



Hawkesbury City Council

attachment 1
to
item 155

Hawkesbury City Council Submission
to the Review of the Local Government
Rating System –
Final Report dated December 2016

date of meeting: 27 August 2019
location: council chambers
time: 6:30 p.m.



Office of Local Government

Local Government Rating System - IPART Final Report (Rating) - Feedback Form

Recommendations

You may fill in as many or as few of the questions as you wish. When you have completed your answers please scroll to the bottom of the page and click "Submit survey".

Note: Comments are limited to 100 words in length

1. The *Local Government Act 1993* should be amended to mandate Capital Improved Value (CIV) as the basis for setting ad valorem rates in the metropolitan council areas as defined by IPART.

- ☐ Support
- ☐ Partially Support
- ☐ Don't Support
- ☒ Unsure

Comment:

Council is not in a position to determine whether it supports or not the mandated use of the CIV method to levy rates in metropolitan councils. Additional information is required as to how the valuation process would work. Specifically further information is required in regard to the trigger for a supplementary valuation due to improvements, the process to capture improvements, whether the CIV is the current market value or based on a mass valuation process as at the last date of the general valuation. It is unclear as to how the value of the improvement is calculated under the current Unimproved Land valuation basis, and therefore the difference a CIV approach would make.

2. The *Local Government Act 1993* should be amended to allow non-metropolitan councils to choose between the Capital Improved Value and Unimproved Value (UV) methods as the basis for setting ad valorem rates at the rating category level.

- ☐ Support
- ☐ Partially Support
- ☐ Don't Support
- ☒ Unsure

Comment:

Hawkesbury City Council has been classified as a metropolitan Council. Council does not wish to comment as this recommendation does not apply to metropolitan Councils.

3. (Inter-related to Recommendations 1 and 2)

If Recommendation 1 and/or 2 are supported by the NSW Government, should the *Local Government Act 1993* be amended to facilitate a gradual transition of rates to a Capital Improved Value method?

OLG Comment:

The amount of rates that any ratepayer is liable to pay to the council should increase by no more than 10 percentage points above the rate peg (as adjusted for Special Variations) each year as a result of a council adopting a Capital Improved Value method for setting rates. Councils could apply to IPART to exceed this 10% limit.

- ☐ Support
☐ Partially Support
☒ Don't Support
☐ Unsure

Comment:

Do not support gradual transition due to challenges that would be encountered during practical implementation, specifically the treatment of excess rates above the proposed 10% (which appears to be an arbitrary %). It is unclear whether this excess would be redistributed or lost, and if lost, whether Council could recoup it in some way.

It is proposed that implementation is, in full, in the one year, provided there is a minimum notice period of 2 years between the decision to implement CIV and the effective date. During this time there should be extensive community consultation by the State Government.

4. (Inter-related to Recommendations 1 and 2)

If Recommendation 1 and/or 2 are supported by the NSW Government, should section 497 of the *Local Government Act 1993* be amended to remove minimum amounts from the structure of a rate, and section 548 of the *Local Government Act 1993* be removed?

- ☐ Support
☐ Partially Support
☒ Don't Support
☐ Unsure

Comment:

Keep the option of Minimum Rates to allow more flexibility in determining a rating structure that best distributes the rating burden across the LGA.

5. (Inter-related to Recommendations 1 and 2)

If Recommendation 1 and/or 2 are supported by the NSW Government, should the *Local Government Act 1993* be amended so that the growth in rates revenue outside the rate peg is calculated using the formula based on changes in CIV, as defined by IPART?

OLG Comment:

For non-metropolitan councils, this formula would be independent of the valuation method chosen as the basis for setting ad valorem rates.

- ☐ Support
☐ Partially Support
☒ Don't Support
☐ Unsure

Comment:

Don't Support. Clarification on the formula is required.

6. (Inter-related to Recommendations 1 and 2)

If Recommendation 1 and/or 2 are supported by the NSW Government, should the NSW Government fund the NSW Valuer General for the upfront cost of establishing the database to determine Capital Improved Values?

- ☒ Support
☐ Partially Support
☐ Don't Support
☐ Unsure

Comment:

Support that the NSW Government fund the NSW Valuer General for the upfront cost of establishing the database to determine Capital Improved Values.

7. (Inter-related to Recommendations 1 and 2)

If Recommendation 1 and/or 2 are supported by the NSW Government, should the NSW Government fund the cost for a non-metropolitan council to set up a Capital Improved Value database for the purposes of implementing IPART's recommended formula for calculating growth in rates revenue outside the rate peg, where the Unimproved Value method for setting rates is maintained?

