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Review of the Local Government Rating System
Independent Pricing and Regulatory Tribunal
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Online submission to:

<https://www.ipart.nsw.gov.au/Home/Reviews/Lodge-a-submission>

Dear Sir/Madam

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

Tweed Shire Council (Council) welcomes the opportunity to make a submission to the Review of the Local Government Rating System.

Council would like to make the following comments in relation to each of IPART's draft recommendations as contained within the Draft Report.

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

Draft recommendation 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.

Comment:

Council supports the recommendation to allow the choice between the use of CIV or UV methods as the basis for setting rates at the rating category level. This is consistent with best practice and with other jurisdictions may provide greater equity in areas with a high proportion of apartments.

However, Council is of the view that there should be a threshold of 50% or more of residential rates based on multi-unit development before CIV can be used. This will ensure that residential streetscapes or typical houses and facades are not artificially downgraded at time of construction to impact CIV valuations. A system that encourages under investment of land should not be encouraged. By having a threshold of the number of units/ multi –dwellings that must apply within a LGA before CIV is utilised will avoid this, whilst still dealing with the issue faced by many LGA's of high numbers of expensive units not paying equitable rates.

Draft recommendation 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.

Comment:

Council supports this recommendation provided there is a transitional period to ease any rate shock as a result of the removal of minimum amounts.

Allow councils' general income to grow as the communities they serve grow

Draft 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.

Comment:

Council supports the recommendation to increase rate revenue in line with development growth. However, Council is not convinced that CIV increases would be a fair measure of that growth. Rather the growth could be apportioned based on the number of new available dwellings or lots for development.

It is not clear who will pay for and maintain the CIV values if Council were to use the existing UV method for rate setting. Council is also concerned of the impact should decreases in CIV eventuate.

Draft recommendation 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.

Comment:

Council supports the recommendation but considers that community engagement should still be undertaken. There is also a concern that the State Government may impose these special rates on communities thereby providing an additional source of revenue for infrastructure that is their responsibility.

Draft 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.

Comment:

Council supports the recommendation.

Give councils greater flexibility when setting residential rates

Draft 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.

Comment:

Council supports the recommendation as a flexible means of providing differing service level requirements in line with local preferences and their willingness to pay higher rates.

Draft recommendation 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.

Comment:

Council supports the recommendation and is consistent with draft recommendation 6.

Draft recommendation 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.

Comment:

Council supports the recommendation provided the IPART approval process is implemented to allow options above the 50% variance. In Council's original submission it suggested that a maximum rate be considered. From an equity point of view the highest residential rate should be no more than 5 times the Base rate. Having such a measure maintains the wealth tax component of the rate and a capacity to pay but also ensures that people are not rated out of their homes.

Draft recommendation 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. 70.

Comment:

The recommendation is not applicable to Tweed Shire Council and as such Council provides no comment.

Better target rate exemption eligibility

Draft recommendation 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.

Comment:

Council supports this recommendation. Properties owned by the Crown and other exempt bodies that are carrying on a commercial enterprise, should not be exempt from rates nor receive a commercial advantage over competitors. This is consistent with the State's application of Payroll Tax to Local Government.

With respect to land owned by religious organisations, Council is of the view that the exemption should also apply if they are carrying out charitable or community not for profit enterprises linked to the religious activity. For example exemptions should still apply to St Vincent de Paul, Lifeline, Meals on Wheels, Salvation Army op shops, etc. However Commercial enterprises such as aged care should not be exempt as they are carried out for profit.

Draft recommendation 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.

Comment:

Council supports the recommendation.

Draft recommendation 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.

Comment:

Council supports the recommendation provided it is applied in conjunction with draft recommendation 17. i.e. there is no overall loss in total rating revenue as a result of granting this exemption.

Draft recommendation 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)).

Comment:

Council supports the recommendation.

Draft 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.

Comment:

The recommendation is not applicable to Tweed Shire Council and as such Council provides no comment.

Draft 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.

