

IPART Review of Local Government Rating System
Central Coast Council Submission
Responses to recommendations made in section 1.7 of the IPART Draft Report

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 method they choose.**

Supported in Principle.

Comments

- Improves the flexibility councils have to levy rates
- CIV is a more equitable method of rating for ratepayers
- CIV aligns with the preferred basis to levy the ESPL
- However CIV would involve high implementation costs as full reliable data does not currently exist and has taken some time in other states to obtain a quality data set.
- The cost penalty to develop and implement should be minimised where possible to encourage councils to move in this direction.

- 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.**

Supported in Principle.

Comments

- Before completely removing minimum amounts further analysis of the benefit of minimums should be considered for councils who believe ratepayers are better off under minimums.
- Initial removal will result in some redistribution which may be able to be off-set by other mechanisms:
 - Base Amounts
 - Use of CIV
 - Sub Categorisation based on Communities of Interest

IPART Review of Local Government Rating System
Central Coast Council Submission
Responses to recommendations made in section 1.7 of the IPART Draft Report

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

Supported in Principle.

Comments

- Central Coast Council would like to be involved in future discussions on this matter
- Recommendation is good for metropolitan councils
- Provides rates revenue growth better aligned to the increases in demands for council services
- There is a need to look at how growth outside the rate peg for non-metro councils is addressed

- 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.

Supported in Principle.

Comments

- There is a need to allow council's to control and prioritise joint projects
- Provide for better community outcomes
- Improved flexibility, subject to appropriate rate payer support
- There is a potential for cost shifting
- Clarification required: will the proportion of funding attributable to other levels of government be the subject of IPART scrutiny

- 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.**

Supported in Principle

**IPART Review of Local Government Rating System
Central Coast Council Submission
Responses to recommendations made in section 1.7 of the IPART Draft Report**

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:**
- a separate town or village, or**
 - a community of interest.**

Supported in Principle.

Comments

- The concept of "Community of Interest" appears in the Electoral Act
- There has been serious litigation on Community of Interest in terms of the Electoral Act - politically driven who fits into what electorate?
- Improved ability to match rates to services - "user pays"

- 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.**

Supported in Principle.

Comments

- Support for the inclusion of a clear definition of "Community of Interest" in legislation
- Improved ability to match rates to services - "user pays"

- 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:**
- 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.**

Supported in Principle.

Comments

IPART Review of Local Government Rating System

Central Coast Council Submission

Responses to recommendations made in section 1.7 of the IPART Draft Report

- It would be useful to have guidance in setting differentials - based on previous reviews of current structures this has not been done well
- Differential rating has potentially been applied unfairly in the past
- Adds transparency and reduces risk of inappropriate manipulation

- 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 areas, 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.**

Generally Supported.

Comments

- Would support the removal of the 10% points above Rate Peg ceiling – this is considered too restrictive at the individual property level and unnecessarily prolongs any equalisation between former local government areas
- Any variations should exclude the impact of revaluations

IPART Review of Local Government Rating System
Central Coast Council Submission
Responses to recommendations made in section 1.7 of the IPART Draft Report

Better target rate exemption eligibility

- 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.

Supported in Principle.

Comments

- Comparable uses should attract same rating income
- Agree that all land used for res / commercial purposes should pay rates - Eliminates the "who" and focuses on the "what"

- 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.

Supported in Principle.

Comments

- No change from current provisions

- 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.**

Not Supported.

Comments

- Generally Private Hospitals do not offer emergency services to the public – some charge fees for members of the public to use emergency services
- Council would support partial exemptions

IPART Review of Local Government Rating System
Central Coast Council Submission
Responses to recommendations made in section 1.7 of the IPART Draft Report

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)).

Supported in Principle.

Comments

- Nil or extremely negligible impact on the Central Coast Council

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.

Supported in Principle.

Comments

- Not applicable within CCC area

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.

Generally Supported.

Comments

- However this has the potential for administrative burden and potential legal challenges

**IPART Review of Local Government Rating System
Central Coast Council Submission
Responses to recommendations made in section 1.7 of the IPART Draft Report**

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.

