IPART Rating Review

Submission Summary and Analysis

February 2020

NSW GOVERNMENT

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Contents

Introduction

This summary provides a snapshot of the feedback received during the Office of Local Government's (OLG) consultation period conducted between 21 June to 13 September 2019, on 28 of the 42 recommendations the Independent Pricing and Regulatory Tribunal (IPART) made in its final report examining the rating system in NSW. A number of recommendations were not consulted on further because the Government, in its interim response, ruled out implementing recommendations that would adversely impact vulnerable members of the community, such as pensioners or charities, or have a substantial financial impact upon taxpayers or the broader community.

The layout consists of the themes as listed in IPART's final report. For each theme, a brief summary analysis of the feedback received is provided along with a selection of illustrative quotes from various key stakeholder groups. Within each theme are listed the recommendations along with a breakdown of:

- the overall support or otherwise for each recommendation (along with a chart representing the breakdown of responses received)
- which type of stakeholder supported the recommendation; and
- which type of stakeholder did not support the recommendation.

Executive Summary

All major anticipated stakeholders made a submission, with the exception of representatives of the mining industry. OLG received responses from key stakeholders in the local government sector, including Local Government NSW (LGNSW), Local Government Professionals Australia (NSW), the Institute of Public Works Engineering Australasia (NSW), the NSW Rating Professionals and several regional and joint organisations of councils. Balancing this was a number of submissions from stakeholders representing other key interests, including the NSW Business Chamber, Housing Industry Australia, NSW Farmers Association, the Shopping Centre Council of Australia, Property Council of Australia and the NSW Aboriginal Land Council.

However, there was a slightly lower than expected response rate from NSW councils – less than half, or 62 councils from a total of 128 across the state. This may reflect the extensive consultation IPART carried out in the course of undertaking their Review or it may be a result of differing views within councils.

What is clear from the feedback received is that any change to the rating system will attract both applause and criticism. Every aspect of the system is contested and fraught with competing vested interests, ideas of fairness, and differing views regarding technical application of the legislative requirements contained within the *Local Government Act 1993*.

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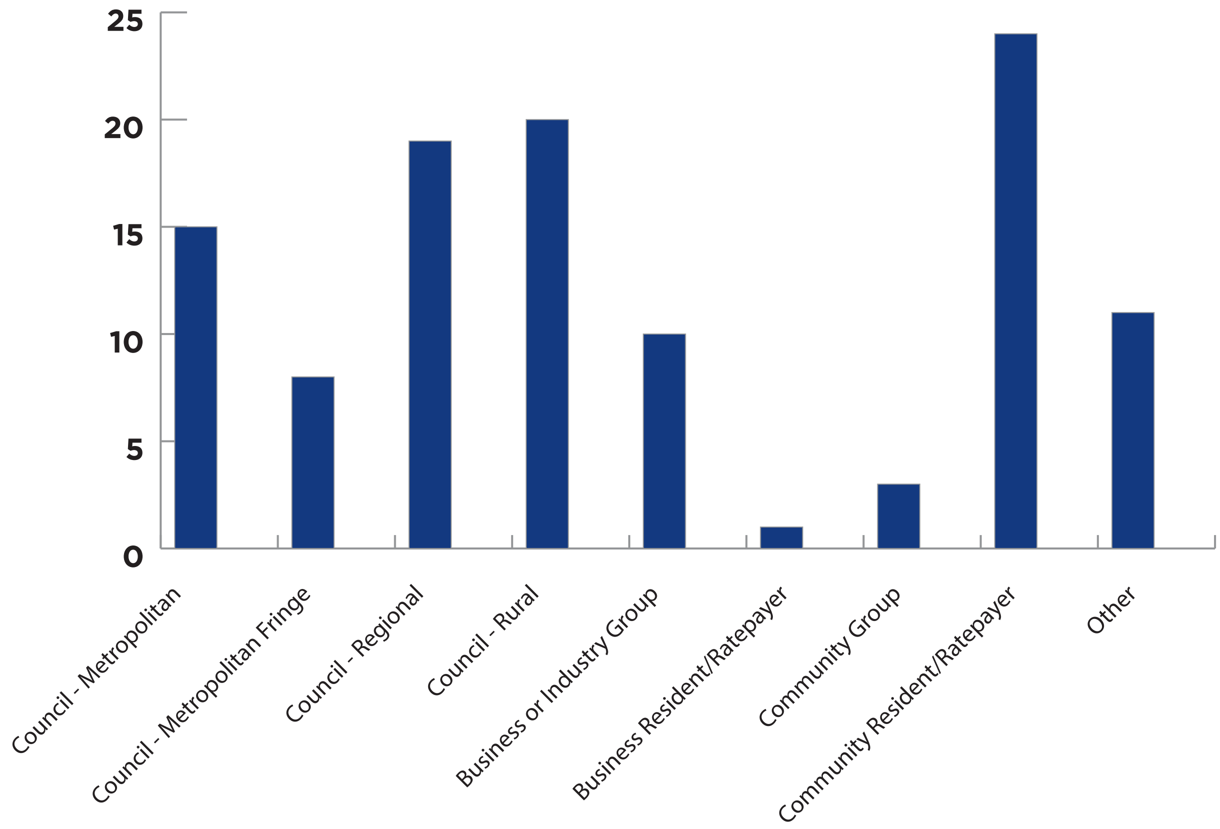
Total number of submissions received: 110

Response type	Number	Percentage
Council - Metropolitan	15	14%
Council - Metropolitan Fringe	8	7%
Council - Regional	19	17%
Council - Rural	20	18%
Business or Industry Group	10	9%
Business Resident/Ratepayer	1	1%
Community Group	3	3%
Community Resident/Ratepayer	23	21%
Other	11	10%



Theme 1: Use of the CIV valuation method to levy council rates

Summary

There is no clear consensus on the merits or otherwise of introducing a Capital Improved Value (CIV) valuation method. The recommendation is a polarising one with strong opinions both in support and against. Local government stakeholders, in particular LGNSW, NSW Revenue Professionals and metropolitan councils strongly support either mandating or at least giving councils the option to move to CIV, based largely on issues of equity, financial sustainability and to address discrepancies when rating strata properties (e.g. apartment blocks) to better reflect demand on council services.

Most of these stakeholders recognise the need for some sort of safeguard during the transition to CIV to prevent sudden and significant rate fluctuations but many claim the 10 per cent figure is arbitrary. A common suggestion is to allow councils to determine a fair and equitable transition path through their integrated planning and reporting obligations. Others suggest the current hardship provisions are sufficient.

On the other hand, business stakeholders such as the Housing Industry Association, the Property Council of Australia and the Shopping Centre Council of Australia strongly oppose a move to CIV, claiming it would represent a disproportionate impact on their members, be expensive to implement and will have limited utility in a regulatory environment that includes rate capping.

> IPART has failed to address issues in relation to how a shift to CIV would redistribute the rating burden amongst rate-payers in a local government area, or the impact on categories and individual rate-payers. In this regard, we note that there is no proposed change to the total rates income that a council can collect from ratepayers. – **Shopping Centre Council of Australia**

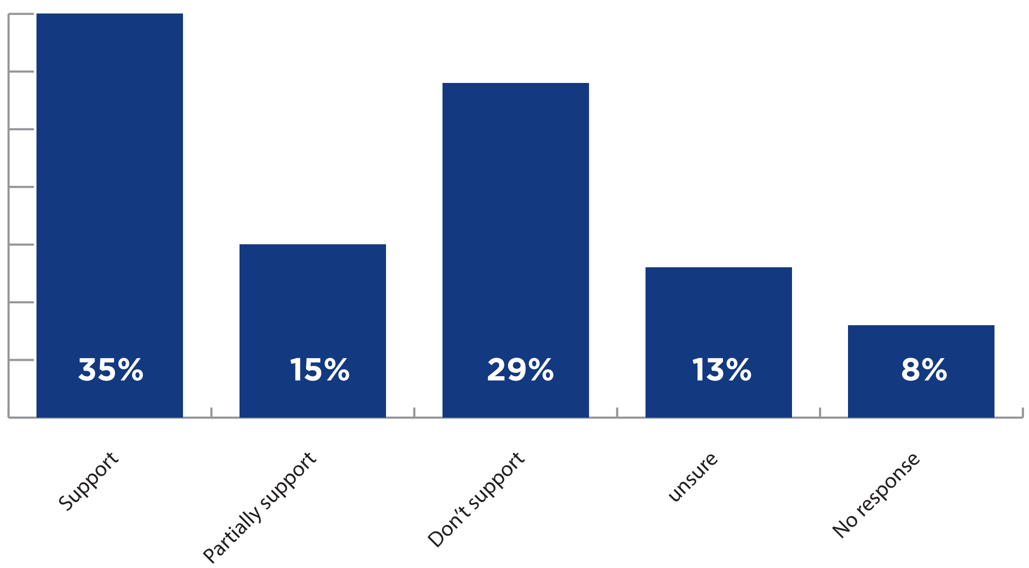
> CIV is widely recognised as a fair and sustainable approach to the valuation process both nationally and internationally. We believe it is more easily understood by the ratepayer, as most people know or have an idea of what their property is worth. – **NSW Revenue Professionals**

> This change is not supported as it [CIV] would effectively become a tax on jobs. – **Property Council of Australia**

> LGNSW recognises the need for graduated transition to avoid rate shocks and hardship, however, the proposed 10% cap is arbitrary and makes no reference to $ value of the increase...Further, the low cap will unnecessarily prolong the transition. – **LGNSW**

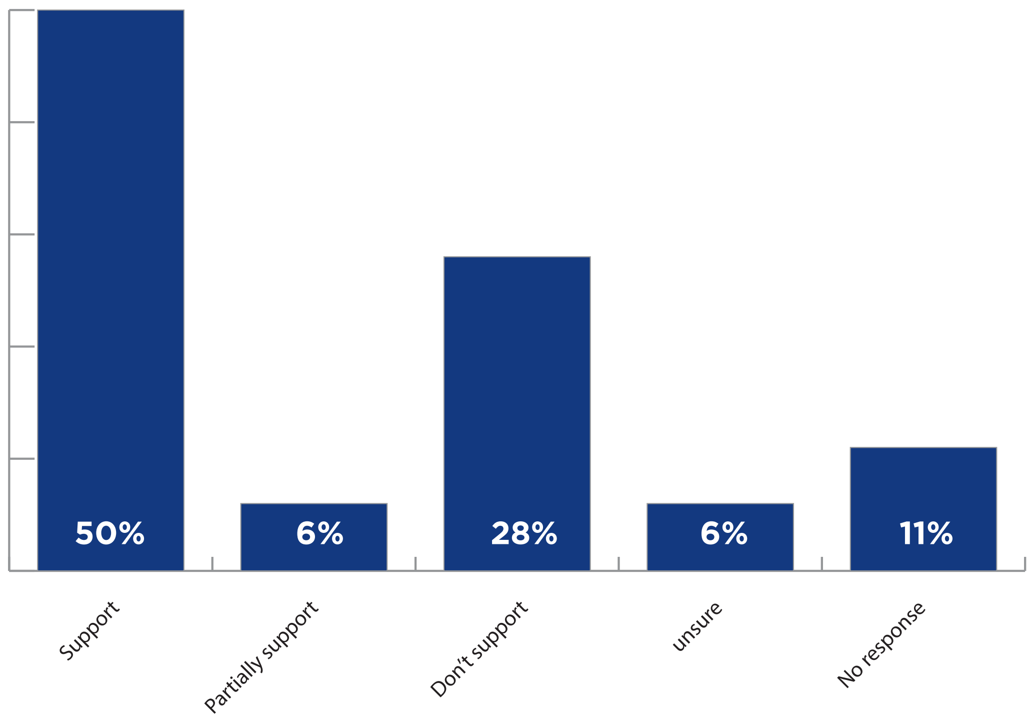
Recommendation 1

Recommendation	Feedback (overall)	Support	Don't support
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 defined in Box 3.1.	35% support 15% partially support 29% don't support 13% unsure 8% no response	36% metro 11% metro fringe 22% regional 17% rural 8% business/industry 0% business ratepayer 0% community group 6% community resident 0% other	3% metro 3% metro fringe 6% regional 3% rural 13% business/industry 3% business ratepayer 10% community group 48% community resident 10% other



Recommendation 2

Recommendation	Feedback (overall)	Support	Don't support
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.	50% support 6% partially support 28% don't support 6% unsure 11% no response	17% metro 11% metro fringe 25% regional 30% rural 8% business/industry 0% business ratepayer 0% community group 2% community resident 8% other	3% metro 0% metro fringe 7% regional 3% rural 17% business/industry 3% business ratepayer 10% community group 53% community resident 3% other



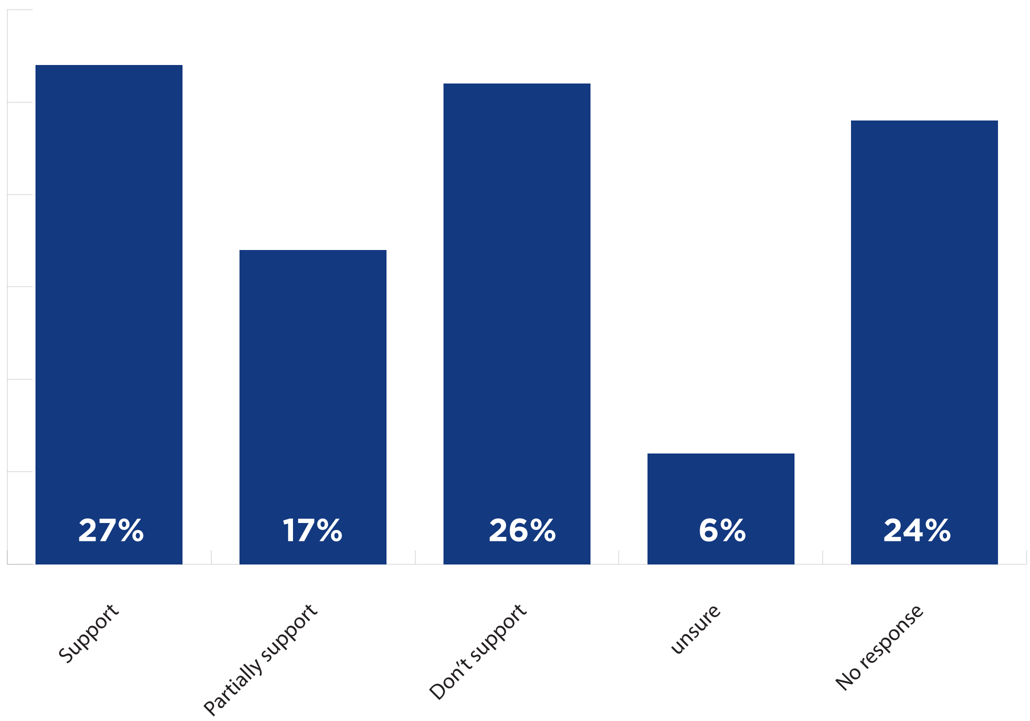
Comments

Councils, particularly non-metropolitan councils, generally supported the flexibility to choose their valuation method, where they were already supportive of CIV. This is in recognition of the limited impact of CIV in rural and regional areas, particularly when it comes to IPART's proposed formula for growth outside the rates peg.

