

Attachment 2 : Summary of key documents

Valuer General and Land Valuations

The NSW Valuer General provides Councils with update land values ever three years which councils are required to used as the basis for determining the rates for the next here year cycle.

As part of its communication strategy to provide relevant information to the community council prepared a number of items inclusive of fact sheets inclusive of “2022 Land Valuations – Impact on Rates “The fact sheet was developed to highlight the impact on the median land values of each rating category but also identified the average increase within each category:

Residential – Lithgow - +79.5%

Residential – Portland - +112%

Residential – Wallerawang -+135.6%

Residential – Other - +56%

Farmland - +71%

Farmland – Intense - +92%

Business – Lithgow - +27.7%

Business – Other - +46%

Business – Wallerawang - +15.8%

Business – Portland -+81%

On page 3 of the fact sheet it stated:

If my land value has increased, does it mean my rates will go up? Not necessarily, it depends on how an individual land valuation changes when compared with the average valuation across a rating category (i.e. residential, farmland, business). Generally, properties for which the land valuation increase is lower than the average increase will have a reduction in rates. However, properties for which the valuation increase is higher than the average for the rating category will have a rise in rates.

Lithgow City Council Rating Review.

Council contracted the Future Together Group to prepare a rating review which was submitted on July 2022 The following are of particular interest:

6.2.1. Residential – Lithgow, Wallerawang and Portland

No reasons are set out in Council’s Operational Plan for the distinction between these sub-categories. It is probable that the real reasons are now long lost in the pre-amalgamation past, and that the ad valorem amounts have been indexed from the status quo that existed at the time of amalgamation.

6.2.3. Business – Lithgow, Wallerawang and Portland

These sub-categories are characterised by a single base amount and differing ad valorem amounts. Again, no reason is given for the policy rationale for the differences. The distinction between the Wallerawang and Portland ad valorem amounts is so modest as to be immaterial. The Lithgow ad valorem amount is approximately 60% higher than the other two sub-categories.

6.2.4. Business – Other

This category essentially covers the land use of business outside the urban centres excluding power generation and mining. Although it is unclear from the documents, it is understood that it also serves the ‘vacant’ land use – the ultimate fall-back category

6.2.6. Environmental

Legislative changes enacted in 2021 create a new category for Environmental Land. This category aims to ensure that land that is unable to be developed is rated at a more appropriate level in the future.

Currently land subject to a conservation agreement under the National Parks and Wildlife Act 1974 is exempt from rates. That exemption, however, does not apply to other land used for environmental purposes.

Although enacted, the amendments have not come into force and, at the time of writing, we have not been able to obtain any guidance as to when those amendments are likely to come into force.

It is recommended that in preparation for the 2023/2024 rating year, a new category for Environmental Land be introduced in identical terms to that which appears in the Act. There is not a justification, on the present material available, to warrant the creation of sub-categories nor do we think that the introduction of the category will impact the overall rating structure as much of the land that would otherwise qualify is, in any event, exempt.

Local Government Act 1993

514 Categorisation of land for purposes of ordinary rates

Before making an ordinary rate, the council must have declared each parcel of rateable land in its area to be within one or other of the following categories—

- farmland
- residential
- mining
- business.

Note—Land falls within the “business” category if it cannot be categorised as farmland, residential or mining. The main land uses that will fall within the “business” category are commercial and industrial.

548 Minimum amounts

(1) A council, in a resolution making a rate consisting of an ad valorem amount—

- (a) may specify a minimum amount of the rate which must be levied in respect of each separate parcel, or
- (b) may specify—

- (i) a minimum amount of the rate which must be levied in respect of each separate parcel, other than a separate parcel consisting of vacant land, and
- (ii) a minimum amount of the rate, being less than the minimum amount of rate specified under subparagraph (i), which must be levied in respect of each separate parcel consisting of vacant land, or
- (c) may specify—
 - (i) a minimum amount of the rate which must be levied in respect of each separate parcel, other than a separate parcel consisting of vacant land, and
 - (ii) a minimum amount of the rate, being less than the minimum amount of the rate specified under subparagraph (i), which must be levied in respect of each separate parcel consisting of vacant land, other than a separate parcel consisting of vacant flood liable land or vacant coastal hazard liable land, and
 - (iii) a minimum amount of the rate, being less than the minimum amount of the rate specified under subparagraph (ii), which must be levied in respect of each separate parcel of vacant flood liable land or vacant coastal hazard liable land.
- (2) If a council makes an ordinary rate for different categories or sub-categories of land, it may specify a different minimum amount for each category or sub-category of land.
- (3) Except as provided by subsection (4), the minimum amount of a rate is to be—
 - (a) in respect of an ordinary rate, such amount as is determined by the council, not exceeding \$259 or such greater amount as may be prescribed by the regulations or, in the case of a rate for which a particular council may, under subsection (1) or (2), specify a minimum amount, such greater amount as the Minister may determine by instrument in writing, or
 - (b) in respect of any other rate (not being a water supply special rate or a sewerage special rate), such amount as is determined by the council, not exceeding \$2 or such greater amount as the Minister may determine by instrument in writing given to the council.
- (4) If the minimum amount of an ordinary rate for the previous year exceeded the amount prescribed or determined in respect of such a rate under subsection (3)(a), the council may determine the minimum amount of the ordinary rate in accordance with subsection (5).
- (5) The minimum amount of the ordinary rate must be of such amount as is determined by the council, not exceeding the amount of the minimum ordinary rate for the previous year increased by the percentage (if any) specified in respect of the council under this Act.
- (6) A minimum amount of a rate is not invalid because—
 - (a) the minimum amount is levied on the whole or any part of the land subject to the rate, or
 - (b) of the size of the minimum amount.
- (7) A council may not specify a minimum amount of a rate consisting of a base amount to which an ad valorem amount is added.
- (8) A minimum amount of a rate specified for a parcel of land may not differ from a minimum amount specified for any other parcel of land within the same category or sub-category unless—
 - (a) the land values of the parcels were last determined by reference to different base dates, and