Comment:

Council supports the recommendation.

Draft 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.

Comment:

Council supports this recommendation; however a dispute resolution process will need to be determined where the council disagrees with the self-assessment provided by the property owner or is entitled to back payment of rates not levied as a result of non-disclosure.

Draft recommendation 17

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

Comment:

Council partially supports this recommendation. There should be no overall loss in total rating revenue for a council as a result of granting new exemptions e.g. Private Hospital. However, in situations where exempt organisations have been carrying out commercial activities for some time and have not been paying rates, then the total rating revenue for that council should be able to be increased by the amount of rates now payable by those organisations.

Draft 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).

Comment:

Council supports the recommendation as most water and sewer exemptions in the Shire have been endorsed by Council.

Draft 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.

Comment:

Council supports the recommendation, however in practical terms this recommendation will only be possible if councils are provided with land valuations for each and every parcel of land in its LGA. This has the potential to increase the amount payable to the Valuer General for providing these valuations (particularly in those council areas that have significant amounts of unrateable land e.g. National Parks and State Forests).

The increased transparency and public awareness would therefore need to be considered against the potential for increased costs to existing ratepayers.

Replace the pensioner concession with a rate deferral scheme

Draft 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.

Comment:

Council supports the recommendation provided the scheme is fully funded by the State Government (as occurs in other states).

It is not clear from the draft report as to whether or not assistance would be available to pensioners that rent property under the proposed scheme or how the State Government would maintain the property debt and ownership details without the support of councils.

Provide more rating categories

Draft recommendation 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.

Comment:

Council supports the recommendation on equity principles.

Draft recommendation 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.

Comment:

Council supports the recommendation to provide a more flexible rating structure and differing rating amounts. It is assumed that supplementary valuations would occur on development of vacant land.

Draft recommendation 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.

Comment:

Council supports the recommendation.

Draft recommendation 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.

Comment:

Council supports the recommendation as being consistent with the Emergency Services Property Levy categorisation.

Draft 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.

Comment:

Council supports the recommendation to provide a more flexible rating structure.

Draft 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.

Comment:

The recommendation is not applicable to Tweed Shire Council and as such Council provides no comment.

Recovery of council rates

Draft recommendation 27

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

Comment:

Council supports the recommendation as a further option for debt recovery.

Draft recommendation 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.

Comment:

Council supports the recommendation.

Draft 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.

Comment:

This recommendation is redundant. Commencing legal proceedings to recover unpaid rates can be time consuming and expensive task for all parties. Tweed Shire Council

ensures that prior to commencing legal action; all other possible methods to recover outstanding amounts are explored.

Draft recommendation 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.

Comment:

Council supports the recommendation as it is consistent with current practice of Council.

Draft recommendation 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.

Comment:

Council supports the recommendation to allow for the delivery of electronic rate notices but does not support the idea of a discount being provided for opting to have notices delivered this way. In time, most people will opt for electronic notices, once Councils have the option to deliver them electronically. The *Local Government Act 1993* (NSW) should be further amended by deleting subsections 2A, 2B and 2C of section 710 to provide Councils with more ability/flexibility to issue notices electronically.

Draft recommendation 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.

Comment:

Council does not support this recommendation and is of the opinion that if implemented it could lead to unintended consequences to development. Other mechanisms to encourage redevelopment once land is rezoned should be pursued such as back zoning the land within 15 years if development does not proceed.

If the recommendation is implemented, it should only be done provided there are adequate transitional arrangements to cater for rates that are currently postponed.

Other draft recommendations

Draft 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.

Comment:

Council supports the recommendation.

Draft recommendation 34

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

Comment:

Council supports the recommendation to provide improved competition and reduce prices.

Council appreciates the opportunity provided by IPART to make a submission on the Draft Report - Review of the Local Government Rating System - August 2016 and is confident that the issues raised by the industry through the submission process will be given appropriate consideration.

Yours faithfully



Troy Green
GENERAL MANAGER