- ☐ Support
☐ Partially Support
☐ Don't Support
☒ Unsure

Comment:

Hawkesbury City Council has been classified as a metropolitan Council. Council does not wish to comment as this recommendation does not apply to metropolitan Councils.

8. The *Local Government Act 1993* 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.

- ☐ Support
- ☐ Partially Support
- ☒ Don't Support
- ☐ Unsure

Comment:

Don't Support. More information is required as to what type of projects would a special rate would be applicable to.

There is concern this option would facilitate a shifting of the funding responsibility from State Government to ratepayers through rates rather than State or Federal taxes.

This option, would, however potentially enable additional infrastructure that would otherwise not be able to be funded by State / Federal Government or Council alone.

9. Section 511 of the *Local Government Act 1993* 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.

- ☒ Support
- ☐ Partially Support
- ☐ Don't Support
- ☐ Unsure

Comment:

Support that 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.

10. The *Local Government Act 1993* should be amended to remove the requirement to equalise residential rates by 'centre of population'. Instead, the *Local Government Act 1993* should allow councils to determine a residential subcategory, and set a residential rate, by:

- separate town or village, or
- residential area.

- ☒ Support
- ☐ Partially Support

☐ Don't Support

☐ Unsure

Comment:

Support the replacement of "Centre of Population" with a "town or village" and "residential area", as this makes it easier to define a specific area for rating purposes. Also agree that options in regard to sub-categories for residential rating would provide better flexibility for councils to align services and rates. However, this flexibility should have stronger parameters to only apply to distinct areas where there is a clear difference in access to services or an evident disproportionate relationship between share of rates paid and the cost of services provided.

11. The *Local Government Act 1993* should outline that:

- A 'residential area' is an area within a contiguous urban locality that has, on average, different access to, demand for, or costs of providing council services or infrastructure (relative to other areas in that locality).
- Councils could use geographic markers to define the boundaries for a residential area, including postcode boundaries, suburb boundaries, geographic features (eg, waterways, bushland) and/or the location of major infrastructure (eg, arterial roads, railway lines).

☒ Support

☐ Partially Support

☐ Don't Support

☐ Unsure

Comment:

Support both proposed definitions. However there should be increased emphasis on the degree of difference in regard to different access to, demand for, or costs of providing services. This would ensure the flexibility is not misused.

Clarification is required in regard to "cost to provide" versus "access to services". Generally a remote area will have a much reduced access to services but it also costs more to provide the services to. This would present a challenge when determining the distribution of rates across the different sub-categories.

12. The *Local Government Act 1993* should be amended so, where a council uses different residential rates within a contiguous urban locality, it should be required to:

- ensure the highest rate structure is no more than 1.5 times the average rate structure across all residential subcategories (ie, so the maximum difference between the highest and average ad valorem rates and base amounts is 50%), or obtain approval from IPART to exceed this maximum difference, and
- publish the different rates (along with the reasons for the different rates) on its website and in the rates notice received by ratepayers.

☒ Support

☐ Partially Support

☐ Don't Support

☐ Unsure

Comment:

Support that a limit on the relative rates paid by the different residential sub-categories should exist. Support that the different rates (along with the reasons for the different rates) should be published on councils' websites. The 1.5 times appears to be an arbitrary ratio.

13. At the end of the 4-year rate path freeze, new councils determine whether any pre-merger areas are separate towns or villages, or different residential areas.

- In the event that a new council determines they are separate towns or villages, or different residential areas, 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 in the report.
- In the event that a new council determines they are not separate towns or villages, or different residential areas, 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 Special Variations) each year as a result of this equalisation. The *Local Government Act 1993* should be amended to facilitate this gradual equalisation.

- ☐ Support
☐ Partially Support
☐ Don't Support
☒ Unsure

Comment:

Hawkesbury City Council does not wish to comment as Council was not subject to a merger.

14. Sections 555 and 556 of the *Local Government Act 1993* 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.

OLG Comment:

Not for consultation - see Pg 1 for details

15. Land that is used for residential care as defined in Section 41-3(1) of the *Aged Care Act 1997 (Cth)* be proportionally rateable according to the share of places whose maximum Refundable Accommodation Deposit is above the level set by the Minister for Health and Aged Care (currently \$550,000).

OLG Comments:

Not for consultation - see Pg 1 for details

16. Section 556(1)(i) of the *Local Government Act 1993* should be amended to include land owned by a private hospital and used for that purpose.

