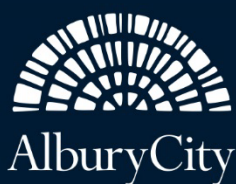


# **AlburyCity Rating Structure Review Discussion Paper**

**October 2022**



**Prepared by**  
Strategy & Performance

**Endorsed by**  
<Name>  
<Day> <Month> <Year>

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## **Executive Summary**

The AlburyCity Rating Structure Review Discussion Paper provides an update on the status of rating legislation reforms, including those that are either yet to be proclaimed or requires supporting regulations and guidance to be issued by the Office of Local Government to support their implementation.

The AlburyCity Rating Structure Review Discussion Paper also compares our rating structure as detailed in AlburyCity's Statement of Revenue Policy to other councils within our region being Greater Hume, Wagga and Wodonga City Council.

As a result of benchmarking the relative rate in the dollar compared to the residential category for Albury, Greater Hume, Wagga and Wodonga councils, a reduction is proposed to the relative rate applied to the farmland rating category.

It is proposed that Council endorse the public exhibition of the AlburyCity Rating Structure Review Discussion Paper for comment. A Stakeholder Engagement Plan has also been developed to guide all community engagement, in particular, that which will occur with individual property owners that would be impacted by proposed changes. Submissions received will be presented to Council for further consideration.

It is also noted that the continued expansion of the urban area in Thurgoona has resulted in properties historically categorised as village, for rating purposes, becoming part of the urban area. These properties will be notified by AlburyCity of this change in category from village to residential or business which will take effect from 2023/24.

Any changes to AlburyCity's rating structure will ultimately be incorporated into the annual review of AlburyCity's Statement of Revenue Policy that will also be publicly exhibited in May 2023 as part of AlburyCity's draft 2022/23 Operational Plan prior to final adoption in June 2023.

**What are Rates for?**

To fund the provision of infrastructure and services to their local community councils:

- levy rates on property owners
- charge fees for the use of specific services
- receive grants from the State and Federal governments
- generate other revenue, for example, from developer charges and interest,
- and raise funds through borrowings

General rates income represents around 28% of AlburyCity's total income. Total revenue raised from the levying of land rates continues to be capped by the State Government in line with the annual rate peg set by the Independent Pricing & Regulatory Tribunal (IPART) based upon a Local Government Cost Index, and population growth factor.

**Local Government Rating Reform**

Dating back to 2013, the Independent Local Government Review Panel recommended the NSW Government commission the Independent Pricing and Regulatory Tribunal (IPART) to undertake a review of the rating system.

In December 2015, the (then) Premier, the Hon. Mike Baird MP, provided IPART with terms of reference for the review, framing it as a key component of the Government's Fit for the Future reforms.

IPART undertook its review during 2016 in consultation with the sector. IPART delivered its final report to the (then) Minister for Local Government in December 2016, which was publicly released in June 2019 together with an interim Government response.

In 2019, the Office of Local Government (OLG) undertook further public consultation on 28 of IPART's 42 recommendations.

In June 2020 the NSW Government released its response to IPART's review whereby they ruled out accepting recommendations that had adverse impacts on vulnerable members of the community, affected regional jobs and economies, and/or substantially increased costs for taxpayers and the broader community.

In 2021, the NSW Government released for consultation, an Exposure Draft of the Local Government Amendment (Rates) Bill 2021 to implement the NSW Government's response to IPART's review of the local government rating system.

While the Local Government Amendment Act has been assented to, not all changes have come into effect. Some changes took effect on 24 May 2021 and may be implemented by councils and others will commence in future by proclamation once regulations and guidance may be made to support implementation.

The following table sets out when each rating change commences.

Reform	Commences	Regulations required?	Relevance to AlburyCity
Separate residential rates in urban areas	On assent	Yes	No
Farmland rates by location	On assent	No	No
Multiple rate pegs	On assent	No	Yes
New environmental land rating category	By proclamation	Yes	Yes
More flexible business rates	By proclamation	Yes	No
New special rate for joint infrastructure	By proclamation	No	No
Exemptions for special rates	By proclamation	No	No
Limiting postponement	By proclamation	No	Yes

### **Separate Residential Rates in Urban Areas**

Councils are now able to set a different rate in urban areas based upon geographical names such as Albury, East Albury, South Albury, West Albury, North Albury, Glenroy, Hamilton Valley, Lavington, Springdale Heights and Thurgoona.

