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13 October 2016

Review of Local Government Rating System
Independent Pricing and Regulatory Tribunal
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Dear Sir/Madam

REVIEW OF LOCAL GOVERNMENT RATING SYSTEM

In April 2016 IPART released a Local Government Issues Paper titled "Review of the Local Government Rating System". Newcastle City Council lodged a submission in response to that report on 13 May 2016.

In August 2016 IPART released a Local Government Draft Report titled "Review of the Local Government Rating System" (Report). IPART have requested interested parties to provide submissions addressing the matters discussed in the Report.

Please find attached Newcastle City Council's submission in response to IPART's request.

In reviewing the Report, Council has taken into consideration how the recommendations contained in the Report align with the key tax principles of efficiency, equity, simplicity sustainability and competitive neutrality. In considering these tax principles, Council has assessed the impact of the relevant recommendations detailed in the Report, on the ratepayers of the Newcastle Local Government Area (LGA).

Council acknowledges that the intent of the recommendations are not to increase the total value of rates collected by councils but to ensure a more equitable distribution of the rate burden within each individual LGA and to improve the efficiency of the rating system, in particular ensuring that an individual ratepayers contribution is more closely aligned with the benefits they derive from the services funded by the rate revenue.

Yours faithfully

[REDACTED]
Frank Cordingley
INTERIM CHIEF EXECUTIVE OFFICER

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Review of the Local Government Rating System Local Government- Draft Report August 2016

Submission by Newcastle City Council

Introduction

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Please note that IPART's draft recommendations contained in the Report are in bold and Council's comments are outlined below each recommendation.

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 supports this recommendation as the introduction of the CIV method will allow:

- The Equity principle of taxation to be more adequately addressed in that CIV produces rate levels which are determined by a more effective measure of ability to pay and willingness to pay than the current UV method. The value of the improvements added to land more closely correlate to and generally represent a better indication of a ratepayer's relative wealth and consequent ability and willingness to pay.
- The resolving of inadequate and inequitable rate levels being paid by strata unit owners. This will also afford some relief to other ratepayers owning stand-alone property who have previously subsidised rating contributions from strata unit owners. Additionally the on-going use of the UV method will only exacerbate inequity with approximately 3,000 additional strata units to be erected in Newcastle LGA over the next three to five years. Council has numerous examples of strata titled property in the LGA which have a CIV of over twice as much as other non-strata property yet pay similar rates using current legislation as the underlying UV of the respective properties are similar eg Property 1 (CIV \$890,000/UV \$205,000) rates \$1,050.00 - Property 2 (CIV \$419,500/UV \$184,000) rates \$1,004.00. As highlighted in the Report this illustrates the inequity resulting from the current rating systems inability to accurately reflect the true ability to pay for, willingness to pay for and demand for services within the community through the on-going use of UV methodology.
- A rating method to be used which is more readily accepted and easily understood by the rate paying community. The calculation of a property's CIV is more straight forward to measure and more transparent when compared with a property's UV as there is no need to estimate the value of any improvements in deducing a land value.

Additionally the use of CIV is recognised both nationally and internationally as a fair, transparent and sustainable approach to rating. The UV methodology is considered to be outdated and only continues to be used in a small number of jurisdictions.

It is important however that councils should be allowed flexibility in selecting the option of using UV or CIV as there is a valid argument that less developed, rural based councils will require a choice in-line with the prevailing local economic conditions. It should be noted that where a council opts to use the UV method for ordinary and special rates calculation, CIV will also be required to be recorded and maintained within their rating database. This will enable the Report's draft Recommendation 3 to be adopted by those councils that choose to retain the UV methodology.

It is likely that there will be substantial costs associated with the implementation of an amended valuation basis. In supporting the recommendation it is imperative that councils are not financially disadvantaged by the introduction of CIV as a rating basis.

The availability of CIV data will provide significant economic benefits to the State of NSW both within the private and public sectors. The Banking and Real Estate industries as well as NSW Government departments such as the Department of Planning will all enjoy significant benefits from the use of CIV data and should accordingly contribute to the implementation costs of establishing the CIV valuation methodology. This will ensure that local councils do not bear the entire implementation cost burden.

Additionally there are direct benefits to the NSW Government in reduced administrative and assessment costs due to the anticipated reduction in the quantity of Special Rate Variation applications resulting from the adoption of Recommendation 3 of the Report. This further supports the case that costs associated with the introduction of the use of CIV data should be shared across those industries which benefit from the data.

