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Industry &
Environment

***Local Government Amendment Act 2021* and rates reform**

Office of Local Government, Department of Planning, Industry and Environment

Webinar for local government

25 June 2021

Acknowledgement of Country

The Office of Local Government respectfully acknowledges
the traditional custodians of the land and waters
on which we work, live and learn.
We pay respect to Elders past, present and emerging.



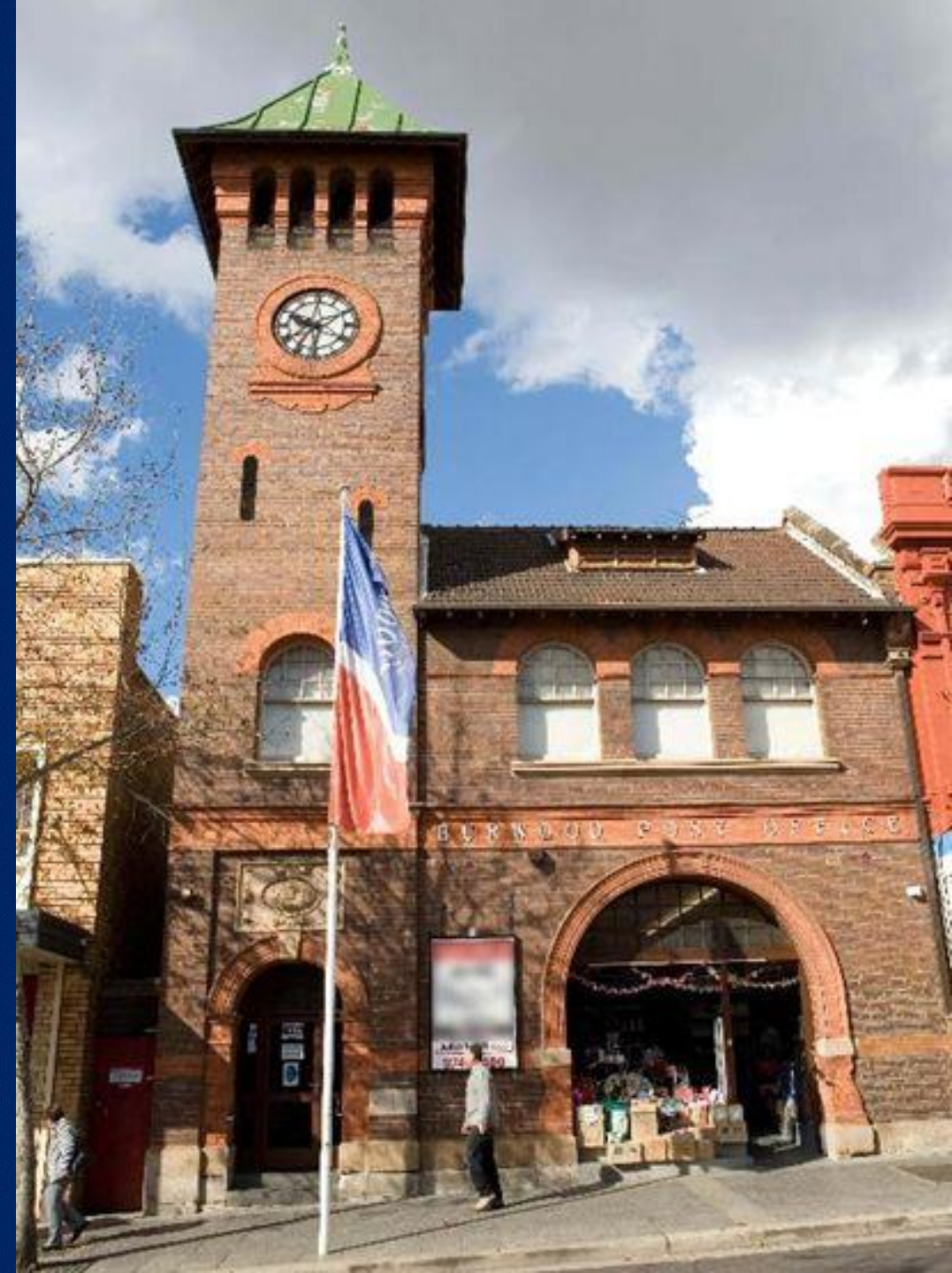
The Local Government Amendment Act 2021 & rates reform