(b) the Minister approves the different minimum amounts.

549 Reduction of rates containing base amounts if levied on vacant land

(1) A council may determine that a rate (whether an ordinary rate or a special rate) consisting of a base amount to which an ad valorem amount is added is to be levied on—

- (a) vacant land, or
- (b) vacant land that has suffered physical damage (such as flood liable or coastal hazard affected land), or
- (c) land prescribed by the regulations for the purposes of this section,

in accordance with this section.

(2) If—

- (a) the rate were to be levied on land on the basis that the rate consisted of only the ad valorem amount, and
- (b) the amount payable as a consequence of levying the ad valorem amount on the land would be less than \$250 (or such other amount as may be prescribed by the regulations),

the rate payable in respect of the land is \$250 (or such other amount as may be prescribed by the regulations) or the base amount of the rate, whichever is the lesser.

Local Government Amendment Act 2021 – rating reform

Four changes to the rating system came into effect when the Amendment Act was assented to on 24 May 2021. These changes are:

- allowing councils created by merger in 2016 to choose to harmonise their rating structures
gradually, over up to eight years
- allowing councils to set separate residential rates in contiguous urban areas
- allowing councils to set separate farmland rates based on geographic location, and
- allowing more than one ‘rate peg’ to be set each year, if required.

A further set of changes to the rating system will come into effect by proclamation. These are:

- allowing councils to apply a new kind of special rate for jointly funded infrastructure
- creating a new, fifth rating category for environmental land
- allowing councils to set separate business rates for land where industrial and other activities are taking place
- changing how certain rating exemptions work in relation to water and sewerage and in
relation to land subject to future conservation agreements, and
- better targeting postponement of rates to specific types of ratepayer.

2023-24 Statement of Revenue Policy

Key aspects of the revenue policy are:

Statement of Revenue Policy (p2)

The objective of the Statement of Revenue Policy is to ensure that rates are levied in a fair and equitable manner so as to provide sufficient funds to carry out the general services which benefit all the ratepayers of the area.

Council aims to set rates and charges at a level that provides a sustainable income but does not impose undue hardship on property owners. The council is committed to a rates and charges process that is ethical, transparent, open, accountable, and compliant with legal obligations (including the NSW Local Government Act 1993 and the Local Government (General) Regulation 2005 (NSW)). The administration of rates will be honest, diligent and applied consistently and fairly across all properties.

2023 Special Variation to Ordinary Rates (p 11)

The council submitted an application to IPART for a permanent increase to land rates in accordance with the Council resolution of 23 January 2023.

If granted, the overall income from land rates will increase by a maximum of 45.7% (including the 3.7% rate peg). Council has committed to limiting any increase in the residential, farming and business (general) rating categories to 27.7% (including the 3.7% rate peg) with the balance of the SRV funds required to be levied against the business power generation sub-category, mining category and new quarrying business sub-categories.

23 -16 RESOLVED.

THAT Council:

1. Submit a Special Rate Variation application (by 3 February) under Section 508(2) of the NSW Local Government Act for a permanent Special Rate

Variation (SRV) 45.7% increase (including 3.7% rate peg) in 2023/24 for the primary purposes (based on IPART categories) of:

a) Improving financial sustainability.

b) Maintaining existing services; and

c) Reducing infrastructure backlogs for asset maintenance and renewals.

2. Reaffirm its commitment to limiting any increase in the residential, farming and business (general) rating categories to 27.7% (including the 3.7% rate peg) with the balance of the SRV funds required to be levied against the business power generation sub-category, mining category and a new quarrying business sub-category or sub-categories.