There must be significant differences between the areas in relation to access to or demand for, or the cost of, providing services or infrastructures.

The Office of Local Government has issued supporting guidance on how to set separate residential rates in contiguous urban areas.

It is not proposed that AlburyCity progress this option as the relative benefit received of Council infrastructure and services and capacity to pay is reflected in the relative unimproved land value of urban residential properties.

### **Farmland Rates by Location**

Councils are now also able to establish different farm rates based on location. It is not proposed that Council progress this option due to the relative number of farmland properties within AlburyCity.

### **Multiple Rate Pegs**

The NSW Government and IPART commenced the application of multiple rate pegs for the 2022/23 financial year, which now also considers the relative population growth for each municipality compared to its rate revenue growth.

### **New Environmental Rating Category**

A new rating category for environmental land is to be enabled by the NSW Government which will replace the current exemption process for environmental land covered by conservation agreements.

AlburyCity will enable this option in accordance with changes in legislation when it becomes available through proclamation by the NSW Government.

### **More Flexible Business Rates**

In the future councils will have the option to separate business properties into either commercial or industrial rating subcategories.

At this stage, AlburyCity does not intend to set a different rate for commercial and industrial business properties.

For example, this option is available in Victoria, however, to date we have not identified examples or regional cities within Victoria having a different rate in the dollar for industrial and commercial land.

### **New Special Rate for Joint Infrastructure**

In the future, there will be the option of establishing a special rate for infrastructure jointly funded by the State or Federal Government.

AlburyCity does not have any current plans to implement this option when it becomes available by proclamation.

### **Exemptions for Special Rates**

Planned changes by the NSW Government to legislate exemptions in relation to water and sewer will be implemented when the changes to legislation are proclaimed/take effect.

### **Limiting Postponement**

Planned changes to legislation governing the postponement of the payment of rates that will take effect when proclaimed by the NSW Government include giving councils the option of writing-off postponed rates after five years.

It is AlburyCity's intention to continue writing off postponed rates after five years for eligible ratepayers.

Other legislated changes, relating to the eligibility of postponed rates will be implemented by AlburyCity when changes to Section 591 of the Act are proclaimed/take effect and guidance has been developed by the Office of Local Government.

### AlburyCity Rating Categories

In accordance with Section 493 and 514 of the Act, all parcels of rateable land within Council's boundaries have been declared to be within one of the following categories. The determination of the category/subcategory for each parcel of rateable land is in accordance with the definitions set out in Sections 515, 516, 518, 518A, 519 and 529 of the Act.

The applicable categories and subcategories are as follows:

- Residential
  - Rural Residential
  - Residential Village
- Farmland
- Business
  - Business Village

### Relative Rates

A relative rate in the dollar applied to the unimproved land value for each property is combined with a base amount to calculate the ordinary rates to be paid by each property, as detailed in AlburyCity's Statement of Revenue Policy and summarised by Table 1 below.