- ☐ Support
- ☐ Partially Support
- ☒ Don't Support
- ☐ Unsure

Comment:

Do not support any exemptions being allowed. Whilst it is acknowledged that all hospitals provide a public benefit, nonetheless the activities of these institutions make use of councils' infrastructure and services. As these services are not limited to the local ratepayers, local ratepayers should not be subsidising these services. A subsidy or other assistance is better placed at State Government level

17. The following exemptions 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* section 555(1)(c) and section 555(1)(d))
- land that is below the high water mark and is used for the cultivation of oysters (*Local Government Act 1993* section 555(1)(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* section 556(1)(g)), and
- land that is managed by the Teacher Housing Authority and on which a house is erected (*Local Government Act 1993* section 556(1)(p)).

OLG Comment:

Not for consultation – see Pg 1 for details.

18. Section 555(1)(b1) of the *Local Government Act 1993* should be amended to remove the current rating exemption for land that is the subject of a conservation agreement and instead require it to be rated using the Environmental Land category.

- ☐ Support
- ☒ Partially Support
- ☐ Don't Support
- ☐ Unsure

Comment:

Support the introduction of the Environmental Land Category but Conservation Agreements should also be retained as an option.

19. The following exemptions not be funded by local councils and hence should be removed from the Local Government Act and Regulation:

- land that is vested in the Sydney Cricket and Sports Ground Trust (*Local Government Act 1993* section 556(1)(m))
- land that is leased by the Royal Agricultural Society in the Homebush Bay area (*Local Government (General) Regulation 2005* reg 123(a))
- land that is occupied by the Museum of Contemporary Art Limited (*Local Government (General) Regulation 2005* reg 123(b)), and
- land comprising the site known as Museum of Sydney (*Local Government (General) Regulation 2005* reg 123(c)).

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

OLG Comment:

Not for consultation – see Pg 1 for details.

20. 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.

OLG Comment:

Not for consultation – see Pg 1 for details.

21. 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.

OLG Comment:

Not for consultation – see Pg 1 for details.

22. A council's maximum general income not be modified as a result of any changes to exemptions from implementing IPART's recommendations.

- ☒ Support
☐ Partially Support

☐ Don't Support

☐ Unsure

Comment:

Support the recommendation. It is assumed that the recommended changes would apply from 1 July in any year, with sufficient lead time to allow for the appropriate Notional Yield for the coming year to be calculated.

23. A council may apply to IPART for a Special Variation to take account of the changes in exemptions using a streamlined process in the year that IPART's recommended exemption changes come into force. The council would need to demonstrate:

- it satisfies the first criteria for Special Variation applications in the OLG guidelines relating to the need for and purpose of a different revenue path for the council's General Fund, and
- that any subcategory rating structure applied to previously exempt properties is no greater than the average rate structure across the relevant rating category.

☐ Support

☐ Partially Support

☒ Don't Support

☐ Unsure

Comment:

Do not support the recommendation. It is not Councils that have been disadvantaged with current exemptions, but rather the non-exempt property owners. It is not clear what the justification would be to request the income to be increased through an SRV.

24. The *Local Government Act 1993* 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).

☐ Support

☐ Partially Support

☒ Don't Support

☐ Unsure

Comment:

Do not support any exemptions being allowed. As previously stated the activities of exempt institutions make use of councils' infrastructure and services. As these services are not limited to the local ratepayers, local ratepayers should not be subsidising these services.

25. At the start of each rating period, councils calculate the estimated value of rating exemptions within the council area. This information should be published in the council's annual report or otherwise made available to the public.

☒ Support

☐ Partially Support

☐ Don't Support

☐ Unsure

Comment:

Support the recommendation. This supports transparency.

26. For new and existing eligible pensioners, introduce a rate deferral scheme operated by the NSW Government, where:

- Eligible pensioners would be allowed to defer payment of ordinary council rates up to \$1,000 per annum and indexed to CPI, or any other amount as determined by the NSW Government

OLG Comment:

Not for consultation – see Pg 1 for details.

27. (Inter-related to Recommendation 26. If you do not support Recommendation 26, continue to Recommendation 29.)

If the NSW Government supports Recommendation 26, should the NSW Government give existing eligible pensioners the option to access, either:

- the current pensioner concession, or
- the rate deferral scheme, as defined in Recommendation 26.

OLG Comment:

Not for consultation – see Pg 1 for details.

28. (Inter-related to Recommendation 26. If you do not support Recommendation 26, continue to Recommendation 29.)

If the NSW Government supports Recommendation 26, should the NSW Government support funding pensioner assistance through:

- Continuing the current pensioner concession funding arrangements.
- The rate deferral scheme (defined in Recommendation 26) funded by the NSW Government. The loan should be charged interest at the NSW Government's 10-year borrowing rate, and could become due when property ownership changes.

