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Shire Council
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Wentworth Shire Council Submission to IPART Draft Report on Review of Local Government Rating System.

Draft Recommendations:

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.**
   Wentworth Council supports this recommendation. Councils should be allowed the option to choose between CIV and UV, as the cost of implementing CIV may be cost prohibitive to smaller rural and regional councils who may not see any benefits to them from the additional expense.
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.**
   Wentworth Council supports this recommendation. The practice of applying minimum values is antiquated and no longer relevant, however, with the ability to use CIV, councils would progressively opt out of using minimum values, so overtime it would probably disappear without the need to mandate that minimum rates be abolished.
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.**
   a. **This formula would be independent of the valuation method chosen by councils for rating.**

   If CIV is to be the basis for determining growth outside the peg, it has the potential to impose an additional cost burden on those councils that have opted to continue to use unimproved land value as a basis. It would involve the production of a significant amount of data for possibly very little value. More thought needs to go into how to increase the growth outside the peg for non-metropolitan councils and/or those councils that chose to continue using UV.

4) **The Local Government Act 1993 (NSW) should be amended to allow councils to levy a new type of special rate for new infrastructure jointly funded with other levels of Government. This special rate should be permitted for services or infrastructure that benefit the community, and funds raised under this special rate should not:**
   a. **Form part of a council's general income permitted under the rate peg, nor**
   b. **Require councils to receive regulatory approval from IPART.**

   Wentworth Council does not support this recommendation as it has the potential for councils to be involved in infrastructure that they should not necessarily be involved in funding. It will also encourage State Government agencies to continue their practices of poor planning and budget. It is another opportunity for State Government to cost shift more to local government.
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.**

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Wentworth Council supports this recommendation but believes that Council should be given up to five years to transition back to the original rating trajectory, not do it in one year. Any additional time beyond five years would require regulatory approval by IPART.

6) **The Local Government Act 1993 (NSW) should be amended to remove the requirement to equalise 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. **A separate town or village, or**
    b. **A community of interest.**

Wentworth Council supports this recommendation. Councils can already set rates if it has areas that are in separate towns or areas. This is consistent with OLG guidelines and what regional and rural councils use to set differential rates. Council sees this as being mainly relevant for metro councils.

The rural residential category either needs to be removed or its application better defined 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.**

Refer to previous question.

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:**
    a. **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 the maximum difference as part of the Special Variation process, and**
    b. **Publish the different rates (along with the reasons for the different rates) on its website and in the rates notice received by ratepayers.**

Wentworth Shire Council supports recommendation 8a but does not support recommendation 8b. Councils are already required to publish details of their rates in the annual statement of revenue which is placed on 28 public notice for consultation and then remains on council's website as part of the operational plan for the next 12 months. There is no need for this additional requirement.

9) **At the end of the four-year rate path freeze, new councils should determine whether any pre-merger areas are separate towns or villages, or different communities of interest.**
    a. **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.**
    b. **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.**

No comment.

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10) **Sections 555 and 556 of the Local Government Act 1993 (NSW) should be amended to:**
    a. **Exempt land on the basis of use rather than ownership, and to directly link the exemption to the use of the land, and**
    b. **Ensure land use for residential and commercial purposes is rateable unless explicitly exempted.**

    Wentworth Shire Council supports this recommendation. These properties have access to the same services as other ratepayers and should pay rates for this reason and not rely on the rest of the community to carry the burden.

11) **The following exemptions should be retained in the Local Government Act 1993 (NSW):**
    a. **Section 555 (e) Land used by a religious body occupied for that purpose,**
    b. **Section 555 (g) Land vested in the NSW Aboriginal Land Council,**
    c. **Section 556 (o) Land that is vested in the mines rescue company, and**
    d. **Section 556 (q) Land that is leased to the Crown for the purpose of cattle dipping.**

    Wentworth Council supports the above recommendation except in relation to the NSW Aboriginal Land Council. They are largest land owner in NSW and should pay rates accordingly, as per reasons mentioned in the previous response.

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.**

    Wentworth Council does not support this recommendation. Private hospitals do not provide an essential public benefit/service and have the ability to set their own fees and charges to offset the cost of paying rates.

13) **The following exemptions should be removed:**
    a. **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)).**
    b. **Land that is below the high water mark and is used for the cultivation of oysters (Local Government Act 1993 (NSW) Section 555 (h)).**
    c. **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**
    d. **Land that is managed by the Teacher Housing Authority and on which a house is erected (Local Government Act 1993 (NSW) Section556 (p)).**

    Wentworth Council has no comment in relation to 13a and 13b but supports recommendations 13c and 13d.