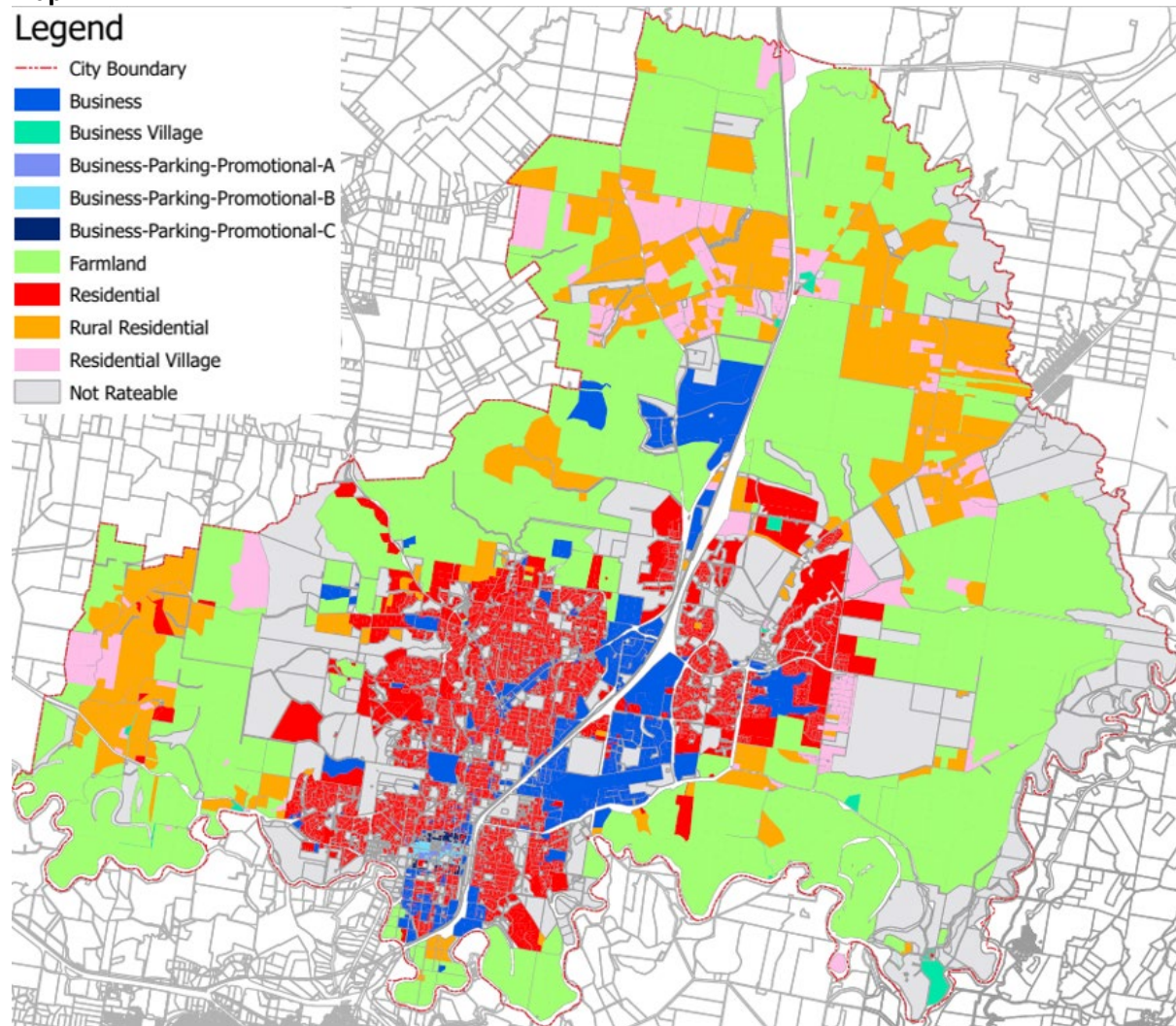
**Table 1**

Category	Assessments	Relative rate in the dollar	Base amount	Rate Revenue	Average Assessment
Residential	22,523	100%	\$304	\$31,823,672	\$1,413
Residential village	784	85%	\$304	\$1,418,155	\$1,809
Rural Residential	442	70%	\$304	\$1,090,377	\$2,467
Farmland	176	60%	\$304	\$851,801	\$4,840
Business	1,777	170%	\$798	\$12,354,169	\$6,952
Business village	64	85%	\$436	\$83,555	\$1,306
<b>Total</b>	<b>25,766</b>			<b>\$47,621,729</b>	

Per AlburyCity's Statement of Revenue Policy, Council also levies a promotional special rate for Albury CBD business properties and is transitioning away from a parking special rate for Albury CBD business properties.

The following map demonstrates the distribution of rating categories across AlburyCity, with the predominantly red and blue representing residential and business properties within the contiguous urban area. Green represents farmland, orange rural residential properties, pink residential village and aqua business village properties.