There is some concern that having two valuation methods available will cause inconsistency in rating structures between neighbouring LGA's and increase confusion among ratepayers.

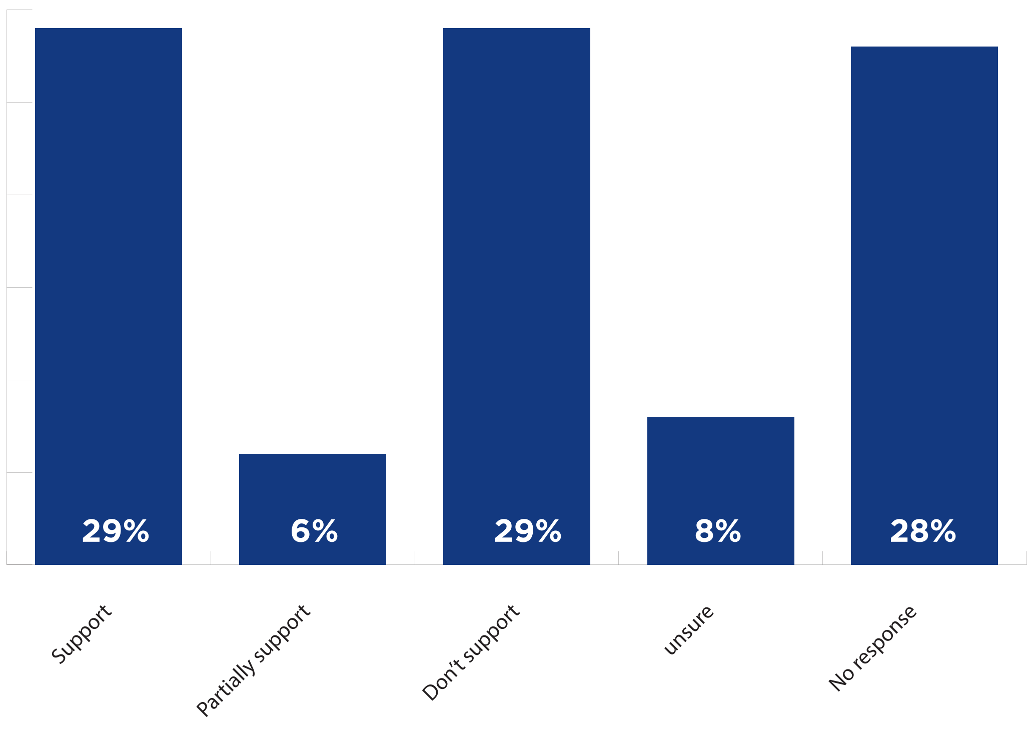
Recommendation 3

Recommendation	Feedback (overall)	Support	Don't support
The *Local Government Act 1993* should be amended to facilitate a gradual transition of rates to a Capital Improved Value method. • 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.	27% support 17% partially support 26% don't support 6% unsure 24% no response	21% metro 7% metro fringe 28% regional 31% rural 7% business/industry 0% business ratepayer 0% community group 3% community resident 3% other	14% metro 7% metro fringe 18% regional 25% rural 14% business/industry 0% business ratepayer 4% community group 14% community resident 4% other



Recommendation 4

Recommendation	Feedback (overall)	Support	Don't support
Section 497 of the *Local Government Act 1993* 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.	29% support 6% partially support 29% don't support 8% unsure 28% no response	13% metro 13% metro fringe 33% regional 27% rural 0% business/industry 0% business ratepayer 3% community group 10% community resident 0% other	33% metro 10% metro fringe 23% regional 13% rural 10% business/industry 0% business ratepayer 3% community group 0% community resident 7% other



Comments

There was a common view that if CIV was not supported, then the ability to use minimum amounts should be retained, particularly in the context of strata properties. Some local government stakeholders, including LGNSW and the NSW Rating Professionals do not support the removal of minimum amounts regardless, stating that councils should have the flexibility to choose.

Theme 2: Allow councils' general income to grow as the communities they serve grow

Summary

Given the continuation of the NSW Government's policy of rate pegging, this is where IPART have attempted to address issues associated with population growth and rapid residential development. However, their proposal in relation to growth outside the rates peg is dependent on the Government supporting a move to CIV. Therefore, there is a strong correlation between those who support CIV also supporting IPART's formula for growth outside the rates peg and vice versa.

The recommendation to introduce a special levy for joint infrastructure projects was generally supported but many councils are cautious about what they see as a potential for cost shifting or for councils being pressured into contributing to infrastructure projects against the wishes of the local community.

> The proposed formula would allow rates income to increase in a way that better matches the additional cost to provide services to new developments, not just increases resulting from an increased number of rateable properties. – **Shoalhaven City Council**

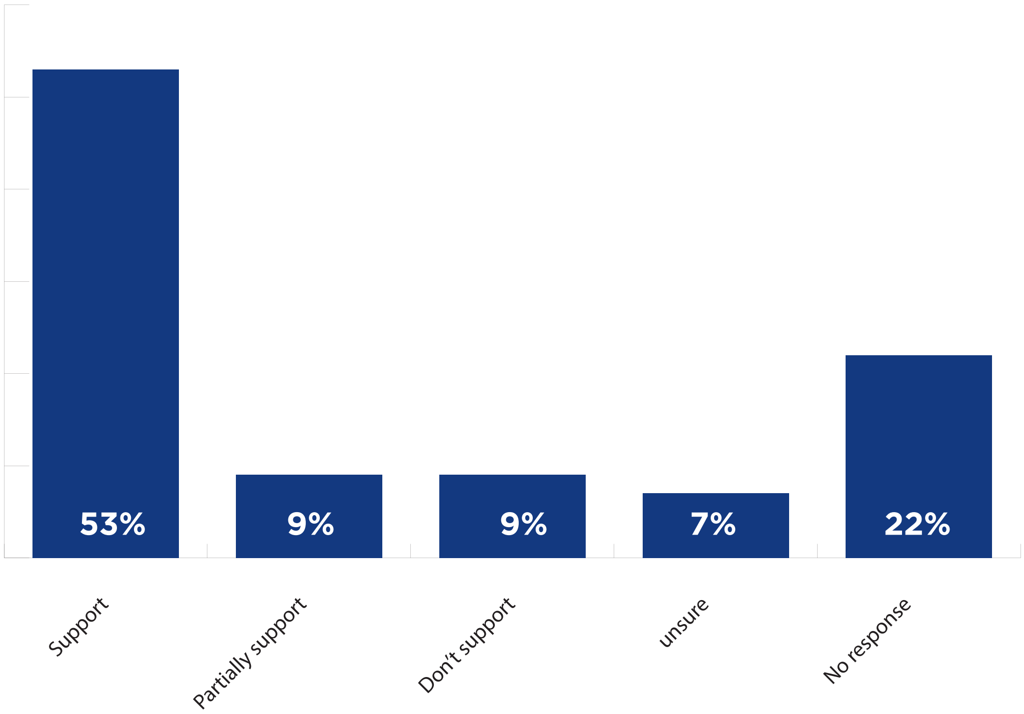
> Local Government should be provided with discretion to increase its general rates revenue commensurate with growth and community demand (as determined through the Integrated Planning and Reporting consultation process)... – **North Sydney Council**

> Businesses are often seen as an easy target when it comes to increasing rate settings. Some local governments would prefer to increase rates for a constituency that does not vote and has a higher perceived ability to pay. – **NSW Business Chamber**

> A special infrastructure rate could create an inherent bias towards supporting and facilitating State Government infrastructure projects over a council's own priorities which might require a more onerous and difficult special rate variation application. – **LGNSW**

Recommendation 5

Recommendation	Feedback (overall)	Support	Don't support
The *Local Government Act 1993* should be amended so that the growth in rates revenue outside the rate peg is calculated using the formula based on changes in CIV, defined in Box 4.1. For non-metropolitan councils, this formula would be independent of the valuation method chosen as the basis for setting ad valorem rates.	53% support 9% partially support 9% don't support 7% unsure 22% no response	25% metro 9% metro fringe 33% regional 20% rural 7% business/industry 0% business ratepayer 0% community group 4% community resident 2% other	0% metro 11% metro fringe 0% regional 0% rural 22% business/industry 0% business ratepayer 11% community group 33% community resident 22% other



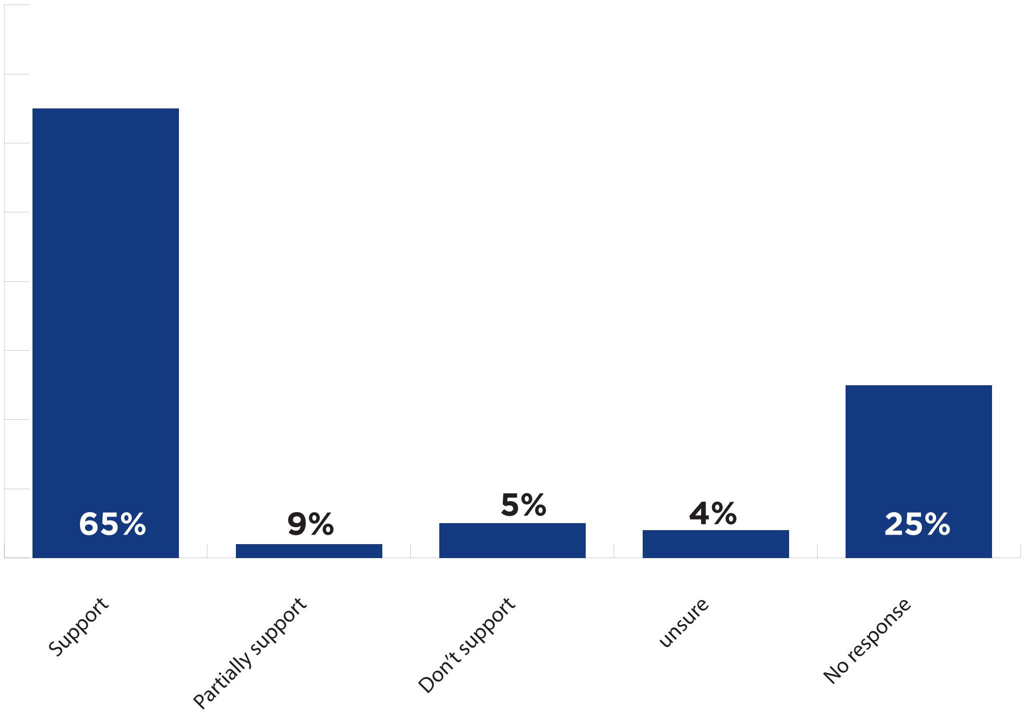
Comments

Recommendation 5 was largely supported by metropolitan and regional councils, which is to be expected as this is where the bulk of urban residential development is taking place. More metropolitan fringe councils do not support this recommendation as opposed to those that do.

Of those groups that were unsure about this recommendation, the response consisted entirely of either community members and rural councils.

