

# **Review of the Local Government Rating System**

## **Camden Council's Response to IPART Review**

### **Local Government – Draft Report October 2016**



	<b>Recommendation</b>	<b>Council's Submission</b>
1	<b>Council should be able to choose between Capital Improved Value (CIV) and Unimproved Value (UV) for rating purposes.</b>	<p>This recommendation has been driven by Urban Councils with large numbers of residential strata units. The rating of Strata units using unimproved values is unfair and CIV would allow a better distribution of the rate burden to high valued properties that are currently being subsidised by the rest of the community.</p> <p>The proposed Emergency Services Property Levy (ESPL) has CIV as the method of valuation to be used in calculating the Levy.</p> <p>In Victoria 73 of 79 Councils use CIV and in South Australia its 60 out of 68 using CIV.</p> <p>Councils should be able to choose either UV or CIV depending on their individual needs and this will enable a consistent and stable calculation for rating.</p> <p>Council's Notional Yield should not be affected by changing from UV to CIV.</p> <p><b><u>Camden Council supports Recommendation No 1</u></b></p>
2	<b>The provisions relating to minimum rates be removed from the Local Government Act 1993.</b>	<p>Minimum Rates do not spread the rate burden equally across a Council area. Base amounts enable a Council to set a fixed charge that is consistent and creates an even distribution of rates.</p> <p><b><u>Camden Council supports Recommendation No 2</u></b></p>

	<b>Recommendation</b>	<b>Council's Submission</b>
3	<b>Council's general income would increase (outside the rate peg) in line with the growth in CIV that arises from new developments in the area.</b>	<p>This formula would be independent of the valuation method chosen by council for rating. Under the CIV method of rating a supplementary valuation would occur if significant capital improvements are made to the property and this would allow for increased rating on the affected rate assessments. This would assist growth Councils (like Camden) in providing new infrastructure and services.</p> <p><b><u>Camden Council supports Recommendation No 3</u></b></p>
4	<b>Amend the Local Government Act to allow Councils to levy a special rate outside of the rate peg for new infrastructure jointly funded by other levels of Government.</b>	<p>Council supports this recommendation but guidelines would be required. For example.</p> <ul style="list-style-type: none"> <li>- What infrastructure qualifies?</li> <li>- Definition of jointly funded 50/50 etc?</li> <li>- Will IPART play a role in this process?</li> <li>- Any conditions of the Special Levy?</li> </ul> <p><b><u>Camden Council supports Recommendation No 4 (with conditions)</u></b></p>
5	<b>Section 511 Local Government Act be amended to allow Councils to recoup untaken percentage increases of the Rate peg within the following ten year period.</b>	<p>The current legislation allows a Council that sets its general income below the rate peg 2 years to return to the same rate level. It is proposed to increase this to 10 years. A council may decide not to increase it rates in one or more years due to hardship within its community. This hardship could be a result of a natural disaster. This would also allow the Council to gradually increase rates over 10 years to bring the income levels in line with the years where the rate peg may not have been taken up by the Council.</p> <p><b><u>Camden Council supports Recommendation No 5</u></b></p>

	<b>Recommendation</b>	<b>Council's Submission</b>
6	<p><b>The Local Government Act be amended to remove the requirement to equalise residential rates by “centre of population” and allow a residential subcategory to be set by:</b></p> <p style="padding-left: 40px;">(a) A separate Town or Village (b) A community of interest.</p>	<p>While Council agrees with the recommendation it does not go far enough and should be expanded to include a definition for residential (including rural residential), which should be added to Section 516 Local Government Act 1983. Serviced Apartments and Holiday Lettings should also be addressed as Councils should be able to apply a business category in these cases.</p> <p><b><u>Camden Council supports Recommendation No 6</u></b></p>
7	<p><b>An area should have a different “community of interest” if it is within a contiguous urban development but has different requirements or costs for services and infrastructure in relation to other areas of the development.</b></p>	<p>This recommendation should be expanded to include a definition of a “community of interest”.</p> <p><b><u>Camden Council supports Recommendation No 7</u></b></p>

	<b>Recommendation</b>	<b>Council's Submission</b>
8	<p><b>Where different Residential Rates are used within a contiguous urban development ensure that the highest rate is no more than 1.5 times the lowest rate or obtain approval from IPART to exceed this maximum and the different rates should be published on a Councils website and on the rate notice.</b></p>	<p>Council should have the discretion to determine this as part of setting its rating policy through the Integrated Planning and Reporting framework.</p> <p><b><u>Recommendation No 8 is NOT supported by Camden Council</u></b></p>
9	<p><b>For an amalgamated Council after the 4 year rate path freeze is should be determined any pre-merger areas are separate towns or villages or different communities of interest.</b></p>	<p>Not applicable to Camden Council.</p>
10	<p><b>Sections 555 and 556 be amended to exempt land from rates on the basis of use rather than ownership and that land used for commercial and residential purposes are rateable unless exempt in the Act.</b></p>	<p><b><u>Camden Council supports Recommendation No 10</u></b></p>

