



Cootamundra-Gundagai Regional Council hereby makes its submission in response to IPART's Review of the Local Government Rating System *Draft Report, August 2016*.

Council begins with the proposition that IPART's Draft Report for the *Review of the Local Government Rating System* has failed to address the fundamental constraint to local government's long-term viability and sustainability: the rate peg. With a key goal of the review being to enhance councils' ability to implement sustainable fiscal policies over the long term, Council suggests that the scope of this review should be expanded to include the core issue of inadequate revenue streams. To overlook the review of the appropriateness of rate pegging would be a missed opportunity for reform.

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.

Agreed. Councils should be given this flexibility. However recommendations 3 and 33 below call for the need for all Council areas to hold and administer CIV data. This duplicate data requirement will add an administrative burden and cost to the rating system, and will likely result in ratepayer confusion.

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.

Agreed. However, allowances need to be made for merged Councils presently using minimum amounts so they may continue to do so until the rate freeze expires.

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.

Agreed. Growth in revenue should incorporate the proportional increases to land valuations (irrespective of the land valuation method used). There is no comment as to how a decrease in CIV will be 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.

Agreed in principle. Details concerning the approvals process need to be provided.

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.

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.

Agreed.

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.

Not applicable to Gundagai Council's area as we will be dependent on the use of 'separate town or village'.

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.

Not applicable to Gundagai Council.

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.

Agreed in principle, but unlikely to affect Gundagai Council.

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.

Strongly agreed as revenue collection will be fairer, and be distributed across more of the community. State Forest accounts for 6.5% of the former Gundagai Shire Council area and if this land was to lose its exemption, would substantially reduce the impost of other ratepayers who are presently subsidising this industry.

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.

Agreed.

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 in principle, but unlikely to affect Gundagai Council.

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)).

Agreed.

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.

Not applicable to Gundagai Council.

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 self-assessment 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.

Council objects to this recommendation. Instead, it is proposed that where the value of exempt land that has become rateable exceeds 5% of the total rateable land, Council may increase its general income proportionate to the change in rateable land value. Any change less than 5% in land value would likely be inconsequential and need not be considered.

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 in principle, but unlikely to affect Gundagai Council.

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.

The suggestion that "councils would be required to calculate the impact of exemptions in their area by calculating the ad valorem twice – once with all land being rated and once with the exemptions removed" would be too onerous a task. It would require all exempt land to be categorised and sub-categorised to determine potential impact to rates (so as to determine which ad valorem amounts would be affected). Council suggest this should be amended with a more simple method: Council report on the number, and total land value of, rateable assessments and exempt assessments.

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.

Agreed in principle, however requires further scope. Further consideration should be made to the social welfare principle of the pension concession as this policy approach does not reduce the cost of rates to eligible pensioners.

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.

Agreed.

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 in principle. Flexibility must be ensured by allowing - but not enforcing - the use of vacant land categories.

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

Unsure about this recommendation's ability to meet the desired outcome. Should this be adopted, the Local Government Act will be required to define "Business" in the event that it is no longer the 'catch-all' category.

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.

Agreed.

Recovery of council rates

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.

Many Councils have a Debt Recovery Policy which outlines the actions Council will undertake in attempting to recover unpaid rates. This includes the steps leading up to, and including, legal proceedings. By far, it is only those ratepayers who are non-communicable with Council who are pursued through the Court process. In creating a policy outlining the internal review process, responsibility for communication about an inability to pay is passed onto Council, when it should remain the ratepayer's responsibility. Further, care should be taken to ensure additional processes do not become burdensome and that Councils do not become inconvenienced further by ratepayers learning and using 'the system' to avoid timely payment.

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.

Clarity would be beneficial, however Council's policy has always been to accept flexible 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 formats, eg, via email.

It would be an onerous task to monitor delivery methods and to calculate discounts. As long as this is an option – rather than a prescription – for each council, it is agreed to in principle.

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.

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.

Council agrees that the valuation base dates for the ESPL and council rates should be aligned.

However, Council are concerned with the use of CIV in delivering equity in the ESPL revenue. For example, using the CIV would not accurately reflect the cost of fighting a fire when comparing vacant rural land with rural land that has structures and sheds erected.

Further, Council are concerned with how this impacts on recommendation 1, above. Recommendation 1 suggests that a Council should choose between CIV or UV. However, if a council must use CIV for the ESPL calculation and chooses to use UV for land rates, it would be required to maintain two separate land valuation databases, adding administrative time and cost, and decreasing in transparency and simplicity for the ratepayer.

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

Agreed.