

LGNSW Submission to IPART Draft Report of the Review of the Local Government Rating System

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1. Introduction

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing NSW general-purpose councils and associate members including special-purpose county councils and the NSW Aboriginal Land Council. In essence, LGNSW is the organisation for all things local government in NSW. LGNSW facilitates the development of an effective community based system of local government in the State.

LGNSW welcomes the Independent Pricing and Regulatory Tribunal of NSW's (IPART's) Review of the Local Government Rating System as an important initiative in its own right and as a key element of the local government reform process. The review presents the opportunity to improve the effectiveness, equity and efficiency of the NSW rating system so that it reflects modern community needs and demands. It also provides the much needed opportunity to improve the financial sustainability of councils.

LGNSW was pleased to make a submission in response to the review's issues paper and to participate in recent public hearings. LGNSW commends IPART on its draft report. The report addresses many issues that have been raised by local government. The proposed move to introduce the option of a rating system based on capital improved value and the recommendations to lift a range of rate exemptions will result in a significant expansion of local government's rate base and in development-related revenue growth outside the rate pegging limit.

LGNSW supports most changes to the rating system recommended in the draft report. We regret the absence of any comment or recommendations on rate pegging and the streamlining of the special rate variation process.

Section 2 of this submission outlines LGNSW's main comments on the draft report and the key draft recommendations. Section 3 presents LGNSW's position in relation to each draft recommendation in a table for ease of reference.

2. Main comments

Rate pegging

LGNSW's previous submission set out the case against rate pegging in detail. In summary, LGNSW is strongly of the view that rate pegging is unnecessary and should be abolished. The primary reasons for this are that:

- Rate pegging has been made redundant/obsolete by the implementation of Integrated Planning & Reporting (Community Strategic Plan, Long Term Financial Plan etc.);
- Rate pegging has contributed to the infrastructure renewal backlog and weakened the financial sustainability of NSW councils;
- Rate pegging distorts the operation of a land valuation based rating system. Valuations do not raise net revenue but merely redistribute the rate burden within a council area;
- Councils are democratically accountable and this keeps rates in check; and
- Historical experience of other jurisdictions without rate pegging has shown that rates did not blow out.

Valuation method (draft recommendation 1)

LGNSW supports IPART's draft recommendation to give councils the choice of valuation methods of capital improved value (CIV) or unimproved land value (UV) at the rating category level.

CIV would enable councils to equitably and efficiently raise rate revenue from higher density development and help remove the rating discrepancies and inequities associated with apartment rating.

Revenue growth outside the rate peg (draft recommendation 3)

Within a rate pegging environment, LGNSW supports draft recommendation 3 as an improved mechanisms to facilitate revenue growth “outside the rate peg” to reflect (the cost of) new development, both residential and business.

Special rate for joint infrastructure (draft recommendation 4)

LGNSW supports draft recommendation 4 with qualifications.

Draft recommendation 4 proposes that councils be able to levy a special rate for new infrastructure that is jointly funded with other spheres of government without the need for regulatory approval from IPART under the special rate variation process.

LGNSW acknowledges that the recommended special infrastructure rate could be used for capturing and “funding” local benefits from infrastructure that is jointly delivered with other spheres of government, without the restrictions of rate pegging. Such a mechanism could be of benefit to councils where they want to realise local benefits from such infrastructure development. However, LGNSW has some concerns over such an arrangement.

A special infrastructure rate could create an inherent bias towards supporting and facilitating state government infrastructure projects over council’s own priorities which might require a more onerous and difficult special rate variation application.

The proposed special infrastructure rate also has the potential for “behind closed doors” or open political pressure to be exerted on councils by the NSW Government and/or its infrastructure agencies, to contribute to infrastructure projects that are not council priorities and/or that council are not responsible for funding (e.g. regional infrastructure, transport infrastructure etc).

At the very least a process would need to be established that addresses these concerns and clearly links any projects that receive funding via the special infrastructure rate to council priorities established through the community strategic planning process (Integrated Planning and Reporting).

Flexibility for residential rates (draft recommendations 6 to 9)

LGNSW supports making the residential rating regime more flexible and enabling councils to set different categories of residential rates for different parts of a council area with different services demands/levels. Greater flexibility would allow for more efficient and equitable setting of rates.

Rate exemptions (draft recommendations 10 to 19)

LGNSW strongly supports IPART’s draft recommendations to modernise the rate exemption regime, particularly its draft recommendation to modify rate exemptions so eligibility is based on land use rather than ownership. LGNSW has long advocated that all land used for commercial or residential purposes should be subject to rates regardless of tenure.

