

11 October 2016

Review of the Local Government Rating System  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop NSW 1240

Dear Sir

Thank you for the opportunity to provide comment on IPART's Report 'Review of the Local Government Rating System'.

The following comments are made:

1. Giving councils the option to use market value of the property (capital improved value) or the current unimproved land value method when setting rates.

*Comment: potentially useful where there is differential and significant capital improvement within a rating category, mainly in urban areas. There may also be major capital differentials in industrial landuse - eg Visy and Hyne mills, for which use of CIV may be considered.*

2. Allowing councils' total rates income to grow as the communities they serve grow from new developments.

*Comment: increase in rates income would be tied to growth in capital improved value, so in high growth areas, such as coastal areas, rates income will rise to better match the need for service provision. This is likely to be of less significance in rural areas with lower growth.*

3. Providing more options for councils to set residential rates to better reflect local community preferences.

*Comment: residential rates can be set to reflect differences in access to, demand for, and cost of providing council services in different residential areas. This will also allow a transition to a new and equitable rating system across Snowy Valleys Council following the four year rate freeze.*

4. Replacing the current pensioner concession scheme with a rate deferral scheme operated by the State Government.

*Comment: rather than paying rates at the time of levy, eligible pensioners would be allowed to defer payment of rates up to the amount of the concession. The amount not paid will 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. This will require increased administration but will allow the rebate to increase, with the State Government to bear all costs.*

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5. Modifying rate exemptions so eligibility is based on land use rather than ownership.

*Comment: The recommendation is to remove some exemptions on the basis that the land is used for commercial or residential purposes. If adopted this would make commercial timber plantations owned by the State Government rateable. There is also a proposal to remove mandatory exemption from water and sewerage charges so that council can levy these rates and charges if the services are delivered even if a property remains exempted from general rates.*

6. Allow councils to levy a new type of special rate, that would not require regulatory approval, to fund joint infrastructure projects with the State or Federal Government.

*Comment: This rate would be permitted for specific services or infrastructure that benefit the community and would not form part of the general rate, nor would it require approval from IPART.*

7. Creating two new rating categories for environmental and vacant land.

*Comment: environmental land will be defined under the Act. It is land that cannot be developed due to geographic or regulatory restriction. This will allow councils to levy lower rates on this land to better reflect its lower costs. Conversely, a new vacant land category will be introduced which will allow a council to set higher rates to encourage development, the latter of particular importance in high value urban areas.*

8. Giving councils better options to set rates within the business and farmland rating categories.

*Comment: this will allow councils to use rate structures to take account of different farmland land uses and locations to allow farmland subcategories to be determined based on geographic location, markers such as rivers, escarpment, and major infrastructure. If adopted, this will give newly merged councils the ability to ease transition of rates to an equitable rating structure even if ultimately a single farmland rate is adopted. It is also recommended that councils should be allowed to subcategorise business land as commercial or industrial to differentiate rates charged for different uses.*

9. Allowing councils to choose between purchasing valuation services directly from the market or from the NSW Valuer General.

Many of the recommendations will give councils more flexibility, and in the case of merging councils, will help to ease transition to a new rating structure.

Other recommendations that increase flexibility are extending rates 'catch-up' provisions, offering more flexible rate payment arrangements, offering potential discounts for those who are prepared to receive electronic rates notices, and allowing properties to be sold for unpaid rates after three years rather than the current five years.

There is no recommendation to change local government liability for payment of State Government taxes such as payroll tax, which IPART has indicated should be part of a broader taxation review.

Two recommendations if adopted will have a direct impact on Snowy Valleys Council:

1. A recommendation to remove the ability to levy minimum rates. It is recommended this be phased out from 2020-21. The former Tumut Shire Council levied minimum rates (as opposed to base plus ad valorem), so while minimum rates will be retained during the four year 'rate freeze', these will need to be phased out if this recommendation is adopted.
2. The recommendation that commercial activities be rateable regardless of property ownership. The recommendation specifically notes that exemption of land used for commercial logging should be removed. However, the report also recommends (No 17) that councils' maximum general income should not be adjusted as a result of any one-off changes in exemption status - i.e. there is merely an adjustment in the source of income. This change has the potential to cause significant additional cost to Snowy Valleys Council. NSW Forest Corporation has contributed towards road upgrades and maintenance over past years partly no doubt in recognition that it does not contribute otherwise to local roads. For example, the contribution to council roads along the Maragle log haulage route in the former Tumbarumba Shire over the past 10 years is estimated to be \$1 million. The former Tumbarumba Shire Council was not supportive of removal of the exemption for this reason. The former Tumut Shire Council only supported removal of the exemption on the basis that total rates would increase should commercial logging become rateable.

There is precedence that the variations to notional income be granted for permanently rateable land. (See attached Department of Local Government Circular to Councils)

This occurred when the Snowy Hydro was corporatized and freehold land under the dams became eligible for rates, eg – Jounama Dam for the former Tumut Shire and Khancoban for the former Tumbarumba Shire.

This was a single application form without the need for a Special Variation to increase the Councils notional general income by the amount equivalent to the annual income of rates payable by these properties.

It needs to be understood that the operation of commercial forestry has huge impacts on Council infrastructure, particularly roads and community services. To date this cost has been borne by the general ratepayer. It is acknowledged in the case of NSW Forest Corporation that they have made some negotiated contributions towards road maintenance and upgrading. This has been extremely limited and sporadic. If they have to pay rates and Councils do not receive an immediate increase for notional income, the general ratepayer will continue to contribute to the impacts until an SRV is approved. These are not retrospective.

