



**Camden Council**  
37 John Street, Camden NSW 2570 DX 25807  
PO Box 183, Camden 2570 ABN: 31 117 341 764  
Telephone: 02 4654 7777 Fax: 02 4654 7829  
Email: [mail@camden.nsw.gov.au](mailto:mail@camden.nsw.gov.au)

TRIM Ref:

25 May 2016

Tribunal Members  
Independent Pricing & Regulatory Tribunal of NSW  
PO Box K35  
Haymarket Post Shop NSW 2140

Dear Members,

**Re: Review of the Local Government Rating System**

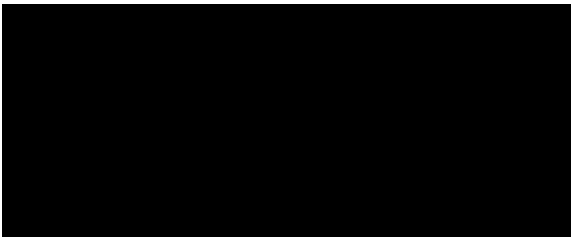
Please find attached Council's submission to the Tribunal on the Review of the Local Government Rating System.

Camden is not impacted by a merger and therefore has not responded to this section of the review.

Council was granted an extension to 25 May 2016.

Your contact for this submission is Paul Rofe on [REDACTED] or Neil Charge on [REDACTED]

Yours sincerely,



**Paul Rofe**  
**MANAGER FINANCE & CORPORATE PLANNING**

Attach.



Submission to IPART - Review of Local Government Rating System.

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No	Issue on which comment is sought	Camden Council Proposals	Comments	Legislation
	<b>Taxation Principles</b>			
1	Do you agree with our proposed tax principles? If not, why?		Council agrees with the proposed tax principles.	
	<b>Assessing the current method for setting rates</b>			
2	What valuation method should be used as the basis for determining the ad valorem amounts in council rates? Should councils be given more choice in selecting a valuation method, as occurs in other states, or should a valuation method continue to be mandated?	<p>Camden Council's preferred option would be to use the Capital Improved Value (CIV). This does appear to be a difficult option to implement based on the current information available through the Valuer General's Department.</p> <p>Council considers the use of the current Unimproved Land Value as appropriate for Rating in lieu of the CIV being available. The use of Unimproved Land Value should be universal throughout New South Wales.</p>	In the Public Hearing held on the 26 April 2016 the Valuer General -Simon Gilkes stated that Land and Property Information did not have the records or the resources to provide Capital Improved Value so Councils should be preparing to continue use Unimproved Land Value.	Section 48(2) of the Valuation of Land Act requires the Valuer General to furnish Councils with a current valuation list at least every 4 years however most Councils receive them every 3 years. Section 498(2) of the Local Government Act provides that the ad valorem amount of rates be levied on the "land value" of rateable land.
3	Should councils be required to use the Valuer General's property valuation services, or should they also be able to use a private valuation firm (as occurs in Victoria and Tasmania)?	The Valuer General should continue to provide valuation services to all NSW Councils.	This will provide a consistent level of valuation throughout New South Wales and allow for a central point for objections. There is merit in a Council having its own valuation staff. This would facilitate a faster turnaround time for the rating of	

				subdivisions.	
4	What changes (if any) should be made to the Local Government Act to improve the use of base and minimum amounts as part of the overall rating structure?		The legislated ceiling for minimums and base amounts should be removed.	<p>Minimum amounts should be removed from the rating legislation completely and therefore provide a standard rate practice throughout New South Wales.</p> <p>Base amounts should not be limited to 50% of the total revenue in a category or sub category of a rate. This will allow a council to provide a more equitable rating system.</p>	<p>A rate may consist of</p> <ul style="list-style-type: none"> <li>*an ad valorem amount (Section 497 Local Government Act) which may in accordance with Section 548 (LG Act) be subject to a minimum amount of the rate.</li> <li>*a base amount to which an ad valorem amount is added (Section 497 LG Act).</li> </ul> <p>Base amounts are entirely at the discretion of Council but must not currently be more than 50%.</p>
5	What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide?		<p>A number of new categories should be allowed:</p> <p><b>Residential area:</b></p> <ul style="list-style-type: none"> <li>- Multi-unit dwellings</li> <li>- Flood prone Residential</li> </ul> <p><b>Business area:</b></p> <ul style="list-style-type: none"> <li>- Serviced Apartments</li> <li>- Major Retail-Shopping Centre</li> <li>- Holiday Letting</li> <li>- Multi-unit Business</li> <li>- Bed and Breakfast</li> <li>- Phone Towers</li> </ul>	<p>If the Valuer General is unable to supply Capital Improved Values then Councils need to have the ability to spread the total rate yield on a more equitable basis.</p> <p>Multi-unit dwellings should have a larger base amounts to offset the lower valuations for each unit (land value is spread over multiple units).</p> <p>Serviced apartments, Holiday Lettings and Bed and Breakfast are all carrying on a</p>	<p>Section 493 of the Local Government Act states that there are 4 categories of the ordinary rate</p> <ul style="list-style-type: none"> <li>*Residential</li> <li>*Farmland</li> <li>*Mining</li> <li>*Business</li> </ul> <p>These categories may at Council's discretion, be divided into sub-categories in accordance with Section 529 of the</p>

