

Submission for Review of Local Government Rating System

Lachlan Shire Council

Lachlan Shire Council would like to take this opportunity to make a submission in regard to the Review of Local Government Rating System undertaken by IPART. And its report submitted in August 2016.

Council's comments have been added against each point mentioned in the report. These are as follows:

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| 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. | LSC agrees with this recommendation. Councils should be given the option to choose between CIV or UV method of rating which best suits their particular circumstances. |
| 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. | LSC agrees with this recommendation. |
| 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. | LSC partially agrees with this recommendation. While we support the proposed calculation method of growth in CIV through supplementary valuations, we also propose that this should also be applied to UV. |
| 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. | LSC agrees with this recommendation. |
| 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 | LSC agrees with this recommendation. |
| 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 | LSC agrees with this recommendation in conjunction with the recommendations submitted by Revenue Professional NSW. |
| 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. | LSC agrees with this recommendation and suggest that "Community of Interest" should be clearly defined in the Act. |

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| 8. | <p>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 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 | <p>LSC does not agree with this recommendation as Councils are accountable to its communities through IP&R process and should have the discretion to determine the rating structure.</p> |
| 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 choose 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. | <p>LSC agrees with this recommendation.</p> |
| 10. | <p>Sections 555 and 556 of the Local Government Act 1993 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. | <p>LSC agrees with this recommendation.</p> |
| 11. | <p>The following exemptions should be retained in the Local Government Act 1993 (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. | <p>LSC agrees with this recommendation. However, we would like IPART to elaborate on retaining these exemptions.</p> |
| 12. | <p>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.</p> | <p>LSC does not agree with this recommendation as Private Hospitals operate purely on profit basis and their services should not be subsidised by the community.</p> |
| 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 | <p>LSC agrees with this recommendation.</p> |

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| | <p>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))</p> <ul style="list-style-type: none"> – 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)). | |
| 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 (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 82 1 Executive summary 12 IPART Review of the Local Government Rating System – land comprising the site known as Museum of Sydney (Local Government (General) Regulation 2005 reg 123(c)). <p>The State Government should consider whether to fund these local rates through State taxes.</p> | LSC agrees with this recommendation. |
| 15. | <p>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> | LSC agrees with this recommendation. |
| 16. | <p>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> | LSC agrees with this recommendation. |
| 17. | <p>A council's maximum general income should not be modified as a result of any changes to exemptions from implementing our recommendations.</p> | LSC agrees with this recommendation. |
| 18. | <p>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).</p> | LSC agrees with this recommendation. |
| 19. | <p>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> | This should be optional. |
| 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 | LSC agrees with this recommendation based on the clarification made in Public hearing in Dubbo on 10th Oct 2016 that the State Government will bear 100% |

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| | 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. | subsidy and refund councils in full. |
| 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. | LSC agrees with this change but as a sub category rather than a separate rating category. |
| 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. | LSC does not agree with this recommendation. Vacant Land can be added as a sub-category to the existing rating categories to assist in implementing Emergency Services Property Levy. |
| 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 | LSC suggests that instead of having Business as a residual category, the residual category for a property should be determined with LEP zoning categories if possible or the rating categories of the neighbouring properties. |
| 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. | LSC does not agree with this recommendation. If this needs to be implemented, it should be added as a sub-category with each sub-category clearly defined. |
| 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. | LSC agrees with this recommendation. |
| 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. | LSC does not agree with this recommendation as Councils should have the discretion to determine the rating structure through its IP&R process and should not be subsidising the mining companies as their impact on the community is more than small businesses. |
| 27. | Councils should have the option to engage the State Debt Recovery Office to recover outstanding council rates and charges. | LSC agrees with process; however it will not make any difference to the Debt recovery process but will provide another option of a debt recovery agency. |
| 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. | LSC agrees with this recommendation. |
| 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. | LSC agrees with this recommendation as most of the Councils have these guidelines in place including LSC. |
| 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 | LSC agrees with this recommendation. |

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| | options to ratepayers. | |
| 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, e.g., via email. | We suggest that this should be optional and left to the individual Councils for adoption. |
| 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. | LSC agrees with this recommendation. |
| 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. | LSC supports this recommendation; however we would like a clarification. Who will bear the cost of getting a CIV for ESPL in case the Council is using UV to levy the rates? We suggest this cost should be borne by State Government as Councils are collecting this levy on behalf of State Government. |
| 34. | Councils should be given the choice to directly buy valuation services from private valuers that have been certified by the Valuer General. | LSC agrees with this recommendation. |

Yours sincerely,

John Chapman
Chief Financial Officer
Lachlan Shire Council