



Cowra  
Council

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13 October 2016

Independent Pricing and Regulatory Tribunal (IPART)  
Fit for the Future Panel  
PO Box K35  
Haymarket Post Shop NSW 1240

Dear Sir/Madam

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

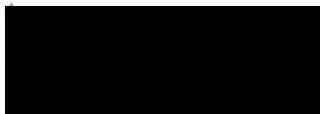
Thank you for the opportunity to make a submission to the Independent Pricing and Regulatory Tribunal's (IPART) review of the Local Government Rating System.

Cowra Shire Council (CSC) appreciates the complexity surrounding the rating of land and the need to ensure that an equitable and easily understandable rating system is maintained for all ratepayers.

CSC has carefully reviewed the 34 draft recommendation contained in the *Review of the Local Government Rating System Local Government — Draft Report August 2016*. While CSC agrees with the majority of recommendations put forward in the report, additional detail is provided in the accompanying table in relation to specific issues raised.

Cowra Shire Council acknowledges that periodical review of the Local Government Rating System is necessary to ensure equity and appropriateness as a primary funding source for the ongoing operation of local government. Council is pleased to have the opportunity to contribute to this discussion.

Yours faithfully



Paul Devery  
**General Manager**

Draft Recommendations	Comments
<b>Allow Councils to use CIV as an alternative to UV in setting rates</b>	
<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 method they choose.</p>	<p>Supported</p> <p>Council is supportive of the consideration of the use of other methods of valuation including Capital Improved Valuations. Council further supports the idea of the ability to use a mix of valuation methods to levy rates giving them greater flexibility to determine rates, particularly if this is coupled with an added ability to further categorise, or sub-categorise its rateable land.</p> <p>The only concern that Council has with this is the potential for additional (and ongoing) costs involved in acquiring a second set of valuations and believes that this would need to be considered before any decision is made to move from the unimproved land value method.</p> <p>In making this decision Cowra Council favours a method of land valuation that ensures an equitable basis for ratepayers, is an asset based tax and easily administered. While the Capital Improved Value proposal may appear attractive because it captures growth, it appears to be unwieldy and an administrative burden in that it would require regular updates following new developments on existing rating parcels. The CIV method can have significant effects on neighbours near a new development. While the newly developed assets may increase in value, the neighbours' ability to pay remains generally static. There may also be a significant effect with rural properties which may have their CIV amount reduced in proportion to the residential sector which would result in the rate burden increasing within the town. In addition town lots of the same size and value under UV will change due to location and size of house thereby affecting amount of rates but not reflecting level of service provided by council.</p> <p>For the above reasons Council favours the continued use of unimproved capital value .</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>Supported</p>
<p><b>Allow council's general income to grow as the communities they serve grow</b></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> <ul style="list-style-type: none"> <li>- This formula would be independent of the valuation method chosen by councils for rating.</li> </ul>	<p>Not supported</p> <p>Cowra Council objects if the only method of obtaining growth is by reference to the UCV. If, as is likely, Cowra Council chooses to apply the UIC method then Council should not be disadvantaged from recording growth above the rate peg. The current framework must continue to be an option for growth.</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 that benefit the community, and funds raised under this special rate should not:</p> <ul style="list-style-type: none"> <li>- Form part of a council's general income permitted under the rate peg, nor</li> <li>- Require councils to receive regulatory approval from IPART</li> </ul>	<p>Supported.</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>Supported.</p> <p>Cowra Council has traditionally applied the maximum rate rise allowed with rate pegging however supports the proposal which would allow Council in the situation where it has not applied the full increase to recover its "loss" at a future time.</p>

### Give councils greater flexibility when setting residential rates

<p>6. The Local Government Act 1993 (NSW) should be amended to remove the requirements 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"> <li>- A separate town or village, or</li> <li>- A community of interest.</li> </ul>	<p>Supported</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 the development.</p>	<p>Supported</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"> <li>- 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 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>	<p>Not supported</p> <p>The determination of rating structures should be the responsibility of each Council in order to address their own specific circumstances. The original purpose of the 1993 Local Government Act was to provide Councils with the necessary autonomy to undertake their role rather than to have matters prescribed.</p> <p>Cowra Council sees no need to mandate this area of Council operation and is concerned that prescription is proposed in a number of areas.</p>
<p>9. At the end of the 4-year rate path freeze, new councils should determine whether any pre-merger areas are</p>	<p>Council makes no comment other than to ensure the greatest level of flexibility is available to Councils.</p>