OLG Comment:

Not for consultation – see Pg 1 for details.

29. Section 493 of the *Local Government Act 1993* should be amended to add a new environmental land category and a definition of 'environmental land' should be included in the *Local Government Act 1993*.

- **Note:** Land subject to a state conservation agreement is categorised as 'environmental land' for the purposes of setting rates.

- ☒ Support
☐ Partially Support
☐ Don't Support
☐ Unsure

Comment:

Support that a new rating category is created for Environmental Land.

30. Section 529(2)(d) of the *Local Government Act 1993* should be amended to allow business land to be subcategorised as 'industrial' and or 'commercial' in addition to centre of activity.

- ☒ Support
☐ Partially Support
☐ Don't Support
☐ Unsure

Comment:

Support that 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.

31. Sections 493, 519 and 529 of the *Local Government Act 1993* should be amended to add an optional vacant land subcategory for residential, business and mining land.

- ☒ Support
☐ Partially Support
☐ Don't Support
☐ Unsure

Comment:

Support that Sections 493, 519 and 529 of the Local Government Act 1993 (NSW) should be amended to add an optional vacant land subcategory for residential, business and mining land.

32. Section 529 (2)(a) of the *Local Government Act 1993* should be replaced to allow farmland subcategories to be determined based on geographic location.

- ☒ Support
☐ Partially Support

☐ Don't Support

☐ Unsure

Comment:

Support that Section 529 (2)(a) of the Local Government Act 1993 (NSW) should be amended, rather than replaced, to allow farmland subcategories to be determined based on geographic location, in addition to the current "intensity of land use, the irrigation capability of land and economic factors basis of sub-categories. Whilst some of these criteria maybe difficult to assess, the options should remain available to be applied in relevant situations.

33. Section 518 of the *Local Government Act 1993* should be amended to reflect that a council may determine by resolution which rating category will act as the residual category.

- The residual category that is determined should not be subject to change for a 4-year period.
- If a council does not determine a residual category, the business category should act as the default residual rating category.

☒ Support

☐ Partially Support

☐ Don't Support

☐ Unsure

Comment:

Support that 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.

34. 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.

☒ Support

☐ Partially Support

☐ Don't Support

☐ Unsure

Comment:

Support that 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.

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

OLG Comment:

Not for consultation – see Pg 1 for details.

36. The existing legal and administrative process to recover outstanding rates be streamlined by reducing the period of time before a property can be sold to recover rates from five years to three years.

- ☒ Support
☐ Partially Support
☐ Don't Support
☐ Unsure

Comment:

Support the recommendation, as long as it remains optional.

37. All councils adopt an internal review policy, to assist those who are late in paying rates, before commencing legal proceedings to recover unpaid rates.

OLG Comment:

Not for consultation – see Pg 1 for details.

Refer to the Debt Management and Hardship Guidelines

38. The *Local Government Act 1993* should be amended or the Office of Local Government should issue guidelines to clarify that councils can offer flexible payment options to ratepayers.

OLG Comment:

Not for consultation – see Pg 1 for details.

Refer to the Debt Management and Hardship Guidelines

39. The *Local Government Act 1993* should be amended to allow councils to offer a discount to ratepayers who elect to receive rates notices in electronic formats, eg, via email.

OLG Comment:

Not for consultation – see Pg 1 for details.

Refer to the Debt Management and Hardship Guidelines

40. The *Local Government Act 1993* 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.

- ☐ Support
☐ Partially Support
☒ Don't Support
☐ Unsure

Comment:

Postponement of rates should be retained and the requirement to write off rates after 5 years should be removed. Postponed rates should continue to accrue and become payable when the entitlement to postpone ceases.

41. The valuation base date for the Emergency Services Property Levy and council rates 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.

OLG Comment:

Not for consultation – see Pg 1 for details.

42. (Inter-related to Recommendation 1)

After the NSW Valuer General has established the database to determine Capital Improved Values for rating purposes, councils be given the choice to directly buy valuation services from private valuers that have been certified by the NSW Valuer General.

- ☒ Support
☐ Partially Support
☐ Don't Support
☐ Unsure

Comment:

Support the option as it encourages pricing competition and as long as it remains as a choice to utilise the Valuer General.

Thank you for taking the time to provide your feedback. If you have any further comments, please provide them in the box below. The NSW Government will take your views into account as it prepares its response.

General Comments:

Support recommendations to introduce a rate deferral scheme operated by the NSW Government, where eligible pensioners would be allowed to defer payment of rates up to \$1,000 per annum. This should be an option available to pensioners in lieu of the current \$250 Pensioner Concession.

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