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.

Council generally supports the recommendation on the basis that adoption of the CIV methodology will remove the need for the minimum rating legislation which is predominantly used in metropolitan councils to attempt to maintain equitable rate contributions from strata titled units. However this current practice is flawed and leads to inequitable outcomes with properties of significantly varying size and value paying identical rates.

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.**

Council supports the recommendation and agrees with the statement made within the Report *"The current rating system is not orientated to deliver councils sustainable increases in income over time and pursue growth"*. Using the current UV methodology the growth in rate income does not in any way equate to or even correlate with the cost of providing services to new properties. By utilising the increases in CIV a more accurate reflection of the cost of servicing new ratepayers can be factored into rate income growth. In short this method allows a council's rate income to be increased adequately when the demand for council services increases ie when the land is developed and the CIV increases.

Importantly the adoption of this recommendation should in theory reduce the number of time consuming and costly special rate variation supplementary valuation applications currently required from councils, which reduces the administrative burden on both the councils and IPART who are required to assess the applications.

This recommendation is of particular relevance to the Newcastle LGA which is expected to see some 3,000 new strata titled units to be constructed over the next three to five years. This will drive a significant increase in the population of the LGA. If the current rating methodology

is retained Council will receive no increase in their general income to fund the increase in demand for services generated by these additional residents. This increase in demand for services will be substantially underfunded and thereby place a significant and inequitable financial burden on the entire community. The financial impact of this is exacerbated over time and is counter-productive to Council's ability to support sustainable long term growth in the LGA.

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.**

Council supports the recommendation as it will encourage urban growth and remove both the significant impediments currently in place of requiring SRV approval and excluding the funds raised from Council's general income. Any application of this new provision should, however, be at the total discretion of the relevant council.

This recommendation is also of particular relevance to Newcastle which is currently undergoing significant urban renewal with a number of projects being undertaken and funded by the NSW State Government in parallel to those being undertaken and funded by Council.

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.

Council supports the recommendation as it considers that the current two year period of utilising "catch up" income as prescribed by Section 511 of the Local Government Act 1993 (NSW) is too restrictive. This recommendation provides more flexibility to councils to adapt to short term cyclical changes in economic conditions, which will assist in ensuring their long term financial sustainability and meeting their Fit for the Future obligations. However it is noted that the application of this provision appears more relevant to councils with a significant Farmland or Mining rate base.

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.**

This recommendation is supported as the current "centre of population" criterion lacks both clarity and relevance for Metropolitan Councils. The amendment provides all councils with the flexibility to sub-categorise residential land and accordingly set different rates according to factors such as exposure/access to Council services or infrastructure or according to the varying costs of providing these services or infrastructure. This also allows Council to better address the key taxation principles when setting residential rates ie addressing an equitable and efficient spread of the rating burden.

Should the proposed merger between Newcastle City Council and Port Stephens Council proceed, this recommendation will support a more equitable and efficient transition to new harmonised rates across the combined LGA's. This recommendation will allow greater flexibility to establish rates which are more reflective of the relevant communities' willingness and ability to pay and which more closely correlate with the level of services provided to the respective communities.

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.

Council agrees with this recommendation however Council requests that additional clarity be provided as to what constitutes a "contiguous urban development and to confirm that councils are able to determine one or more contiguous urban development within a single LGA.

As noted in the Report the establishment of rates across an LGA may require a trade-off between the different key tax principles, particularly those of equity and efficiency. It is agreed that local councils are best placed to balance these potentially conflicting requirements and to determine an outcome most appropriate to the individual 'communities of interest' that may exist across an LGA. This recommendation provides greater flexibility to enable local councils to achieve the desired outcomes.

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.

Council supports in part the above recommendation which allows different residential rates to be set within the one contiguous urban development, particularly those which would allow newly merged councils to retain their pre-merge area rates structures. However Council believes the "1.5 times" factor is too restrictive and places an unnecessary requirement to seek IPART approval at this level. It is Council's view that a factor of 2 or a 100% maximum differential is more reasonable.

Should Council's proposed merger with Port Stephens City Council proceed, there will be significant variations in the access to and demand for Council services given the geographical variations between inner city, suburban, semi-rural and rural areas. An expanded differential to a factor of 2 will enable residential rates to be set in line with the level of benefit to ratepayers and cost of providing services to these areas.

The transparency and communication requirements are considered appropriate and are supported.

