

10 October 2016

Review of Local Government Rating System
Independent Pricing and Regulatory Tribunal
PO Box K35
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**Wagga Wagga City Council Submission
Review of the Local Government Rating System – Draft Report
August 2016**

1.7 List of Draft Recommendations	Wagga Wagga City Council (WWCC) Submission
Allow councils to use Capital Improved Value (CIV) as an alternative to Unimproved Values (UV) in setting rates	
<p>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 methods they choose.</p>	<p>Council has no objection to this proposal on the basis that the use of CIV is optional and councils may prefer to retain the existing UV method as the basis for setting of rates.</p> <p>If WWCC elected to use CIV the impact on the change in the rating mix is likely to be minimal as the majority of development in Wagga Wagga is detached housing.</p> <p>WWCC is concerned that the CIV method may prove to be a disincentive for property owners to make capital improvements to their properties for fear of paying additional rates.</p> <p>IPART also need to consider that the valuation process under CIV is likely to be more expensive and a more frequent revaluation cycle will be required to capture all capital improvements.</p>
<p>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.</p>	<p>WWCC has serious concerns regarding this proposal and advocates for the retention of the optional use of the minimum rate in the legislation.</p> <p>The removal of the minimum rate option will disadvantage some property owners with lower land values who have a low</p>

	<p>capacity to pay.</p> <p>WWCC has undertaken some initial modelling and analysis across the various categories using a combination of various base amounts and ad valorem. If the minimum rate is replaced by a base amount in some categories, property owners will be facing an increase in rates of 45%.</p> <p>WWCC submits that the minimum rate option should be retained in the Local Government Act with a rule that no more than 50% of properties can be on the minimum rate for any rating category or sub-category.</p>
<p>Allow councils' general income to grow as the communities they serve grow</p>	
<p>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.</p> <p>- This formula would be independent of the valuation method chosen by councils for rating</p>	<p>The draft report does not provide any sound logic or reasoning to support this recommendation.</p> <p>The current system provides for growth in rating income as the number of rateable properties increases through new subdivisions and infill development.</p> <p>The real issue here is that rate pegging is set at a level that does not reflect the actual cost increases facing Councils including operating costs, statutory contributions to the NSW Government and the backlog/declining condition of infrastructure – roads in particular .</p> <p>WWCC does not see any direct connection between the growth in CIV and the increasing operating costs facing Councils the majority of which are beyond their control. It is also presents a difficult argument to present to property owners who may not have experienced any increase in capital values.</p>
<p>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</p>	<p>WWCC supports the proposed change on the basis of the information presented in the IPART Draft Report.</p> <p>WWCC is also concerned that this amendment might potentially be used by the NSW government as a basis for a</p>

<p>Government. This special rate should be permitted for services or infrastructure that benefit the community, and funds raised under this special rate should not :</p> <ul style="list-style-type: none"> - Form part of a council's general income permitted under the rate peg, nor - Require councils to receive regulatory approval from IPART 	<p>request for Councils to contribute towards State owned infrastructure. WWCC does not support any approach which obligates a Council to make a financial contribution to State owned assets.</p>
<p>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.</p>	<p>WWCC supports the proposed change.</p>
<p>Give councils greater flexibility when setting residential rates</p>	
<p>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:</p> <ul style="list-style-type: none"> - A separate town or village, or - A community of interest. 	<p>Noted – Council has no issue with this proposed change.</p>

<p>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</p>	<p>Noted – Council has no issue with this proposed change.</p>
<p>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 :</p> <ul style="list-style-type: none"> - ensure the highest rate structure is no more than 1.5 times the lowest rate structure across all residential subcategories (i.e., 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 Rate Variation process, and - publish the different rates (along with reasons for the different rates on its website and in the rate notice received by ratepayers 	<p>WWCC supports this amendment but suggests the parameters (ie1.5 times) be reviewed every 4 years.</p>
<p>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.</p>	<p>Noted – Council has no issue with proposed change and gradual equalisation approach.</p>