<p>separate towns or villages, or different communities of interest.</p> <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>	
<p><b>Better target rate exemption eligibility</b></p>	
<p>10. Section 555 and 556 of the Local Government Act 1993 NSW should be amended to:</p> <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>	<p>Supported.</p> <p>Council's general consideration is that use determines the draw upon Council services and exemptions should be based on that provision.</p>

<p>11. The following exemptions should be retained in the Local Government Act 1993 (NSW):</p> <ul style="list-style-type: none"> <li>- Section 555(e) Land use by a religious body occupied for that purpose</li> <li>- Section 555(g) Land vested in the NSW Aboriginal Land Council</li> <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>	<p>Supported</p>
<p>12. Section 556(i) of the Local Government Act 1993 (NSW) should be amended to include land owner by a private hospital and used for that purpose.</p>	<p>Not supported</p> <p>The services provided by a private hospital are not available to all ratepayers and should not be subsidised by them</p>
<p>13. 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 managed by the Teacher Housing Authority and on which a house is erected (Local Government Act 1993 (NSW) section 556(p)).</li> </ul>	<p>Supported</p>
<p>14. The following exemptions should not be funded by the 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</li> </ul>	<p>Cowra Council makes no comment.</p>

<p>556(m))</p> <ul style="list-style-type: none"> <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</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>	
<p>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.</p>	<p>Supported</p>
<p>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.</p>	<p>Not supported</p> <p>A process needs to be in place where Council is involved in making the final determination.</p>
<p>17. A council's maximum general income should not be modified as a result of any changes to exemptions from implementing our recommendations.</p>	<p>Not supported</p> <p>Council's are already under strain to provide services due to the impact of historical rate pegging. The additional income that may come from the removal of exemptions should be over and above the general income to in a minor way address that sustainability issue.</p>
<p>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</p>	<p>Supported</p>

water and sewerage special rates in a similar manner as occurs under section 558(1).	
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
<b>Replace the pensioner concession with a rate deferral scheme</b>	
<p>20. The current pensioner concession should be replaced with a rate deferral scheme operated by the State Government.</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> </ul>	<p>Not supported</p> <p>Cowra Council supports a pensioner concession scheme that is fully funded by the NSW State Government as a welfare measure.</p> <p>The Deferral scheme has the potential for considerable complexity and challenges in recovering debts when the property changes hands.</p>
<b>Provide more rating categories</b>	
21. Section 493 of 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.	<p>Not supported</p> <p>Due to potential administrative burden and claims by landholders and subsequent appeals that land (likely to be farmland) cannot be utilised as originally categorised and is now to be "environmental" land. Such land can actually incur greater costs for Councils due to the difficult terrain for matters such as noxious weeds control, bushfire mitigation and other land</p>



	management practices.
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.	Not supported.
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. <ul style="list-style-type: none"> <li>- The residual category that is determined should not be subject to change for a 5-year period.</li> <li>- If a council does not determine a residual category, the Business category should act as the default residual rating category.</li> </ul>	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  Industrial land may have higher use of council services over and above commercial businesses.
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.	Not supported  This measure is overly prescriptive and will result in reallocation of rate burden to other agricultural categories.
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.	Not supported.  Section 517 should be reviewed in order to classify the land as mining where the dominant use of the land is a mining activity. Currently the section is ambiguous where it states <i>Land is to be categorised as "mining" if it is a parcel of rateable land valued as one assessment and its dominant use is for a</i>

	<p><i>coal mine or metalliferous mine.</i></p> <p>The Mining category should be clarified to allow for mines other than coal or metalliferous mines.</p>
<b>Recovery of council rates</b>	
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.	Supported
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.	<p>Not supported</p> <p>It is suggested that most councils including Cowra already have such schemes in place. It does not need to be mandated that such policies are required.</p>
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.	<p>Not supported</p> <p>Not necessary and Councils should be able to decide upon their own practices</p>
31. The Local Government Act 1993 (NSW) should be amended to allow councils to offer a discount to ratepayers who elect to receive rate notices in electronic formats, e.g., via email.	<p>Supported</p> <p>Provided Council still has the choice of whether to apply a discount</p>

<p>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.</p>	<p>Supported</p>
<p><b>Other draft recommendations</b></p>	
<p>33. The valuation base date for the Emergency Services Property Levy and council rates should be aligned.</p> <ul style="list-style-type: none"> <li>- 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.</li> </ul>	<p>Not supported</p> <p>As there is no legislation in existence it is impossible and impractical to provide a considered response.</p> <p>Council has separately written to the NSW Government objecting to the manner in which the implementation of the proposed ESPL is being handled.</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>Supported</p>