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.**

This recommendation is supported in principle given it provides new councils with the flexibility to protect ratepayers in merged council areas from significant rate movements at the end of the 4-year rate path freeze. The ability to keep existing rates, which operated within the former council areas or vary them within an agreed differential is important in maintaining equity post-merger and to facilitate a smooth transition to any newly established rate structure. However, as referenced in our response to Recommendation 8, the 50% maximum differential should be increased to 100%.

Additionally the 10% ceiling during the rates equalisation process is considered to be a reasonable approach which will provide councils with the flexibility to gradually equalise rates over a number of years. The current legislation does not provide this flexibility and requires new councils to equalise their rates immediately - this has the potential to cause undue financial hardship for some residents in merged council areas, at the end of the 4-year rate path freeze.

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.**

Council supports this recommendation. This recommendation addresses Council's primary areas of concern regarding rate exemptions within the current legislation which are based on ownership and result in inequitable outcomes and cross subsidisation. For example, exemptions are provided under the current legislation to Community Housing Providers, Retirement Villages and student accommodation on University campuses., despite these properties being used for residential and/or commercial purposes. Councils are currently required to provide services to these properties at the same level as surrounding residential properties, however Council is unable to recover the relevant costs from the beneficiaries of the services.

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.**

Council supports this recommendation on the basis that land vested in the NSW Aboriginal Land Council continues to be exempt only if the land is not used for a commercial or residential purpose. This is consistent with the current requirements of the relevant section of the Aboriginal Land Rights Regulations 2014.

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.

Council opposes this recommendation.

It is Council's view that Private Hospitals operate and are conducted for a private purpose as they are profit driven with a sole commercial motive. Additionally, the benefits of a private hospital are available only to those able to pay for the service provided. In direct contrast a Public Hospital is conducted not for private profit but primarily and substantially for the benefit of ordinary members of the general public. The distinction here is clear in that a private hospital is not conducted for the benefit of the general public but solely for the benefit of its owners/shareholders. Accordingly it should be rated in the same manner as other commercial activities which also sell goods/ services at market value on an on-going basis. I note the company operating several private hospitals in NSW and one within Newcastle LGA reported an operating profit before tax of \$50million as at 30 June 2015.

Additionally Private Hospitals are significant beneficiaries of Council funded infrastructure and services and should, in the interest of equity, be required to pay for the benefit they receive. Council also notes that most Private Hospitals within the Hunter Region are not co-located with public hospitals, which is contrary to information documented in the Report.

Council also notes that council rates would comprise a very small proportion of the overall operating cost of most private hospitals and any savings arising from a rate exemption is unlikely to lead to a significant reduction in the price charged for services provided by these commercially operated private hospitals. Accordingly there appears to be little evidence to support the assertion made in the Report that *"This recommendation may also reduce State Government healthcare costs, as it will reduce costs for private hospitals which may result in patients substituting to private hospitals"*.

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)).

As noted in the Report the relevant land is being used for commercial or residential purposes and should be rateable. For this reason Council supports this recommendation.

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.

As noted in the Report these institutions are primarily commercial and provide public benefits to the wider community and would be more appropriately funded through State taxes. For this reason, notwithstanding that the existing exemptions are not applicable in the Newcastle LGA, Council supports this recommendation.

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.

Council supports this recommendation as it is consistent with both the key taxation principles of equity and the current provisions of Section 555(5) of the Local Government Act 1993 (NSW).

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.

Council supports this recommendation as it is consistent with the key taxation principle of equity. The self-assessment process will reduce the level of administrative effort required by councils to consider such applications. The proposed bands of council rates for mixed-use exempt land shown within Table 6.23 are considered reasonable.

17 A council's maximum general income should not be modified as a result of any changes to exemptions from implementing our recommendations.

Council supports this recommendation as it is consistent with Section 509 Local Government Act 1993 (NSW). Changes to exemptions are not supplementary valuations and accordingly should not be used to modify a council's maximum general income. However Council believes a mechanism should be introduced which will allow council's to be compensated for rates foregone since 1 July 2016 as a result of any properties which become rateable as a result of this review. This will ensure that Council is not financially disadvantaged for any delay in implementing these exemption reforms.

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).

Not applicable to Newcastle as Council is not a water and sewerage Authority.

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.

Generally Council supports the recommendation which is consistent with the tax principle of transparency and would provide greater visibility to the community of the level of rate exemptions provided. This would however require the need for each council to determine a rate category for each non-rateable property eg. non-rateable residential or non rateable farmland etc. This may create an increased administrative burden for some councils. Alternatively an estimate could be supplied by councils which would remove the need for this onerous task.