However, LGNSW does not support the draft recommendation to grant rate exemptions to private hospitals. Unlike public hospitals:

- private hospitals do not generally perform the public good function of operating emergency departments; and

- many private hospitals are operated on a “for-profit” basis and provide significant returns to their shareholders.

Pensioner rate concessions (draft recommendation 20)

LGNSW supports pensioner concessions and advocates that they be increased to more realistic levels and that they be fully funded by the State Government. LGNSW does not support a rate deferral scheme.

LGNSW’s position is that, as a welfare measure, pensioner concessions should be managed, funded and financed by other spheres of government with broader taxation bases; i.e. the NSW and/or Commonwealth Governments. Pensioner rate concessions are fully funded by State Governments in other jurisdictions and LGNSW maintains that they should also be fully funded by the NSW Government.

LGNSW notes that IPART indicates in its draft report that the NSW Government should fully fund pensioner concessions and that the NSW funding arrangements are not consistent with the 100% state/territory government funding in all other Australian jurisdictions. Currently, NSW councils fund about 45% of the pensioners rebate with the remainder funded by the NSW Government. LGNSW calls on IPART to make a recommendation that the NSW Government should fully fund any pensioner rate concessions.

LGNSW also requests IPART to make a recommendation with respect to pensioner concessions on water supply and sewerage charges pursuant to section 575 (3) (b) and (c) of the *Local Government Act (NSW) 1993* (LG Act) to the effect that the NSW Government should fully fund these concessions.

LGNSW suggests a broader review of welfare support for pensioners in general, and the targeting of, and funding responsibilities for, pensioner welfare support in particular.

3. LGNSW response to draft recommendations

Draft recommendations	LGNSW comment	Supported or unsupported
Allow councils to use CIV as an alternative to UV in setting rates		
<p>1. <i>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.</i></p>	<p>LGNSW supports IPART's proposal to give councils the choice of valuation methods of capital improved value (CIV) or unimproved land value (UV) at the rating category level.</p> <p>LGNSW generally favours CIV as the method of valuation for rating purposes in urban areas. CIV would help remove the rating discrepancies and inequities associated with higher density development, enabling councils to equitably and efficiently raise rate revenue from apartments. Outside metropolitan areas, councils may not see any benefits from such change.</p> <p>Further clarification is required as to the transitional and ongoing cost associated with the introduction of CIV. LGNSW recommends that transitional cost be borne by the NSW Government and not passed through to valuation service users.</p>	Supported
<p>2. <i>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.</i></p>	<p>LGNSW does not support the draft recommendation.</p> <p>LGNSW acknowledges IPART's arguments for the removal of minimum amounts from the rate structure in a CIV environment.</p> <p>However, LGNSW currently does not see the need to remove the option of using minimum amounts for the following reasons:</p> <ul style="list-style-type: none"> • Many metropolitan councils currently use minimum amounts (particularly for apartment rating). • Councils that chose UV might still want to use minimum amounts. • It is unclear how the removal of minimum amounts would work during the rate path freeze period. <p>It would be expected that the use of minimum rates would be phase out gradually as more and more councils adopted CIV negating the need to amend legislation in the near term.</p>	Not Supported
Allow councils' general income to grow as the communities they serve grow		
<p>3. <i>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.</i></p> <p>– <i>This formula would be independent of the</i></p>	<p>LGNSW supports the draft recommendation.</p> <p>Within a rate pegging environment, LGNSW supports draft recommendation 3 as an improved mechanisms to facilitate revenue growth "outside the rate peg".</p> <p>IPART's proposal represents an improved mechanism to grow general income outside</p>	Supported

