

IPART Review of the Local Government Rating System

Local Government – Draft Report
 August 2016

| Canterbury-Bankstown Council's Comments | |
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| <i>Allow councils to use CIV as an alternative to UV in setting rates</i> | |
| <p>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.</p> | <p>Council supports the move towards a market based (CIV) approach in setting rates for the following reasons:</p> <ul style="list-style-type: none"> • CIV is more easily understood by ratepayers; • Allows councils to levy a more appropriate level of rates, particularly in areas of higher density developments; • Provides a fairer distribution of rates across rating categories. <p>Should CIV not be implemented as a basis for revenue raising, Council suggests it may be more equitable to consider a special residential category to differentiate between high density (flat buildings) and single dwelling properties.</p> |
| <p>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.</p> | <p>Council acknowledges the current legislative framework provides flexibility for Councils to apply minimum or base rates.</p> <p>Should the CIV valuation method be implemented, Council supports this this recommendation.</p> |

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| <i>Allow Councils' general income to grow as the communities they serve grow</i> | |
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| <p>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.</p> <ul style="list-style-type: none"> - This formula would be independent of the valuation method chosen by councils for rating. | <p>In principle, Council supports this recommendation.</p> |
| <p>4. The <i>Local Government Act 1993</i> (NSW) should be amended to allow councils to levy a new type of special rate or 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:</p> <ul style="list-style-type: none"> - Form part of a Council's general income permitted under the rate peg, nor - Require councils to receive regulatory approval from IPART. | <p>Council supports this recommendation.</p> |
| <p>5. Section 511 of the <i>Local Government Act 1993</i> (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.</p> | <p>Council supports the removal of rate pegging and advocates for the alignment of annual rate increases with Council's IP&R framework.</p> <p>Should however the rate peg remain, Council is supportive of this recommendation.</p> |

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| Give councils greater flexibility when setting residential rates | |
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| <p>6. The <i>Local Government Act 1993</i> (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:</p> <ul style="list-style-type: none"> - A separate town or village, or - A community of interest | <p>Council supports the removal of the reference to centre of population and recommends that councils are provided the opportunity to implement a rating policy that reflects local circumstances.</p> <p>Providing a clear definition of ‘community of interest’ is crucial for the successful implementation of this recommendation, with council’s demonstrating their interpretation of ‘community of interest’ through their IP&R process.</p> |
| <p>7. An area should be considered to have 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.</p> | <p>Council supports this recommendation.</p> |
| <p>8. The <i>Local Government Act 1993</i> (NSW) should be amended so, where a council uses different residential rates within a contiguous urban development, it should be required to:</p> <ul style="list-style-type: none"> - ensure the highest rate structure is no more than 1.5 times the lowest rate structure across all residential subcategories (i.e. 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 rates notice received by ratepayers | <p>Council supports equity in the rating system and is of the view a 50% variation is not unreasonable.</p> |

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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.

Canterbury-Bankstown Council supports changes to the Local Government Act that will allow a merged council to transition to a new equitable rating system.

The alignment of rating structures should be phased in over a number of years, with councils having the ability to set their own transitional policies as part of the IP&R process, enabling councils to set its own rules based on the needs of their community.

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| Better target rate exemption eligibility | |
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| <p>10. Sections 555 and 556 of the <i>Local Government Act 1993</i> (NSW) should be amended to:</p> <ul style="list-style-type: none"> - 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. | <p>Council welcomes this recommendation and has long advocated that all land categorised residential or utilised for commercial purposes should be rated accordingly, irrespective of ownership.</p> |
| <p>11. The following exemptions should be retained in the <i>Local Government Act 1993</i> (NSW):</p> <ul style="list-style-type: none"> - 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. | <p>This recommendation is supported.</p> |
| <p>12. Section 556(i) of the <i>Local Government Act 1993</i> (NSW) should be amended to include land owned by a private hospital and used for that purpose.</p> | <p>Council provides in principle support for this recommendation provided the private hospital is a not-for-profit enterprise.</p> |

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| <p>13. The following exemptions should be removed:</p> <ul style="list-style-type: none"> - 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 (<i>Local Government Act 1993 (NSW) section 555(h)</i>) - Land that is below the high water tank mark and is used for the cultivation of oysters (<i>Local Government Act 1993 (NSW) Section 555(g)</i>), and - Land that is managed by the Teacher Housing Authority and on which a house is erected (<i>Local Government Act 1993 (NSW) section 556(p)</i>). | <p>This recommendation is supported by Council. If these entities undertake commercial operations, it is fair and equitable that their properties are rated accordingly.</p> |
| <p>14. The following exemptions should not be funded by local councils and hence should not be removed for the Local Government Act and Regulation</p> <ul style="list-style-type: none"> - Land that is vested in the Sydney Cricket and Sports Ground Trust (<i>Local Government Act 1993 (NSW) Section 556(m)</i>) - Land that is leased by Royal Agricultural Society in the Homebush Bay area (<i>Local Government (General) Regulation 2005 reg 123(b)</i>), and - Land comprising the site known as Museum of Sydney (<i>Local Government (General) Regulation 2005 reg 123(c)</i>). <p>The State Government should consider whether to fund these local rates through State taxes.</p> | <p>Council is not in a position to comment on this recommendation.</p> |
| <p>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.</p> | <p>This recommendation is in line with the taxation principles of equity and sustainability and is therefore supported by Council.</p> |