	<b>Recommendation</b>	<b>Council's Submission</b>
11	<p><b>The following exemptions be retained</b></p> <ul style="list-style-type: none"> <li><b>(a) Land used and occupied by a religious body for that purpose.</b></li> <li><b>(b) Land vested in NSW Aboriginal Land Council</b></li> <li><b>(c) Land vested in Mines Rescue Company</b></li> <li><b>(d) Land leased to the Crown for cattle dipping.</b></li> </ul>	<p>The exemption for religious bodies should only apply to places of worship; places of residence should be rated.</p> <p>The exemption for NSW Aboriginal Land Council should only apply to residential properties and all other properties rated.</p> <p><b><u>Camden Council supports Recommendation No 11(with amendments)</u></b></p>
12	<p><b>Land owned by a Private Hospital and used for that purpose be exempted.</b></p>	<p>Camden Council opposes this recommendation on the basis that a private hospital is a profit making concern owned by either a Partnership or a Public Company. A Private Hospital has no Emergency Units open to the General Public.</p> <p><b><u>Recommendation No 12 is NOT supported by Camden Council</u></b></p>
13	<p><b>The following exemptions should be removed:</b></p> <ul style="list-style-type: none"> <li><b>(a) Hunter Water Corporation</b></li> <li><b>(b) Water NSW</b></li> <li><b>(c) Sydney water Corporation</b></li> <li><b>(d) Land below high water mark and used for cultivation of oysters</b></li> <li><b>(e) Land leased from the Crown and subject of a mineral claim</b></li> <li><b>(f) Land which is managed by Teachers Housing Authority and has a house on it.</b></li> </ul>	<p><b><u>Camden Council supports Recommendation No 13</u></b></p>

	<b>Recommendation</b>	<b>Council's Submission</b>
14	<p><b>The following exemptions should not be funded by Local Councils and therefore removed from the Local Government Act:</b></p> <ul style="list-style-type: none"> <li><b>(a) Sydney Cricket and Sports Ground Trust</b></li> <li><b>(b) Royal Agricultural Society in Homebush Bay area</b></li> <li><b>(c) Museum of Contemporary Art Limited</b></li> <li><b>(d) Museum of Sydney</b></li> </ul>	<p><b><u>Camden Council supports Recommendation No 14</u></b></p>
15	<p><b>If only part of the land is used for an exempt purpose then the remainder should be rateable.</b></p>	<p>An example would be were a religious body has a church on a block of land but rents out a house on the same site.</p> <p>This recommendation will allow Councils to be compensated for those parts of properties not being used for the non-rateable purpose.</p> <p><b><u>Camden Council supports Recommendation No 15</u></b></p>

	<b>Recommendation</b>	<b>Council's Submission</b>
16	<b>Council should use a self-assessment process to determine the proportion of the property that is rateable (see 15).</b>	<p>Camden Council supports this recommendation provided that Guidelines are put in place so that self-assessment is consistent across all Councils. This should include a requirement for the owner to provide supporting evidence of the exempt use.</p> <p><b><u>Camden Council supports Recommendation No 16 with the addition of guidelines for self-assessment.</u></b></p>
17	<b>A Councils maximum general income should not be modified as a result of the changes to these exemptions.</b>	<p>The current process for Valuation objections should be made available for this recommendation. Councils should be able to add the exempt properties to their general income.</p> <p><b><u>Recommendation No 17 is NOT supported by Camden Council</u></b></p>
18	<b>Relates to exemptions from water and sewerage rates.</b>	<b><u>Not Applicable to Camden Council</u></b>
19	<b>Councils should calculate the increase in rates due to rating exemptions and publish the information in Council's Annual Report or other means to inform the public.</b>	<b><u>Camden Council supports Recommendation No 19</u></b>



	<b>Recommendation</b>	<b>Council's Submission</b>
20	<p><b>The current Pensioner Concession to be replaced by a rate deferral scheme operated by the State Government. This would allow a pensioner to defer payment of rates up to the amount of the current rebate.</b></p>	<p>The rebate has remained at \$250 since 1989. Council believes that this recommendation will disadvantage Pensioners. This deferral scheme could have impacts on a Pensioner's estate and will result in immediate cash flow issues for Councils not receiving the annual 55% rebate. The State Government should consider providing a pension rebate to current acceptable levels with agreed indexing procedures and fully fund the rebate.</p> <p><b><u>Recommendation No 20 is NOT supported by Camden Council</u></b></p>
21	<p><b>A new category of 'Environmental Land' to be added to the current rating categories</b></p>	<p>Land is currently categorised for rating under one of these 4 categories :</p> <ul style="list-style-type: none"> <li>• Residential</li> <li>• Business</li> <li>• Farmland</li> <li>• Mining</li> </ul> <p>The proposal is to create another category called "Environmental Land" This could be used for undevelopable land such as :</p> <ul style="list-style-type: none"> <li>• Swamps/Flood prone land</li> </ul> <p>This will assist property owners to enable Councils to levy lower rates on those affected properties</p> <p><b><u>Camden Council supports Recommendation No 21</u></b></p>
22	<p><b>Another new category of vacant land be added with the following subcategories:</b></p> <ul style="list-style-type: none"> <li>• Residential,</li> <li>• Business,</li> <li>• Mining</li> <li>• Farmland.</li> </ul>	<p>This would allow for a more equitable rating system and would be important if the sector moves to CIV being that vacant land is unimproved.</p> <p><b><u>Camden Council supports Recommendation No 22</u></b></p>

