

# Review of the Local Government Rating System Local Government — Draft Report October 2016



CENTRAL NSW  
COUNCILS



Centroc's Mission is to be recognised as the lead organisation advocating on agreed regional positions and priorities for Central NSW whilst providing a forum for facilitating regional co-operation and sharing of knowledge, expertise and resources; effectively nurturing sustainable investment and infrastructure development.





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Chairman: Cr Bill West, Mayor, Cowra Council

14 October 2016

Reference bw:vp 101610  
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Dr Peter J Boxall AO, Chairman  
Review of Local Government Rating System  
Independent Pricing and Regulatory Tribunal  
PO Box K35,  
Haymarket Post Shop NSW 1240

Dear Dr Boxall,

**Re: Review of the Local Government Rating System Local Government — Draft Report**

Central NSW Councils (Centroc) represents over 243,000 people covering an area of more than 72,500sq kms comprising the Local Government Areas of Bathurst, Blayney, Cabonne, Cowra, Forbes, Hilltops, Lachlan, Lithgow, Mid-Western, Oberon, Orange, Parkes, Upper Lachlan, Weddin, and Central Tablelands Water.

It is about the same size as Tasmania with half the population and a similar GDP.

Centroc's vision is to be recognised as vital to the sustainable future of NSW and Australia.

Its mission is to be recognised as the lead organisation advocating on agreed regional positions and priorities for Central NSW whilst providing a forum for facilitating regional cooperation and sharing of knowledge, expertise and resources.

Centroc has two core objectives:

1. Regional Sustainability - Encourage and nurture suitable investment and infrastructure development throughout the region and support members in their action to seek from Governments financial assistance, legislative and/or policy changes and additional resources required by the Region.
2. Regional Cooperation and Resource Sharing – Contribute to measurable improvement in the operational efficiency and effectiveness of Member Councils through facilitation of the sharing of knowledge, expertise and resources and, where appropriate, the aggregation of demand and buying power.



The Centroc Board is made up of the 30 Mayors and General Managers of its member Councils who determine priority for the region. These priorities are then progressed via sponsoring Councils. For more advice on Centroc programming and priorities, please go to our website <http://www.centroc.com.au>

As a Pilot Joint Organisation Centroc has for the past twelve months, had the task of regional planning and prioritisation. We base our comments on this work, and feedback from members.

Thank you for the opportunity to provide further feedback to the Review of the Local Government Rating System Local Government — Draft Report.

In the first instance we thank you for the innovative approaches to respond to the need for councils to increase revenue.

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.	Agreed. While we recognise the need for some commonality across the State we are particularly keen for members who wish to use unimproved value for farm land to be able to do so.
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.	Disagreed, Councils should be allowed to use minimums if required.
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.	Agreed. Given addressing the heart of the problem, the rate peg, we thank you for the innovative approach to respond to the need for councils to increase revenue.
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.	Agreed.
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	Agreed.
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	Agreed.
7.	An area should be considered to have a different	Agreed.

	'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.	
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: <ul style="list-style-type: none"> <li>– 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</li> <li>– publish the different rates (along with the reasons for the different rates) on its website and in the rates notice received by ratepayers</li> </ul>	Agreed.
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. <ul style="list-style-type: none"> <li>– 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.</li> <li>– 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.</li> </ul>	Agreed.
10.	Sections 555 and 556 of the Local Government Act 1993 NSW should be amended to: <ul style="list-style-type: none"> <li>– exempt land on the basis of use rather than ownership, and to directly link the exemption to the use of the land, and</li> <li>– ensure land used for residential and commercial purposes is rateable unless explicitly exempted.</li> </ul>	Agreed.
11.	The following exemptions should be retained in the Local Government Act 1993 (NSW): <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</li> </ul>	Agreed.

	<p>Council</p> <ul style="list-style-type: none"> <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>	
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.	Agreed.
13.	<p>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(p)).</li> </ul>	Agreed.
14.	<p>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 82 1 Executive summary 12 IPART Review of the Local Government Rating System</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>	Agreed.
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.	Agreed.
16.	Where land is used for an exempt purpose only part of the time, a selfassessment process should be used to determine the proportion of rates payable for the non-exempt use.	Agreed.
17.	A council's maximum general income should not be modified as a result of any changes to exemptions from implementing our recommendations.	It is a pity to not use this opportunity to generate more income for Councils.

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).	Agreed.
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.	This should be optional.
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.	Agreed.
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.	Agreed, though with the proviso that thought will need to be undertaken to avoid unintended consequences.
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.	Agreed.
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	Agreed.
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.	Agreed.
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.	Agreed.
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.	Disagreed. We recommend that IPART approach the Western NSW Mining Taskforce and develop advice based on a more fulsome picture of the

		challenges of mining income. The Board policy is to excise mining rates from the balance of rateable income under the cap to better manage volatility.
27.	Councils should have the option to engage the State Debt Recovery Office to recover outstanding council rates and charges.	Agreed.
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.	Agreed.
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.	Agreed.
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.	Agreed.
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, eg, via email.	Agreed.
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.	Agreed.
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.	Agreed though we note there are many challenges with regard to the ESPL.
34.	Councils should be given the choice to directly buy valuation services from private valuers that have been certified by the Valuer General.	Agreed.

Once again, thank you for this opportunity,

Yours sincerely,



Cr Bill West

**Chair**

Central NSW Councils (Centroc)