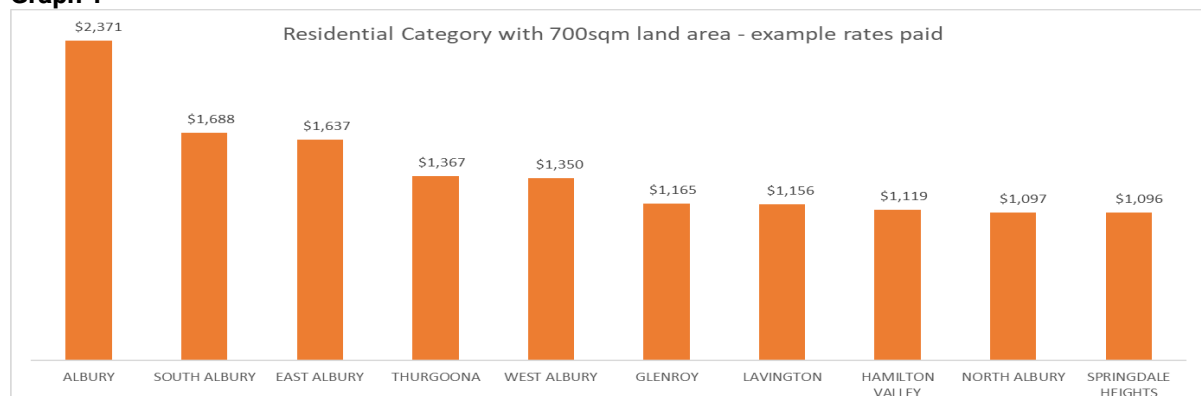
**Map 1**





The valuation of land is also a key component in the calculation of rate revenue to be collected by Council from landowners within AlburyCity. As demonstrated by the graph below the relative valuation of unimproved land within a rating category also influences the amount of rates paid.

**Graph 1**



### Proposed Changes to Relative Rate in the Dollar

A comparison of the relative ad valorem rate in the dollar compared to the residential category for Albury, Greater Hume, Wagga and Wodonga councils is provided below.

**Table 2**

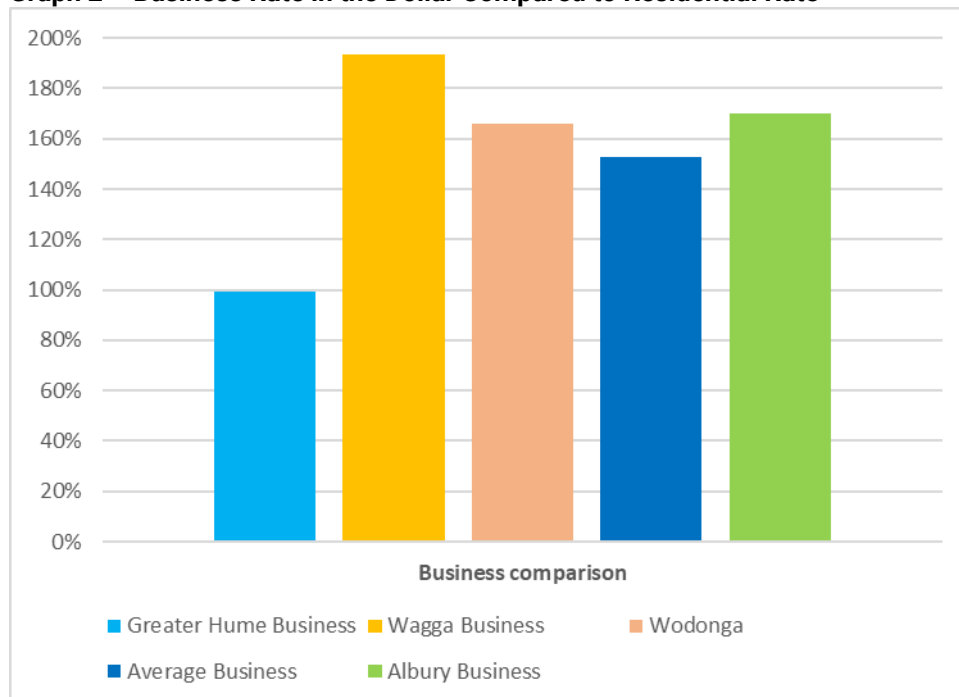
Rating category	Greater Hume %	Wagga %	Wodonga %	Average %	Albury %	Proposed %	Comment
Residential	100%	100%	100%	<b>100%</b>	100%		
Residential village	61%	69%	93%	<b>75%</b>	85%	85%	Maintain differential for properties that don't meet rural residential definition
Rural Residential	56%	59%	93%	<b>69%</b>	70%	70%	No change proposed - aligns with regional average
Farmland	25%	32%	67%	<b>41%</b>	60%	40%	Reduce to reflect regional average
Business	99%	193%	166%	<b>153%</b>	170%	170%	No change proposed - aligns with other regional centres
Business village	n/a	65%	n/a	<b>65%</b>	85%	85%	No change proposed

As a result of benchmarking the relative rate in the dollar compared to the residential category for Albury, Greater Hume, Wagga and Wodonga councils the following change is proposed:

