



14 October 2016

Review of the Local Government Rating System
Independent Pricing and Regulatory Tribunal

Online submission via: <https://www.ipart.nsw.gov.au/Home/Contact-Us/Make-a-Submission>

Dear Sir or Madam,

Re: Submission to the Review of the Local Government Rating System

The Southern Sydney Regional Organisation of Councils (SSROC) is an association of Councils in the area south of Sydney harbour. SSROC provides a forum for the exchange of ideas between our member Councils, and an interface between governments, other Councils and key bodies on issues of common interest. We facilitate collaboration between councils on joint ventures, procurement, and projects including advocacy. Together, our member Councils cover a population of over 1.6 million, or one third of the population of Sydney.

Thank you for this opportunity to provide comments on the draft report, Review of the Local Government Rating System, August 2016. Unfortunately, due to the timing of this submission, it has not been possible for it to be reviewed or endorsed at a meeting of SSROC: I will get in touch with you should any issues arise as a result.

References in this submission are to the draft recommendations listed in section 1.7 of the report. We have not offered feedback on every recommendation.

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

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.

SSROC supports a move towards a market-based, CIV approach across NSW to provide consistency across Local Government Areas and across the principles of consistency with benefits received and of ability to pay. CIV is also more easily understood by rate-payers, and would allow councils to levy a more appropriate level of rates.

Councils should be given the option of which valuation method they choose to use, however we are concerned that maintaining two sets of valuation data may be impracticable, and this factor would need to be taken into account in the detail of implementation of this reform.

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.

There is some support for this recommendation, if it is conjunction with the use of CIV, which would eliminate the need for minimum amounts.

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 the proportional increase in Capital Improved Value from supplementary valuations.

– This formula would be independent of the valuation method chosen by councils for rating.

In principle SSROC supports this recommendation, however the calculation methodology may need further deliberation. For example, to address the issues of existing rate-payers effectively subsidizing services for new properties.

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.

SSROC supports this recommendation. It should encourage partnerships between levels of government for new infrastructure and urban renewal projects, but these would need to be tempered by allowing Council a level of discretion and avoiding cost-shifting.

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.

SSROC 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 rate, for an area by:

– a separate town or village, or
– a community of interest.

SSROC is broadly supportive of this recommendation. However, some reservations exist in relation differentiating rates based only on separate town or village, and there are differing views in relation to the removal of equalisation by centre of population.

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.

SSROC supports this definition.

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.

SSROC supports this recommendation, but recommends that consideration be given to the definition of residential/commercial use, to ensure that properties providing nursing home/aged care facilities (other than retirement villages) and refugee centres are captured by the definition and can retain the exemption.

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.*

SSROC supports this recommendation. We would suggest that there is a need for further definition; for example, land used to house of minister of religion could be exempt under 555(e) or could be rateable as residential property. More detailed discussion in the final report would be welcome.

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.*

SSROC only supports this recommendation where the hospital is a non-for-profit enterprise. Private hospitals are generally for-profit commercial businesses which should pay council rates.

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)).*

SSROC supports this recommendation.

The State Government should consider whether to fund these local rates through State taxes.

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.*

SSROC 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.*

SSROC supports this recommendation in principle as an initial assessment, however Council should be apply to apply its own policy and to determine the quantum of exemption.

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

SSROC has reservations in relation to this recommendation, with some councils not supporting it, while others offer limited support as long as there is a mechanism to allow councils to recover lost income due to previously granted rating exemptions.

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).

Not applicable to SSROC.

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. Replace the pensioner concession with a rate deferral scheme

SSROC supports this recommendation as long as it is not add unreasonably to councils' administrative workload.

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.*

SSROC offers qualified support this recommendation: it must be accompanied by a mandatory concession, fully funded by the Commonwealth Government as social policy, is preferred.

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.

SSROC supports this 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.

SSROC supports this recommendation, as it allows recognition of vacant land and therefore potentially a different rate, but careful consideration of definition of vacant land will be needed.

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.

SSROC 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.

Not applicable to SSROC.

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.

Not applicable to SSROC.

Recovery of council rates

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

SSROC supports this recommendation in principle, although further work will be required to devise the mechanisms for this, and the service should be optional for councils.

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.

SSROC offers qualified support for this recommendation: sale should not be mandatory, the option would only be a last resort, and the current process for sale of vacant land remains.

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.

SSROC supports this recommendation, and we note that most councils already have such a 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.

SSROC suggests that this amendment is unnecessary, as Councils already provide flexible arrangements under the Act.

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.

SSROC does not support this recommendation, as it would be administratively onerous, reduce income from rates, and probably be so small as to be ineffective.

SSROC does support the introduction of a fee for issuing paper notices, to be added to the rate notice, which would be an effective disincentive and relatively easy to administer, as well as reflecting common practice among utility service providers and therefore a practice that many rate-payers are already accustomed to.

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.

SSROC supports this recommendation.

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.

SSROC 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.



SSROC supports this recommendation in principle, however we note that there are regulatory implications and a mechanism for managing objections would be required. Further work is required to expand on the details of how this would work.

For any enquiries regarding this submission, please contact Helen Sloan, Program Manager SSROC on 02 8396 3800 or ssroc@ssroc.nsw.gov.au.

Yours faithfully,

A handwritten signature in black ink that reads "Dougall".

Namoi Dougall
General Manager
Southern Sydney Regional Organisation of Councils