

Independent Pricing and
Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Dear Sir or Madam,

REVIEW OF THE LOCAL GOVERNMENT RATING SYSTEM

Ref: SM: SF1690 & SF7438 – 129751/2016

Tamworth Regional Council welcomes the opportunity to contribute to the review of the Local Government Rating System. The following submission is made in response to the draft recommendations raised in the Local Government Rating System.

Allow Councils to use CIV as an alternative to UV in setting rates

1. Councils should be able to choose between the Improved Capital 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.

Tamworth Regional Council (TRC) supports having the ability to use CIV as an alternative to UV as a valuation method in setting rates. CIV is more easily understood by ratepayers. The use of CIV would provide a truer distribution of the rating burden, particularly in those councils with a large number of multi-unit or high rise apartment buildings.

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 agrees with the amendment of Section 497 and the removal of Section 548 in conjunction with the use of CIV as the method to set rates.

All correspondence should be addressed to the General Manager:

Telephone: 6767 5555
Facsimile: 6767 5499

PO Box 555 (DX 6125)
Tamworth NSW 2340

trc@tamworth.nsw.gov.au
www.tamworth.nsw.gov.au

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 proportional increase in Capital Improved Value from supplementary valuations.

Council supports this recommendation to allow councils the ability to increase general income by the proposed calculation method of growth in CIV through supplementary valuations.

4. The Local Government Act 1993 (NSW) should be amended to allow councils to levy a new type of special rates 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 council's to receive regulatory approval from IPART

Council supports 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.

Council supports this recommendation.

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 rates, for an area by:
 - A separate town or village, or
 - A community of interest.

Council supports this recommendation. Council supports the NSW Revenue Professionals recommendations that a definition be added to Section 516 of the LGA for "Residential", similar to that mentioned in 6.2.1 of the review and being:-

- a) Predominantly used as a place to live, and
- b) Is occupied by the same resident continuously for periods of three months or greater.

Remove the 'Rural Residential' category as it is poorly understood and applied due to the restriction in land size and occupancy.

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 supports this recommendation but the Act should contain a definition of what constitutes a 'community of interest'.

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 disagrees with this recommendation. Council believes that councils should have the discretion to determine the most appropriate rate structure and be accountable to its communities through the IP&R process.

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 area, 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.

We strongly disagree with the 4 year rate freeze and believe the latest merged councils should be allowed to begin the equalisation process the same as the 2013 merged councils were given.

We support a transitional policy that would enable councils to gradually merge their rating database systems, but believe that the 10 percentage point concept is too restrictive. In TRC's case there were a number of properties that increased well above 10% but the increase in real dollars was less than \$5.00 per week. Flexibility should allow newly formed councils to merge their rating structures and thereby address the core elements of the tax principles of equity whilst being accountable to its community through the IP & R process.

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 that the exemption should be based on the use of the land and not the ownership.

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 would like to request that section 555 be amended to give authority to Councils to issue water, sewerage and waste charges to exempt properties as provided in section 496(2) now.

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 disagrees with IPART'S interpretation that the activities of private hospitals are comparable to public hospitals. Private hospitals operate purely for profit.

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)).

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.

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.

- 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.

- 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.

- 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).

Council supports this recommendation.

- 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.

Council supports this recommendation.

- 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 Pensioner Rebate Scheme is inequitable as ratepayers are being used to fund State Government functions. There is a need to have an appropriate increase in the level of concessions to keep pace with the real costs and that this should be funded by the State or Federal Government with modifications to the Local Government Act to ensure that the deferred rates remain a charge on the land and that this deferral is only applicable to those ratepayers of legislative retirement age.

Council would request that the Government needs to commit to an education campaign if they introduce this option as pensioners need to be made aware of the potential impact this deferral scheme could have on their estate.

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 LG Act.

Council supports the NSW Revenue Professionals recommendation that it should be made discretionary, ie sub-category, rather than being introduced as a 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

Council disagrees that vacant land should be introduced as a mandatory category. Council supports the NSW Revenue Professionals recommendation that vacant land being introduced as a subcategory is consistent with the introduction of the Emergency Services Property Levy classifications.

- 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.

Council agrees with the NSW Revenue Professionals recommendation that the definition of Business land needs to be defined for this process to work. Suggest that the residual category that is determined should not be subject to change for a 4 year period, rather than 5 years. This would align to both councils' delivery program and the electoral term of the council.

- 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 this recommendation.

- 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.

Council supports 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.

Council does not support this recommendation. Each council should be given the opportunity to set rates in accordance with the IP&R process and comment from stakeholders made to assist in determining those rates. The impacts of mining by multinational entities on communities are substantively different to that of a sole trader, For example rehabilitation costs should not be borne by future ratepayers.

Recovery of council rates

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

Council supports this recommendation, on the basis that councils should be able to have this option if it best suits their recovery processes.

Council also supports the NSW Revenue Professionals comments that as the outstanding debt is already a charge on the land, if the Local Government Act could be amended in line with the Fines Act 1969, this will allow council to proceed with enforcement action without the need to go through the court system to secure the debt.

Councils' should have a moral obligation in relation to recovering rates and charges as they are obligatory charges, not optional. Currently rates reminder notices and demand letters are issued to ratepayers free of charge. To add fines and fees to ratepayers who are already in financial hardship would go against these moral obligations.

- 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.

Council strongly supports 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.

Council supports this recommendation and would like to request the Office of Local Government to develop guidelines to enable all councils to adopt mandatory hardship policies and debt recovery policies.

- 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.

Council agrees with the NSW Revenue Professionals recommendation that in addition to the options of flexible payments, Section 562 needs to be amended to add clarification to the issue of 'part year rating'. In order to align with the implementation of the ESPL councils need flexibility to rate quarterly

- 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.

Council disagrees with this recommendation. More onus should be placed on councils to promote notices being delivered electronically. Section 710(2)(d1) should be amended to allow delivery of notices by other than direct electronic mail, ie BpayView and MyPost Digital Mailbox.

- 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.

Council strongly supports the removal of postponed rates. Should the recommendation be adopted Council suggests that transitional arrangements should be implemented to accommodate those properties with postponed rate 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 this recommendation.

- 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 providing provisions are in place to ensure integrity of the data.

Should you have any questions please do not hesitate to contact me.

Yours faithfully



Seon Millsteed
Revenue Accountant

Contact: Seon Millsteed 

14 October 2016