Draft recommendations	LGNSW comment	Supported or unsupported
<i>valuation method chosen by councils for rating.</i>	the rate peg. Compared to the current growth outside the peg based on UV, the proposed mechanism would better reflect the value of new development and more closely relate to increased revenue requirements as a result of new development.	
<p>4. <i>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:</i></p> <ul style="list-style-type: none"> <i>– form part of a council’s general income permitted under the rate peg,</i> <i>– nor require councils to receive regulatory approval from IPART.</i> 	<p>LGNSW supports the recommendation with qualifications.</p> <p>LGNSW acknowledges that the recommended special infrastructure rate could be used for capturing and “funding” local benefits from infrastructure that is jointly delivered with other spheres of government.</p> <p>However, LGNSW has some concerns over such an arrangement:</p> <ul style="list-style-type: none"> • A special infrastructure rate could create an inherent bias towards supporting and facilitating state government infrastructure projects at the expense of council’s own priorities. • It also has the potential for “behind closed doors” or open political pressure to be exerted on councils by the NSW Government and/or its infrastructure agencies, to contribute to infrastructure projects that are not council priorities and/or that council are not responsible for funding. <p>Refer to more detailed comments in section 2.</p>	Qualified Support
<p>5. <i>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.</i></p>	<p>LGNSW supports the draft recommendation.</p> <p>The recommendation makes the “catch-up” provision for councils that do not take advantage of the “full percentage increase available to it” more flexible. It increases the ability for councils to set rates at a level lower than the permissible maximum if the community experiences a short-term downturn, e.g. as a result of drought or a downturn in commodity prices, while providing more time for councils to return to their sustainable long-term rates trajectory.</p>	Supported
Give councils greater flexibility when setting residential rates		
<p>6. <i>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:</i></p> <ul style="list-style-type: none"> <i>– a separate town or village, or</i> <i>– a community of interest.</i> 	<p>LGNSW supports the draft recommendation.</p> <p>LGNSW supports in principle making the residential rating regime more flexible and enabling councils to set different categories of residential rates for different parts of council areas with different services demands/levels (and thereby allowing councils with diverse communities to set rates that reflect differences in access to, demand for, and cost of providing council services across their local area).</p> <p>Greater flexibility would allow for more efficient and equitable targeting of rates.</p>	Supported

Draft recommendations	LGNSW comment	Supported or unsupported
	<p>LGNSW suggests that the recommendation also include the option for councils to apply separate rating categories (either residential sub-category or business) to holiday letting and serviced apartment properties on the basis of their non-continuous occupancy.</p>	
<p>7. <i>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.</i></p>	<p>LGNSW supports the draft recommendation.</p> <p>This draft recommendation makes the residential rating regime more flexible and gives councils the option of setting different residential rates for different communities of interest within a contiguous urban development.</p> <p>LGNSW notes that there are practical difficulties in determining the boundaries of 'communities of interest' in a contiguous area.</p> <p>For the purpose of clarity, IPART should also recommend that the LG Act include a definition of what constitutes a "community of interest".</p>	<p>Supported</p>
<p>8. <i>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:</i></p> <ul style="list-style-type: none"> <i>– 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</i> <i>– publish the different rates (along with the reasons for the different rates) on its website and in the rates notice received by ratepayers.</i> 	<p>LGNSW does not support the draft recommendation.</p> <p>LGNSW does not support the proposal to legislate a rigid threshold for allowable differences in residential rates. The threshold appears arbitrary and unnecessary and represents undesirable outcomes regulation.</p> <p>LGNSW suggest applying process regulation to the issue of differential rating instead, requiring the application of taxation principles and a transparent and accountable process, such as the community strategic planning process (Integrated Planning and Reporting), that clearly articulates to the affected ratepayers why the rates they pay are different from the rates other parts of the community pay.</p>	<p>Not supported</p>
<p>9. <i>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.</i></p> <ul style="list-style-type: none"> <i>– 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,</i> 	<p>LGNSW is firmly of the view that the NSW Government's rate path freeze policy for newly merged councils are totally contrary to the objectives of local government reform and will be ultimately damaging for affected communities. Councils have expressed the view that the rate path freeze policy is counterproductive and that it will make the complex and sensitive merger process even more difficult.</p> <p>In the absence of the removal of the freeze, LGNSW supports this option being available to councils, however the proposed conditions are unnecessarily restrictive.</p>	<p>Qualified Support</p>

Draft recommendations	LGNSW comment	Supported or unsupported
<p><i>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.</i></p> <p>– <i>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.</i></p>	<p>LGNSW believes that rate harmonisation at the end of the 4-year rate path freeze should be an autonomous decision by councils on the basis of generally applicable rate regulation, such as draft recommendations 6, 7 and 8, and the transparent and accountable mechanism provided by the community strategic planning process (Integrated Planning and Reporting). LGNSW does not see the need for detailed regulation of outcomes.</p>	
<p>Better target rate exemption eligibility</p>		
<p>10. <i>Sections 555 and 556 of the Local Government Act 1993 NSW should be amended to:</i></p> <p>– <i>exempt land on the basis of use rather than ownership, and to directly link the exemption to the use of the land, and</i></p> <p>– <i>ensure land used for residential and commercial purposes is rateable unless explicitly exempted.</i></p>	<p>LGNSW supports the draft recommendation.</p> <p>LGNSW has long advocated that all land used for commercial or residential purposes should be subject to rates regardless of tenure.</p> <p>According to IPART’s draft report the following currently exempt activities would become rateable:</p> <ul style="list-style-type: none"> • Commercial logging in State Forests; • Retirement villages; • Child care centres charging market rates; • University student or other residential accommodation; • Land used by a water corporation; • Freight Rail lines; and • Social housing owned by public benevolent institutions. <p>Further definition is required to ensure that not for profit residential care arrangements (i.e. aged care, refuge centres, drug rehabilitation centres) are not intentionally caught up in this process.</p>	<p>Supported</p>

