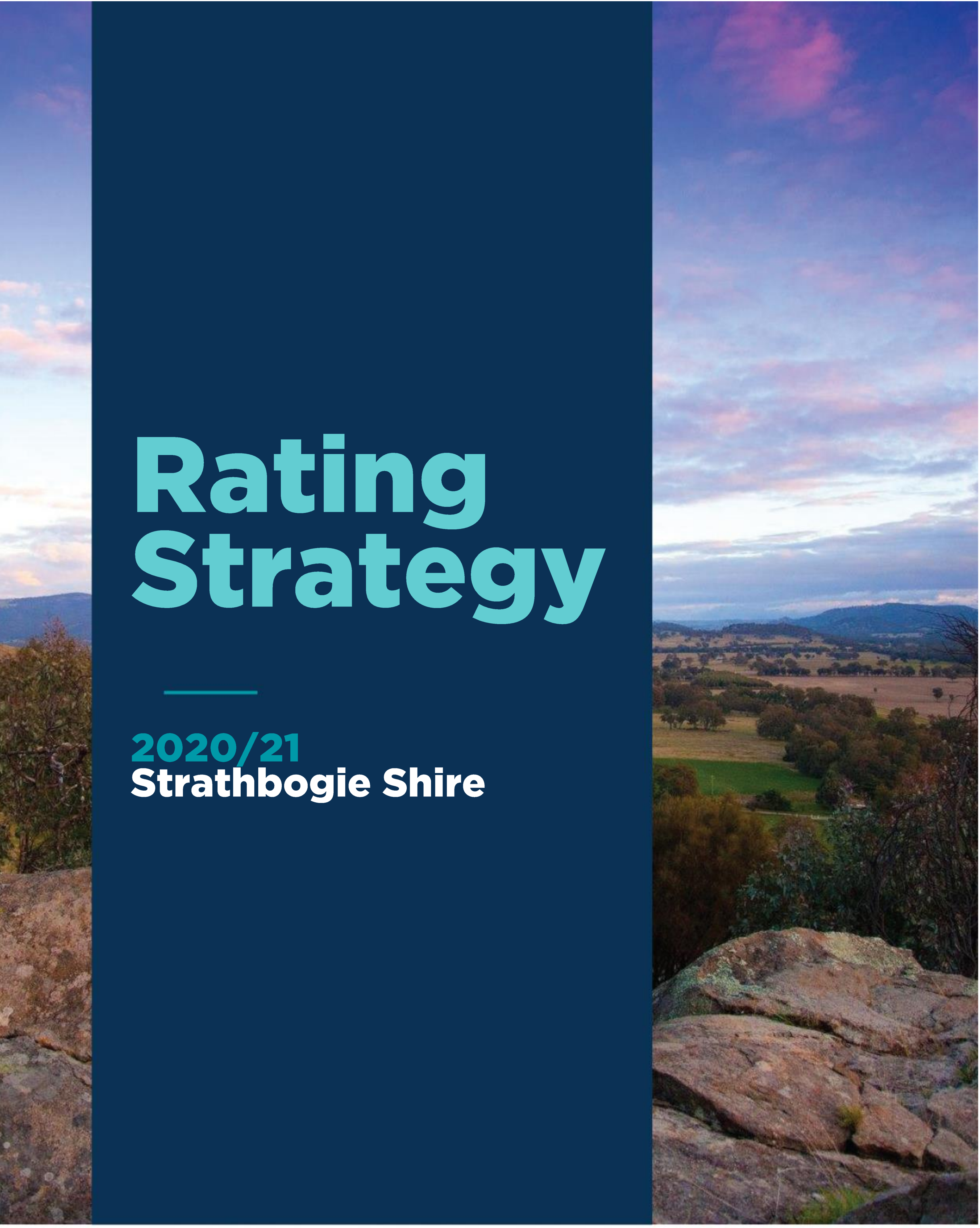


Rating Strategy

2020/21
Strathbogie Shire

Strathbogie shire

RE3 RESET REBOOT REVITALISE

Contents

1.0 Background

The Strathbogie Shire Council rating strategy has been developed to maintain a fair and equitable basis for determining rates and charges levied on/charged to residents and ratepayers of the Shire.

The Rating Strategy seeks to improve the community's understanding of how Council determines its rates by providing a detailed explanation of rating concepts and the decisions made by Strathbogie Shire Council in determining its rating system.

The strategy is to be used as part of the Budget papers to clarify how Council proposes to operate a fair rating system for the Shire.

The Victorian State Government Fair Go rates capping system requires more detailed consultation with communities if Council wishes to declare a rates increase above the cap set by the Minister for Local Government. For Council to maintain existing service levels it has to find innovative ways of providing services, reducing costs, seeking alternative sources of revenue and in fact reviewing all services to determine their relevance to today's society. Council has not indicated an intention to seek an increase outside the cap.

The strategy is prepared to reflect the legislative requirements of the Local Government Act 1989.

The State Government is currently undertaking a review of the rating system with a report due in 2020. Any changes will not apply for the 2020/21 rating year.

In considering the objectives of the strategy, Council must have regard for the following.

In common with most small rural local governments, Strathbogie Shire has a fundamental strategic weakness –

- It has a relatively low population and consequent low revenue base;
- It has a large sparsely populated geographic area with consequent extensive infrastructure network maintenance and technical requirements; and
- Community capacity to pay is less than larger municipalities where households have a higher disposable income.

The combination of these circumstances creates a critical problem with regard to the funding of infrastructure renewal, i.e how do we maintain the shire's roads, bridges, buildings, drainage assets etc. with a relatively low revenue base?

This problem, commonly referred to as the "infrastructure renewal gap" is symptomatic of the majority of small rural municipalities and has over time resulted in inadequate levels of investment in infrastructure renewal with consequent progressive decline in the standard of rural infrastructure.

In addition to addressing the renewal gap, there is increasing pressure from the community and its capacity to pay. Subsequently, Council is reviewing the types and levels of services that it provides in an endeavour to reduce the rate burden on its community.

Council, individually and in conjunction with other rural municipalities and industry groups has endeavoured over many years, and will continue to endeavour, to enlist the support of the Commonwealth and State governments to assist with fairer funding arrangements.