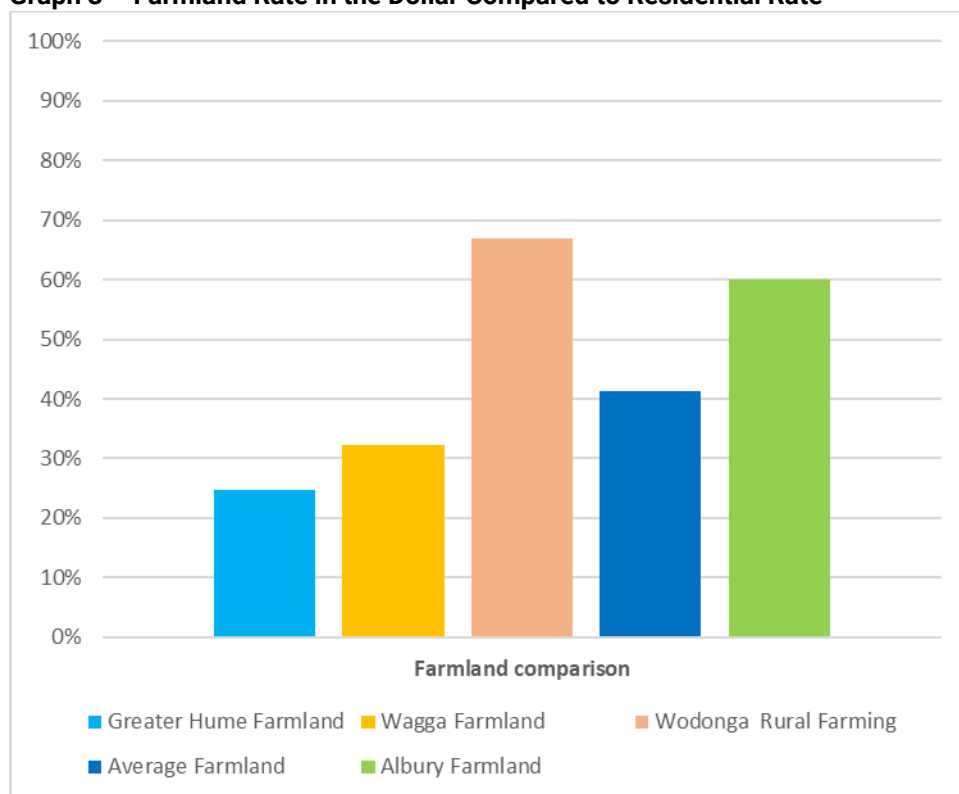
- Farmland – proposed to reduce from 60% of residential rate to 40% based on regional average

The relative rates in the dollar applied by Greater Hume, Wagga, Wodonga and AlburyCity are also represented in graphs below.

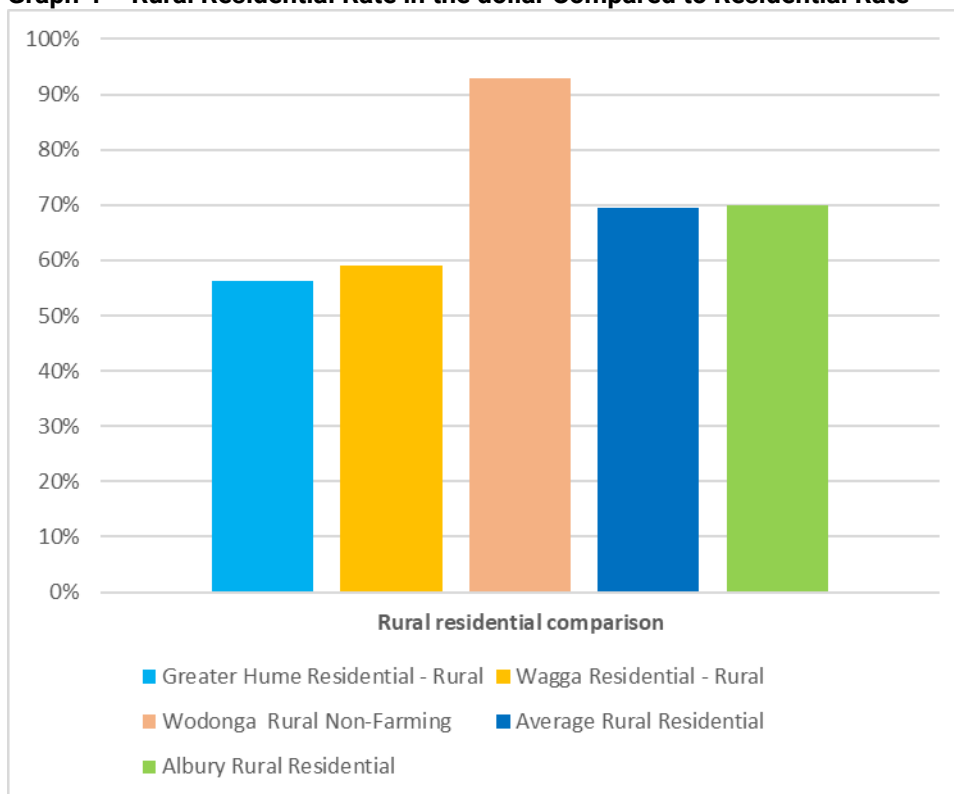
**Graph 2 – Business Rate in the Dollar Compared to Residential Rate**