Draft recommendations	LGNSW comment	Supported or unsupported
<p>11. <i>The following exemptions should be retained in the Local Government Act 1993 (NSW):</i></p> <ul style="list-style-type: none"> – <i>section 555(e) Land used by a religious body occupied for that purpose</i> – <i>section 555(g) Land vested in the NSW Aboriginal Land Council</i> – <i>section 556(o) Land that is vested in the mines rescue company, and</i> – <i>section 556(q) Land that is leased to the Crown for the purpose of cattle dipping.</i> 	<p>LGNSW supports the draft recommendation in principle.</p> <p>Support is conditional on the full wording of section 555(g) LG Act being retained i.e.</p> <p><i>g) land that is vested in the New South Wales Aboriginal Land Council or a Local Aboriginal Land Council and is declared under Division 5 of Part 2 of the Aboriginal Land Rights Act 1983 to be exempt from payment of rates,</i></p> <p>However, LGNSW requests that IPART provides further analysis and reasoning as to why the other exemptions should be retained.</p>	<p>Supported or unsupported</p> <p>Qualified Support</p>
<p>12. <i>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.</i></p>	<p>LGNSW does not support the draft recommendation.</p> <p>LGNSW does not agree with the proposal that private hospitals, like public hospitals, should be exempt from rates for the following reasons:</p> <ul style="list-style-type: none"> • Unlike public hospitals, private hospitals generally do not perform the public good function of operating emergency departments; and • Unlike public hospitals which are “not-for-profit” operations, private hospitals are operated on a “for-profit” basis and provide significant returns to their shareholders. 	<p>Not Supported</p>
<p>13. <i>The following exemptions should be removed:</i></p> <ul style="list-style-type: none"> – <i>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))</i> – <i>land that is below the high water mark and is used for the cultivation of oysters (Local Government Act 1993 (NSW) section 555(h))</i> – <i>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</i> – <i>land that is managed by the Teacher Housing Authority and on which a house is erected (Local Government Act 1993 (NSW) section 556(p)).</i> 	<p>LGNSW strongly supports the draft recommendation.</p> <p>These represent residential or commercial use.</p>	<p>Supported</p>

Draft recommendations	LGNSW comment	Supported or unsupported
<p>14. <i>The following exemptions should not be funded by local councils and hence should be removed from the Local Government Act and Regulation:</i></p> <ul style="list-style-type: none"> – <i>land that is vested in the Sydney Cricket and Sports Ground Trust (Local Government Act 1993 (NSW) section 556(m))</i> – <i>land that is leased by the Royal Agricultural Society in the Homebush Bay area (Local Government (General) Regulation 2005 reg 123(a))</i> – <i>land that is occupied by the Museum of Contemporary Art Limited (Local Government (General) Regulation 2005 reg 123(b)), and</i> – <i>land comprising the site known as Museum of Sydney (Local Government (General) Regulation 2005 reg 123(c)).</i> <p><i>The State Government should consider whether to fund these local rates through State taxes.</i></p>	<p>LGNSW strongly support the draft recommendation.</p> <p>Fiscal support for these institutions/activities should be provided by the NSW Government.</p>	<p>Supported</p>
<p>15. <i>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.</i></p>	<p>LGNSW supports the draft recommendation.</p>	<p>Supported</p>
<p>16. <i>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.</i></p>	<p>LGNSW supports the draft recommendation.</p> <p>LGNSW requests that IPART recommend that, for transparency and consistency purposes, appropriate guidance be provided for the self- assessment process.</p>	<p>Supported</p>
<p>17. <i>A council's maximum general income should not be modified as a result of any changes to exemptions from implementing our recommendations.</i></p>	<p>LGNSW does not support the draft recommendation.</p> <p>Implementation of this recommendation would prevent councils from gaining the additional revenue from the lifting of rate exemptions, particularly where the purpose of lifting the exemption is to enable councils to address/fund infrastructure and services required as a result of the currently exempt activities (e.g. Forests Corporation of NSW).</p> <p>At the very least, councils should be able to put in a SRV application to maintain existing rates level (plus any increase under the cap) and to also rate previously exempt land for the first time.</p>	<p>Not Supported</p>