			<p><b>Mining:</b></p> <ul style="list-style-type: none"> <li>- CSG Well head</li> <li>- Mining - Other</li> </ul>	<p>business but are currently categorized as Residential. There should be a Major Retail category to prevent the current anomaly of a shopping centre having multiple shops but only paying rates on the one valuation.</p> <p>The Mining Category needs to be expanded rather than just allowing for metalliferous and coal. The Category of Rural Residential should be removed as in many cases it is being used incorrectly and applied to properties that do not have a dwelling on them. Council's should be able to sub categorise without being required to use a centre of population.</p>	Local Government Act.
6	Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities?	<p>The following items should be removed from the Rating process</p> <ul style="list-style-type: none"> <li>- Postponed Rates - Section 585 Local Government Act</li> <li>- Mixed Development apportionments – Section 14BB Valuation of Land Act and Section 518B Local Government Act</li> <li>- Section allowances – Section 14L(1)(a), Section 14L(1)(b) and Section 14T Valuation of Land</li> </ul>	<p><b>Postponed Rates</b> are complicated and hard for the public to understand and ultimately result in loss of income for a Council. In 2014 – 2015 Camden Council wrote off \$34,942 for Postponed Rates. Council is unable to recover these amounts. Council should be able to assist ratepayers that currently comply with the</p>	<p>Sections 585-599 of the Local Government Act relate to the postponement of part of the rates on land which is the site of single dwelling house or rural land but because of its zoning or permitted use is valued for rating purposes in a way that reflects its allowable use</p>	

		Act	<p>provisions of Section 585 as a result of a rezoning through adjusting the rating category and/or base amounts.</p> <p><b>Section Allowances</b> provide a discount on rates as land is subdivided meaning under the current rating system residents are required to pay the loss of income through a re-distribution of the rating base. Section Allowances provided in 2015/16 to date totaled \$111,556. As development grows in Camden this will increase.</p> <p><b>Mixed Development Apportionments</b> are again complicated and hard for the public to understand. Council should be allowed to have different rating categories and base amounts to provide for these situations.</p>	<p>rather than its actual use.</p> <p>The Valuer General supplies Councils with valuations for special rating requirements These are</p> <ul style="list-style-type: none"> <li>*allowances for profitable expenditure</li> <li>*heritage valuations</li> <li>*rating factors</li> </ul> <p>Section 14x of the Valuation of Land Act requires the Valuer General to provide an apportionment factor expressed as a percentage of the area used for business and residential uses.</p>
7	<b>What changes could be made to current rate pegging arrangements to improve the rating system, and, in particular, to better streamline the special variation process?</b>	Rate pegging should be abolished with certain conditions applying to allow this to happen.	If a Council demonstrates a consistently high level of fiscal responsibility and sound financial management in accordance with IPR Guidelines then they should be allowed an “Earned Exemption” from Rate	Section 506 of the Local Government Act states that the Minister is empowered to specify the percentage by which Council’s general income for a specified year may be varied following a

			<p>Pegging and without the need for IPART approval. Guidelines should be written for public consultation in relation to Rating for the coming financial year. Councils should be allowed to have Special Rates that relate to projects for nominated area of its LGA for example a new park. Again Guidelines should be written for public consultation in these matters.</p>	<p>recommendation from IPART.</p>
8	<p><b>What changes could be made to the rating system to better encourage urban renewal?</b></p>	<p>Council agrees with IPART's preliminary view that the current rating system provides scope for Councils to partner with other levels of government to promote urban renewal.</p>	<p>Section 495 of the Local Government Act allows Councils to levy special rates but without IPART approval (for a special variation) the income from special rates simply forms part of a councils total allowable rate income, in reality a council does not receive any additional income it just re-distributes the rating pie.</p>	
9	<p><b>What changes could be made to the rating system to improve councils' management of overdue rates?</b></p>	<p>Councils should be given the ability to enter into different payment options rather than just four instalments per year. Councils should have the ability to inform a mortgagee of the amount of</p>		