Today's agenda

- ✓ **Background to rating reform**
- ✓ **Immediate rating reforms**
- ✓ **Reforms to commence in future**
- ✓ **Implementation**
- ✓ **Questions and answers**



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IPART Review of Local Government Rating

IPART's Final Report proposed significant reforms

- adopting Capital Improved Valuation for land valuation in urban areas
- making significant exemptions reform based on use rather than ownership
- moving to a rates deferral framework for pensioners
- creating greater flexibility for rating categories and subcategories, and
- allowing councils merged in 2016 to gradually harmonise their rating structures.



The Government's Final Response to IPART

Changes to better serve growing communities

- Review rate peg methodology to include population growth
- Special rates outside rate peg for joint infrastructure

Helping new councils to harmonise rates

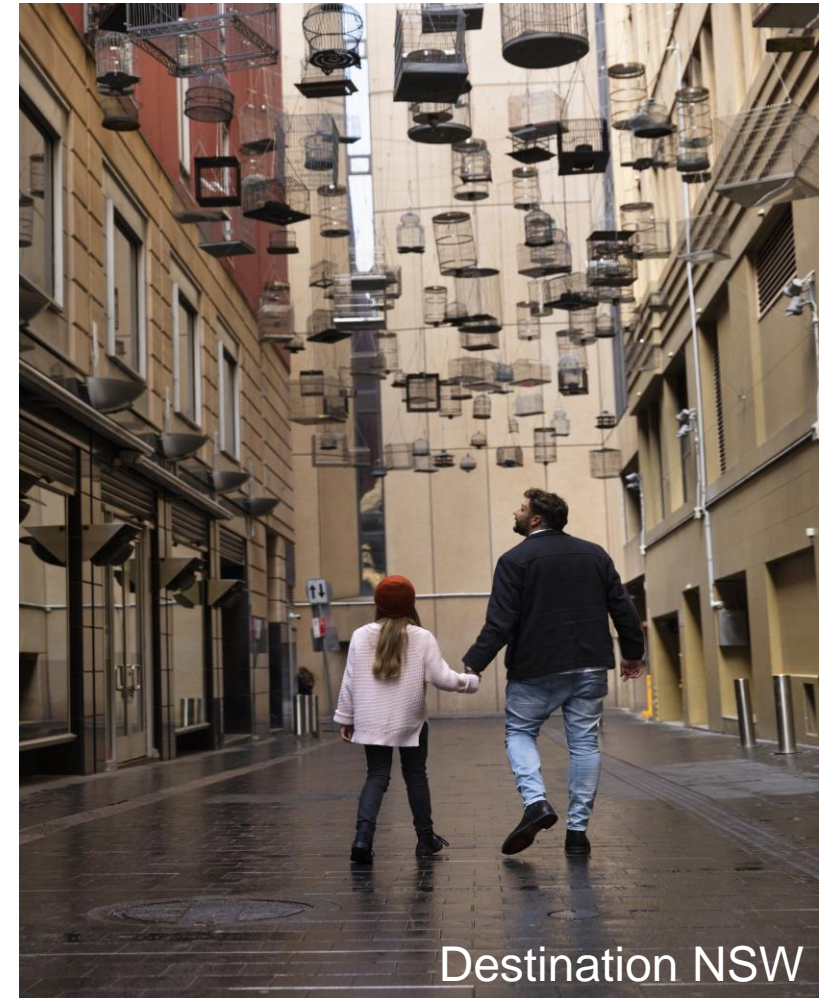
- Greater flexibility for new councils

Extending flexibility for rating structures

- Allowing differential residential rates in urban areas
- Creating more flexible rating categories and subcategories

Improving efficiency, integrity and transparency

- Change to exemptions and restrictions
- Writing off postponed rates; sale of land for unpaid rates



Implementing rates reform



- Bill was needed to amend the *Local Government Act 1993*.
- Public consultation on an Exposure Draft of the Bill
- Final Bill introduced March 2021.
- Bill passed by Parliament, with some amendments, and assented to on 24 May 2021.