Draft recommendations	LGNSW comment	Supported or unsupported
<p>18. <i>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).</i></p>	<p>LGNSW supports the draft recommendation.</p> <p>This draft recommendation would remove the blanket exemption for bodies/properties listed in section 555 LG Act from water supply and sewerage special rates and instead give council discretion as to whether those bodies/properties should be exempt. The draft recommendation needs to clarify that it relates to “special rates” and not to “special charges”.</p> <p>LGNSW notes that the provision of water supply and sewerage services by councils is predominantly funded by way of annual charges (section 501 LG Act), usage charges (section 502 LG Act) and developer charges (section 64 LG Act) but not, or only in limited circumstances, by way of water supply and sewerage special rates (section 495 LG Act).</p> <p>Annual and usage charges are not subject to rate exemptions under section 555 and section 558 LG. The only restriction on charges for exempted properties is provided by section 503 (2) LG Act which states that, if land is not rateable to a special rate for a particular service, a council may not levy a charge in respect of that land relating to the same service, unless the charge is limited to recovering the cost of providing the service to that land. IPART’s recommendation would make section 503 (2) LG Act redundant with respect to water supply and sewerage charges.</p> <p>For consistency purposes, LGNSW suggests that IPART also addresses a similar issue with respect to domestic waste management charges on properties exempt from rates. Currently, section 496 (2) LG Act states that a council may make an annual charge for the provision of a domestic waste management service for a parcel of land that is exempt from rating if:</p> <ul style="list-style-type: none"> (a) the service is available for that land, and (b) the owner of that land requests or agrees to the provision of the service to that land, and (c) the amount of the annual charge is limited to recovering the cost of providing the service to that land. 	<p>Supported</p>
<p>19. <i>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.</i></p>	<p>LGNSW supports the draft recommendations in principle.</p> <p>This would provide greater transparency to ratepayers.</p>	<p>Supported</p>

Draft recommendations	LGNSW comment	Supported or unsupported
Replace the pensioner concession with a rate deferral scheme		
<p>20. <i>The current pensioner concession should be replaced with a rate deferral scheme operated by the State Government</i></p> <ul style="list-style-type: none"> – <i>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.</i> – <i>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.</i> 	<p>LGNSW supports pensioner concessions and advocates that they be increased to more realistic levels and that they be fully funded by the State Government.</p> <p>(Refer to more detailed comments in Section 2).</p> <p>Further Comments LGNSW also requests that IPART make a recommendation with respect to pensioner concessions on water supply and sewerage charges pursuant to section 575 (3) (b) and (c) LG Act to the effect that the NSW Government should fully fund these concessions.</p> <p>Pensioner concessions on water supply and sewerage charges levied by Sydney Water and Hunter Water are fully funded by the NSW Government and are significantly more generous than those provided under the LG Act.</p>	Not Supported
Provide more rating categories		
<p>21. <i>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.</i></p>	<p>LGNSW supports the draft recommendation.</p>	Supported
<p>22. <i>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.</i></p>	<p>LGNSW supports the draft recommendation with qualifications.</p> <p>The draft recommendation would enable councils to recognise vacant land in their rating structure.</p> <p>However, LGNSW recommends that vacant land be a sub-category to only the rating categories of residential and business and based on an application process by the land owner. Farmland should not be able to be sub-categorised as vacant.</p>	Qualified Support
<p>23. <i>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.</i></p> <ul style="list-style-type: none"> – <i>The residual category that is determined should not be subject to change for a 5-year period.</i> – <i>If a council does not determine a residual category, the business category should act as the default residual rating category</i> 	<p>LGNSW supports the draft recommendation.</p> <p>However, LGNSW requests that the no-change period be shortened to four years to align with councils’ strategic planning instruments (i.e. delivery program) and electoral cycle.</p>	Supported