Consequently, previous strategies identified the need to arrest the deterioration of Shire infrastructure through increased investment in infrastructure renewal from local resources. This strategy looks to eventual savings in renewal expenditure to strengthen Council's financial position.

The current strategy is looking to maintain closure of the renewal gap and maintain current services and levels, whilst maintaining sufficient ongoing working capital to allow for future investment in infrastructure.

To measure its financial sustainability, Council has created a Long Term Financial Plan to provide assurance that today's decisions do not impose unacceptable financial burdens on future generations. Accordingly, Council's Rating Strategy, Strategic Resource Plan and Budget are a reflection of this objective.

Section 9.0 "Proposed Rates Structure" provides further supporting information and details of the rating structure proposed to maintain the levels of investment required.

1.1 What are rates?

Rates are income that is collected by Councils to fund the broad range of services that they provide to their communities. All Councils must determine the fairest and most equitable rating system for their individual municipalities from the parameters established in the *Local Government Act 1989* (the Act).

"Rates" and Charges (predominantly rates) are the primary source of income for local government. Other revenue sources that local governments rely upon include grants from Federal and State Governments, fees, fines and charges, income from the sale of assets and interest earned.

The diagram below depicts revenue for Strathbogie Shire Council. Of the $34.53 million budgeted in total revenue for 2020/21 - $19.94 million was sourced from rates and waste charges.

Rates are levied on each property owner based on the value of their property.

Council rates are the contribution that each ratepayer makes towards services provided by Council. Some Council services are statutory which means they are required by a law, and others are based on the needs and aspirations of the community.

Some of the services which Council provides include:

- Land use planning, development and building control and assessment;
- Environmental health (food and public health, noise and nuisance inspection);
- Fire prevention (building inspection / fire prevention);
- Dog and cat management and control.
- Traffic and parking regulations;
- Community leadership and advocacy / community development programmes;
- Sporting and leisure centres including swimming pools and community centres:
- Festivals, events, arts spaces and libraries;
- Parks, gardens, reserves and playgrounds;
- Street lighting;
- Walking & Cycling tracks, road and footpath construction and maintenance;
- Skate parks, sporting and recreation ovals, courts and facilities
- Stormwater and drainage management;
- Family services including maternal and child health and immunization;
- Waste and recycling collection and disposal and water conservation; and
- Roads, bridges and drainage.

1.2 Sound Financial Management and its relationship to the Rating Strategy

Council is committed to continually review its expenditure base and is determined to make savings where they can be made.

The *Act* (section 136) provides four principles of sound financial management for Councils. All Councils are required to implement these principles and establish budgeting and reporting frameworks that are consistent with the following principles:

1. Manage financial risks prudently, having regard to economic circumstances;
2. Pursue spending and rating policies that are consistent with a reasonable degree of stability in the level of the rate burden;
3. Ensure that decisions and actions have regard to financial effects on future generations; and
4. Ensure full, accurate and timely disclosure of financial information relating to the Council.

Developing a Rating Strategy requires Council to strike a balance between competing priorities for Council services and infrastructure and to come up with a mixture of rates and charges (the Rating System) that provides the revenue needed for ongoing financial sustainability.

1.3 Strathbogie Shire Council's Rating System

The key platforms that currently form the basis of the approach to rating at Council include:

- That rates will be based on an ad-valorem basis (i.e. based on the valuation of the various properties) using the CIV method of calculation – S 157(1);
- That Council will not levy a Municipal Charge on all properties but will apply service charges to fully recover the cost of the collection and disposal of garbage, recyclables, organics and tree management program (S162); and
- That Council will continue to apply differential rating (S 161) against various property classes that assists to achieve equality across the community. (The use of differential rates enables Council to maintain a fair and equitable rate contribution by property type).

Section	STRATHBOGIE SHIRE COUNCIL – RATING SYSTEM
Section 2.2 Property Valuation	Council applies Capital Improved Valuation (CIV) as the valuation methodology to levy Council rates. Council reviews the impacts of revaluations as they occur.
Section 9 Rating Differentials /Rate Type	Council applies differential rating as its rating system. Council considers that each differential rate contributes to the equitable and efficient carrying out of Council functions.
Section 9 What differential rates should be applied?	That Council applies differential rates for: 1. Residential – General 2. Vacant Residential 3. Farm 4. Commercial/Industrial 5. Vacant Commercial/Industrial
Section 9 Service Rates and Charges	The service charges applied by Council are a Waste Collection Charge for the collection and disposal of household waste, including recyclables, litter bins collections and organic waste for developed properties only. A service charge applies to cover the full cost of the tree management program - this applies to all rateable properties.
Section 9 Municipal Charge	Council does not apply a Municipal charge
Section 12 Collection of Rates	Instalments with the due dates for payment each financial year are as follows: • 1st Instalment due – 30 September • 2nd instalment due – 30 November • 3rd Instalment due – 28 February • 4th Instalment due – 31 May Section 167(2A) provides that a Council may allow a person to pay a rate or charge in a lump sum , and in order to avoid incurring interest charges any lump sum full payment must be made by 30 September. Council also allows ratepayers to pay property rates via payment arrangements, by any number of instalments, provided the full amount of rates and charges are paid by 31 May each year. .Interest is payable under this option.
Section 12 Hardship Policy	Council recognizes there are cases of genuine financial hardship and has a Hardship Policy which establishes the guidelines for assessment based on fairness, compassion, confidentiality and compliance with statutory requirements.

1.4 Rates & Charges

In order for Council to determine its revenue building capacity to meet current and future activities, while pursuing spending and rating policies that are consistent with a reasonable degree of stability in the level of the rate burden rates and charges, Council has developed a Long Term Financial Plan (LTFP). The LTFP assesses Council's current and future objectives with a view to maintaining service levels and continuing a strong capital expenditure programme.