Immediate reforms

- ✓ Allowing gradual rates harmonisation
- ✓ Allowing different residential rates in contiguous urban areas
- ✓ Allowing different farmland rates based on geographic location
- ✓ Enabling multiple rate pegs to be set each year



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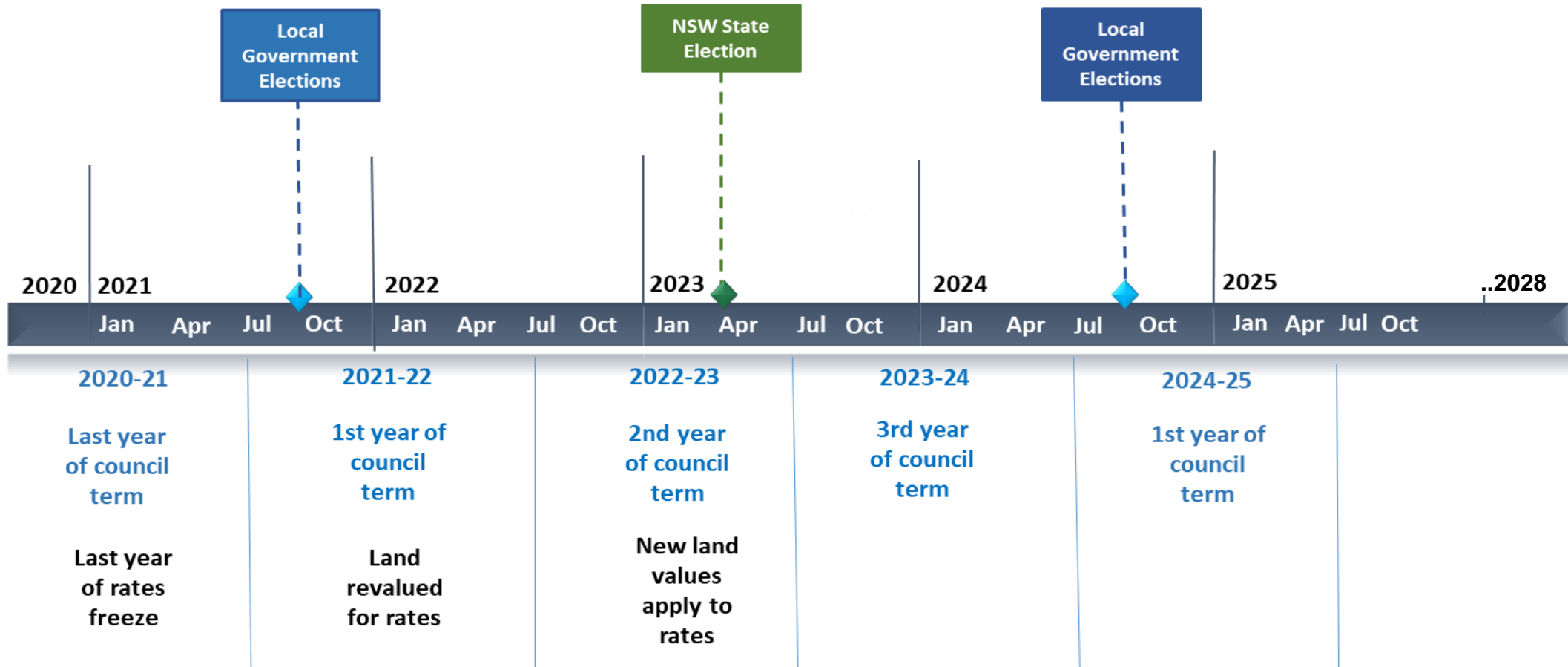


Allowing gradual rates harmonisation

- The Amendment Act provides two options for councils harmonising rates:
 - harmonise in one year from 1 July 2021, **or**
 - harmonise over a maximum of eight years, with no more than a 50% increase in any rating category in any single year.
- Councils taking up the option of gradual harmonisation are required to consult communities through Integrated Planning and Reporting (IP&R).



Timeline for gradual harmonisation option



Allowing different residential rates in urban areas

- Councils can set separate residential rates in contiguous urban areas
- Must be where there is, on average, different access to, demand for, or cost of, providing services and infrastructure in the different areas.
- Must use geographic names to define different residential areas.
- Highest rate structure must be no more than 1.5 times average rate structure across all residential subcategories, unless approved
- Councils consult via IP&R and capture decisions in Revenue Policy.
- Minister may issue mandatory guidelines.