Recommendation 6

Recommendation	Feedback (overall)	Support	Don’t support
The NSW Government fund the NSW Valuer General for the upfront cost of establishing the database to determine Capital Improved Values.	65% support 2% partially support 5% don’t support 4% unsure 25% no response	22% metro 12% metro fringe 28% regional 22% rural 6% business/industry 0% business ratepayer 0% community group 4% community resident 6% other	0% metro 0% metro fringe 0% regional 0% rural 20% business/ industry 0% business ratepayer 20% community group 40% community resident 20% other



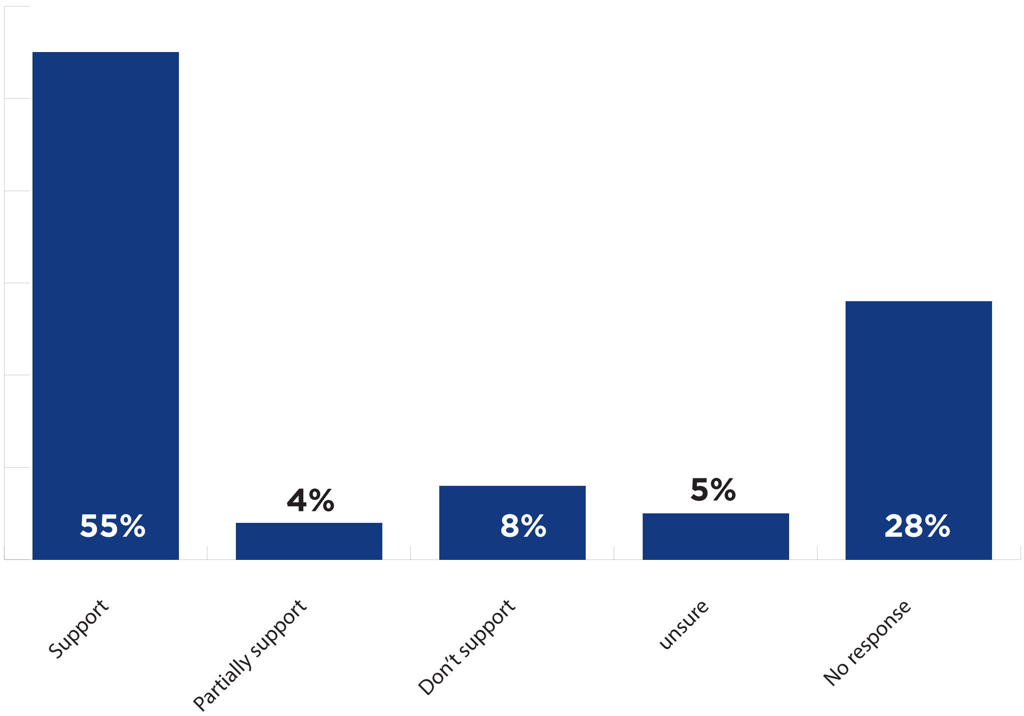
Comments

Recommendation 6 received no opposition from councils. Several councils stated that the NSW Government should also fund the ongoing costs of maintaining the database above councils’ current valuation costs associated with UV.

Business and community groups opposed this recommendation largely due to their opposition to CIV more broadly.

Recommendation 7

Recommendation	Feedback (overall)	Support	Don't support
The NSW Government fund the cost for a non-metropolitan council to set up a Capital Improved Value database for the purposes of implementing our recommended formula for calculating growth in rates revenue outside the rate peg, where the Unimproved Value method for setting rates is maintained	55% support 4% partially support 8% don't support 5% unsure 28% no response	16% metro 11% metro fringe 29% regional 25% rural 7% business/industry 0% business ratepayer 0% community group 4% community resident 7% other	13% metro 0% metro fringe 13% regional 0% rural 13% business/industry 0% business ratepayer 13% community group 38% community resident 13% other



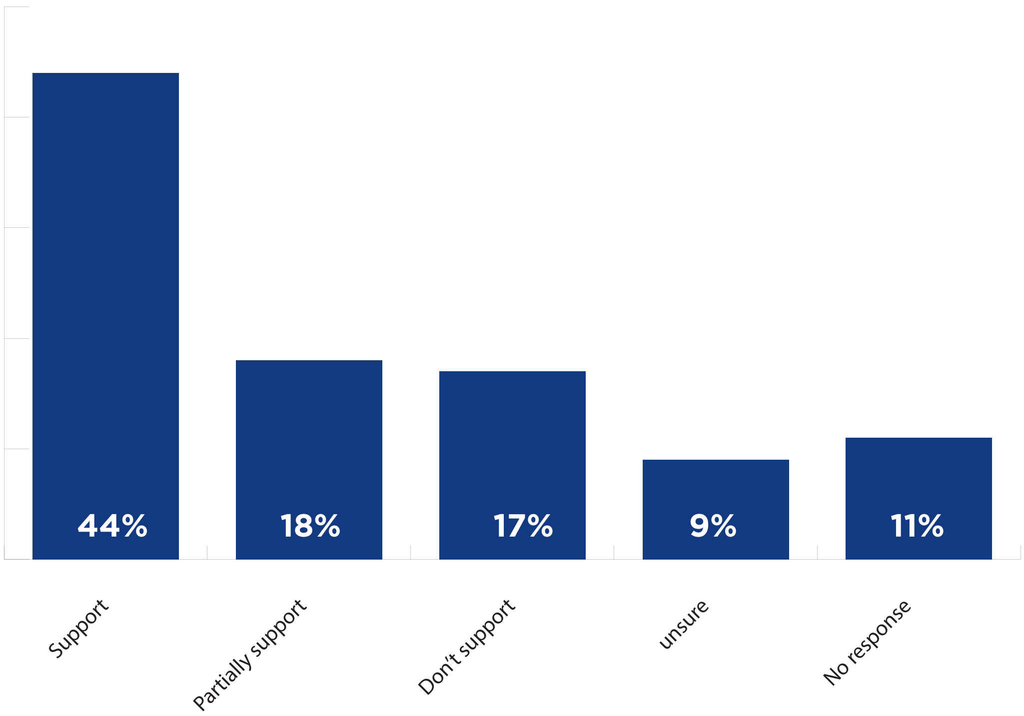
Comments

Most stakeholders support this recommendation. However, Northern Sydney Regional Organisation of Councils, along with several councils, raised the question of who would fund the ongoing maintenance of two valuation systems where a non-metropolitan council chooses to continue using the UV valuation method.

This recommendation is targeted at non-metropolitan councils that choose to continue using UV, in order to facilitate growth outside the rates peg based on IPART's CIV-based formula. However, most large-scale residential developments are occurring in metropolitan council areas, which stand to benefit most from IPART's proposed growth outside the rates peg methodology. Some councils raised concerns about the practicality and efficiency of maintaining two valuation systems in non-metropolitan council areas, where income growth outside the rates peg using IPART's formula may be limited and potentially offset by increased administrative costs.

Recommendation 8

Recommendation	Feedback (overall)	Support	Don't support
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: o form part of a council's general income permitted under the rate peg, nor o require councils to receive regulatory approval from IPART.	44% support 18% partially support 17% don't support 9% unsure 11% no response	23% metro 6% metro fringe 27% regional 25% rural 4% business/industry 0% business ratepayer 2% community group 2% community resident 10% other	0% metro 5% metro fringe 0% regional 5% rural 5% business/industry 5% business ratepayer 11% community group 63% community resident 5% other



Comments

Recommendation 8 was mostly supported by councils, albeit with some caution from some, citing potential 'cost shifting' and dilution of community control over local development priorities resulting from pressure to undertake particular infrastructure projects. Feedback from community members is generally unsupportive, seeing it as an additional rate on top of ordinary rates over which they will have little say. Woollahra Council, in supporting this recommendation, suggests that any projects to be funded using this special rate must be a part of a council's integrated planning and reporting documentation and have clear community support.

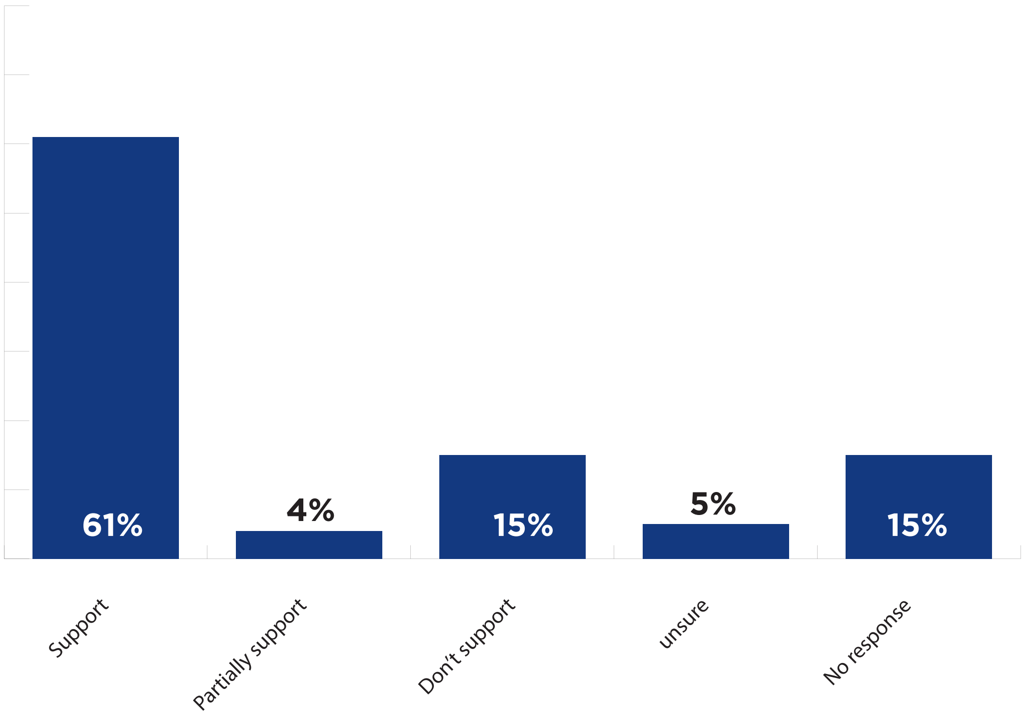
Ryde Council noted that the introduction of this special rating category could mean a reduction in State Government infrastructure grants. On the contrary, Nambucca Valley Council suggested that it could attract additional infrastructure funding that otherwise would not have been forthcoming. Nambucca Valley Council also pointed out what it sees as an inconsistency with the requirement for IPART approval for Council's own infrastructure projects that require a special rate variation to fund versus no regulatory approval process if the project is jointly funded by the State government.

The NSW Revenue Professionals pointed out that consideration should be given, in any community consultation process regarding the introduction of a special infrastructure rate, to the extent to which local ratepayers may be asked to contribute to projects with benefits that extend beyond the local community or economy.

Most opposition came from the community, where opinion appears to centre on potential rate rises associated with the introduction of this special rate category.

Recommendation 9

Recommendation	Feedback (overall)	Support	Don't support
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.	61% support 4% partially support 15% don't support 5% unsure 15% no response	19% metro 12% metro fringe 28% regional 25% rural 9% business/industry 0% business ratepayer 0% community group 1% community resident 4% other	6% metro 0% metro fringe 0% regional 0% rural 0% business/industry 6% business ratepayer 12% community group 71% community resident 6% other



Comments

Councils overwhelmingly support this recommendation as it provides additional flexibility, which councils noted would be particularly welcome during times of natural disaster such as drought or flooding, without impacting on long-term financial sustainability.

The NSW Farmers Association, while supportive of the recommendation, noted that it can take many years for communities to recover from drought. Increasing the time available for councils to "catch up" to the original rating trajectory from 2 years to 10 years will provide the ability for a longer, staged transition.

It should be noted that most councils will continue to apply the full percentage increase to the rate peg each year, due to it usually being a modest increase. Councils also already have flexibility to set different ad valorem amounts across different rating categories if, for example, a council wishes to provide rate relief to farming communities.

Several stakeholders, including the Institute of Public Works Engineering Australasia (IPWEA) and several community members, cautioned that a level of oversight may be needed to ensure the use of such a provision is not unduly politically driven – for example, in the rating year prior to an election.

Woollahra Council is the only council not to support this recommendation, citing the potential for the process to become politicised in a way that reflects the four-year electoral cycle.

Feedback from ratepayers is largely unsupportive, based on a general aversion to rate increases and a distrust of local government.

Theme 3: Give councils greater flexibility when setting residential rates

Summary

Councils are largely supportive of these recommendations, given the increased flexibility they will provide, but question IPART's suggested safeguarding measures due to the apparent arbitrariness of the numbers involved.

However, other stakeholders (particularly business stakeholders) view this increase in flexibility as a concern, given their long-held belief that they are already targeted to shoulder an unfair proportion of the rating burden.