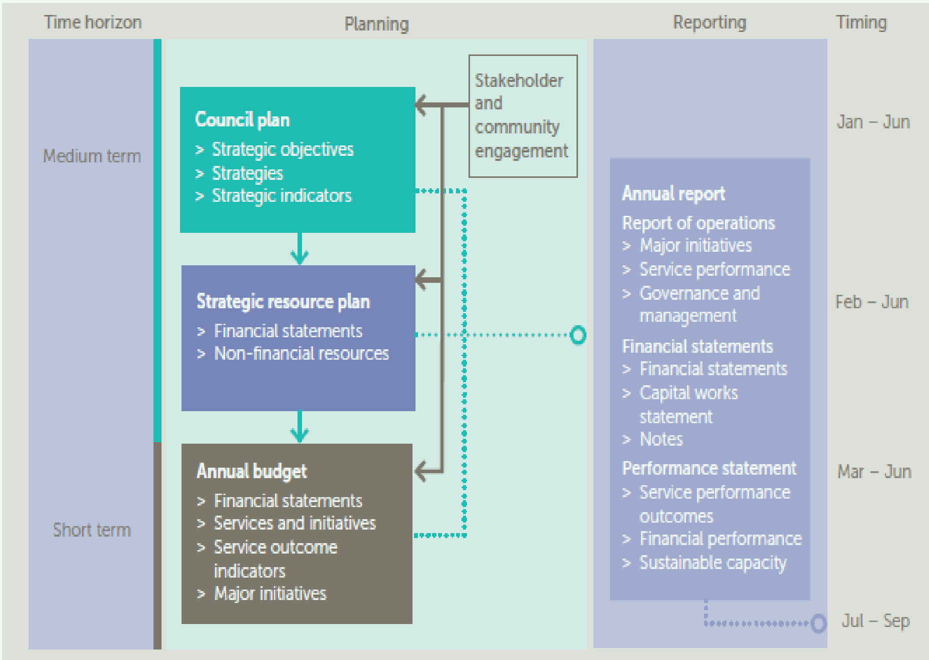
In doing so, Council has projected the required rate increases for the period 2020-2030 which is generally tied to the first application of the Fair Go Rates System. These percentages will change as a result of CPI and Wage changes, and the decision of the Minister each year. In 2020/21 Council is proposing an increase of 0%.

2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

In addition to the increases allowed under the Fair Go Rates System, Council also generates "Supplementary" rate revenue as a result of changes to valuations due to subdivisions, property improvements and new dwellings. This requires a valuation to be done in between revaluations.

1.5 Planning and accountability framework

The Strategic Resource Plan, included in the Council Plan, summarises the financial and non-financial impacts of the objectives and strategies and determines the sustainability of these objectives and strategies. The Annual Budget is then framed within the Strategic Resource Plan, taking into account the services and initiatives included in the Annual Budget which contribute to achieving the strategic objectives specified in the Council Plan. The diagram below depicts the planning and accountability framework that applies to local government in Victoria.



The timing of each component of the planning framework is critical to the successful achievement of the planned outcomes. The Council Plan, including the Strategic Resource Plan, is required to be completed by 30 June following a general election and is reviewed each year in advance of the commencement of the Annual Budget process.

2.0 What is a Rating Strategy?

A rating strategy is the method by which Council systematically considers factors of importance that informs its decisions about the rating system. The rating system determines how Council will raise money from properties within the municipality. It does not influence the total amount of money to be raised, only the share of revenue contributed by each property. The rating system comprises of the valuation base for each property and the actual rating instruments allowed under The Act to calculate the property owners' liability for rates.

The Act requires that the rating system provides a "reasonable degree of stability in the level of the rates burden", it must also meet the requirements of Part 8 of The Act – Rates and Charges on Rateable Land.

The Rating Strategy must also link with other Council strategies and key planning documents.

This strategy details the framework which will be used by Strathbogie Shire Council in determining a fair and equitable distribution of rates and charges. The rating framework is set out within The *Act* and determines a Council's ability to develop a rating system. The framework provides sufficient flexibility for a Council to determine its rating system to best suit its requirements within the context of a public finance methodology, which includes principles of equity, benefit, efficiency and community resource allocation.

The following recommendations are the basis for the Rating Strategy:

- Application of Capital Improved Value as the valuation methodology to levy Council rates.
- Application of five (5) differential rates in the dollar; (Residential - General, Vacant Residential, Commercial/Industrial, Vacant Commercial/Industrial, Farm).
- Review the rating structure following each biennial valuation.
- Application of a kerbside waste, recycling and organics collection service.
- Application of a service charge for the tree management program.
- Application of mandatory rate instalment payment options.
- Allowance of direct debit payments from cheque or savings accounts.
- Consideration of waivers in accordance with the hardship policy.

2.1 Revenue

This strategy takes account of known rates and charges variables effecting potential rating/revenue futures in the Shire. The strategy addresses revenue - side issues only as they relate to rates and charges. It is based on assumed expenditure (operating and capital) forecasts as set out in Council's Strategic Resource Plan and Long Term Financial Plan.

This strategy does not address the potential for Council to increase other revenue sources such as user fees and charges, government grants and developer contributions. Nor does it explore any potential for new income sources to offset the net rate/charge requirement such as from new business undertakings/enterprises. The strategy assumes a given total rate and charge requirement.

2.2 CIV Rating Basis

The Shire raises rates and charges under The Act (s.157(1). It strikes rates based on the Capital Improved Value (CIV) of rateable property in the Shire. The CIV represents the value of a property including land and all constructed and other improvements on the land.

Under The Act, Council may also raise revenue from a range of flat charges and has the power to levy differential rates on different classes of property. The basis of and assumptions that apply to these are addressed in this Strategy.

3.0 Defining Success - Fairness & Equity

The rating mechanism is simply the method by which the cost of providing Council services and facilities is distributed across the Shire's property base. Council's goal is to strike a mix of rates and charges that will distribute these costs as fairly as possible across all ratepayer groups.

Wealth tax principle. Wealth can be defined as the total value reflected in property and investments and income directed to day-to-day living. Local government is limited to taxing one component of wealth – real property. Council rates tax the stored "wealth" or unrealised capital gains inherent in land and buildings. The "wealth tax" principle implies that the rates paid are dependent upon the value of a ratepayer's real property and have no correlation to the individual ratepayer's consumption of services or the perceived benefits derived by individual ratepayers from the expenditures funded from rates.

In terms of equity, section 3C (2) (f) of The *Act* – to ensure the equitable imposition of rates and charges is of significance in developing this strategy. Equity is a subjective concept that is difficult to define – especially because it has a number of elements. What is eminently fair to one person may be totally unfair to another. Other considerations are horizontal and vertical equity. Horizontal equity means that those in the same position (e.g. with the same property value and land use) should be treated the same. Vertical equity in respect to property taxation means that higher property values should incur higher levels of tax.