Different farmland rates based on location



- Councils now have the option to set different rates for farmland based on geographic location
- Council must create subcategories by reference to the published geographic names, and consider any matters prescribed by regulation.
- Additional to the current option of intensity of land use, 'irrigability' or economic factors
- Can better reflect access to council infrastructure and services as well as the productivity of land

Income to rise with population

- Government commitment to allow councils to align income to population growth
- IPART review to adjust how the rate peg is calculated to also consider population growth
- New methodology will not negatively impact income growth for councils with stable or declining populations
- Act clarifies more than one rate peg can be set



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Council ESL contributions and the rate peg

- Council contributions to the Emergency Services Levy (ESL) from within their general income are unchanged
- The *Fire and Emergency Services Levy Act 2017* has not come into effect in NSW.
- Councils are not able to put a separate amount on rates notices to reflect their contribution to the ESL
- Councils received a one-off Government payment to fully fund the increase in ESL contribution for 2021-22.



Further rating changes to commence by proclamation

- ✓ New special rates for jointly funded infrastructure
- ✓ New environmental land rates
- ✓ Separate business rates for industrial and commercial activities
- ✓ Changes to specific exemptions
- ✓ Changes to postponement of rates



New special rates – jointly funded infrastructure

- Councils will be able to levy a new type of special rate for infrastructure jointly funded with NSW or the Commonwealth.
- This will not add to council's general income for the rate peg and councils will not need to seek IPART approval.
- Councils will need to consult communities through IP&R and report use of the rates.



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Destination NSW

New rates for environmental land

- A new, fifth rating category will be created for environmental land
- Will capture land:
 1. for which use of the land is constrained as:
 - development cannot be varied out on the land, or
 - the land has low development potential for business, residential, mining or farming activity **and**
 2. subject to *geographic restrictions or regulatory restrictions* **and**
 3. used for a purpose that would not be more appropriately categorised as farmland, residential, mining or business.



Separate business rates for industrial and commercial activities



- Councils will be able to set separate rates for business land with industrial and non-industrial (e.g. commercial) activities.
- Additional to current 'centre of activity' rule.
- Councils will determine whether business land is industrial based on whether industrial activities are predominantly taking place
- Property zoning is relevant but not determinative.



Changes for certain land with conservation agreements

- In future, land with certain types of newly entered conservation agreements will no longer benefit from a total or partial rating exemption
- Instead this land will be rateable and may be rated as environmental land
- Regulations will be made with more detail, after stakeholder consultation



Exemptions from special rates for water and sewerage

- Councils are prevented from levying special rates for water and sewerage on some land
- In future, councils will be able to choose whether to exempt these properties
- Guidance may be provided to councils on how best to exercise this discretion



Changes to postponement of rates

- Fewer ratepayers will be able to apply to postpone rates
- These ratepayers will only be able to postpone the portion of rates that increased because of the change to permitted land use
- Only ratepayers who are owner occupiers who would face hardship will be eligible
- This change will not apply to ratepayers that benefit from an existing postponement arrangement, or have applied to do so
- The Act would also remove the requirement for councils to write off postponed rates after five years.

Implementation timeline

Reform	Commences	Applies to	Regulations required?
Gradual rates harmonisation	On assent	Merged councils	No
Separate residential rates in urban areas	On assent	All councils	Yes
Farmland rates by location	On assent	All councils	No
Multiple rate pegs	On assent	All councils	No
New environmental land rating category	By proclamation	All councils	Yes
Change to exemption for conservation agreements	By proclamation	All councils	Yes
More flexible business rates	By proclamation	All councils	Yes
New special rate for joint infrastructure	By proclamation	All councils	No
Exemptions for special rates	By proclamation	All councils	No
Limiting postponement	By proclamation	All councils	No



What's next?

- ✓ Frequently Asked Questions document will be released
- ✓ Recording of webinar on website
- ✓ Guidance about immediate reforms released
- ✓ Supporting regulations made, in consultation with stakeholders
- ✓ Future update of Revenue Raising and Rating Manual



Questions and answers



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Further information

Contact your OLG Council Engagement Manager

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