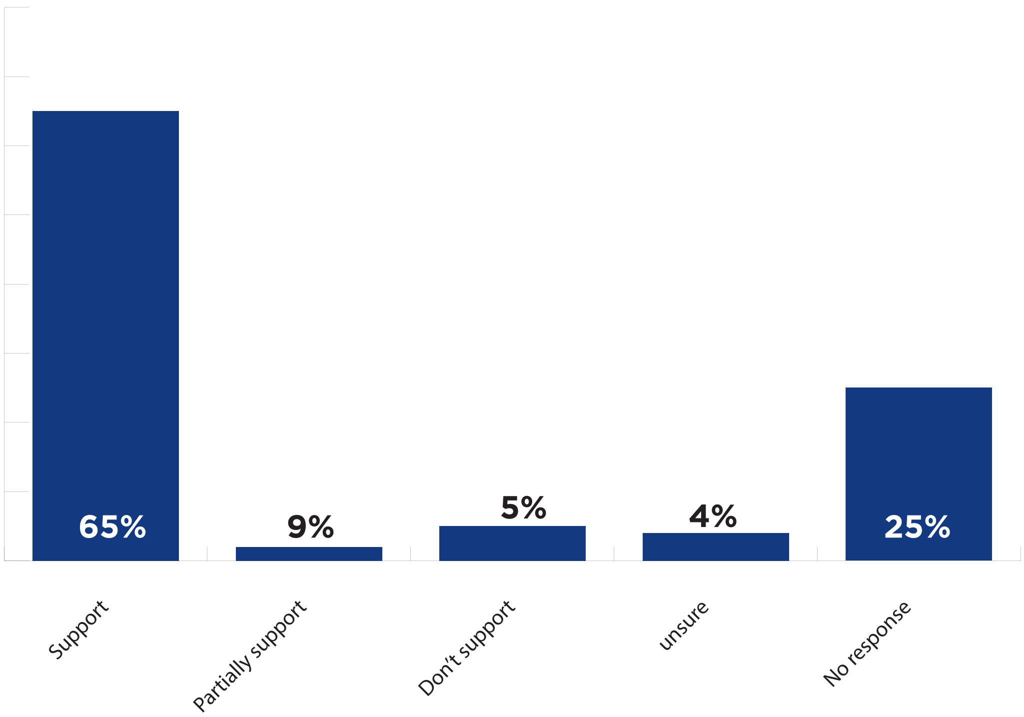
> Council supports the removal of the reference to centre of population. This change will provide councils with greater flexibility in setting residential rates. The Council will have the flexibility to determine an appropriate rating structure that aligns the amount of rates paid with the services received in a given area. – **Canterbury Bankstown Council**

> Delaying the harmonisation process for merged council's results in not being able to achieve rate equalisation until well over a decade from the date of the merge. This could impact upon the long-term financial sustainability of the new councils. – **Georges River Council**

> We do not support this recommendation as the '1.5 times' is arbitrary and has no rational basis. A subcategory that has been defined by necessity should not then be limited in its application based on an arbitrary number. – **NSW Revenue Professionals**

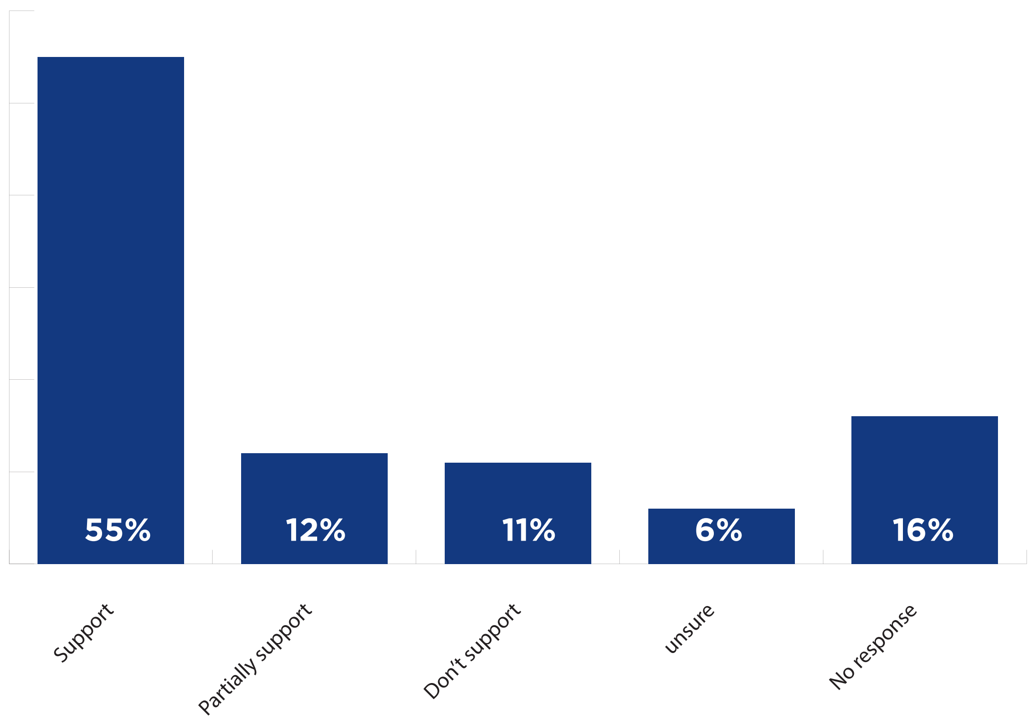
Recommendation 10

Recommendation	Feedback (overall)	Support	Don't support
The *Local Government Act 1993* (NSW) should be amended to remove the requirement to equalise residential rates by 'centre of population'. Instead, the *Local Government Act 1993* (NSW) should allow councils to determine a residential subcategory, and set a residential rate, by: – separate town or village, or – residential area.	58% support 12% partially support 12% don't support 6% unsure 12% no response	19% metro 11% metro fringe 27% regional 22% rural 8% business/industry 0% business ratepayer 0% community group 5% community resident 8% other	0% metro 8% metro fringe 0% regional 8% rural 0% business/industry 0% business ratepayer 8% community group 69% community resident 8% other



Recommendation 11

Recommendation	Feedback (overall)	Support	Don't support
The *Local Government Act 1993* (NSW) 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).	55% support 12% partially support 11% don't support 6% unsure 16% no response	22% metro 12% metro fringe 24% regional 19% rural 8% business/industry 0% business ratepayer 0% community group 7% community resident 8% other	0% metro 8% metro fringe 0% regional 17% rural 0% business/industry 0% business ratepayer 8% community group 67% community resident 0% other



Comments

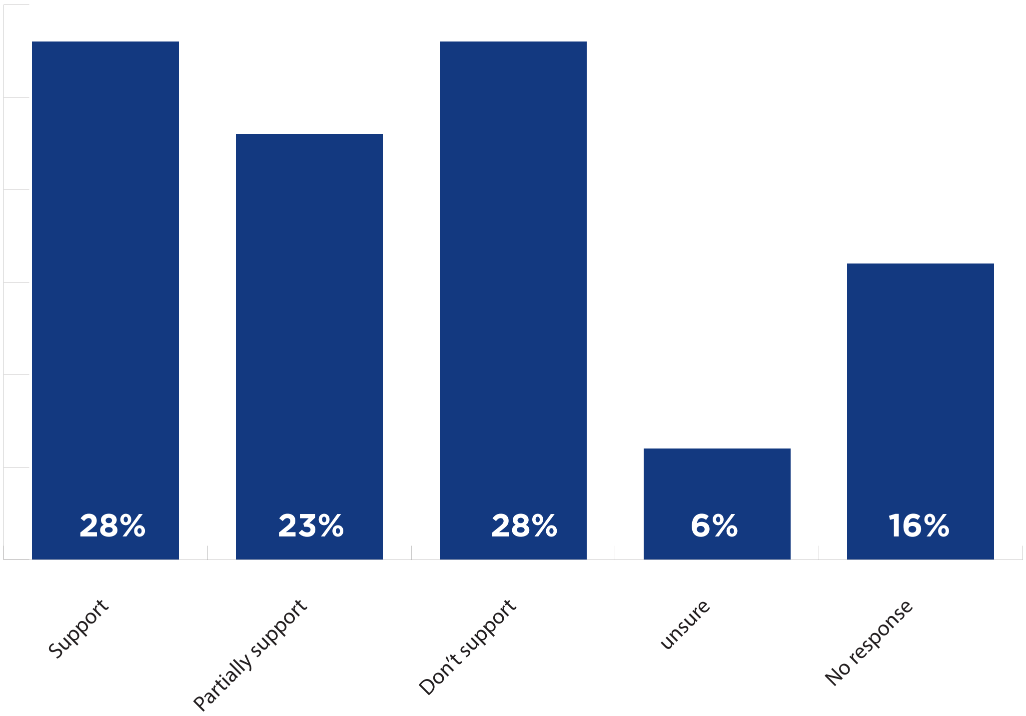
Councils were mostly supportive of these recommendations to introduce more flexibility in setting residential rates, with most citing an improved ability to rate according to the level of demand for council services as a key reason for supporting this change.

Bega Valley Shire Council suggested expanding the definition to capture those residential properties utilised for short-term rental accommodation / holiday letting.

Most feedback from community members indicated little support for these recommendations, with a major concern coming back to trust in how a council would decide on what constitutes a separate residential area. Shoalhaven City Council suggests that the establishment of residential areas should be subject to a process of community consultation as part of the Integrated Planning and Reporting process, while Penrith City Council takes a different view, suggesting that residential subcategories should be able to be determined at Council's discretion to avoid court appeals.

Recommendation 12

Recommendation	Feedback (overall)	Support	Don't support
The *Local Government Act 1993* (NSW) 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.	28% support 23% partially support 28% don't support 6% unsure 16% no response	20% metro 7% metro fringe 30% regional 13% rural 7% business/industry 0% business ratepayer 0% community group 13% community resident 10% other	16% metro 10% metro fringe 26% regional 19% rural 10% business/industry 0% business ratepayer 3% community group 13% community resident 3% other



Comments

Feedback on this recommendation is split. Where councils support the recommendation, there is a recognition that some sort of safeguard is required to prevent big rating discrepancies but object to the specified 1.5 times limit as arbitrary and may not accurately reflect local variations in services provided. Randwick City Council suggests allowing councils to determine their own rating structure and that if a structure is determined whereby the 1.5 times maximum is exceeded, that councils be allowed to apply for IPART approval, but not necessarily be subject to the full Special Variation application process.

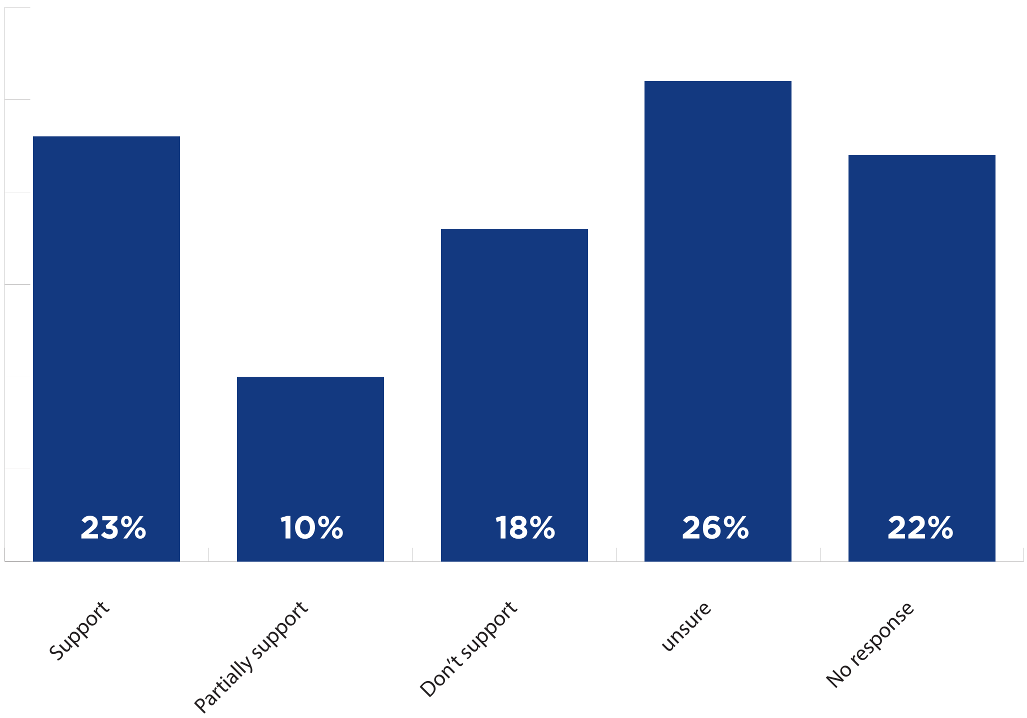
Other councils point out that for newly merged councils, such a limit may restrict those councils in the harmonisation of their rating structure across former council areas, particularly where large variations in valuations currently exist.

It should be noted that in making recommendation 31 in relation to the introduction of a 'vacant land' subcategory for residential, business and mining land, IPART did not intend for this protection to apply to the vacant land subcategory (see p.141 of IPART's final report).

Some councils pointed out that there is no room to print the reasons for different rates on rates notices.

Recommendation 13

Recommendation	Feedback (overall)	Support	Don't support
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 premerger 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 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* (NSW) should be amended to facilitate this gradual equalisation.	23% support 10% partially support 18% don't support 26% unsure 22% no response	30% metro 9% metro fringe 22% regional 9% rural 4% business/ industry 0% business ratepayer 4% community group 9% community resident 13% other	17% metro 6% metro fringe 11% regional 28% rural 17% business/ industry 0% business ratepayer 6% community group 17% community resident 0% other



Comments

Feedback on this recommendation did not indicate a clear preference for or against. A significant proportion answered either 'unsure' or did not make a response, due mostly to not being affected by the recommendation. For those newly merged councils that made a submission, five indicated support for this recommendation, four indicated they do not support this recommendation and three indicated partial support. For those that do not support or partially support the recommendation, the key concern is the figure of 10 per cent for the maximum increase in rates as a result of the equalisation process, which several councils claim will unnecessarily prolong the equalisation process and impact on long-term financial sustainability.

Theme 4: Better target rate exemption eligibility

Summary

The Government, as part of its interim response to IPART's Review, has ruled out the implementation of the majority of recommendations related to exemptions, as they would adversely impact vulnerable members of the community, such as pensioners or charities, or have a substantial financial impact upon taxpayers or the broader community. LGNSW along with many councils, however, expressed dismay that they were not given the opportunity to further express their views on this matter.

Like any debate about the merits or otherwise of different legislative exemptions, when held against a background of rate pegging, there is never a clear answer and decisions often come back to defining the 'public good'.

Of the remaining recommendations open for consultation, there is strong opposition to the recommendation to exempt private hospitals.

The removal of the exemption for land subject to a conservation agreement received strong support but key considerations were raised by stakeholders involved in historical conservation and Aboriginal cultural heritage, as well as farmers.

The recommendation to publish data on rating exemptions was generally supported as a way to educate the community about who received exemptions and why, and to increase transparency. Some councils pointed out that there will be an associated cost to collect this data through having to procure new valuations on parcels of land that have not required valuation previously.

The removal of the exemption for land subject to a conservation agreement received strong support but key considerations were raised by stakeholders involved in historical conservation and Aboriginal cultural heritage, as well as farmers.

The recommendation to publish data on rating exemptions was generally supported as a way to educate the community about who received exemptions and why, and to increase transparency. Some councils pointed out that there will be an associated cost to collect this data through having to procure new valuations on parcels of land that have not required valuation previously.