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.**

The current pension concession scheme is inequitable in that it requires non-eligible pensioners and ratepayers to subsidise State Government social policy, ie pensioners who rent property are making contributions towards rates via rental payments and other ratepayers in the council area pay higher rates to help fund the current concession scheme. Accordingly Council is supportive of replacing the current pensioner concession scheme with an alternative pensioner assistance scheme funded entirely by the NSW Government.

As the proposed alternate scheme is to be operated and funded by the State Government the operating model for that assistance scheme is considered to be a matter for the State Government to determine.

Council made a submission to the earlier Review of the Local Government Rating System-Issues Paper on 13 May 2016. In that submission Council stated that *"the objective of the pensioner concession scheme should be to provide equitable financial assistance for low income and asset poor ratepayers which is indexed annually and fully funded by the NSW State Government, consistent with the funding arrangements in all other states in Australia"*. Council's position in regard to any alternate pensioner assistance scheme funded by the State Government remains unchanged.

In regard to the recommended rate deferral scheme Council notes that based on the information in the Report the scheme affords pensioners a temporary reduction in rates only. This reduction in rates accrues interest which, when the property is sold, is required to be repaid. When assessed against the comparative financial assistance models operated by other State Governments, as described in Box 7.2 of the Report, the proposed operating model is the least beneficial to pensioner ratepayers.

Council also notes that the Report does not provide sufficient details of how the proposed deferral scheme will operate in order to determine the full impact on both pensioners and Council resources. Accordingly further details are requested in regard to:

- What role Council expected to undertake in regards to the implementation and administration of the recommended scheme?
- How Council will be required to report the remittance of deferred rates and interest?
- How often and in what manner will deferred rates be remitted between Council and the Government?
- What qualifying criteria will pensioners need to meet (Council notes the South Australian scheme requires assessment of specific mortgage details)?
- Will compound interest apply to the deferred rates within the scheme, as it does with the South Australian scheme?
- Will any cost of living allowance or annual lump sum payment be implemented by the

NSW Government as is available within the South Australian scheme?

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 Local Government Act.

Based on the definition of environmental land in the Report, Council believes the use of the proposed land classification should be optional and for this reason the introduction of an environmental land subcategory rather than a mandatory category is preferred. This will provide the necessary flexibility for councils to levy varying rates in line with the restricted use to which the land can be put. This environmental land sub-category should be exempted from the maximum difference for ad valorem rates and base amounts restriction as proposed within Recommendation 8 which is to apply to different residential rates within a separate town or village, or different community of interest.

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.

This recommendation is supported by Council. The introduction of a vacant land category and ability to subcategorise this category would provide the flexibility councils require to more equitably set rates. The prevalence of "land banking" (as referenced in the Report) in the Newcastle LGA is currently uncommon. However, if the use of CIVs is introduced, this practice may become more prevalent as vacant land will have a lower CIV and hence produce relatively lower rates.

In addition, the introduction of a vacant land category will also allow a lower rate to be set which acknowledges that vacant land generates lower demand for council services.

Most importantly this recommendation provides the ability and capacity for councils to set rates which best reflect their local circumstances.

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**

This recommendation is generally supported by Council. The current legislation is considered to be overly restrictive and does not provide councils with sufficient flexibility. For example there is no other option but to categorise residential car parks on a separate title as Business. This situation is becoming more and more prevalent within strata subdivisions and will continue do so in the Newcastle LGA with an additional 3,000

residential units due for construction over the next three to five years. Obviously the Business categorisation which Council is currently compelled to use does not reflect the true character of the property and the use to which the land is put and accordingly produces an inequitable outcome. In this instance the logical choice for Council would be to nominate Residential as its residual rating category. With the adoption of this draft recommendation this can occur.

Council notes that the term of an elected Council is four years. Accordingly it is suggested that the period for which the residual category should not be subject to change should also be set at four years to align with a standard Council term.

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.

Council supports the recommendation. The option to use commercial, industrial or centre of activity as the basis to sub-categorise land will allow greater flexibility to equitably rate land according to actual use regardless of whether it is geographically within a centre of activity.

Council notes this subcategorisation of businesses into commercial and industrial uses is consistent with the proposed treatment under the new Emergency Services Property Levy (ESPL).

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.