Council contends that recommendation No 17 should be rejected and the least impact option be adopted, i.e. Councils seek approval for adjustment to notional income for newly rateable crown land through the Office of Local Government.

I am happy to discuss if you require further clarification.

Yours faithfully,



R K Stewart  
Interim General Manager

Attachment: Circular No: 01/28 Department of Local Government Circular to Councils



Department of Local Government  
Circular to Councils

Circular No: 01/28  
Date: 06/04/2001  
File No: FF96/0323  
Contact: [REDACTED]

**ADJUSTMENTS TO NOTIONAL INCOME IN 2001/02 FOR NEWLY RATEABLE  
CROWN LAND : APPLICATIONS CLOSE 30 APRIL 2001**

Councils that wish to apply for "Adjustments to Notional Income for Newly Rateable Crown Land" in 2001/02, when appropriate, are invited to do so no later than 30 April 2001. **Form "SV-2" has been e-mailed to councils separately, for completion and return by the due date.** Those applications that received the Minister's approval last year (under section 508 (2) of the Local Government Act 1993) entitled councils to increase their total permissible general income for 2000/01 by a percentage addition in schedule 3 of the 2000/01 Rating Return, similar to any special variation approvals. This is the fourth year that councils have been invited to apply for such adjustments for former crown land that became **permanently rateable** on or after 1 July 1996.

Applications can now be submitted in respect to formerly non-rateable Crown properties that became **permanently rateable** recently, generally in 2000/01. Councils can apply, without the need for a special variation, to increase its notional general income by an amount equivalent to the annual amount of rates payable by these properties. The major reason identified as requiring this adjustment is to enable councils to add to notional general income, income from sources such as Landcom land which was sub-divided (and a supplementary valuation provided) in a year before it was sold (and therefore became rateable). Section 509 of the Act only permits supplementary valuations of rateable land (not non-rateable land) to be added to the next year's notional general income (in workpaper 1 of the rating return). **Land that becomes rateable in the same year that a supplementary valuation is provided is therefore not to be included in this adjustment.**

Councils are now given the option to apply for an income adjustment to increase their 2001/02 notional general income, under those circumstances listed hereunder. Applications will be considered for land that has been subject to a permanent change from non-rateable Crown land to rateable land during 2000/01. Applications will also be considered for Crown land that became permanently rateable during the period 1996/97 to 1999/00, subject to a council's explanation for not obtaining an approval in a previous year. Any adjustments will be for a single year's income (based on 2000/01 rating structure) and will not be retrospective.

Similar to last year, any adjustments will be calculated as a percentage of a council's 2000/01 notional general income yield as shown in schedule 2 of its 2000/01 rating return. Councils also seeking a **special variation** will still be required to submit an income adjustment application but will also include this income adjustment sum in its proposed 2001/02 general income yield in its special variation application form.

To ascertain the amount of income to be added to a council's general income Council must complete the Form SV-2 "Income Adjustment for Newly Rateable Crown Land". **The schedule must be returned to the Department by email by Monday, 30 April 2001.**

Generally, the circumstances for which income will be increased are as follows:

1. Land owned by Landcom or its Business Land Group that has been sub-divided in a previous year and not sold during that same year can be included in the schedule if they have been sold (and therefore became rateable) in 2000/01. Any properties whose values will be included on Workpaper 1 of the Rating Return (eg supplementary valuations) must not be included, as they will already be included in the notional general income calculation.
2. Crown land that has become rateable during 2000/01 for which an ex-gratia payment was previously collected (usually Commonwealth Government owned land). Any adjustment will be equivalent to the ex-gratia payment.
3. Land that has become rateable during 2000/01 as a result of the corporatisation of a State Owned Corporation that has been specified in either Schedule 1 (Company SOCs) or Schedule 5 (Statutory SOCs) of the State Owned Corporations Act, 1989. Again, any land whose value will be included on Workpaper 1 of the Rating Return (eg supplementary valuations) must not be included, as it will already be included in the notional general income calculation.

<b>BODY</b>	<b>CORPORATISED</b>
Advance Energy	1/3/96
Australian Inland Energy Water Infrastructure	1/3/96
Delta Electricity	1/3/96
Energy Australia	1/3/96
<b># Eraring Energy</b>	<b>2/8/2000</b>
Freight Rail Corporation	1/7/96
Great Southern Energy	1/3/96
Hunter Water Corporation	1/1/92
Integral Energy Australia	1/3/96
Macquarie Generation	1/3/96
New South Wales Lotteries Corporation	1/1/97
Newcastle Port Corporation	1/7/95
North Power	1/3/96
Port Kembla Port Corporation	1/7/95
<b># Rail Infrastructure Corporation</b>	<b>1/1/2001</b>
Superannuation Administration Corporation	26/7/99
Sydney Ports Corporation	1/7/95
Sydney Water Corporation	1/1/95
TransGrid	14/12/98

**# Corporatised during 2000/01.** The Rail Infrastructure Corporation was formed upon the merger of the Rail Access Corporation (1/7/96) and Rail Services Australia (1/7/98), two former SOCs.

Councils are reminded that increasing notional general income by this Income Adjustment procedure is not compulsory. A council may choose not to apply an increase in notional general income or may wish to take up only a portion of the increase, and instead levy lower rates on other properties.

All inquiries concerning this Circular should be directed to Thomas Winder, Finance Officer, ph: [REDACTED] or Peter Clarke, Senior Finance Officer, ph: [REDACTED]

[REDACTED]  
**Garry Payne**  
**Director General**