Draft recommendations	LGNSW comment	Supported or unsupported
<p>24. <i>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.</i></p>	<p>LGNSW supports this draft recommendation.</p> <p>LGNSW sees merit in expanding the number of rating categories and sub-categories that councils may be able to apply. Greater flexibility would allow for more efficient and equitable targeting of rates. It would also allow for more appropriate rating of new business forms, particularly if rate pegging were abolished.</p>	<p>Supported</p>
<p>25. <i>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.</i></p>	<p>LGNSW supports the draft recommendation.</p>	<p>Supported</p>
<p>26. <i>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.</i></p>	<p>LGNSW does not support the draft recommendation.</p> <p>Councils should be able to determine their rates pursuant to general rating regulations and taxation principles and based on the priorities set in councils' community strategic planning process including long term financial planning and revenue policies (Integrated Planning and Reporting).</p>	<p>Not supported</p>
<p>Recovery of council rates</p>		
<p>27. <i>Councils should have the option to engage the State Debt Recovery Office to recover outstanding council rates and charges.</i></p>	<p>LGNSW supports the draft recommendation.</p> <p>LGNSW suggests that the recommendation provides some guidance on whether and what councils would need to pay for the service provided by the State Debt Recovery Office.</p>	<p>Supported</p>
<p>28. <i>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.</i></p>	<p>LGNSW supports the draft recommendation.</p>	<p>Supported</p>
<p>29. <i>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.</i></p>	<p>LGNSW supports the draft recommendation.</p>	<p>Supported</p>
<p>30. <i>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.</i></p>	<p>LGNSW supports the draft recommendation.</p>	<p>Supported</p>

Draft recommendations	LGNSW comment	Supported or unsupported
<p>31. <i>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, e.g. via email.</i></p>	<p>LGNSW supports the draft recommendation.</p>	<p>Supported</p>
<p>32. <i>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.</i></p>	<p>LGNSW supports the recommendation.</p> <p>LGNSW concurs with the comments presented in the submission made by the NSW Revenue Professionals:</p> <p>“However, the removal of any form of concession in the circumstances where land is valued in a way that reflects its permitted use, rather than its actual use, may result in financial hardship for some ratepayers. We suggest that provision be included to allow a valuation concession on these properties. This allowance would remain in place whilst the property remained as a single dwelling house or rural land and used as such, and would change when sold or the dominant use changed.</p> <p>Additionally, councils should be permitted to factor in to their rate base any valuation concession granted in these instances as is currently the case with attributable parts of the land values as determined under section 587 LG Act.</p> <p>Should the recommendation be adopted we suggest that transitional arrangements be implemented to accommodate those properties with postponed rate arrangements in place under the existing legislation.”</p>	<p>Supported</p>
<p>Other draft recommendations</p>		
<p>33. <i>The valuation base date for the Emergency Services Property Levy and council rates should be aligned.</i></p> <p>– <i>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.</i></p>	<p>There are no perceived benefits for local government rating from the alignment of the valuation base date.</p>	<p>Not Supported</p>
<p>34. <i>Councils should be given the choice to directly buy valuation services from private valuers that have been certified by the Valuer General.</i></p>	<p>LGNSW does not support the draft recommendation.</p> <p>LGNSW agrees that this option should be available to councils if the Valuer-General declines to provide valuations on a CIV basis.</p>	<p>Conditional Support</p>

Draft recommendations	LGNSW comment	Supported or unsupported
	<p>However, LGNSW has not been supportive of opening the valuation market to the private sector noting that oversight and quality control by the Valuer-General are important in providing a robust and credible process in what can be a very politically sensitive area.</p> <p>There is currently a high degree of satisfaction among NSW councils with the valuation services provided by the NSW Valuer-General. Any potential efficiency gains as a result of opening the market to the private sector and making it contestable would appear to be already captured by way of the tender outsourcing process to private sector valuers that the Valuer-General already uses to undertake the valuations.</p>	

3. Other issues

- LGNSW emphasises that the discussion on rate exemptions and concessions should also include a discussion about which sphere of government should provide support for such activities rather than whether or not they are worthy of support (as a result of public benefits they provide). Often, a critical analysis will show that local government is not the appropriate sphere of government to provide such funding for two reasons: public benefits accrue on a much broader level than the local government area and local government does not have the broad taxation base to appropriately fund such support.
- Part year rating should be included as part of IPART's review to allow councils to rate newly rateable properties from a defined date or period, i.e. date of plan registration or start of next instalment quarter.

4. Conclusion

The draft report provides a strong base for long overdue reform of the NSW local government rating system. LGNSW would like to work closely with IPART in driving the reform process. NSW deserves a modern, fair and efficient rating system.

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