review of the Local Government Rating System

Reference is made to your correspondence dated 22 August 2016 regarding the above review in process.

Please find attached Council's submission for your process.

Council would like to thank you for the opportunity to contribute to a review of such an important and integral aspect of local government.

Should you wish to discuss any aspect of this paper or require clarification of matters raised please contact the undersigned on telephone [REDACTED].

Yours faithfully,

[REDACTED]
Anton Franze
Director Corporate Services

Submission to the Review of the Local Government Rating System

- 1. Councils should be able to choose between the Improved Capital 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 method they choose.**

Comment:

Council supports the option to have CIV be available for rating of strata properties. Apartments, units etc. There will be the need for a more defined methodology more detail to be supplied in the legislation and as discussions with the Valuer General. The process could take a few years to implement such a major change.

- 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.**

Comment:

Council supports the amendment of Section 497 and the removal of Section 548 providing the CIV valuation method is introduced.

- 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.**
 - This formula would be independent of the valuation method chosen by councils for rating.**

Comment:

Council supports this recommendation.

- 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:**
 - Form part of a council's general income permitted under the rate peg, nor**
 - Require councils to receive regulatory approval from IPART**

Comment:

Council 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.**

Comment:

Council supports this recommendation.

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:
- A separate town or village, or
 - A community of interest.

Comment:

Council supports this recommendation. Council also supports the NSW Rating Professionals submission to address issues such as holiday lettings and serviced apartments councils should be given the option to rate these as business.

7. 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:
- 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
 - publish the different rates (along with the reasons for the different rates) on its website and in the rates notice received by ratepayers.

Comment:

Council supports this recommendation. Council should be empowered to undertake a self-assessment which includes having to justify the differential rates with their communities.

8. 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.
- 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 area, using the gradual equalisation process outlined below.
 - 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 the 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.

Comment:

Council supports 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.

- 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 area, using the gradual equalisation process outlined below.
- 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.

Comment:

Council supports this recommendation a transitional policy which allows councils to gradually merge their rating database systems, and thereby address the core elements of the tax principle of equity which would form part of the IP&R process.

10. Sections 555 and 556 of the Local Government Act 1993 (NSW) should be amended to:

- exempt land on the basis of use rather than ownership, and to directly link the exemption to the use of the land, and
- ensure land used for residential and commercial purposes is rateable unless explicitly exempted.

Comment:

Council supports this recommendation.

11. The following exemptions should be retained in the Local Government Act 1993 (NSW):

- section 555(e) Land used by a religious body occupied for that purpose
- section 555(g) Land vested in the NSW Aboriginal Land Council
- section 556(o) Land that is vested in the mines rescue company, and
- section 556(q) Land that is leased to the Crown for the purpose of cattle dipping.

Comment:

Council supports recommendation with the exception of Section 556(q) as this is a commercial activity and should pay rates similar to other commercial enterprises.

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.

Comment:

Council supports recommendation.

13. The following exemptions should be removed:

- 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))
- land that is below the high water mark and is used for the cultivation of oysters (Local Government Act 1993 (NSW) section 555(h))
- 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
- land that is managed by the Teacher Housing Authority and on which a house is erected (Local Government Act 1993 (NSW) section 556(p)).

Comment:

Council supports recommendation.

14. The following exemptions should not be funded by local councils and hence should be removed from the Local Government Act and Regulation

- land that is vested in the Sydney Cricket and Sports Ground Trust (Local Government Act 1993 (NSW) section 556(m))
- land that is leased by the Royal Agricultural Society in the Homebush Bay area (Local Government (General) Regulation 2005 reg 123(a))
- land that is occupied by the Museum of Contemporary Art Limited (Local Government (General) Regulation 2005 reg 123(b)), and– land comprising the site known as Museum of Sydney (Local Government (General) Regulation 2005 reg 123(c)).

The State Government should consider whether to fund these local rates through State taxes.

Comment:

Council supports recommendation.

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.

Comment:

Council supports recommendation.

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.

Comment:

Council supports recommendation.

- 17. A council's maximum general income should not be modified as a result of any changes to exemptions from implementing our recommendations.**

Comment:

Council supports recommendation.

- 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)**

Comment:

Council supports recommendation.

- 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.**

Comment:

Council supports recommendation for greater transparency of the process of the rate exemption process.

- 20. The current pensioner concession should be replaced with a rate deferral scheme operated by the State Government.**

- 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.**
- 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.**

Comment:

Council at its Ordinary meeting held 19 September 2016 discussed this review by the Independent Pricing and Regulatory Tribunal expressed concern over the proposed removal of the pensioner rebate scheme. Council is supportive of removal of the burden on local government to fund pensioner concessions it is not supportive of that burden being passed back to pensioners.

- 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**

Comment:

Council supports recommendation as it aligns with the classification of property for ESPL.

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.

- The residual category that is determined should not be subject to change for a 5-year period.
- If a council does not determine a residual category, the Business category should act as the default residual rating category

Comment:

Council does not support recommendation as definition of Business land needs to be defined for this process to work. Rather than 5 years it should be 4 years and should be one of the first acts of the new council.

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.

Comment:

Council supports recommendation. This will align with ESPL, providing the same definitions of what is commercial and what is industrial are used, to avoid confusion.

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.

Comment:

Council supports 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.

Comment:

Council strongly opposes this recommendation. Such an approach is inequitable as a multimillion dollar mining operation would be paying the same as the corner fish and chip shop. Furthermore, mining rates are structured on their high dependency on Council's existing infrastructure to carrying out their mining activities. In many instances the infrastructure has to be updated and then this infrastructure has to be maintained all at the cost of the ratepayer.

Introduction of such a measure will burden Councils, administratively and financially, unnecessarily to justify additional cost burden.

27. Councils should have the option to engage the State Debt Recovery Office to recover outstanding council rates and charges.

Comment:

Council supports 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.**

Comment:

Council supports 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.**

Comment:

Council opposes this recommendation such processes are in place.

- 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.**

Comment:

Council supports recommendation although council already utilises this option.

- 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.**

Comment:

Council opposes this recommendation as administration outweighs benefit and offering discounts on rates disadvantages some ratepayers.

- 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.**

Comment:

Council supports recommendation.

- 33. The valuation base date for the Emergency Services Property Levy and council rates should be aligned.**

- 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.**

Comment:

Council supports recommendation.

- 34. Councils should be given the choice to directly buy valuation services from private valuers that have been certified by the Valuer General.**

Comment:

Council supports recommendation.