Efficiency - meaning that in a technical sense the tax should not unduly interfere with the efficient operation of the economy. For Local Government the tax should be consistent with the major policy objectives of Council.

Simplicity - for both administrative ease (and therefore lower cost) and to ensure that the tax is understood by taxpayers. The latter ensures that the tax system is transparent and capable of being questioned and challenged by ratepayers.

In considering what rating approaches are equitable Council must deal with all facets of the rating structure, including valuation, budgetary requirements, differential rating, government taxation and concessions, collection and hardship considerations.

An issue often raised is that the rates levied have no correlation with the services consumed. This issue is based on the benefit principle (the opposite of the wealth tax principle). The application of the benefit principle is difficult in practice because of the complexity and, in some cases, impossibility, of measuring the relative levels of access and consumption across the full range of council services. A simplistic determination of rates based on where services are located is also short sighted because it ignores issues such as:

- Some services are not location specific;
- Access is not synonymous with consumption;
- Residents can travel or use technology to access some services; and
- Service levels provided in different locations within the municipality have different costs. For example, the actual cost of providing the same service may be higher for Marraweeny than for a property in the middle of Euroa.

In adopting a differential rating structure for ad valorem taxes, Council considers that they will contribute to the equitable and efficient carrying out of its functions – *The Act* section 161(1) (b).

The outcomes being sought from Council's rating structure include:

- A system which can be demonstrated to be 'fair and equitable';
- A system which meets Council's revenue requirements (based on the Strategic Resource Plan and Long Term Financial plan).
- A system which provides stability in terms of the proportional revenue contribution by the various property category segments.

3.1 Property Value Fluctuations

Section 4.0 of this report discusses the various tools which Council can use to effect the distribution of the rates burden to achieve a fair and equitable outcome.

The key rating determinants are, however, the Capital Improved Value of each property and the rate in the dollar of CIV applied by Council.

Property value is a factor outside Council's control. Property values are determined (for local government rating purposes) by independent valuations undertaken annually. Valuations are determined through a market-based statistical assessment of property values for a range of property types and geographic areas. Property value changes can be volatile and reflect wider prevailing economic conditions that are also beyond Council's control. The most recent municipal revaluation will have effect from 1 January 2020 – these values will apply for the 2020/21 year.

In light of the COVID 19 pandemic the Valuer General has issued advice to the effect that the 2020 general valuation has a relevant date of 1 January 2020 and is therefore based on market conditions at, and immediately before that date. Any market changes occurring now or in the future due to COVID 19 will be applicable to future valuation cycles. This means that rate assessment notices for 2020 will be based on valuations prior to the pandemic.

As property values do not increase or decrease uniformly across the various geographic areas and property types, shifts in the level of rates burden experienced by individual ratepayers, will vary. Just as a two year cycle smoothed out fluctuations compared to the previous four year cycle, an annual cycle should also do that.

Recognising and communicating the potential impacts of property value volatility is an important aspect of an effective rating strategy. Increased property value is often the factor most responsible for significant rating increases and is probably the factor which is least well understood by the community. The positive aspect of this equation, which is often not sufficiently acknowledged, is that such a valuation increase is a real and realisable increase in the capital asset of the effected ratepayer.

It is a widely held truth that when it comes to municipal rating, ratepayers object more to the sudden and sharp percentage shifts in the rates they pay, than to the actual amount of rates they pay. Expectations tend to be built on the status quo and sudden changes to relative rate shares inevitably (and understandably) are met with community concern. Clear and transparent communication is a key factor in the management of any revaluation process.

The underlying assumption of the local government rating mechanism is that property values, in the long term, represent an individual's capacity to pay. Council understands that this is often not the case; however it is constrained by the methodology determined by The Act.

4.0 The Rating/Charge 'Levers' Available to Council

As indicated, Council cannot influence the property values which are the key determinant in rate burden distribution. There are however 3 basic revenue-side 'tools' or 'levers' available to Council which can be used to assist the achievement of fair and equitable rating outcomes.

- Use of differential rates - differential rates can legally be levied (up to a differential ratio of 4:1 from the highest to the lowest differential) for property type/use, location or in combination.
- The amount of the municipal charge levied on assessments (irrespective of valuation); and
- The level of direct service charges (garbage charge, recycling charge, organics charge and a service charge to recover transfer tree management program costs). Council determines the level of these charges on a cost – recovery basis.

4.1 Differential Rates

Differential rates can only be applied if the CIV valuation system is used (which Strathbogie Shire does). It is also necessary to be able to demonstrate that any proposed differential rates are consistent with the principles of fairness and equity.

Where Council decides to apply differential rates it should consider three equity principles:

- the **benefit** or user pays principle – some groups have more access to, make more use of and benefit more from specific council services .The current property value based method of raising tax does not take this into account. It simply applies the property value.
- the **capacity to pay** principle – some ratepayers have greater ability to pay rates than do others with similarly valued properties .Other ratepayers will be "asset rich" and "income poor."
- the **incentive or encouragement** principle – some ratepayers may be doing more towards achieving council goals than others in areas such as environmental or heritage protection.

Another consideration is delivering an efficient, simple and transparent system of rates and charges. A simple rating system is more transparent, meaning that the underlying purpose and principles behind it are clearer – who is liable for a particular rate and how the liability is calculated.

4.2 Service Charges

The level of service charges is ultimately a policy matter for Council. Council's current policy for service charges is to align the level of charges for service to that required to achieve full cost recovery as far as is possible. This policy is consistent with mainstream local government practice for non-rate charges.

Such a policy enables full transparency for the charges levied. Residents/ratepayers as a general rule would expect that a charge levied for a particular service would be in some way aligned to the costs of that service. In policy terms, there are several arguments that need to be considered in relation to the use of service charges to raise revenue (as opposed to levying higher rates in the dollar):

- Service charges shift the cost burden from ratepayers generally to those who actually use the service, thereby reducing the overall amount needed to be raised through rates; and
- Service charges (if set at levels that equate with full service cost recovery) eliminate cross-subsidies from the general ratepayer populace to specific service users.