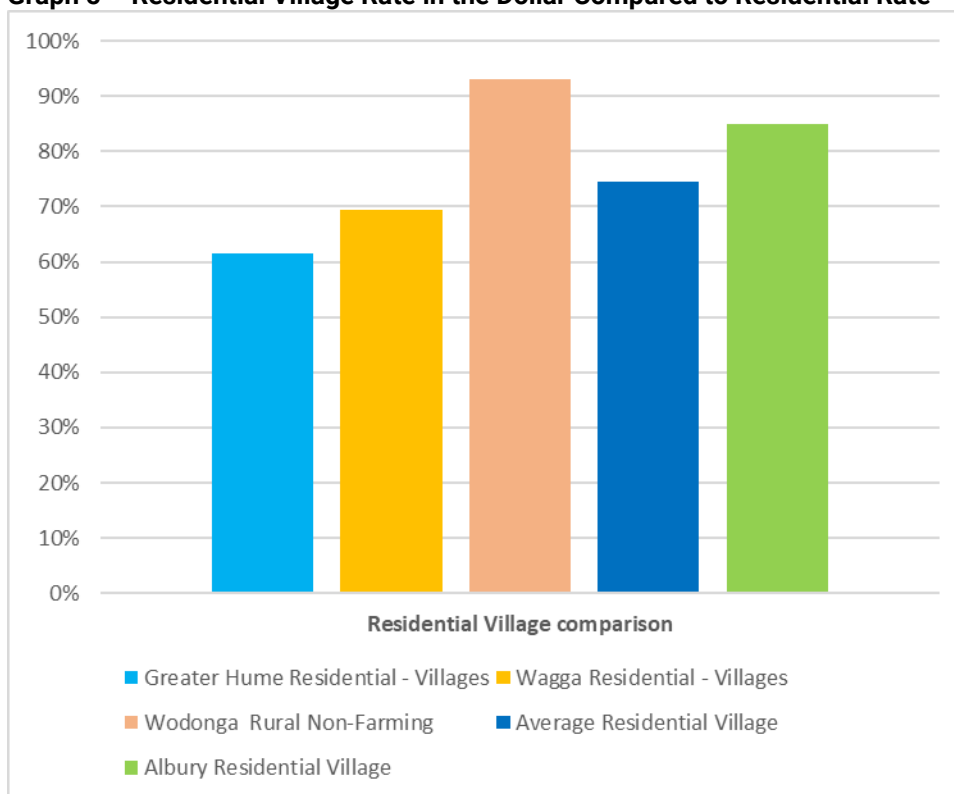
**Graph 3 – Farmland Rate in the Dollar Compared to Residential Rate**



**Graph 4 – Rural Residential Rate in the dollar Compared to Residential Rate**



**Graph 5 – Residential Village Rate in the Dollar Compared to Residential Rate**



### Financial impact of proposed changes

The table below demonstrates the impact on the average assessment within each rating category of the proposed changes. Noting that the overall rate revenue collected by Council remains the same.

**Table 3**

Category	Assessments	Relative rate in the dollar	Rate Revenue	Average Assessment	Change	Change %
Residential	22,523	100%	\$31,995,693	\$1,421	\$8	0.5%
Residential village	784	85%	\$1,426,280	\$1,819	\$10	0.6%
Rural Residential	442	70%	\$1,096,961	\$2,482	\$15	0.6%
Farmland	176	40%	\$589,367	\$3,349	-\$1,491	-31%
Business	1,777	170%	\$12,429,489	\$6,995	\$42	0.6%
Business village	64	85%	\$83,938	\$1,312	\$6	0.5%
<b>Total</b>	<b>25,766</b>		<b>\$47,621,729</b>			

In summary, the proposed decreases for the farmland rating category would be absorbed by an increase of less than 1% for each of the other rating categories including residential and business properties.