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While the IPART report attempts to make the case for an exemption based on perceived public benefits, it should be noted that private hospitals operate on a for-profit basis by providing a private service to individuals that hold private health insurance and their services are not open to all residents. – **Northern Sydney Regional Organisation of Councils**

Council considers this [recommendation 25] to be an unnecessary level of disclosure that would not assist the general public in assessing the performance of councils nor the equity of its rating structure. – **Woollahra Council**

RCC support the recommendation [25] as it will provide transparency to both the council and ratepayers on the financial impact that granting rating exemptions has on the LGA. – **Randwick City Council**

Water and sewerage charges are a fee for service and should not be subject to exemption unless a council determines otherwise. – **Murray River Council**

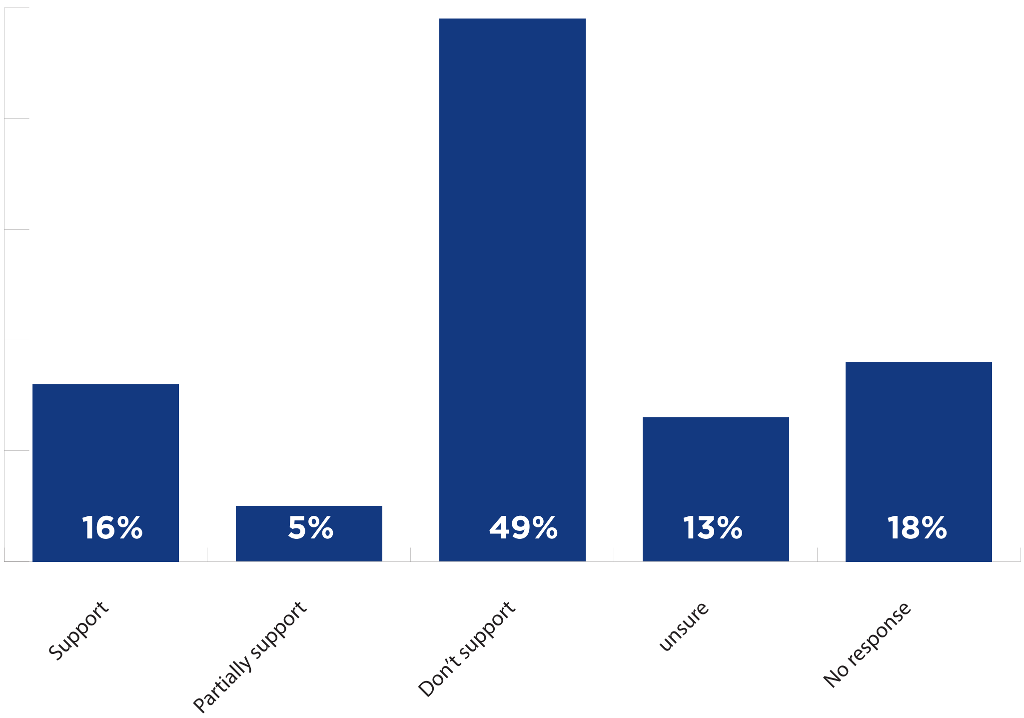
Many non-rateable properties have been exempt from rating before the commencement of rate pegging. If they become rateable due to legislation changes, Councils maximum general income should increase. – **Mid-Western Regional Council**

This recommendation [22] is supported as it is appropriate that ratepayers who have been subsidising the costs of council services provided to exempt properties benefit from any removal of exemptions courtesy of spread of the general income across an expanded ratepayer base. – **Northern Beaches Council**

"

Recommendation 16

Recommendation	Feedback (overall)	Support	Don't support
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.	16% support 5% partially support 49% don't support 13% unsure 18% no response	6% metro 6% metro fringe 29% regional 29% rural 6% business/industry 0% business ratepayer 0% community group 24% community resident 0% other	23% metro 13% metro fringe 23% regional 12% rural 6% business/industry 0% business ratepayer 4% community group 12% community resident 8% other



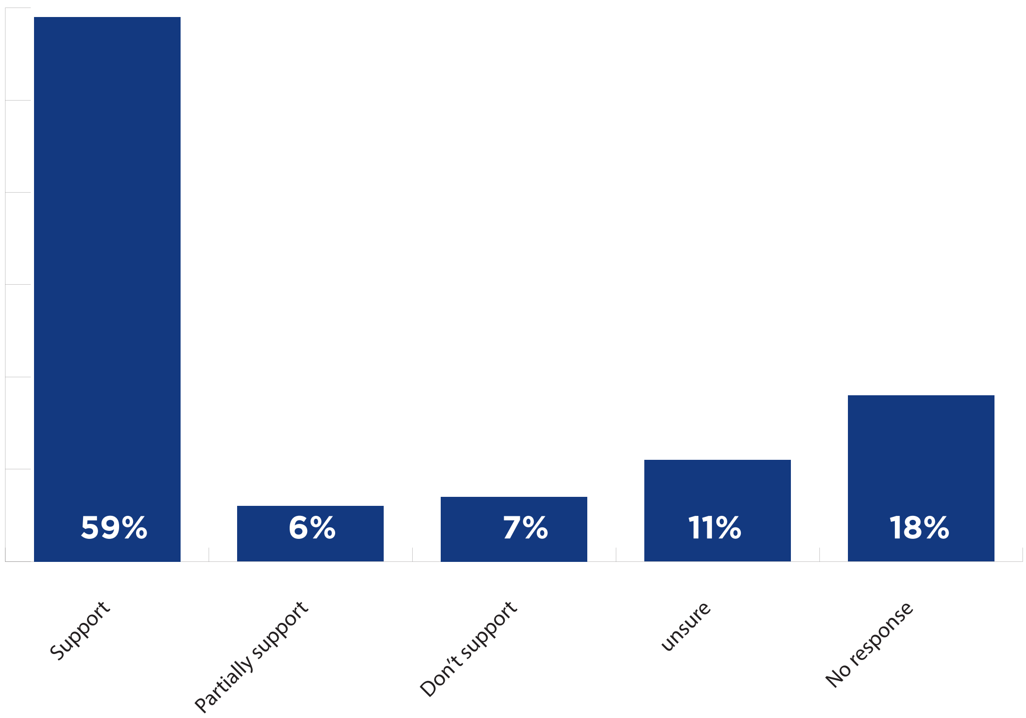
Comments

There is strong opposition from councils to providing an exemption to private hospitals. The majority of feedback claimed that private hospitals are for-profit operations with limited public benefit compared to public hospitals and therefore should remain liable for paying rates. Some stakeholders also pointed out that private hospitals often provide services to people residing outside the LGA in which the hospital is located.

There may be scope to provide an exemption to not-for-profit private hospitals as they better align with the role and function of public hospitals. This would reduce inconsistency while still ensuring that commercial for-profit operations continue to pay rates.

Recommendation 18

Recommendation	Feedback (overall)	Support	Don't support
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.	59% support 6% partially support 7% don't support 11% unsure 18% no response	17% metro 10% metro fringe 29% regional 24% rural 5% business/industry 0% business ratepayer 2% community group 10% community resident 5% other	0% metro 0% metro fringe 0% regional 0% rural 13% business/industry 0% business ratepayer 13% community group 38% community resident 38% other



Comments

This recommendation received significant support. However, concerns were raised by some key stakeholders, including the Heritage Council of NSW, Aboriginal Cultural Heritage Advisory Committee and the NSW Farmers Association.

The Heritage Council of NSW and Aboriginal Cultural Heritage Advisory Committee argue that while the use of conservation agreements for environmental purposes under the *National Parks and Wildlife Act 1974* (NPW Act) has now largely been replaced by the provisions for Conservation Agreements, Wildlife Refuge Agreements and Biodiversity Stewardship Agreements under the *Biodiversity Conservation Act 2016*, conservation agreements provisions in the NPW Act remain a significant mechanism for conserving Aboriginal cultural heritage and historic heritage of national significance that is located on privately owned land.

Accordingly, they argue the rating exemption remains a very important financial incentive for landholders to take action to protect and care for Aboriginal Cultural Heritage and national historic heritage on private land.

They go on to say that unlike for biodiversity, there are very limited other financial incentives available to private landholders to take action to conserve and protect Aboriginal Cultural Heritage or nationally significant historic heritage on private land.

They also point out that it is inappropriate to classify land protected on private land under a conservation agreement for its significant Aboriginal cultural heritage values as "environmental land". Treating Aboriginal cultural heritage as an "environmental" issue can be considered outdated and offensive to Aboriginal people. Therefore, they suggest the recommendation be reconsidered to provide that any existing or future conservation agreements entered into solely for the purpose of protecting Aboriginal cultural heritage values and historic heritage values remain exempt from all council rates. This could be done within the definition of 'environmental land' (see recommendation 29).

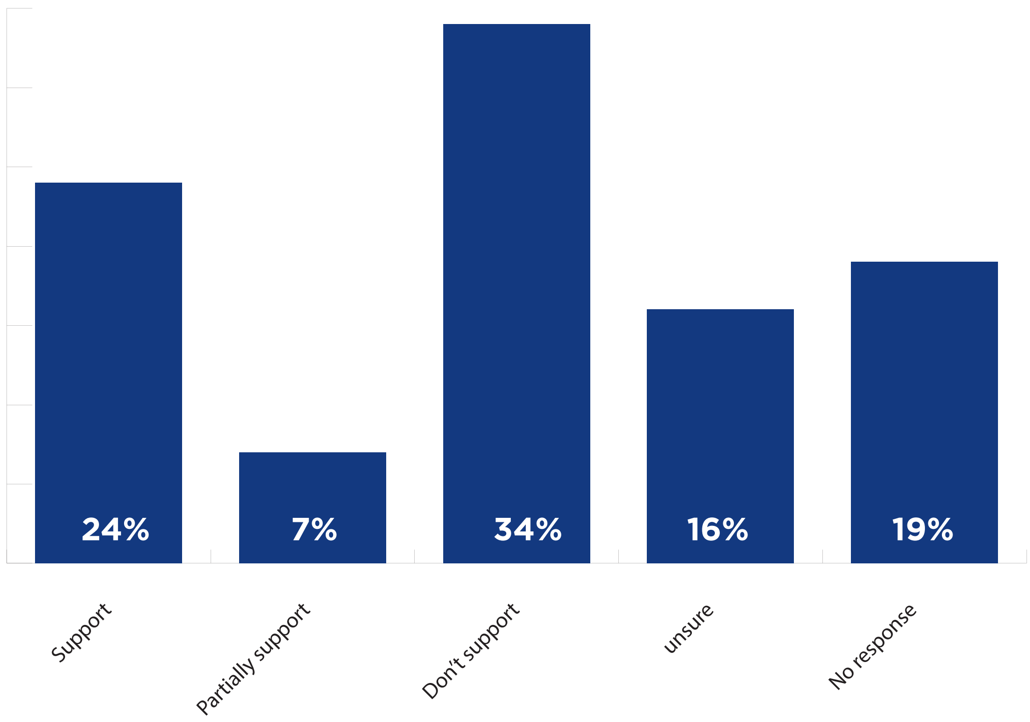
The NSW Farmers Association is concerned from a farm business perspective that if land that is set aside for environmental reasons becomes rateable, it will have a negative impact on income.

They also point out that if an environmental category were to be established and replace the current exemptions for conservation agreements, consideration would need to be given to any inequity between those landholders who receive an income from participation in the conservation agreement, and those farmers who are required to maintain areas of uncultivated land as an environmental consideration.

The NSW Farmers Association branches of Oberon, Bathurst and Hartley, in a separate submission, do not support this recommendation, particularly based on the assumption that the change will be retrospective. They point out that the basis for these conservation areas is they are areas being set aside from commercial grazing operations and as such these areas should not be subject to rates.

Recommendation 22

Recommendation	Feedback (overall)	Support	Don't support
A council's maximum general income not be modified as a result of any changes to exemptions from implementing our recommendations.	24% support 7% partially support 34% don't support 16% unsure 19% no response	24% metro 8% metro fringe 24% regional 24% rural 4% business/industry 0% business ratepayer 0% community group 16% community resident 0% other	17% metro 14% metro fringe 25% regional 22% rural 8% business/industry 0% business ratepayer 3% community group 8% community resident 3% other



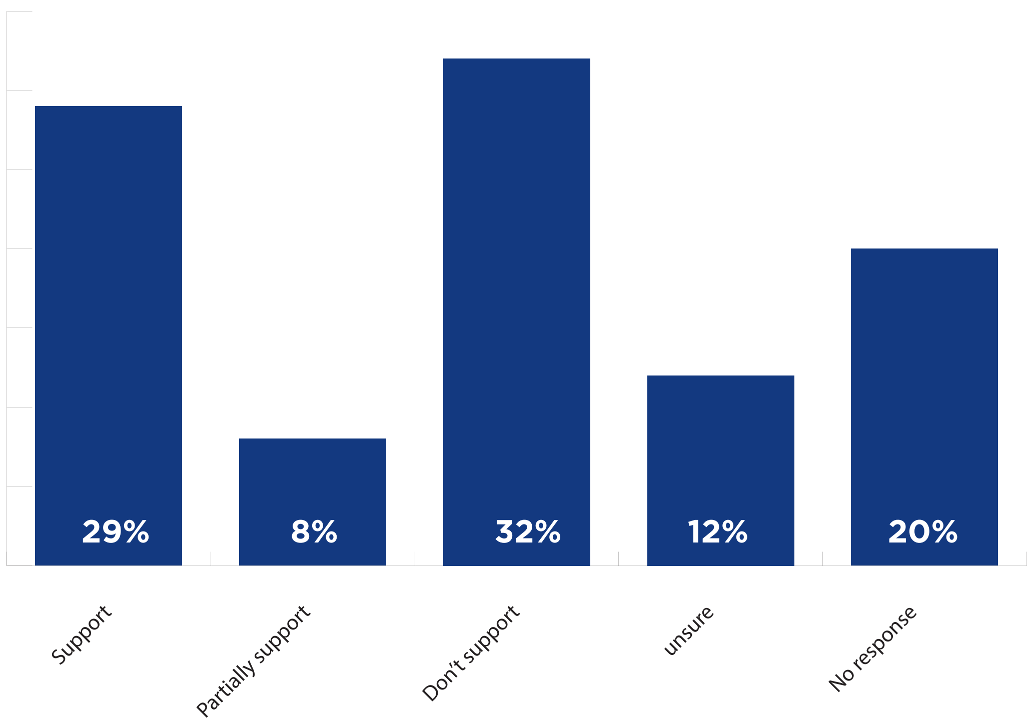
Comments

This recommendation, along with recommendation 23, was mostly not supported by councils, with a common theme being that councils should have more discretion in setting rates. Several councils argued that if more properties became rateable then maximum income should be allowed to rise proportionally to cover the cost of providing services to those properties. However, others argued that maintaining the same maximum income while having more properties contributing in rates will enable councils to spread the burden more evenly.

