

SUBMISSION TO IPART REVIEW OF LOCAL GOVERNMENT RATING SYSTEM

Goulburn Mulwaree Council

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Goulburn NSW 2580

No.	Draft Recommendation	GMC Response
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.	Council is generally supportive of the option of using the Capital Improved Value available for rating purposes. There have however been some discussion in relation to the use of CIV being mandated but this is something Council could not support. Clearly there is a big place for CIV in metropolitan rating structures however the need for this option in rural or regional areas is less evident. One concern that would need to be clarified is how Councils would determine the CIV and the likely high costs involved in achieving this, particularly in the transition stage.
2	Section 497 of the <i>Local Government Act 1993</i> (NSW) should be amended to remove minimum amounts from the structure of a rate, and section 548 of the <i>Local Government Act 1993</i> (NSW) should be removed.	Council is supportive of this option, particularly in conjunction with the CIV rating option.
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.	This recommendation needs further clarification, particularly in how it differs from the current "growth" factor when new properties are created through splits and subdivisions.
4	The <i>Local Government Act 1993</i> (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.	Agree in principal but would like further clarification on the extent of the works to which this recommendation would apply.
5	Section 511 of the <i>Local Government Act 1993</i> (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 <i>Local Government Act 1993</i> (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 pending further clarification of the definition of what constitutes a "community of interest"
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.	See response to recommendation 6.

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8	<p>The <i>Local Government Act 1993</i> (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 (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 	Agree in principal.
9	<p>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> <ul style="list-style-type: none"> – 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 <i>Local Government Act 1993</i> (NSW) should be amended to facilitate this gradual equalisation. 	While this recommendation does not directly impact on Council due to not being subject to the rate freeze, it would appear this may be somewhat restrictive for a Council trying to bring many existing rate structures into one.
Better target rate exemption eligibility		
10	<p>Sections 555 and 556 of the <i>Local Government Act 1993</i> NSW should 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. 	Agreed.
11	<p>The following exemptions should be retained in the <i>Local Government Act 1993</i> (NSW):</p> <ul style="list-style-type: none"> – 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. 	Agree.
12	<p>Section 556(i) of the <i>Local Government Act 1993</i> (NSW) should be amended to include land owned by a private hospital and used for that purpose.</p>	Do not generally agree as a great number of private hospitals are profitable and are owned and operated by publicly listed companies.

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13	<p>The following exemptions should be removed:</p> <ul style="list-style-type: none"> – 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 (<i>Local Government Act 1993</i> (NSW) section 555(c) and section 555(d)) – land that is below the high water mark and is used for the cultivation of oysters (<i>Local Government Act 1993</i> (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 (<i>Local Government Act 1993</i> (NSW) section 556(g)), and – land that is managed by the Teacher Housing Authority and on which a house is erected (<i>Local Government Act 1993</i> (NSW) section 556(p)). 	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"> – land that is vested in the Sydney Cricket and Sports Ground Trust (<i>Local Government Act 1993</i> (NSW) section 556(m)) – land that is leased by the Royal Agricultural Society in the Homebush Bay area (<i>Local Government (General) Regulation 2005</i> reg 123(a)) – land that is occupied by the Museum of Contemporary Art Limited (<i>Local Government (General) Regulation 2005</i> reg 123(b)), and – land comprising the site known as Museum of Sydney (<i>Local Government (General) Regulation 2005</i> reg 123(c)). <p>The State Government should consider whether to fund these local rates through State taxes. 83</p>	No comment – does not impact on 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 provided that guidelines are provided.
17	A council's maximum general income should not be modified as a result of any changes to exemptions from implementing our recommendations.	Do not agree. Council should receive the benefit from these changes in recognition of the services provided to these properties prior to the change in legislation.
18	The <i>Local Government Act 1993</i> (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.	<p>The value of this information when compared to the cost of producing it is questionable.</p> <p>Currently Councils are not required to categorise non-rateable land, however this would be required to achieve this. This would also effectively require the Councils to prepare two sets of rates estimates for little to no benefit.</p>

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Replace the pensioner concession with a rate deferral scheme		
20	<p>The current pensioner concession should be replaced with a rate deferral scheme operated by the State Government.</p> <ul style="list-style-type: none"> – 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. 	<p>Council could only agree to this recommendation provided that the deferral is vested in the State Government (ie the Government reimburses Councils annually and holds the debt with the owner until it is due for payment. At this point in time the amount owing would be paid directly to the state out of the owner's estate).</p>
Provide more rating categories		
21	<p>Section 493 of the <i>Local Government Act 1993</i> (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>	<p>Council agrees in principal with this recommendation. However it would like to see that a clear, unambiguous definition of environmental land is provided within the legislation.</p>
22	<p>Sections 493, 519 and 529 of the <i>Local Government Act 1993</i> (NSW) should be amended to add a new vacant land category, with subcategories for residential, business, mining and farmland.</p>	<p>Agree with the intent of this recommendation however, to avoid confusion between categories and sub-categories, we suggest it might make more sense to enable a "vacant" sub-category under each of the categories where the "centre of population" or "community of interest" restrictions do not apply.</p>
23	<p>Section 518 of the <i>Local Government Act 1993</i> (NSW) should be amended to reflect that a council may determine by resolution which rating category will act as the residual category.</p> <ul style="list-style-type: none"> – 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 	<p>There does not appear to be any point to this recommendation unless a definition is given for "business".</p>
24	<p>Section 529 (2)(d) of the <i>Local Government Act 1993</i> (NSW) should be amended to allow business land to be subcategorised as 'industrial' and or 'commercial' in addition to centre of activity.</p>	<p>Agreed.</p>
25	<p>Section 529 (2)(a) of the <i>Local Government Act 1993</i> (NSW) should be replaced to allow farmland subcategories to be determined based on geographic location.</p>	<p>Agreed.</p>
26	<p>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.</p>	<p>Do not agree.</p> <p>Council would however like to see an additional category added to the legislation for quarrying and other extractive industries as these activities require similar expenditures by Council as mining.</p>
Recovery of council rates		
27	<p>Councils should have the option to engage the State Debt Recovery Office to recover outstanding council rates and charges.</p>	<p>Agreed.</p>
28	<p>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.</p>	<p>Agreed.</p>
29	<p>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>	<p>Agreed.</p>

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30	The <i>Local Government Act 1993</i> (NSW) should be amended or the Office of Local Government should issue guidelines to clarify that councils can offer flexible payment options to ratepayers.	Council already offers a number of flexible arrangements including fortnightly direct debits and Centrepay options. It is felt that the issuing of guidelines would be the preferable option so as avoid possible confusion or ambiguity within the Act.
31	The <i>Local Government Act 1993</i> (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.	Council would like to see electronic delivery of rates notices clearly provided as an option in the Act however do not generally support the idea of a discount being offered.
32	The <i>Local Government Act 1993</i> (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.	Agree on the intent of this recommendation but would like clarification on how the removal of section 585 will impact on sections 586-588 which refer directly to section 585.
Other draft recommendations		
33	<p>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>Agreed.</p> <p>Using the CIV to levy the ESPL could add unreasonable costs to Councils who choose to remain with the ULV method of setting its ordinary rates.</p>
34	Councils should be given the choice to directly buy valuation services from private valuers that have been certified by the Valuer General.	Agreed.