### Rural Residential Land

Rural residential land is specifically defined in the Local Government Act 1993 to mean land that—

- a) is the site of a dwelling, and
- b) is not less than 2 hectares and not more than 40 hectares in area, and
- c) is either—
  - i. not zoned or otherwise designated for use under an environmental planning instrument, or
  - ii. zoned or otherwise designated for use under such an instrument for non-urban purposes, and
  - iii. does not have a significant and substantial commercial purpose or character.

It is not mandatory to have a Rural Residential land subcategory.

### **Village rating subcategory**

Since the AlburyCity and Greater Hume boundary adjustment in 2004, AlburyCity has applied a village subcategory for both residential and business properties located outside of urban areas, for properties that don't match the criteria for other rating categories such as rural residential or farmland. Other neighbouring councils such as Greater Hume and Wagga apply a village subcategory more specifically for towns and villages.

Section 529(2)(b) of the Local Government Act 1993 provides that a residential subcategory can be created according to whether the land is rural residential land, within a centre of population or in a residential area.

*The Council Rating and Revenue Raising Manual issued by the Office of Local Government which was last updated in 2007, provides that "the simple and correct method to implement a residential ordinary rate intended to apply to all residential land outside towns and villages is for the council to resolve to make a "residential" ordinary rate that will apply to all land categorised "residential" throughout the whole of its area excepting that land categorised "residential" situated within a designated centre (or centres) of population which can either be some or all of the towns, villages, or portions of the council's area (whose boundaries are defined by acceptable means). The council's resolution then can proceed to attribute a higher residential sub-category ordinary rate to the latter land."*

This option however as noted within the Manual is cost prohibitive due to the requirement for AlburyCity to issue a letter of declaration to all 're-categorised' properties including the 22,523 properties currently categorised as residential that are located within urban areas.

Although AlburyCity does not have villages, if a 'village' subcategory is to be maintained by AlburyCity for residential and business properties located outside of the contiguous urban area, that do not meet the definition of other rating categories, it is proposed that the current title of the subcategory remain.

Alternatively, Council could decide to transition away from maintaining a residential and/or business village rating subcategory, to align with the rate in the dollar applied for residential and/or business properties within the urban area. This would increase the rates paid by residential village properties by 15% and business village properties by 100%. However, on balance, this is not recommended, as the differential that has been in place since the boundary adjustment in 2004 provides for a transition between urban and rural areas for properties that do not meet the definition of other rating categories such as rural residential or farmland.

**Village subcategory properties**

The continued expansion of the urban areas in Thurgoona has resulted in properties historically categorised as villages for rating purposes becoming part of the urban area.

These properties will be notified of their change in categorisation from village to residential or business, which will result in a 14% or \$214 increase for residential and 100% increase for business to align with the standard rate for urban properties.

Of the 784 residential village-rated properties, 486 are situated along the eastern side of Kerr Road as indicated by the map above. The remaining 298 residential village properties are situated outside the urban area in Splitters Creek, Ettamogah, Table Top and Lake Hume Village. These properties include vacant land of varying sizes and land that does not meet the criteria for Rural Residential Land sub-category.

There are currently 64 assessments with a business village subcategory with many of the assessments situated in the Lake Hume Village. The range of property use under this subcategory includes Resort accommodation, Motel, Caravan Park, Public house food/drinks establishment, and vacant land.

To support the transition of village properties within Thurgoona that now form part of the urban area, it is proposed that a separate rating category be created for these properties so that their relative rate in the dollar is adjusted over a period of four years until they align with the standard rate, reducing the annual impact to 3.5% or \$54 for residential properties and 25% for business properties.

**Notification process for change to rating categories by Council**

Section 523 of *the Act* allows AlburyCity to review the rating category of a property. Should the review identify the need to change the rating category of a property change, AlburyCity will inform the property owner in writing. If the property owner disagrees with AlburyCity's assessment, they will be provided the opportunity to request an internal review.

AlburyCity will then issue a letter of declaration to property owners of the change in property rating category, with the date of effect commencing in 2023/24. The category of a parcel of land and avenues for review and appeal are stipulated in the declaration letter and each year shown on the annual Rates Notice. If the owner is not satisfied with AlburyCity's decision on the land category, the ratepayer may also appeal to the Land and Environment Court.