Most councils did not agree with recommendation 23, with many stating that applying to IPART for a special variation to account for changes in exemptions, even if the process is a streamlined one, will be too onerous.

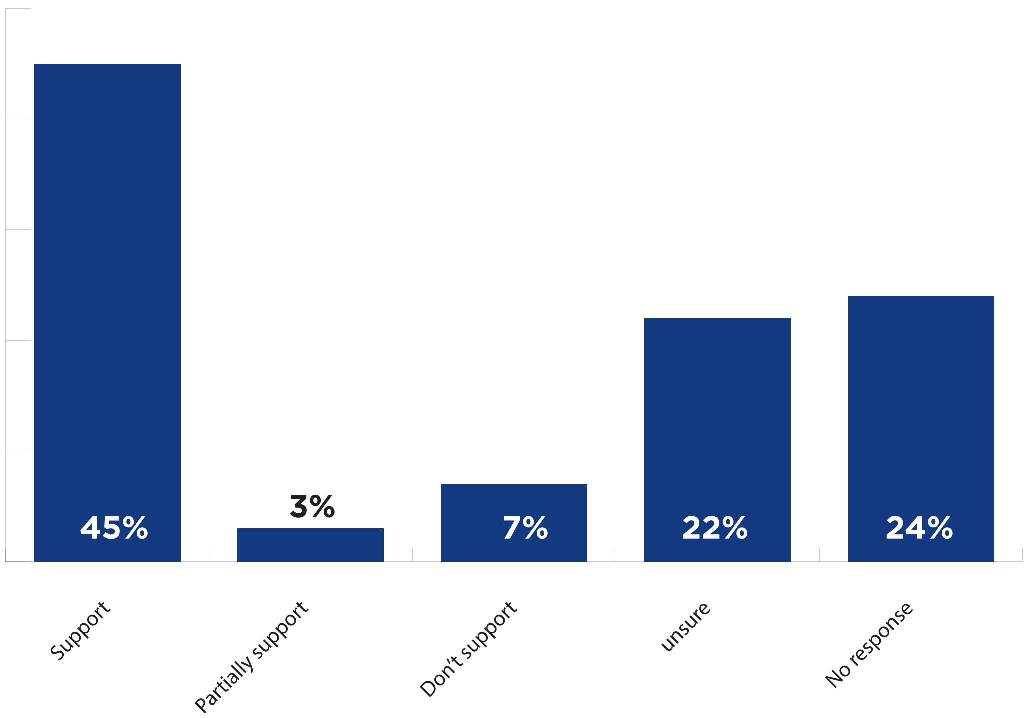
Recommendation 23

Recommendation	Feedback (overall)	Support	Don't support
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 our recommended exemption changes come into force. The council would need to demonstrate: o 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 o that any subcategory rating structure applied to previously exempt properties is no greater than the average rate structure across the relevant rating category.	29% support 8% partially support 32% don't support 12% unsure 20% no response	23% metro 7% metro fringe 27% regional 27% rural 7% business/industry 0% business ratepayer 3% community group 3% community resident 3% other	9% metro 15% metro fringe 27% regional 15% rural 6% business/industry 0% business ratepayer 3% community group 21% community resident 3% other



Recommendation 24

Recommendation	Feedback (overall)	Support	Don't support
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).	45% support 3% partially support 7% don't support 22% unsure 24% no response	11% metro 4% metro fringe 31% regional 36% rural 9% business/industry 0% business ratepayer 2% community group 2% community resident 4% other	0% metro 14% metro fringe 0% regional 0% rural 0% business/industry 0% business ratepayer 0% community group 57% community resident 29% other

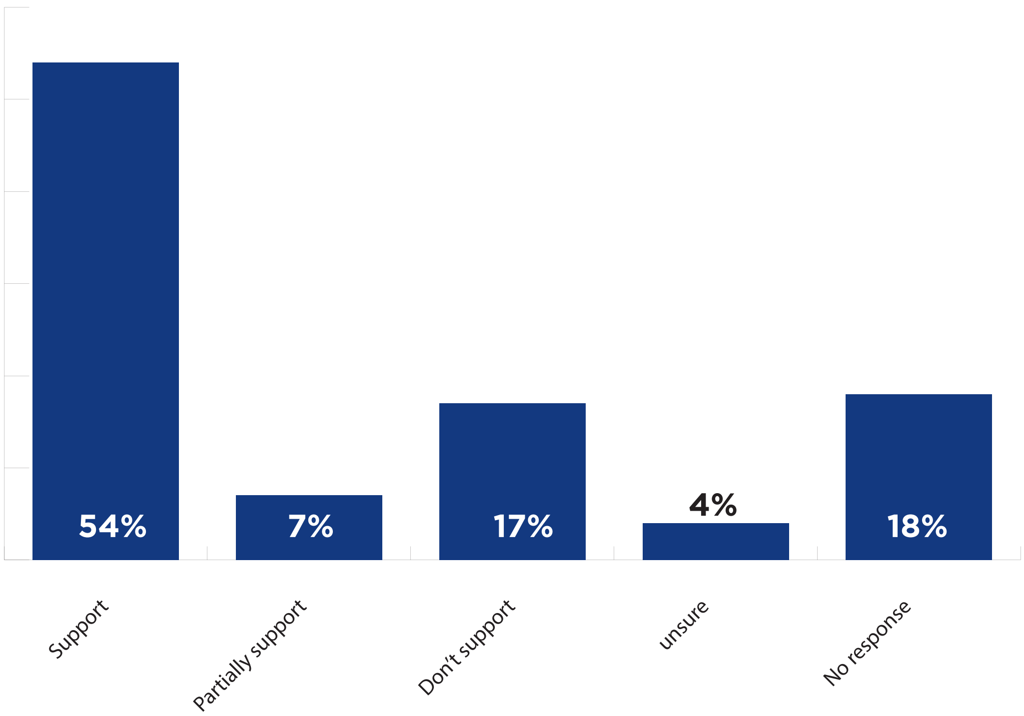


Comments

Nearly all council respondents supported this increase in discretionary power, with many pointing out that water and sewerage services are more akin to a fee for service.

Recommendation 25

Recommendation	Feedback (overall)	Support	Don't support
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.	54% support 7% partially support 17% don't support 4% unsure 18% no response	19% metro 12% metro fringe 25% regional 5% rural 5% business/industry 0% business ratepayer 4% community group 26% community resident 4% other	11% metro 0% metro fringe 17% regional 61% rural 6% business/industry 0% business ratepayer 0% community group 0% community resident 6% other



Comments

While overall support for this recommendation was strong, for reasons of transparency, accountability and public education, a significant number of rural councils do not support this recommendation, with many expressing concerns about the resourcing impact. Riverina Joint Organisation of Councils is concerned that publishing such data will prompt ratepayers to make enquires as to which particular landowners are exempt from paying rates. However, councils have little discretion when it comes to granting exemptions. Rather, eligibility is defined in the *Local Government Act 1993*.

Some councils pointed out that in order to publish this information, councils will need to engage the Valuer General to supply valuations for those properties not currently valued to calculate the impact of exemptions. This would incur additional costs to councils within the annual fees charged by the Valuer General.

Key for many of those stakeholders supporting the recommendation is that the value of exemptions is an estimate only. Several councils suggested grouping exemptions by type to assist their communities understand who receives exemptions and why.

Consideration of this recommendation also needs to be made in the context of IPART's review of reporting and compliance burdens on local government.

Theme 5: Provide more rating categories

Summary

The local government sector is largely supportive of increasing the number of rating categories, seeing it as a way to develop more equitable rating categories. However, there is strong opposition from business, agricultural and mining stakeholders who fear such changes will entrench what they perceive as council bias against them due to a misplaced appreciation of their ability to pay and the idea that councils will inevitably favour residential ratepayers – who vote – over other non-voting rate payers.

The recommendation to introduce a new environmental land category is also largely supported by councils. But the consultation feedback has revealed important considerations regarding historical and Aboriginal cultural heritage protection and the financial incentive that a rates exemption for land subject to conservation agreements currently provides.

> Distinction of industrial and commercial helps councils set rates that better reflect costs. Centre of activity basis under current Act is difficult as business activities in a centre are often diverse or the centre of activity is unclear. – **Dubbo Regional Council**

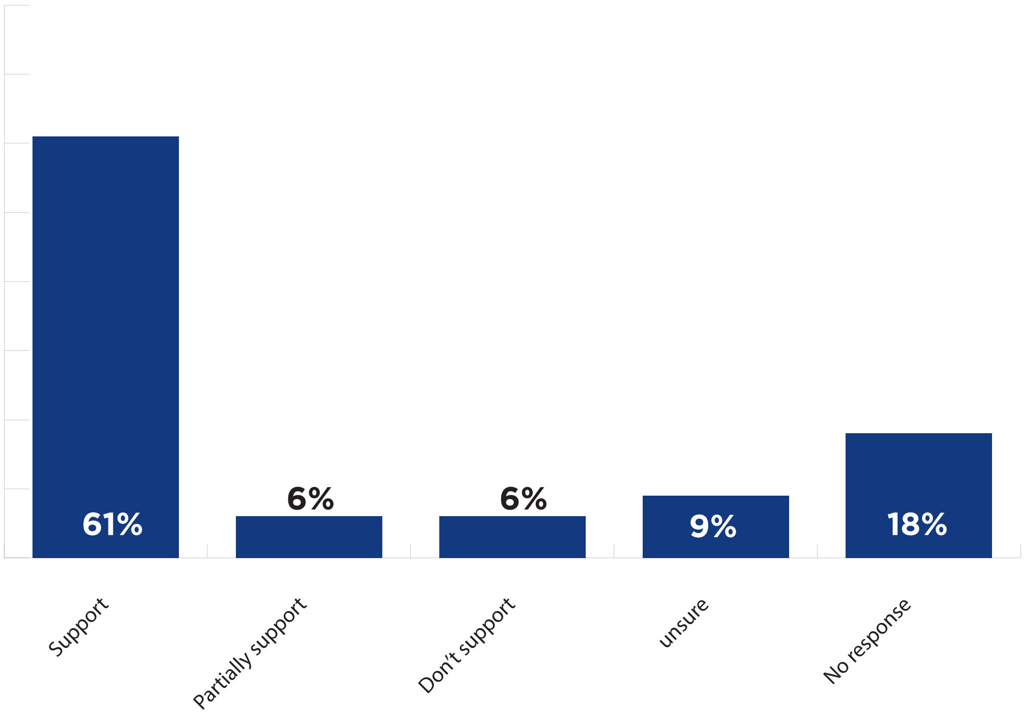
> If an environmental category were to be established and replace the current exemptions for conservation agreements, consideration would need to be given to any inequity between those landholders who receive an income from participation in the conservation agreement, and those farmers who are required to maintain areas of uncultivated land as an environmental consideration – **NSW Farmers Association**

> This [recommendation 29] is an improvement on the current exemption and recognizes that the land is still enjoyed exclusively by the ratepayer. – **Berrigan Shire Council**

> Mining companies buy agricultural land and permanently take these lands out of production and by doing so affect the future long-term prospects of the local economy forever. It is because of these long-term or permanent effects on the economy in relation to the demise of previously stable and sustainable farmland land use, that it is submitted mining operations should be contributing over and above their draw on services as when the mining activity is finished, that land remains unproductive and as such, reduces its ability to contribute to the local economy permanently. – **LGNSW**

Recommendation 29

Recommendation	Feedback (overall)	Support	Don't support
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*. Land subject to a state conservation agreement is categorised as 'environmental land' for the purposes of setting rates.	61% support 6% partially support 6% don't support 9% unsure 18% no response	18% metro 11% metro fringe 25% regional 23% rural 6% business/industry 0% business ratepayer 2% community group 11% community resident 5% other	0% metro 0% metro fringe 0% regional 17% rural 17% business/industry 0% business ratepayer 17% community group 33% community resident 17% other



Comments

This recommendation received significant support. However, as per comments for recommendation 18 above, there is a key concern regarding the fact that conservation agreements are not solely for environmental conservation but also have a role in heritage and Aboriginal cultural protection. There may be a need to rename this category to capture this broader definition of conservation agreements but consideration should also be given to the financial incentives that rating exemptions provide to realise conservation outcomes.