4.3 Municipal Charge - General Policy

Under The Act, Councils are able to levy a uniform Municipal Charge. The charge is generally designed to be a base charge reflecting a proportion of base/administrative costs incurred by Council. Presently the level of municipal charge cannot exceed 20% of the total rates and municipal charges of Council and some changes have been discussed in the current rating review but no decisions taken.

In the 2019/20 Budget Council reduced the charge from $266 to $133 and reduced the Farm rate differential from 82.5% to 80%

In 2020/21 Council proposes to remove the Municipal Charge the effect of which will be an easing of the rate burden on lower valued properties.

5.0 Financial Sustainability and Capacity to Pay

In developing this strategy Council has reviewed the relative sustainable capacity of council and the community. The components of this include:

- Impact of inherent geographic and demographic factors on costs
- Assistance received from recurrent government grants
- Sustainability of Council

5.1 Impact of inherent geographic and demographic factors on costs

There are six (6) "general" independent variables used in modelling the impact of geographic and demographic factors on the costs of operating Council.

1. Population size
2. Population density
3. Concentration of service activity (CSA)
4. Average traffic volumes (ATV)
5. Dispersion of population into townships & rural areas
6. Remoteness of the municipality from major population centres

There are four (4) "cost" specific variables used in modelling the impact of geographic and demographic factors on the costs of operating Council.

1. Aged population
2. Infant population
3. Bridges
4. Roads

5.2 Assistance received from recurrent government grants

Council receives a significant portion of its income from various, commonwealth and state grants. These grants are either tied grants (for specific services) or untied grants (VGC) and comprise about 20% of council recurrent revenue. Such grants:

- Provide a reliable & consistent source of recurrent income (although diminishing when compared to costs)
- Have a direct impact on sustainable capacity, reducing net operating cost per head

5.3 Sustainable Capacity – Council and Community

Sustainable capacity is measured annually by the Victorian Auditor General's Office and results in recent years show that Strathbogie has a low risk of being financially unsustainable.

What it does not measure is the Rates Affordability of the community and its capacity to pay.

Council is aware of community concerns in relation to the level of rates and has developed a Long Term Financial Plan (LTFP) to reflect lower rate rises to address these community concerns and their capacity to pay. This was seen in the reduction of a proposed increase to 4% for the 2015/16 financial year and compliance with the rate cap figures of 2.5% in 2016/17 and 2% in 2017/18 and a figure of 1.9% (below the rate cap of 2.25%) in 2018/19 , followed by 2.25% (below the rate cap of 2.5%) in 2019/20.

For 2020/21 Council is proposing an increase in the average rate of 0% once again below the rate cap (of 2%)

The effect of rate capping is another factor that Council needs to consider. This has had the effect of reduced rate rises for the community which should enhance its ability to pay.

6.0 Strathbogie Shire – Current Rates/Charges Profile

The 2019/20 Budget provided for the following rates and charges:

Rate/Charge:	c/$	No. of Assess.	$ Revenue 2019/20
Residential Rate	.0050194	4,696	7,313,000
Vacant Residential Rate	.0087839	340	569,000
Commercial/Industrial Rate	.0060232	307	859,000
Vacant Commercial Industrial Rate	.010547	10	19,000
Farm Rate	.0040155	2,234	7,485,000
TOTAL RATES:		**7,587**	**16,245,000**
Charges:	**$**		**$ Revenue 2019/20**
Recycle Charge	178		176,447
Kerbside	375/750		506,596
Kerbside Recycling/Organics	552		1,801,271
Municipal Charge	133		920,739
Tree Management Service Charge	28		194,234
TOTAL CHARGES:			**3,599,287**
TOTAL RATES & CHARGES:			**19,844,287**

(*less RL Rebates where applicable)

Profile Summary:

- Service charges generate 14% of total rates and charges revenue. Rates generate 86% of total rates and charges.

- The major source of rates charge income is the Farm sector (40%) followed by the Residential sector (39%);
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- The weighting (in an overall context) of the Commercial/Industrial rate base is small (5%). This is largely concentrated in the Nagambie and Euroa townships.

7.0 Differential Rating

The CIV rating method allows differential rating (s.161) of the Act). That means Councils can strike different rates in the dollar for different property classes. This effectively attributes a greater or lesser percentage of the total cost burden of local government services onto different classes of ratepayers according to the levels of differentials applied. Under The Act, the highest differential cannot be more than 4 times the lowest differential. There is no limit to the number of differentials that may be applied.

Any differentials applied must be demonstrably fair and equitable. Any rates struck by Council may be legally challenged. Ministerial Guidelines for Differential Rating were released 26 April, 2013 and define what types of land are considered to be appropriate for differential rates, what types of land need to be carefully considered for differential rates and land that would be considered not appropriate to declare differential rates. Using the current differential rates, the distribution of the rates burden is clearly defined and easily applied. Equity is defined in s.3.

A general observation of other local government experience indicates that successful outcomes in the determination of fair differential rates have been arrived at only with high levels of consultation with community and interest groups. Whilst some attempts have been made to ascribe differential rates based on levels of deemed benefit derived, these have generally been unsuccessful. This is due to the very subjective nature of determining levels of benefit (directly and indirectly) from Council services, the related arguments such as the community service obligations of businesses and the balance between benefit derived and capacity to pay.

Arguments regarding benefit derived become entwined with related philosophical issues such as the equity of progressive taxation regimes, the validity of capacity to pay as a criteria (and property values as a fair representation of capacity to pay) and the tax deductibility of local government rates available to businesses.

The following broad principles ought to be applied to the use of differential rates:

- Differential rates should be levied on the basis of fairness and equity;
- Differential rates should not be used merely as a means of negating the impacts of shifts in the rating base (property market valuations);
- Councils should attempt, as far a possible, to achieve efficiency, transparency and stability in any differential rates applied.

8.0 Pensioners Rate Remission

Pensioners in Victoria may apply for the State Government Pensioner Rates Remission. At present, pensioners are entitled to a rates remission of 50% of their rates bill up to a maximum of $235.15 (2020/21) per annum. The Fire Services Property Levy has a government rebate of up to $50.

Clearly, the remission payable to pensioners under Pensioner Rates Remission Scheme is vastly less than the average residential rates bill. As such, the scheme could be said to, at best, offer only a modest relief to the financial impost of local government rates and charges.

