

13 May 2016

**IPART Review of the Local Government Rating System**

Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop  
NSW 1240

To whom it may concern

**IPART Review of the Local Government Rating System**

AlburyCity welcomes the opportunity to respond to the *Review of the Local Government Rating System Issues Paper* (Issues Paper) prepared by the Independent Pricing and Regulatory Tribunal (IPART).

Please find in Table 1 below, AlburyCity's responses to the issues that IPART is seeking stakeholder comment on at this stage of the review.

Table 1


Issues for comment	AlburyCity Submission
<b>Taxation principles</b>	
1. Do you agree with our proposed tax principles? If not why?	The proposed principles of taxation are supported when assessing the rating system. However, it is noted that some judgement is required to find the right balance as the taxation principles can conflict with each other (i.e. benefits received vs ability to pay)

Issues for comment	AlburyCity Submission
<b>Assessing the current method for setting rates</b>	
2. What valuation method should be used as the basis for determining the ad valorem amounts in council rates? Should councils be given more choice in selecting a valuation method, as occurs in other states, or should a valuation method continue to be mandated?	To achieve the taxation principles, each council should be able to choose the valuation method that it considers is most appropriate for their community, as occurs in other states. This assessment would include a cost benefit analysis. For example applying the Capital Improved Valuation (CIV) method would better differentiate the capacity to pay of properties within the same rating category and the CIV would be more easily understood by ratepayers, however, it may take more to undertake the general valuation using the CIV method compared to Unimproved Land Value.
3. Should councils be required to use the Valuer General's property valuation services, or should they also be able to use a private valuation firm (as occurs in Victoria and Tasmania)?	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.
4. What changes (if any) should be made to the Local Government Act to improve the use of base and minimum amounts as part of the overall rating structure?	No changes are considered necessary to the Act regarding the use of base and minimum amounts as part of the overall rating structure from AlburyCity's perspective.
5. What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide?	In principle, councils should be able introduce additional rating categories or subcategories to better differentiate the benefits received and capacity to pay between property categories where required, as occurs in Victoria.
6. Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities?	Although the current Special Variation to Rates approval process is onerous it does enable the rating burden to reflect the needs of each local government area.



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7. What changes could be made to current rate pegging arrangements to improve the rating system, and, in particular, to better streamline the special variation process?	<p>As identified by the Independent Local Government Review Panel the rate-pegging system in its present form impacts adversely on sound financial management. The rate-pegging system should be streamlined to remove unwarranted complexity, costs, and constraints to sound financial management and any future rate-pegging or local government cost index should factor the need to address infrastructure backlogs.</p> <p>AlburyCity supports the Government's commitment to develop a streamlined and more proportionate process for 'fit for the future' councils wanting to increase rates above the rate peg, allowing for example rate rises to fund infrastructure renewal.</p>
8. What changes could be made to the rating system to better encourage urban renewal?	<p>Although currently onerous, existing special rates and special variation to rates processes are available to assist in part funding urban renewal projects that benefit the local community.</p>
9. What changes could be made to the rating system to improve councils management of overdue rates?	<p>AlburyCity actively encourages ratepayers who may be having difficulty in meeting their obligations to make contact to enter into a payment plan. Matters are only taken to court as a last resort when no response has been received from the property owner.</p> <p>However, to support councils in being proactive in managing overdue rates councils should be able to recoup reasonable costs incurred in the debt recovery process without the need to obtain a court judgement.</p> <p>Another area that could be improved is enabling councils to recoup reasonable costs incurred in the s713 sale of land debt recovery process when the debt is paid in full prior to the scheduled auction.</p>

Issues for comment	AlburyCity Submission
<b>Assessing exemptions, concessions and rebates</b>	
<p>10. Are the land uses currently exempt from paying council rates appropriate? If a current exemption should be changed, how should it be changed? For example, should it be removed or more narrowly defined, should the level of government responsible for providing the exemption be changed, or should councils be given discretion over the level of exemption?</p>	<p>Council strongly supports the reduction or removal of excessive exemptions and concessions where they do not reflect contemporary situations, are contrary to sound fiscal policy and jeopardise councils long term sustainability.</p> <p>Within AlburyCity 340 properties or 5.5% of the Unimproved Land Value is exempt from rates which equates to \$2.4 million in rate revenue.</p> <p>Land uses that are exempt from paying council rates should be more narrowly defined, as the current legislation can be open to interpretation and leaves councils exposed to legal challenges.</p> <p>For example the increase in exemption applications received from property owners categorised as public benevolent institutions has impacted upon the rating burden borne by the community. Exemptions for certain religious, charitable and educational purposes could be modified or switched to a minimum rebate with the option of additional concessions at council's discretion.</p> <p>Councils should have the discretion to determine the level of exemption or rebate (if any) when the land use is a commercial activity, competes with the private sector or exemption would not provide sufficient public benefits to the local community (i.e. aged care facilities have a competitive advantage over their private sector competitors if they are exempt from rates).</p>

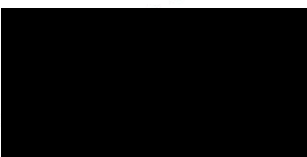


Issues for comment	AlburyCity Submission
11. To what extent should the exemptions from certain state taxes (such as payroll tax) that councils receive be considered in a review of the exemptions for certain categories of ratepayers?	Local Government should receive the same exemptions from state taxes as other levels of government.
12. What should the objectives of the pensioner concession scheme be? How could the current pension concession scheme be improved?	<p>As recommended by the Independent Local Government Review Panel social welfare should not be a local government responsibility. Pensioner rate concessions should be wholly funded by the State Government as occurs in all other states.</p> <p>Currently it is mandated that AlburyCity is required to fund 45% of the \$250 pensioner rate concession and \$175 for the combined water and sewer pensioner concession, which costs AlburyCity \$672,000 per annum.</p> <p>The amount of the pensioner rate concession should be indexed in line with the rate peg.</p>

As AlburyCity was deemed by the State Government as Fit for the Future and is not subject to a merger proposal, AlburyCity provides no response to the issues raised by IPART regarding the freezing existing rate paths for newly merged councils or establishing new, equitable rates after the four-year freeze.

Should you wish to discuss any of AlburyCity's responses as detailed above please contact Justin Finlayson, Chief Financial Officer, on [REDACTED]

Yours faithfully



Frank Zaknich  
**General Manager**