This recommendation has limited relevance to Newcastle LGA as only 17 properties within the LGA are categorised as Farmland. However Council supports subcategorisation of farmland as it provides greater flexibility to councils to allow them to establish a more equitable rating system taking into consideration geographic location as well as land use.

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.

This recommendation is not relevant to Council as there is no mining land within the Newcastle LGA.

Recovery of Council Rates

27 Councils should have the option to engage the State Debt Recovery Office to recover outstanding council rates and charges.

This recommendation is supported on the basis that the use of the State Debt Recovery Office (SDRO) is optional.

The benefits to councils in recovering overdue rates through the SDRO are clearly

demonstrated. Council however notes that the implementation of this recommendation will result in a significant increase in demand for the services of SDRO. Accordingly it is anticipated that the State Government will ensure that adequate resourcing and technological infrastructure is put in place to accommodate this increased demand.

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.

This recommendation is supported as it significantly increases the effectiveness of this mechanism as a debt recovery tool.

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.

Council supports this recommendation and notes that its current practices are consistent with the intent of this recommendation.

In addition, Council has a range of mechanisms currently in place to assist ratepayers who experience difficulty in paying their rates:

- periodic flexible payments,
- interest free arrangements for pensioners and those facing hardship,
- payments through Centrelink,
- relief under Section 601 Local Government Act 1993 (NSW),
- deferral of rates against a ratepayer's Estate, and
- rate payment vouchers and a financial counselling/planning service provided by a panel of community welfare agencies.

All of these are actively encouraged for use and promoted to ratepayers. Council's use of legal action to recover overdue rates is always considered an option of last resort.

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.

This recommendation is supported as there is currently a lack of clarity as to how flexible payment options can operate whilst still complying with Section 562. Council notes that the Office of Local Government (OLG) issued Rates and Revenue Raising Manual makes various statements regarding the ability and inability of councils to enter into arrangements for example:-

"It is important to note that section 564 does not enable a council to enter into arrangements with ratepayers to instalment plans that are, in essence, inconsistent with section 562 unless and until the rates and charges are due and payable. The fact that under the Act either party may now make the initial offer to enter into an agreement does not alter this position." and

"Agreements entered into in advance of the rates and charges coming due and payable could be inconsistent with the overall structure of Part 7 and may potentially be invalid."

Amended legislation and/or updated OLG guidelines which provide clear and unambiguous support of flexible payment options is fully supported by Council.

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.

This recommendation is generally supported. Increased electronic service of notices would allow increased savings in postage costs and promote efficiencies and effectiveness in ensuring rate notices are received and tracked. Additional environmental benefits are also generated through the increased use of email service.

Council suggests that the mechanism for determining and administering any discount be left to the discretion of the individual council as they are best placed to determine the most equitable and efficient means of passing any cost savings through to the ratepayer.

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.

This recommendation is supported. The current postponed rate mechanisms within the Local Government Act 1993 (NSW) are overly complex and impose a disproportionate administrative burden on councils relative to the benefit received by ratepayers and the small number of ratepayers to which the concession is available (eg approximately 50 properties in the Newcastle LGA from a total of 67,000).

However whilst ever the Valuation legislation requires land to be valued at market value in terms of Section 6A, Council suggests that provision will be required to allow a valuation concession on land which is valued based on a higher use than what the current use is.

Additionally councils should be permitted to factor in to their rate base any valuation concession granted in these instances as is currently the case with attributable parts of the land values as determined under Section 587 of the Local Government Act 1993 (NSW).

Should the recommendation be adopted Council suggests that transitional arrangements should be implemented to accommodate those properties with arrangements in place under the existing legislation.

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 supports both aspects of this recommendation.

The use of a common base date between Council Rates and the ESPL will enable a single base date of valuations to be maintained within Council's rating systems. This will significantly reduce the additional administrative burden imposed on councils by the introduction of the ESPL. This will be particularly relevant in terms of processing supplementary valuations where councils' establish rates from the date of registration of a plan or next quarterly instalment date.

If this recommendation is not implemented it could require the two different base dates to be noted on the one annual rate notice, which is likely to create confusion for the ratepayer.

Council supports the application of CIV (when available) as the basis for the ESPL as it would be consistent with the rating methodology and more accurately reflects the benefits received from emergency services ie the higher the capital value of any structure, the higher the level of benefit afforded to the ratepayer and the higher ability a ratepayer possesses to pay for the levy.

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

Council supports this recommendation.

An optional choice would allow councils to decide the most suitable and cost effective service provider at their own discretion.