The Pensioner Rates Remission Scheme is cost-neutral in the context of the Shire's rating strategy. Council presently provides no additional relief to pensioners over and above the State-funded remission scheme.

9.0 Proposed Rates Structure

9.1 Expenditure Assumptions and Infrastructure Investment Needs

As indicated, the focus of this strategy is on the fair and equitable distribution of the rating burden across the wider community. The expenditure assumptions upon which future rating scenarios have been developed are drawn from Council's Strategic Resource Plan and Long Term Financial Plan.

Under the previous Council's long-term strategic planning, significant increases in Council expenditure were identified as being necessary to maintain an effective program of infrastructure renewal. The level is expected to be maintained to meet the infrastructure renewal gap and allow for options to invest in future services and infrastructure.

Council has made significant progress in addressing the infrastructure renewal gap, to the extent that its Asset Management Policy has been reviewed to :

- Apply the "renew before new" philosophy by fully funding the asset renewal demand in each year of the Long Term Financial Plan as a non-discretionary budget item
- Any additional funding available may then be applied by Council to upgrade , expansion and new works as priorities in the annual Capital Works Program
- In calculating the renewal demand , Council will accept up to 3% of assets being outside intervention, given their good overall condition
- Modelling to determine the renewal demand will exclude several high value assets , which may be subject to alternative approaches

It also needs to be understood that the infrastructure investment gap refers to **renewal** only and does not include allowance for investing in **new** assets, facilities and infrastructure for our communities.

There remain challenges in respect of normal annual increases in the costs associated with local government service provision, many of which rise in excess of inflation.

9.2 Rates Structure

In 2010/11 Council introduced a 2 tiered rating and revenue structure over 5 years to address infrastructure issues. The components were:

- Normal annual rate increases:
  - these would be set at levels necessary to meet Council recurrent costs indexed in line with inflation; and
- An 'Infrastructure Catch-up levy':
  - this levy was a surcharge on Council rates and municipal charges specifically to address the infrastructure and asset renewal backlog.

The introduction of the 2011/2015 Rating Strategy was as a result of an identified renewal gap of approximately $9M in 2009. The gap was expected to increase if that rating strategy was not introduced.

As indicated in the previous section, Council is now in a good position in relation to renewal demands following a review of its Asset Management Policy and outcomes of investment in recent years. Council is now funding its underlying renewal needs. This strategy was replaced with an across the board 4% rate increase and changes to service charges for the 2015/19 Rating Strategy . This has changed further with the implementation of rate capping.

The current LTFP is now based on a 0 % rate increase in 2020/21 and 2.0% thereafter plus investment growth as a result of new properties being added to the rate base. This has provided the basis for the consistent rate rises over the term of the LTFP.

The key features of the proposed rating/charge structure, as amended, are:

- Rates increases of 0 % then 2.0 % a year plus supplementary growth
- Retention of the existing policy of full cost recovery for all service charges where practical, with the level of service charges indexed annually in line with costs;
- Inclusion of service charges to fully recover the cost of the collection and disposal of garbage, recyclables and organics. There is also a service charge to be assessed on all assessments that contributes to the recovery of costs required to maintain a tree management program and ;
- Removal of the municipal charge in 2020/21.

9.3 Proposed Differential Rates

The differential rates shown will be applied to the items of expenditure described in the annual budget. The level of the rates for each land category is considered to provide for an appropriate contribution to Council’s budgeted expenditure, having regard to the characteristics of the land.

General/Residential (Base)	100%
Vacant Residential Land	175%
Commercial/Industrial	120%
Vacant Commercial/Industrial	210%
Farm	80%

9.4 Proposed Commercial/Industrial Differential Rate

A differential rate will be applied to land used for commercial or industrial use.

Council currently has a 120% differential rate on commercial/industrial properties – this is proposed to be retained at this level. Commercial and industrial differential rates are commonly applied in local governments throughout Victoria and Australia. Indeed, Council has previously applied a higher differential rate for commercial and industrial properties.

Land classed as commercial/industrial is identified as that land which is categorised within the rating system as having a predominantly commercial or industrial use. Where a commercial enterprise is a secondary use to the predominant farm use, then land in this case will be classed as farm use.

The characteristics of the land classed as commercial/industrial are that it is used for the purposes of retail, wholesale, tourism activities, accommodation, professional or other commercial services or for manufacturing, maintenance, storage and distribution of goods or other industrial services.

Council considers that the introduction of a commercial/Industrial differential is consistent with the principles of fairness and equity.

The objectives, definitions, identification and characteristics of the various differential rates are provided in Section 11 of this strategy.

9.5 Proposed Farm Differential

A differential rate will be applied to land used for farming purposes.

Council currently has an 80% differential rate on farm properties above 40 hectares. The farm differential rate is available to all farm properties of 40 Hectares or greater and to farm properties of less than 40 Hectares which can meet criteria which establish them as bona fide farming activities.

Land classed as farm is identified as that land which is situated within the farming zone, is not less than 40 hectares in area and is not classified as having a commercial or industrial use. Land classified as having a commercial or industrial use will be rated accordingly. Land situated within the farming zone of less than 40 hectares may be considered for the farm differential rate, subject to satisfying Council's criteria for recognition as a bone fide farming activity. Typically such consideration would apply to intensive farming pursuits.

The characteristics of the land classed as farm are that it is used to;

- propagate, cultivate or harvest plants, including cereals, flowers, fruit, seed, trees, turf, and vegetables; or keep, breed, board, or train animals, including livestock, and birds; or propagate, cultivate, rear, or harvest living resources of the sea or inland waters.

Farming properties of less than 40 Hectares, which do not satisfy farm rate criteria, are rated at the general rate.

The objectives, definitions, identification and characteristics of the various differential rates are provided in Section 11 of this strategy.

9.6 Proposed Vacant Residential Land Differential

A differential will be applied to land which is classed as vacant residential land.

Council currently has a 175% differential rate on vacant residential land properties – this is proposed to be retained at this level. Vacant residential land differential rates are commonly applied in local governments throughout Victoria and Australia.

The differential is applied to encourage the development of vacant residential land for the general benefit of the community. Land classed as vacant residential is identified as that land which is categorised within the rating system as having a residential use and having improvements valued at not greater than $20,000. Vacant residential land which is considered contiguous with occupied residential land will be rated as residential. The characteristics of the land classed as vacant residential are that it is located within a residential (or township or similar) zone, is permitted for residential development and has improvements of not greater than $20,000.