	<b>Recommendation</b>	<b>Council's Submission</b>
23	<b>Council may determine by resolution which rating category will act as the residual category.</b>	<p>This will provide Council's with more options upon considering and setting rating policy, the residual category that is chosen should be set for 4 years and not 5 as suggested to align the decision making process to the term of the Council.</p> <p><b><u>Camden Council supports Recommendation No 23</u></b></p>
24	<b>Allow the Business category to be subcategorised as "industrial" and "commercial" as well as centre of activity.</b>	<p>The introduction of the Emergency Services Property Levy will require businesses to be placed in either a commercial or industrial category. This change would align the categories for both rating and ESPL purposes. Council would still be able to use the centre of activity subcategory.</p> <p><b><u>Camden Council supports Recommendation No 24</u></b></p>
25	<b>Allow the Local Government Act to be amended to allow farmland to be subcategorised based on geographic location.</b>	<p>This recommendation would allow Council to have a more robust rating structure and provide more options when setting rating policy.</p> <p><b><u>Camden Council supports Recommendation No 25</u></b></p>
26	<b>The difference between the business and mining category should reflect the additional costs in providing services to the mining properties.</b>	Not applicable to Camden.

	<b>Recommendation</b>	<b>Council's Submission</b>
27	<b>Council may engage the State Debt Recovery Office to recover outstanding rates and charges.</b>	<p>While the option is supported. This recommendation requires clarification as to how much control a Council would have over the debt recovery process as each Council may have different debt recovery policies and procedures or adopted levels of recovery.</p> <p><b><u>Camden Council supports Recommendation No 27</u></b></p>
28	<b>Reduce the time that rates are outstanding before a property can be sold for unpaid rates from 5 years to 3 years.</b>	<p>Council supports this recommendation as it would bring New South Wales in line with other States and reduce the amount of rates outstanding and time before action can be taken.</p> <p><b><u>Camden Council supports Recommendation No 28</u></b></p>
29	<b>Councils should adopt a policy to assist those paying their rates late prior to taking legal action.</b>	<p>This would provide for a consistent approach across the industry.</p> <p><b><u>Camden Council supports Recommendation No 29</u></b></p>
30	<b>Guidelines should be issued to clarify that Councils can offer flexible payment options to Ratepayers.</b>	<p>This would provide for a consistent approach across the industry.</p> <p><b><u>Camden Council supports Recommendation No 30</u></b></p>

	<b>Recommendation</b>	<b>Council's Submission</b>
31	<b>Councils should be able to offer some form of discount to ratepayers who elect to receive rate notices in electronic form.</b>	<p>While council already offers e-rate notices, the changing of the Act will provide further incentive for property owners to move to more efficient forms of receiving rate notices.</p> <p><b><u>Camden Council supports Recommendation No 31</u></b></p>
32	<b>The Local Government Act should be amended so as not to permit postponed rates as a result of a rezoning.</b>	<p>Council supports this recommendation due to the complexity of postponed rating. The Valuer General should be provided with the option of discounting land values where development is not to occur for many years after a rezoning. A similar example is the current Subdividers Allowance currently available to developers.</p> <p><b><u>Camden Council supports Recommendation No 32</u></b></p>
33	<b>The valuation base date for the ESPL and Council rates should be aligned. The ESPL should be levied on Capital Improved Value.</b>	<p>This is essential as to have two different base dates would be confusing to all ratepayers.</p> <p><b><u>Camden Council supports Recommendation No 33</u></b></p>
34	<b>Councils should be able to directly buy valuation services from private valuers.</b>	<p>This option would provide Council with more certainty around the timing of valuations. This is particularly important for a rapidly growing council like Camden.</p> <p><b><u>Camden Council supports Recommendation No 34</u></b></p>

## Items not considered by this review

- **Rate Pegging process:**
  - Determining rate increases should form part of the Integrated Planning and Reporting framework without reference to IPART.
- **Subdivision allowances:**
  - This allowance should be removed completely or expanded upon if postponed rates are removed. Properties should receive this allowance if development of re-zoned land is not to take place for many years. The trend now is that most properties are sold prior to the registration of the Deposited Plan but delayed settlements result in lower rates for a longer period of time.
- **Re-ascertainment values:**
  - This should be amended to allow the recovery of lost income similar to a valuation objection.