Generally Supported.

Comments

- However this has the potential for administrative burden and potential legal challenges
- Council request guidelines on the self-assessment process for consistency

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

Supported in Principle.

Comments

- No change to current provisions

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).

Supported in Principle.

Comments

- Not applicable within CCC area – levy water and sewer charges under the Water Management Act

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.

Supported in Principle.

Comments

- Improved transparency for the community

**IPART Review of Local Government Rating System
Central Coast Council Submission
Responses to recommendations made in section 1.7 of the IPART Draft Report**

Replace the pensioner concession with a rate deferral scheme

- 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.**

Not Supported.

Comments

- Negative impact on Council cash flow - \$6.3 million p.a. (16-17 FY \$11.4 million p.a. in pensioner rebates based on \$250 rates rebate plus \$175 Water & Sewer rebate which is funded 55% by the State and 45% by Council) but could be greater if "deferment maximum" increases.
- Disparity between Sydney and Hunter legislation compared to the Local Government Act - large concessions offered.
- The State has accepted responsibility in the Sydney and Hunter regions - it is a welfare measure
- There is a need to look at the issue of better targeting subsidies (i.e. average income of aged pensioners)
- Community may be reluctant to defer debt
- Will the State take over the deferred balances?
- Requires strong communications from NSW Government

IPART Review of Local Government Rating System
Central Coast Council Submission
Responses to recommendations made in section 1.7 of the IPART Draft Report

Provide more rating categories

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.

Supported in Principle.

Comments

- Improved ability to match rates to services - "user pays" for nil or low use land

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.

Supported in Principle.

Comments

- Potential to drive development through higher rates - to consolidate urban growth/renewal; or
- Discourage development e.g. non-urban areas

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**

Generally Supported.

Comments

- Choice of residual category best made after modelling of each option - to allow appropriate treatment
- Council should have ability to nominate the residual period

IPART Review of Local Government Rating System
Central Coast Council Submission
Responses to recommendations made in section 1.7 of the IPART Draft Report

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.

Supported in Principle.

Comments

- Aligns with current categories proposed under the ESPL
- Improves choices and ability to align rates to services

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.

Generally Supported.

Comments

- Impacts 0.33% (approx 420) rateable properties in CCC area (no value in adding complexity)
- Suited to large rural Local Government Areas

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.

Supported in Principle.

Comments

- Improved ability to match rates to services - "user pays"

IPART Review of Local Government Rating System
Central Coast Council Submission
Responses to recommendations made in section 1.7 of the IPART Draft Report

Recovery of council rates

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

Supported in Principle.

Comments

- Added incentive to pay rates
- Requires inclusion in individual council Debt Recovery Policy

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.

Supported in Principle.

Comments

- Sale is always the avenue of last resort

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.

Supported in Principle.

Comments

- Not applicable – already in place for Central Coast Council

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.

Generally Supported.

Comments

- Adds clarity to existing provisions
- As long as any legislation is not specific in its effect to restrict the future use of technology

IPART Review of Local Government Rating System
Central Coast Council Submission
Responses to recommendations made in section 1.7 of the IPART Draft Report

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.

Generally Supported.

Comments

- However this recommendation is too restrictive
- Alternatively councils should have the option to bill those who elect to remain on paper as well as provide a credit for electronic delivery of notices.
- Alternative strategies to increase "electronic" delivery also required

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.

Supported in Principle.

Comments

- However use of CIV would provide adequate replacement to existing provisions

**IPART Review of Local Government Rating System
Central Coast Council Submission
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Other draft recommendations

- 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.**

Supported in Principle.

Comments

- Single base date minimises confusion
- CIV best reflects "risk" for ESPL

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

Generally Supported.

Comments

- Potential cost savings through "tendered" service
- Independence from Council "reduced" - could be managed by retaining the VG as the overarching authority providing;
 - Valuation policy and principles
 - Endorsement of panel of valuers (like LGP)
 - Avenue of objection/appeal