Better target rate exemption eligibility

<p>10) Sections 555 and 556 of the Local Government Act 1993 NSW be amended to:</p> <ul style="list-style-type: none"> - 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. 	WWCC supports the proposed changes.
<p>11) The following exemptions should be retained in the Local Government Act 1993 (NSW) :</p>	
<ul style="list-style-type: none"> - 555(e) Land used by a religious body occupied for that purpose 	Supported
<ul style="list-style-type: none"> - 555(g) Land vested in the NSW Aboriginal Land Council 	Supported although the exemption should not be blanketed across all uses. If the usage of the land is for commercial purposes the rating exemption should not be applied on the basis of the principle established in recommendation (10) above.
<ul style="list-style-type: none"> - 556(o) Land that is vested in the mine rescue company , and 	Noted – no comment
<ul style="list-style-type: none"> - Section 556(q) Land that is leased to the Crown for the purpose of cattle dipping 	Noted – no comment
<p>12) Section 556(1) – land owned by Private hospital be included in the exemption list</p>	The draft report provides no rationale for this change. The proposed change to provide an automatic exemption to private hospitals appears inconsistent with recommendation (10) above. If the objective of a private hospital is to make a profit the organisation which operates the private hospital should pay rates on the same basis as any other business.
<p>13) Various exemptions as detailed be removed</p>	WWCC supports the proposed changes
<p>14) Various exemptions as detailed</p>	Noted – no comment

be removed	
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	WWCC supports the proposed changes.
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 – It is difficult to understand how self-assessment would work in practical terms. Basically if land is used for a non-exempt purpose any time during the year it should be liable for full rates for that rating year.
17) A Council's maximum general income should not be modified as a result of any changes to exemptions from implementing our recommendations	Disagree – Councils have had to subsidise these properties and it's reasonable and fair that additional revenue is allowed to be raised to assist with infrastructure backlog works, service levels and Council's financial sustainability.
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 rates in a similar manner as occurs under section 558(1)	WWCC supports the proposed changes.
19) At the start of each rating period, councils should calculate the increase in rates that are the results of rating exemptions. This information should be published in the council's annual report or otherwise made available to the public	It is an added task to obtain values and calculate rates on a notional basis. This serves little or no real purpose.

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	<p>Council's position is that the Pensioner rebate should be fully funded by the NSW Government as it is in all other States.</p> <p>The introduction of a rate deferral scheme as proposed must be preceded by detailed community consultation.</p>
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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	Noted – no comment
22) Section 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	Disagree – the imposition of a standard rate spreads the rates burden. Council is concerned that reducing the rates of vacant land owners may promote land banking and restricts Councils ability to provide infrastructure to new developing 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	Supported
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
25) Section 529(2) (a) of the Local Government Act 1993 (NSW) should be replaced to allow farmland subcategories to be determined based on geographical location.	Supported

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 council's costs of providing services to the mining properties.	Supported
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
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.	Council supports the proposed change
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.	Noted –Council already has in place measures which try and assist ratepayers who are behind with their payments.
30) The Local Government Act 1993 should be amended or the Office of Local Government should issue guidelines to clarify that councils can offer flexible payment options to ratepayers.	Noted - Council already offers ratepayers flexible payment plans including weekly, fortnightly, monthly or quarterly direct debits and Centrelink payment options.
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 format, e.g. email.	Supported
32) The Local Government Act	Supported

<p>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.</p>	
<p>Other draft recommendations</p>	
<p>33) The valuation base date for the Emergency Services Property Levy and council rates should be aligned.</p> <p>- 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.</p>	<p>The same valuation base date should be applied to avoid total confusion for the ratepayer.</p> <p>WWCC does not support the mandatory use of CIV as the basis for determining the ESPL. This will unnecessarily add to the cost and complexity for those Councils that have elected to use the UV method for the levy of ordinary rates.</p>
<p>34) Councils should be given the choice to directly buy valuation services from private valuers that have been certified by the Valuer General</p>	<p>Council supports the continuation of an independent system and process for determining land values.</p>

If you have any concerns with this submission, please contact Alan Eldridge, General Manager Wagga Wagga City Council on [REDACTED].

Yours sincerely

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Alan Eldridge
General Manager