Council considers that the introduction of a vacant residential land differential is consistent with the principles of fairness and equity.

The objectives, definitions, identification and characteristics of the various differential rates are provided in Section 12 of this strategy.

9.7 Proposed Vacant Commercial/Industrial Land Differential

A differential will be applied to land which is classed as vacant commercial or industrial land.

Council currently has a 210% differential rate on vacant commercial/industrial land properties – this is proposed to be retained at this level. Vacant commercial/industrial land differential rates are commonly applied in local governments throughout Victoria and Australia.

Land classed as vacant commercial/industrial is identified as that land which is categorised within the rating system as having a commercial or industrial use and having improvements valued at not greater than $20,000. Vacant commercial/industrial land which is considered contiguous with occupied commercial/industrial land will be rated as vacant commercial/industrial. The characteristics of the land classed as vacant commercial/industrial are that it is located within a commercial or industrial zone, is permitted for commercial or industrial development and has improvements of not greater than $20,000.

Council considers that the introduction of a vacant commercial/industrial land differential is consistent with the principles of fairness and equity.

The objectives, definitions, identification and characteristics of the various differential rates are provided in Section 11 of this strategy.

9.8 Proposed Municipal Charge

Council has decided to remove the Municipal Charge transferring approximately $910,000 revenue from a fixed charge to become rate revenue determined by valuations.

9.9 Service Charges

The LGA allows Council to declare a service rate or an annual service charge.

This charge can be applied on, or a combination of, any of the following services:

- Provision of a water supply
- Collection and disposal of refuse
- Provision of sewerage services
- Any other prescribed service

This service rate or service charge may be declared on the basis of any criteria specified by the Council in the rate or charge. The service charges applied by Council are a Waste Collection Charge for the collection and disposal of household waste, including recyclables and organics, together with a levy to cover tree management costs.

Components of waste management charges are as follows:

9.10 Garbage

All developed land used primarily for residential, commercial or other purposes that are serviced by the weekly or fortnightly waste collection service will incur a Garbage Collection Charge for the provision of a domestic garbage bin. This charge will also be applied to all non-rateable properties that utilise the garbage collection service.

9.11 Recycling

All developed land used primarily for residential, commercial or other purposes that are serviced by the weekly or fortnightly waste collection service will incur a Recycling Charge for the provision of a recycling bin. This charge will also be applied to all non-rateable properties that utilise the recycling collection service.

9.12 Organic Waste

All developed land used primarily for residential, commercial or other purposes that are serviced by the weekly or fortnightly waste collection service will incur a Organic Waste Charge for the provision of an organic waste bin. This charge will also be applied to all non-rateable properties that utilise the organic waste collection service.

9.13 Service Charge

All rateable properties will be levied a service charge to provide for a specific tree management program that addresses Councils requirement to manage tree maintenance on roadsides.

9.14 Trust For Nature - conservation covenants

Council has previously considered implementation of a scheme to encourage preservation of areas of conservation significance .One option Council considered was to do tis through the rating system but at its meeting in October 2019 the Council resolved :

"That Council approve an Annual Conservation Incentive for Strathbogie Shire property owners of Trust for Nature registered Conservation Covenants, of $25 per hectare capped at $250 per property, to be trialled in 2019/20, payable prior to 30 November 2019.

2. *That Council acknowledge that the balance of the budget will be put towards support for our rural communities.*

3. *That a short Conservation Incentive Evaluation be completed by all recipients annually, in order to;*
   a. *confirm a landowner's participation in each year's incentive, and;*
   b. *reinforce Council's ongoing support with feedback and data on how the incentive benefits landowners via:*
      - *local economic development,*
      - *support of group and individual biodiversity initiatives,*
      - *support of property maintenance initiatives, and*
      - *support of weed and pest eradication.*

4. *That a review of the Annual Conservation Incentive be undertaken in July 2020."*

Therefore administration of this program is outside the scope of the Rating Strategy.

9.15 Proposed Rates/Charges Profile 2020/21

Rate/Charge:	c/$	No. of Assess.	$ Revenue 2020/21
Residential Rate	.0050682	4,701	7,702,000
Vacant Residential Rate	.0088694	326	553,000
Commercial/Industrial Rate	.0060818	307	924,000
Vacant Commercial Industrial Rate	.0106432	10	20,000
Farm Rate	.0040546	2,243	7,917,000
TOTAL RATES:		**7,587**	**17,116,000**
Charges:	**c/$**	**No.**	**$ Revenue 2020/21**
Kerbside collection 80/120/240 litre	383/765		529,000
Recycling 120/240/360litre	181		187,000
Kerbside/Recycling/Organics	563		1,911,000
Kerbside/Organics	383		
Tree Management Service Charge	29		199,000
TOTAL CHARGES:			**2,826,000**
TOTAL RATES & CHARGES:			**19,942,000**

10.0 Special Rates & Charges

Section 163 of *The Act* provides that Councils may declare a special rate or charge or combination of both if Council considers that such action will provide a special benefit to the persons required to pay the rate or charge.

This is a commonly used rating mechanism in local government and is typically used for projects where the benefit is relatively easy to identify and quantify.

The establishment of Special Charge Schemes may be considered where:

- Existing or proposed development has highlighted a need for additional infrastructure improvement, or
- Potential New or Upgraded infrastructure has been identified to hold high strategic value, and
- Scheme participants would receive tangible and direct benefit from that infrastructure, and Council has capacity to fund the inherent community benefit

The implementation of such schemes would only proceed subject to extensive community consultation.

11.0 Differential Rates – Objectives and Characteristics

Section 161 of The Act provides that a Council may raise any general rates by the application of a differential rate if -

(a) it uses the capital improved value system of valuing land; and

(b) it considers that the differential rate will contribute to the equitable and efficient carrying out of its functions

Section 161 further requires that the objectives of the differential rate and characteristics of the land which are the criteria for declaring the rate be specified.

11.1 Commercial/Industrial Differential Rate

A differential rate will be applied to land used for commercial or industrial purposes. The reasons for the application of a commercial/industrial differential rate are to ensure the equitable and efficient carrying out of Council's functions and to ensure the appropriate distribution of costs associated with the delivery of services which specifically benefit commercial/industrial properties.