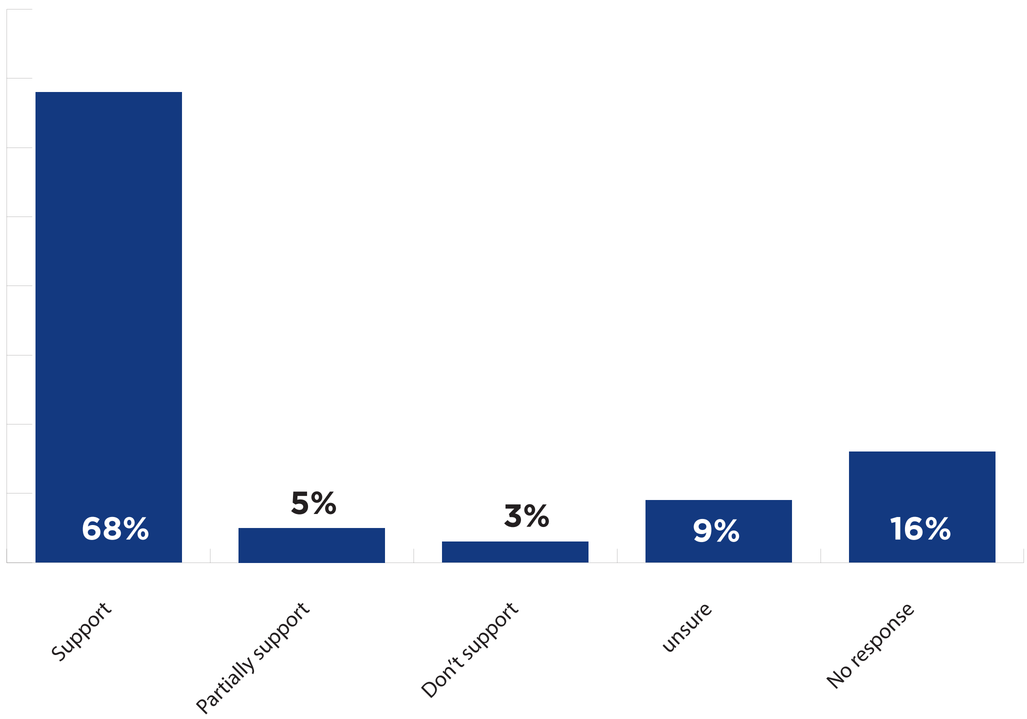
The NSW Revenue Professionals and Lithgow Council express concern that land reserved for 'biobanking', which can represent significant commercial gain for the landowner, could fall under this category, and suggest that land subject to a biobanking agreement be specifically excluded from the definition of this new category.

Implementation of this recommendation would require legislative change, as it would be a new category alongside 'residential', 'business', 'mining' and 'farmland'. There is potential for the recommendation to be implemented as a sub-category of farmland, as an economic factor affecting the land, but not all conservation agreements are on farmland. Also, farming stakeholders would not be supportive of such a move, particularly during a time of drought, as it would mean previously exempt land would now be subject to rates.

It should be noted that IPART in its final report defines 'environmental land' as land that cannot be developed due to geographic or regulatory restrictions (p.135). This type of land may not always be subject to a state conservation agreement, and simply be land that is undevelopable.

Recommendation 30

Recommendation	Feedback (overall)	Support	Don't support
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	68% support 5% partially support 3% don't support 9% unsure 16% no response	21% metro 11% metro fringe 26% regional 24% rural 6% business/industry 0% business ratepayer 0% community group 12% community resident 0% other	0% metro 0% metro fringe 33% regional 0% rural 33% business/industry 0% business ratepayer 0% community group 33% community resident 0% other

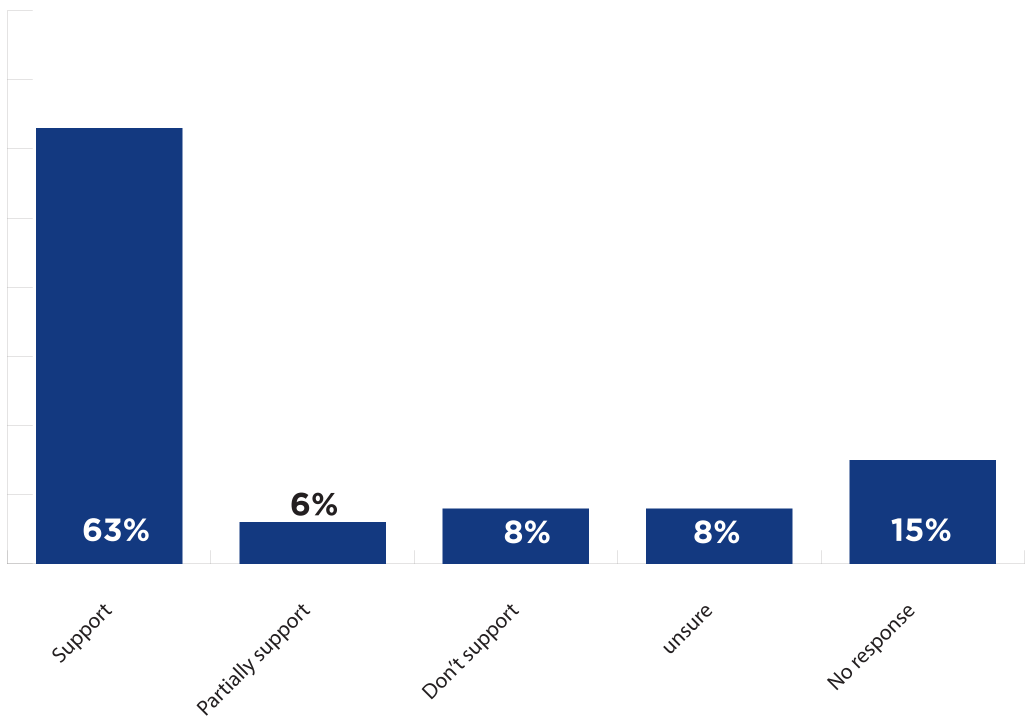


Comments

There is overwhelming support for this recommendation, based largely on the increased flexibility it will allow councils in the setting of rates more equitably. Some further feedback suggests including a definition of the sub-categories, while another respondent highlighted the potential additional administrative burden of determining how each property was being used.

Recommendation 31

Recommendation	Feedback (overall)	Support	Don't support
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.	63% support 6% partially support 8% don't support 8% unsure 15% no response	19% metro 12% metro fringe 24% regional 24% rural 4% business/industry 0% business ratepayer 1% community group 9% community resident 6% other	0% metro 0% metro fringe 13% regional 25% rural 25% business/industry 0% business ratepayer 0% community group 38% community resident 0% other



Comments

This recommendation is mostly supported by councils, with many noting its increased importance if CIV was to be introduced. These councils see new vacant land subcategories as a way to deter land banking and encourage urban renewal if CIV was introduced. Conversely, feedback from some rural councils was supportive, in that it would allow them to charge a lower rate that better reflects the lower demand and cost to service this type of land.

On the other hand, the Housing Industry Association (HIA) does not support this recommendation, claiming that the introduction of a vacant land subcategory that would allow metropolitan councils to charge higher rates for vacant sites could have significant cost implications for the residential building industry.

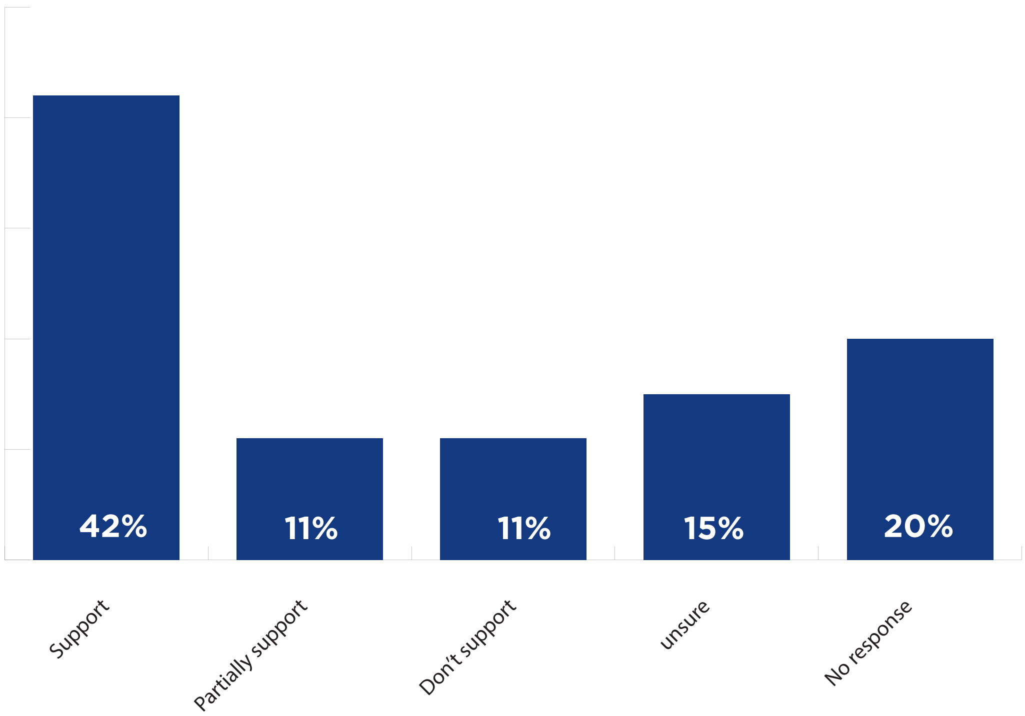
HIA's position is that rather than encourage development and urban renewal, as the IPART report contends, increasing the underlying costs and hence price of vacant land will create a disincentive to act, as a future development will need to recoup higher land values if the rates were to increase. For a residential developer, it would add to the up-front costs impacting housing affordability. HIA also notes that the safeguard in place for residential rates at recommendation 12 is not intended by IPART to include a vacant land residential subcategory (p.141 of the final report).

Therefore, a potential compromise is to include this new vacant land residential subcategory (if adopted) in the protection mechanism outlined in recommendation 12.

NSW Farmers Association are cautious about the potential unintended consequences of this recommendation, stating a need to clarify what it is as well as what it isn't vacant land, and to ensure there are no unintended consequences for urban encroachment on peri-urban farmland and the ongoing 'right to farm' as residential expansion occurs.

Recommendation 32

Recommendation	Feedback (overall)	Support	Don't support
Section 529 (2)(a) of the *Local Government Act 1993* should be replaced to allow farmland subcategories to be determined based on geographic location.	42% support 11% partially support 11% don't support 15% unsure 20% no response	14% metro 11% metro fringe 30% regional 25% rural 7% business/industry 0% business ratepayer 0% community group 7% community resident 7% other	0% metro 8% metro fringe 25% regional 25% rural 20% business/industry 0% business ratepayer 0% community group 33% community resident 8% other



Comments

While this recommendation received a healthy level of support overall, it should be noted that regional and rural councils, where most farmland is, are evenly split between supporting and not supporting this recommendation.

Camden Council, Hawksbury Council and Tenterfield Council suggest adding 'geographic location' to the criteria listed at s.529(2)(a) rather than replacing those criteria.

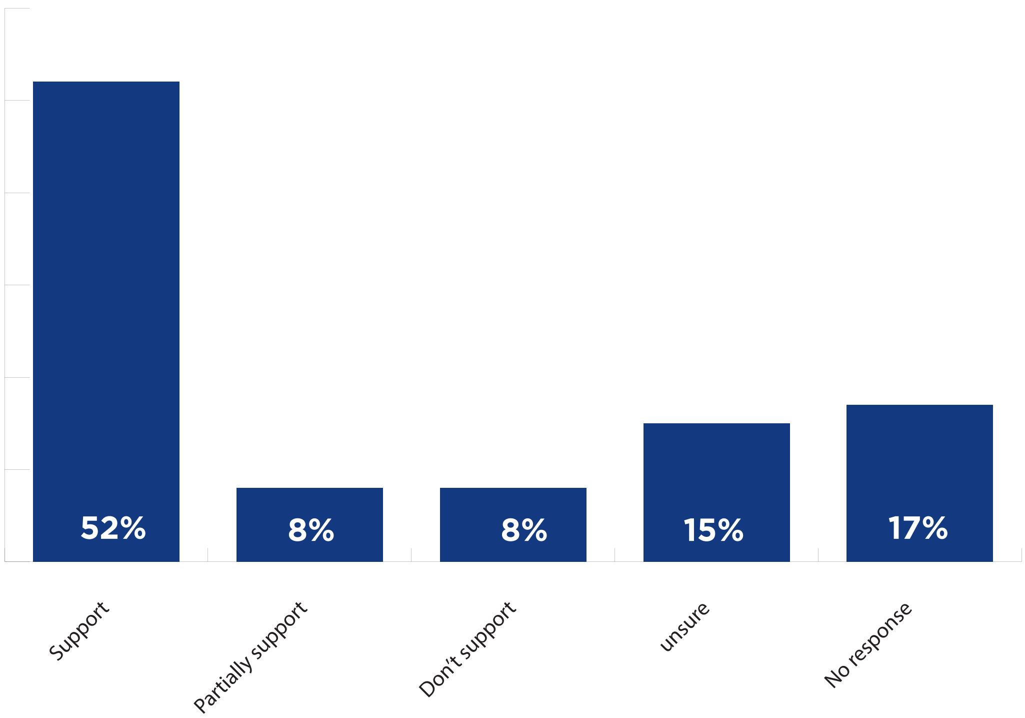
Lithgow Council, as well as the NSW Farmers Association branches of Oberon, Bathurst and Hartley suggest adding 'weed biosecurity risk status' in addition to geographic location to support the *Biosecurity Act 2015*, where properties assessed as a low risk subcategory would pay cheaper rates while high risk properties would pay more. This would encourage landholders to control and minimise the risk posed by priority weeds and weeds of community concern.