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| <p>16. Where land is used for 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.</p> | <p>While Council supports this recommendation, it is concerned how the self-assessment process will be implemented.</p> |
| <p>17. A council's maximum general income should not be modified as a result of any changes to exemptions from implementing our recommendations.</p> | <p>Council does not support this recommendation.</p> |
| <p>18. The <i>Local Government Act 1993</i> (NSW) should be amended to remove the current exemptions from the 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).</p> | <p>Council is not in a position to comment on this recommendation.</p> |
| <p>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.</p> | <p>In the interests of transparency, Council supports this recommendation, provided its implementation does not impose a further administrative burden on councils.</p> |

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| <i>Replace the pensioner concession with a rate deferral scheme</i> | |
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| <p>20. The current pensioner concession should be replaced with a rate deferral scheme operated by the State Government:</p> <ul style="list-style-type: none"> - 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. | <p>Council proposes full State Government funding of the pensioner concession scheme to bring NSW in line with all other States and Territories.</p> <p>Council supports the retainment of pensioner concessions and is supportive of a rate deferral scheme in cases of genuine hardship.</p> <p>It is acknowledged that the maximum rebate has not increased since its inception and Council therefore suggests that consideration should also be given to an inflationary adjustment being made on an annual basis to the rebate in order to maintain its relevance.</p> |

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| Provide more rating categories | |
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| <p>21. Section 493 of the <i>Local Government Act 1993</i> (NSW) should be amended to add a new environmental land category and a definition of ‘Environmental Land’ should be included in the LG Act.</p> | <p>Acknowledgment of environmental land is in line with good environmental principles. This recommendation is therefore supported by Council.</p> |
| <p>22. Sections 493, 519 and 529 of the <i>Local Government Act 1993</i> (NSW) should be amended to add a new vacant land category, with subcategories for residential, business, mining and farmland.</p> | <p>Canterbury-Bankstown supports greater flexibility in the Act and the ability for Councils to set subcategories relevant to their LGA.</p> <p>Council has previously advocated that as a basis, any creation of rating categories and subcategories may be based on the LGA’s environmental principles, as contained in their Local Environment Plan or Local Area Plan.</p> <p>Furthermore Council suggests that rating categories should reflect those categories for the Emergency Services Property Levy (ESPL) in order to reduce red tape. By way of example, Council will be required to send rates notices specifically for the ESPL to schools who are currently exempt from paying rates.</p> <p>Consideration may also be given to the introduction of a category for ‘community interest’ for those organisations that draw on council services but do not pay rates. This could be similar to ex gratia payments.</p> |

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| <p>23. Section 518 of the <i>Local Government Act 1993</i> (NSW) should be amended to reflect that a council may determine by resolution which rating category will act as the residual category.</p> <ul style="list-style-type: none"> - 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 | <p>Council supports this recommendation.</p> |
| <p>24. Section 529 (2)(d) of the <i>Local Government Act 1993</i> (NSW) should be amended to allow business land to be subcategorised as ‘industrial’ and or ‘commercial’ in addition to centre of activity.</p> | <p>Greater flexibility in terms of rating categories is supported by Council.</p> |
| <p>25. 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.</p> | <p>As a metropolitan Council, Canterbury-Bankstown is not in a position to comment on this recommendation.</p> |
| <p>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.</p> | <p>As a metropolitan Council, Canterbury-Bankstown is not in a position to comment on this recommendation.</p> |

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| Recovery of council rates | |
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| 27. Councils should have the option to engage the State Debt Recovery Office to recover outstanding council rates and charges. | This recommendation is supported by Council on the basis this is at the discretion of Councils and not mandated. |
| 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 supports this recommendation on the basis that the current process for the 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. | This is keeping with Council's current practice and is therefore supported. |
| 30. The <i>Local Government Act 1993</i> (NSW) should be amended or the Office of Local Government should issue guidelines to clarify that councils can offer flexible payment options to ratepayers. | <p>Councils already provide flexible arrangements for ratepayers in cases of hardship. This recommendation is supported and recommends the flexible arrangements should be detailed in guidelines.</p> <p>Council further supports the concept of quarterly billing as opposed to billing annually and collecting quarterly. This approach would more responsive and reflect the change of use of a property, ensuring it is rated accordingly.</p> |

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| <p>31. The <i>Local Government Act 1993</i> (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.</p> | <p>A substantial discount would need to be offered in order to be an incentive for ratepayers. Offering discounts in these circumstances will ultimately result in a loss of income to Council.</p> <p>Alternatively, councils could include the cost of receiving a paper rates notice as an administrative charge in their fees and charges.</p> <p>Consideration could also be given to provide councils the flexibility to charge transaction costs, the same way in which Council passes on the merchant service fee.</p> |
| <p>32. The <i>Local Government Act 1993</i> (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.</p> | <p>The move to CIV would mean this section of the Act would become redundant. This recommendation is supported.</p> |

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| Other draft recommendations | |
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| <p>33. The valuation base date for the Emergency Services Property Levy and council rates should be aligned.</p> <ul style="list-style-type: none"> - 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. | <p>This recommendation is supported by Council.</p> |
| <p>34. Councils should be given the choice to directly buy valuation services from private valuers that have been certified by the Valuer General.</p> | <p>The concept of councils being provided flexibility is supported, however the implementation of this recommendation would require regulation. Responsibility for managing objections to valuations would also need to be determined.</p> |