		<p>rates that are outstanding. Following on from this a Council should have the ability to request payment from the Mortgagee if the rates and charges are outstanding for over 12 months. This practice is currently carried out in New Zealand. If the property does not have a mortgage this option is not available.</p> <p>Notices of Sale should require phone numbers and email addresses that could enable Council to initiate early contact with a ratepayer that is falling behind with their rates.</p> <p>Section 713 Local Government Act should be amended to lower the length of time required to sell a property for unpaid rates from 5 years to 3 years.</p>		
	Assessing exemptions, concessions and rebates			
10	<p><b>Are the land uses currently exempt from paying council rates appropriate? If a current exemption should be changed, how should it be changed? For example, should it be removed or more narrowly defined, should the level of government responsible for providing the exemption be changed, or should councils be given discretion over the level of exemption?</b></p>	<p>All residential properties regardless of ownership should be ratable.</p> <p>All business properties that are owned by the State and Federal Government currently leased should be rated. The notification of leases should be required within 30 days of being signed.</p> <p>If subsidies are to remain they should be a partial rebate rather than a full exemption. Such rebates should be standard across all Councils.</p>		



			The definition of Public Benevolent institutions (PBI's) is vague and open to various interpretations. When a charity or a Community Housing Group is non rateable they still have access to a Councils facilities and infrastructure while never making a contribution to construction, renewal, maintenance or operations.		
11	<b>To what extent should the exemptions from certain state taxes (such as payroll tax) that councils receive be considered in a review of the exemptions for certain categories of ratepayers?</b>		All exemptions that are currently in place should remain for Local Government. It is important to remember that any exemption received by a Council only assists in meeting the current inequity of cost shifting between the tiers of government.		
12	<b>What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?</b>		The Pension Concession scheme should be fully funded by the State and Federal Governments. The Concession was originally set at 50% and this should be reinstated with no maximum amount. It should also be noted that the current rebate of \$250 has not increased since 1989.		
	<b>Freezing existing rate paths for newly merged councils</b>				
13	We have interpreted the rate path freeze policy to mean that in the four years after a merger, the rating path in each pre-merger council's area will follow the same trajectory as if the merger had not occurred. Do you agree with this		Not applicable - Questions 13 to 23 relate to newly merged Councils and as Camden Council is not affected by the proposals than no opinions are offered.		

	interpretation?				
<b>14</b>	<p>Within the rate path freeze period, should merged councils be permitted to apply for new special variations:</p> <ul style="list-style-type: none"> <li>- For Crown Land added to the rating base?</li> <li>- To recover amounts that are 'above the cap' on development contributions set under the Environmental Planning and Assessment Act 1979?</li> <li>- To fund new infrastructure projects by levying a special rate?</li> </ul>		Not applicable		
<b>15</b>	Are there any other situations where merged councils should be able to apply for new special variations within the rate path freeze period?		Not applicable		
<b>16</b>	During the rate path freeze period, should merged councils only be able to increase base amounts and minimum amounts each year by the rate peg (adjusted for any permitted special variations)?		Not applicable		
<b>17</b>	<p>During the rate path freeze period, should merged councils be able to allocate changes to the rating burden across rating categories by either:</p> <ul style="list-style-type: none"> <li>- relative changes in the</li> </ul>		Not applicable		

	total land value of a rating category against other categories within the pre-merger council area, or – the rate peg (adjusted for any permitted special variations)?				
18	Do you agree that the rate path freeze policy should act as a 'ceiling', so councils have the discretion to set their rates below this ceiling for any rating category?		Not applicable		
19	What other discretions should merged councils be given in setting rates during the rate freeze period?		Not applicable		
20	We considered several options for implementing the rate path freeze policy. Our preferred option is providing the Minister for Local Government with a new instrument-making power. What are your views on this option and any other options to implement the rate path freeze policy?		Not applicable		
	<b>Establishing new, equitable rates after the 4-year freeze</b>				
21	Should changes be made to the LG Act to better enable a merged council to establish a new equitable system of rating and transition to it in a fair and timely manner? If so, should the requirement to set the same residential rate <b>within a centre of population</b> be changed or		Not applicable		

	removed?				
<b>22</b>	Should approved special variations for pre-merger councils be included in the revenue base of the merged council following the 4-year rate path freeze?		Not applicable		
<b>23</b>	What other rating issues might arise for merged councils after the 4-year rate path freeze period expires?		Not applicable		