The NSW Farmers Association requires further clarity on the intention and reasoning behind this recommendation in order to support it, and considers that a defined geographic location would not always reflect the current or future productivity of farmland and economic benefits that the land is capable of generating.

Similarly, feedback from some community members indicate a concern that their rates could go up simply because they are closer to urban centres.

Recommendation 33

Recommendation	Feedback (overall)	Support	Don't support
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. o The residual category that is determined should not be subject to change for a 4-year period. o If a council does not determine a residual category, the business category should act as the default residual rating category.	52% support 8% partially support 8% don't support 15% unsure 17% no response	19% metro 13% metro fringe 28% regional 30% rural 6% business/industry 0% business ratepayer 2% community group 0% community resident 4% other	0% metro 13% metro fringe 13% regional 13% rural 0% business/industry 0% business ratepayer 0% community group 63% community resident 0% other

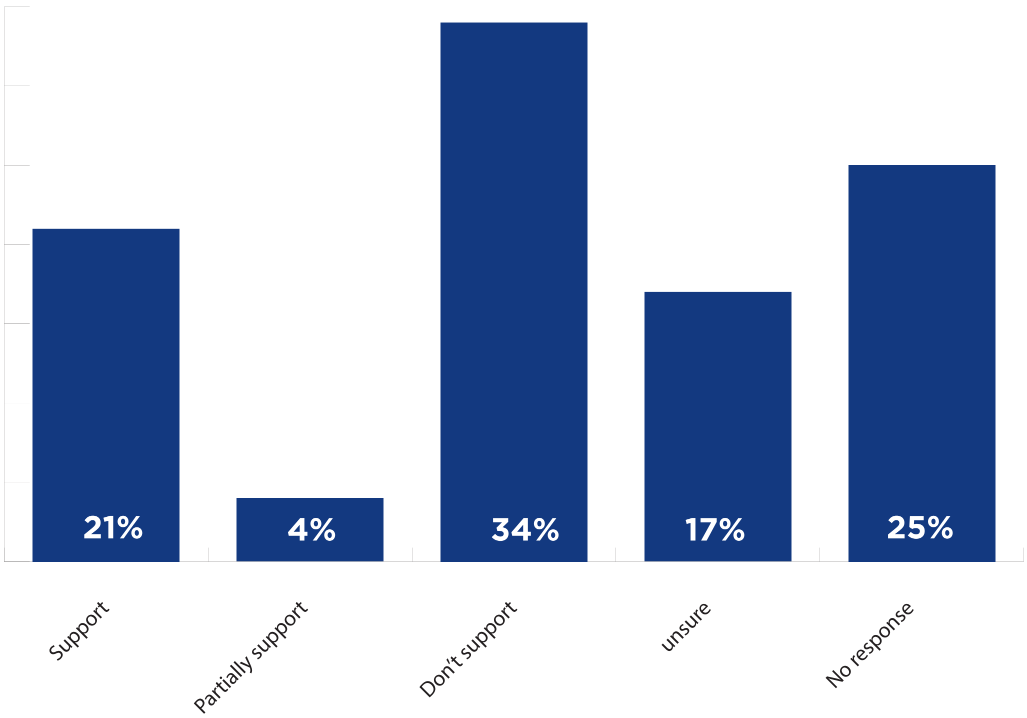


Comments

This recommendation was largely supported, as it allows further flexibility. Several stakeholders, including the NSW Revenue Professionals, noted that for this recommendation to work in practice, there needs to be a clear definition of what constitutes business land. Muswellbrook Council suggested an option should be included for councils to apply to the Minister to change their residual category within the 4-year period to account for unforeseen circumstances arising.

Recommendation 34

Recommendation	Feedback (overall)	Support	Don't support
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.	21% support 4% partially support 34% don't support 17% unsure 25% no response	5% metro 14% metro fringe 29% regional 14% rural 5% business/industry 0% business ratepayer 0% community group 29% community resident 5% other	6% metro 11% metro fringe 29% regional 29% rural 6% business/industry 0% business ratepayer 3% community group 11% community resident 6% other



Comments

This recommendation was not supported, particularly in rural and regional areas, as well as by key stakeholders such as LGNSW and the NSW Rating Professionals. The argument against this recommendation largely centred around rates being a tax not a fee for service and the extra considerations that councils take into account when levying mining rates, such as environmental and long-term economic impacts.

IPART noted in its final report that this recommendation received a mixed response during consultations on the draft report. The NSW Minerals Council supported the recommendation while some regional councils did not. The response from regional and rural councils during IPART's consultations is largely repeated here. OLG received no submissions from mining stakeholders. However, during IPART consultations the Minerals Council suggested a limit be put in place along the lines of what is in place in Victoria (where the highest rate cannot be more than four times the lowest rate in an LGA) to reduce the variation in rates.

Theme 6: Recovery of council rates

Summary

Nearly all council respondents supported the recommendation to reduce the period of time before a property can be sold to recover rates from five years to three years, while nearly all made also made it clear that selling a property to recover rates is a last resort.

Recommendation 40 was mostly supported by councils, with many stating how confusing the current framework is both for them and for ratepayers, although it is less of an issue among rural councils where land rezoning occurs less frequently. Several councils pointed out that the additional value created by a rezoning process typically outweighs the increase in rates. Other commentary suggests that removing the ability to postpone rates will provide an incentive to develop rezoned land.

The NSW Revenue Professionals noted that the removal of any form of concession where land is valued reflecting its permitted use, rather than its actual use, could result in financial hardship for some ratepayers, particularly if CIV is not introduced. They suggest introducing a valuation allowance or concession to replace the current complex system of postponing rates (but using the same criteria for eligibility), which they characterise as administratively and financially burdensome for councils.

Several councils, including Penrith and Wollongong, pointed out that there would need to be transitional arrangements in place to deal with existing postponed rates and to ensure that current property owners with postponed rates are not adversely impacted, if this recommendation was supported.

Albury Council does not support the recommendation but instead proposes (along with Local Government Professionals) that the *Local Government Act 1993* be amended so that the increase in rates resulting from a land rezoning is not levied until the land is developed according to the new permitted land use. Dubbo Councils suggests concessional valuation should be permitted under the Valuation of Land Act 1916 in a similar fashion to heritage-restricted properties.

Hawkesbury Council do not support removing the rate deferral provisions but do support the removal of the requirement to write-off postponed rates after 5 years. However, Inverell Council stated that accruing large postponed balances that would have previously been written off is not desirable.

In providing partial support for the recommendation, Woollahra Council flagged caution about the influence of urban renewal corridors on land valuations and the potential impact on landowners within these corridors if the ability to postpone rates was removed.

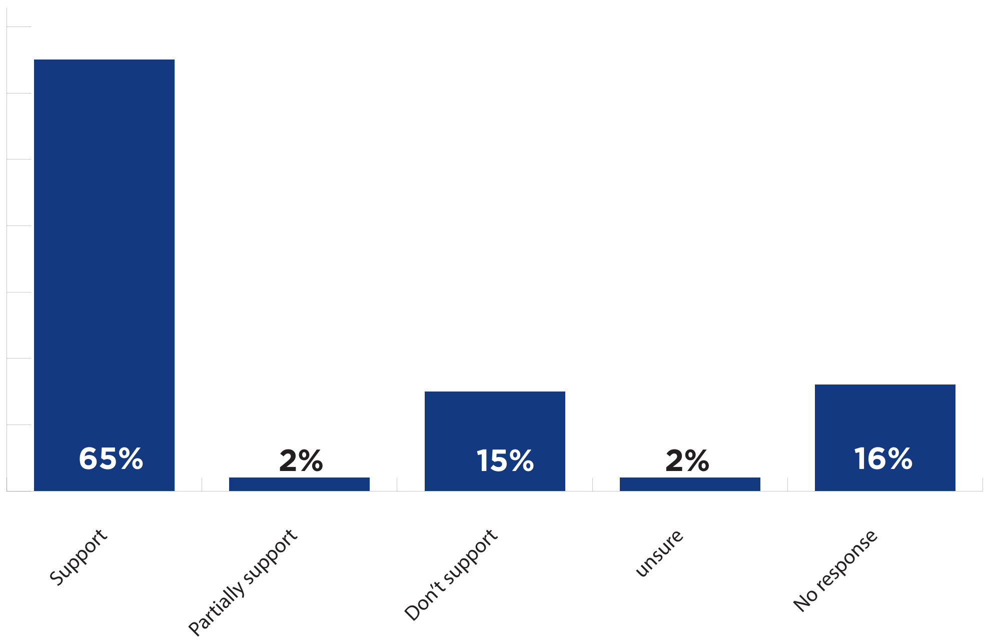
> We believe 5 years is too long, by the time the ratepayer has run-up five years of debt the amount can be substantial. Three years is sufficient time for the ratepayer to address the arrears prior to recovery taking place – **Riverina Joint Organisation**

The option of sale of land is used as a last resort for councils to recover unpaid rates – **Eurobodalla Shire Council**

...supported providing that it is replaced with another option to assist ratepayers in circumstances where rates have increased as a result of valuation increases due to rezoning but where owners have chosen not to develop or sell. – **Wollondilly Shire Council**

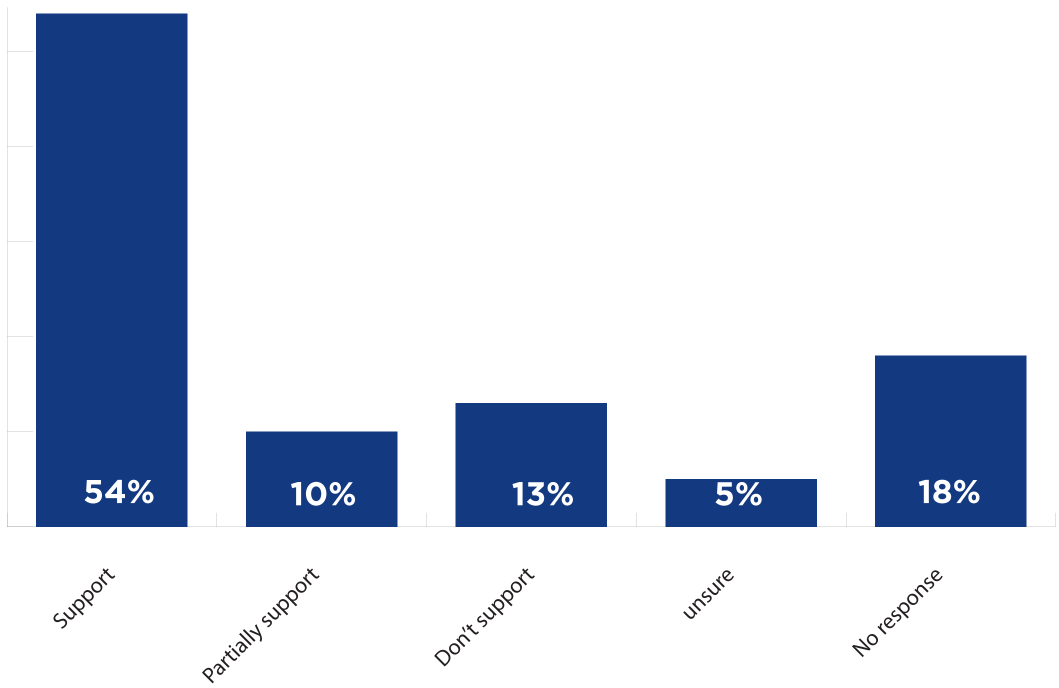
Recommendation 36

Recommendation	Feedback (overall)	Support	Don’t support
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.	65% support 2% partially support 15% don’t support 2% unsure 16% no response	21% metro 12% metro fringe 25% regional 25% rural 6% business/industry 0% business ratepayer 1% community group 6% community resident 4% other	0% metro 0% metro fringe 6% regional 0% rural 0% business/industry 0% business ratepayer 6% community group 81% community resident 6% other



Recommendation 40

Recommendation	Feedback (overall)	Support	Don't support
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.	54% support 10% partially support 13% don't support 5% unsure 18% no response	19% metro 9% metro fringe 30% regional 25% rural 5% business/industry 0% business ratepayer 2% community group 4% community resident 7% other	7% metro 7% metro fringe 0% regional 7% rural 7% business/industry 0% business ratepayer 7% community group 64% community resident 0% other



Theme 7: Other recommendations

Summary

Although overall feedback is supportive of this recommendation to allow councils to access the services of private valuers, based largely on increased flexibility and a belief that increased competition will drive down valuation costs, there is a significant amount of feedback that is unsupportive, citing concerns around consistency and lack of oversight.

The NSW Revenue Professionals support this recommendation providing provisions are in place to ensure integrity of the data and a high level of oversight on pricing and service delivery provided by the NSW Government through IPART and the Auditor General.

The Shopping Centre Council of Australia does not support this recommendation due to the lack of experience among private valuers with respect to large and specialised properties leading to inconsistencies.

…Councils must be allowed the option to retain VG services if private valuers prove less cost-effective and more inaccurate. – **Bourke Shire Council**

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 – **LGNSW**

Each council should be able to determine on a value for money basis whether to use the Valuer General’s property valuation services or a private valuation firm, as occurs in other states. – **Local Government Professionals Australia (NSW)**

Recommendation 42

Recommendation	Feedback (overall)	Support	Don't support
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.	44% support 6% partially support 26% don't support 9% unsure 15% no response	17% metro 13% metro fringe 36% regional 26% rural 6% business/industry 0% business ratepayer 0% community group 2% community resident 0% other	14% metro 7% metro fringe 7% regional 11% rural 4% business/industry 4% business ratepayer 11% community group 39% community resident 4% other