14) **The following exemptions should not be funded by local councils and hence should be removed from the Local Government Act and Regulation:**
    a. **Land that is vested in the Sydney Cricket and Sports Ground Trust (Local Government Act 1993 (NSW) Section 556 (m))**
    b. **Land that is leased by the Royal Agricultural Society in the Homebush Bay area (Local Government (General) Regulation 2005 reg 123 (a))**
    c. **Land that is occupied by the Museum of Contemporary Art Limited (Local Government (General) Regulation 2005 reg 123 (b)), and**
    d. **Land comprising the site known as Museum of Sydney (Local Government (General) Regulation 2005 reg 123(c)).**

    Wentworth Council supports this recommendation

15) **Where a portion of land is used for an exempt purpose and the reminder for a non-exempt activity, only the former portion should be exempt, and the reminder should be rateable.**

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Wentworth Council supports this recommendation as long as the process to determine what part is rateable and what part is exempt doesn't cost more than the rate that Council ends up receiving.

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.**
    Wentworth Council does not support this recommendation. Once a land use has been determined for a 12 month period it should remain that way.
17) **A council's maximum general income should not be modified as a result of any changes to exemptions from implementing our recommendations.**
    Wentworth Council does not support this recommendation. If a property becomes rateable then Council should be allowed an increase in its general revenue to compensate them for the years of subsidies and services that has been provided to that land when it was exempt.
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).**
    Wentworth 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.**
    Wentworth Council supports this recommendation as long as the process isn't too time consuming and costly.
20) **The current pensioner concession should be replaced with a rate deferral scheme operated by the State Government.**
    a. **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.**
    b. **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 the property ownership changes and a surviving spouse no longer lives in the residence.**

    Wentworth Council does not support this recommendation. Instead rate exemptions should be fully funded by the State Government as it is in other states.
21) **Section 493 of the Local Government Act 1993 (NSW) should be amended to add a new environmental land category and definition of "Environmental Land" should be included in the LG Act.**
    Wentworth Council supports this recommendation. This would replace the need for conservation agreements as this land could be categorised under the Environmental Land 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.**
    No comment
23) **Section 518 of the Local Government Act 1993 (NSW) should be amended to reflect that a council may determine by a resolution which rating category will act as a residual category.**
    a. **The residual category that is determined should not be subject to change for a 5-year period.**
    b. **If a council does not determine a residual category, the Business category should act as the default residual rating category.**

    Wentworth Council supports this recommendation.

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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.**
Wentworth 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.**
Wentworth 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.**
Wentworth Council supports this recommendation. Furthermore Council would like to see the definition of a mine be expanded to better allow the classification of a mine. At the moment the definition of a metalliferrous mine is too ambiguous and needs additional guidance or examples of what a metalliferrous mine is, (i.e. Mineral Sands mine)

27) **Councils should have the option to engage the State Debt Recovery Office to recover outstanding council rates and charges.**
Wentworth Council supports this recommendation. The State Debt Recovery Office should be added to the Local Government Procurement Debt Recovery Services Panel.

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.**
Wentworth Council 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.**
Most Councils should have a hardship policy, this can be incorporated into that policy.

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.**
Refer to previous response.

31) **The Local Government Act 1993 (NSW) should be amended to allow councils to offer a discount to ratepayers who elect to receive notices in electronic formats, e.g. via email.**
Wentworth Council disagrees with this recommendation. Most business these days send accounts/invoices via email. Ratepayers don't need to be given an incentive to receive rates notices electronically. I think you will find that most ratepayer would expect that it is the norm now. The Act should be updated to reflect changes in technology and gives councils the option to send rates notices electronically. No need to offer a discount.

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.**
Wentworth Council supports this recommendation.

33) **The valuation base date for the Emergency Services Property Levy and council rates should be aligned.**
    a. **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.**

Wentworth Council supports the aligning of valuation base dates but does not support the mandated use of Capital Improved Values. Instead the ESL should be calculated using the same valuation base as used by each Council. Currently the public don't understand rates and having

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two different valuation amounts on a rates notice is only going to create more confusion. There needs to be safe guards put in place to ensure that if CIV is used that rate payers don't end up paying more than what they are currently paying. This would go against the Government's commitment that those who are currently paying the ESL should be paying less.

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

Wentworth Council supports this in theory, however safeguards would need to put in place to ensure that the current arm's length arrangement that exists between Councils and the Valuer General continue. NSW Local Government Procurement should be engaged to compile a panel of preferred suppliers similar to what it currently does for debt recovery services. Who would be responsible for managing the process of objections? This is currently done by the Valuer General, would it become the responsibility of the Council or the valuer that they have engaged.

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