Services specifically benefiting commercial/industrial properties include street cleaning, streetscape infrastructure maintenance, waste management, environmental health, compliance - particularly car parking and animal control, street tree management and improvements to commercial and industrial areas.

The appropriate level for the commercial/industrial differential rate is considered to be 120% of the general rate.

Land classed as commercial/industrial is identified as that land which is categorised within the rating system as having a commercial or industrial use.

The characteristics of the land classed as commercial/industrial are that it is used for the purposes of retail, wholesale, tourism activities, accommodation, professional or other commercial services or for manufacturing, maintenance, storage and distribution of goods or other industrial services.

11.2 Farm Differential Rate

A differential rate will be applied to land used for farming purposes.

The reason for the application of a farm differential rate is to ensure the equitable and efficient carrying out of Council's functions.

Specifically, reasons include –

- Acknowledgement that land invested in farming is intrinsic to the activity, distinguishing it from land upon which an activity is based.
- Acknowledgement that farming viability generally requires broadacre investment and recognition of the consequent adverse rating impacts of that investment.
- Acknowledgement that farmers are key contributors to the successful management of the rural environment and that the general community derives benefit from that management.
- Recognition of the importance of farming as a local economic generator with flow on impacts for local business and employment.
- The importance of maintaining the Shire's rural amenity for the enjoyment of residents and the attraction of tourists.
- The application of a farm differential is consistent with the general practice of rural local governments.
- National economic importance of encouraging investment in primary industry.

The appropriate level for the farm differential rate is considered to be 80% of the general rate.

Land classed as farm is identified as that land which is situated within the farming zone, is not less than 40 hectares in area and is not classified as having a commercial or industrial use.

Land situated within the farming zone of less than 40 hectares may be considered for the farm differential rate, subject to satisfying Council's criteria for recognition as a bone fide farming activity. Typically such consideration would apply to intensive farming pursuits.

The characteristics of the land classed as farm are that it is used to –

- propagate, cultivate or harvest plants, including cereals, flowers, fruit, seeds, trees, turf, and vegetables; or
- keep, breed, board, or train animals, including livestock, and birds; or
- propagate, cultivate, rear, or harvest living resources of the sea or inland waters.

11.3 Vacant Residential Land Differential Rate

A differential rate will be applied to land which is classed as vacant residential. Residential land will be deemed to be vacant if improvements are valued at $20,000 or less.

The reason for the application of a vacant land differential rate is to ensure the equitable and efficient carrying out of Council's functions.

Specifically, reasons include –

- To encourage occupation of developed residential land to ensure the appropriate distribution of the cost of Council services
- To discourage the stockpiling of sought after residential land for investment purposes
- To encourage social and economic development
- To encourage development of community facilities and amenity

The appropriate level for the vacant residential land differential rate is considered to be 175% of the general rate.

Land classed as vacant residential is identified as that land which is situated within the residential zone and has improvements valued at $20,000 or less.

The characteristics of land classed as vacant residential land are that -

- it is zoned residential under Council's planning scheme; and
- it has improvements valued at $20,000 or less; and
- it satisfies any other requirements for the construction of a dwelling;

11.4 Vacant Commercial/Industrial Land Differential Rate

A differential rate will be applied to land which is classed as vacant Commercial/Industrial. Commercial/Industrial land will be deemed to be vacant if improvements are valued at $20,000 or less.

The reason for the application of a vacant commercial/industrial land differential rate is to ensure the equitable and efficient carrying out of Council's functions.

Specifically, reasons include –

- To encourage occupation of developed commercial/industrial land to ensure the appropriate distribution of the cost of Council services
- To discourage the stockpiling of sought after commercial/industrial land for investment purposes
- To encourage social and economic development
- To encourage development of community facilities and amenity

The appropriate level for the vacant commercial/industrial land differential rate is considered to be 210% of the general rate.

Land classed as vacant commercial/industrial is identified as that land which is categorised within the rating system as having a commercial or industrial use and has improvements valued at $20,000 or less.

The characteristics of the land classed as vacant commercial/industrial are that it is classed as being available for purposes of retail, wholesale, tourism activities, accommodation, professional or other commercial services or for manufacturing, maintenance, storage and distribution of goods or other industrial services.

Elloura

Council grants a rebate to each owner of rateable land within the Elloura development in Nagambie who qualify under the Owners Corporation Agreement in recognition of services being provided within the development not requiring Council resources. This is subject of an agreement between Council and the developer.

11.5 First Home Buyers

Council operates a scheme whereby a rebate of two year's rates is granted to ratepayers who qualify for the Victorian Government's First Home Owners Grant.

When proof of approval for First Home Buyers Grant is provided, Council will excuse rates and municipal charge for a period of two years from commencement of the first full financial year in which the rates are payable by the new owner .

In line with requirements to obtain the Grant home owners will qualify :

- for a newly built home sold for the first time (applied from the date of contract to purchase) ,
- for a house and land package (applied from the date of contract to purchase) ,
- for a vacant block on which a new home is to be built (applied from the date of contract to build house) - maximum property value is $750,000.

12.0 Collection of Rates

In accordance with Section 167(1) of The *Act*, Council must allow a person to pay a rate or charge in four instalments and the instalments are due and payable on the date fixed by the Minister by notice published in the Government Gazette.

Section 167(2A) provides that a Council may allow a person to pay a rate or charge in a lump sum , and in order to avoid incurring interest charges any lump sum full payment must be made by 30 September. Rates paid via instalments must be received by the due dates for payment each financial year as follows:

- 1st Instalment due – 30 September
- 2nd instalment due – 30 November
- 3rd Instalment due – 28 February
- 4th Instalment due – 31 May

Council also allows ratepayers to pay property rates via payment arrangements, by any number of instalments, provided the full amount of rates and charges are paid by 31 May each year.

12.1 Payment Methods

Council has a number of different payment options for rates:

- Over the Counter
- In person at Australia Post agencies.
- At Councils Customer Services.
- Internet
- Payment via BPay.
- Payment via Post billpay.
- Telephone by credit card
- May make payment from cheque or savings account.
- Mail
- Post cheque or Money Order to Council.

12.2 Unpaid Rates or Charges

In accordance with section 172 of *The Act* Council may charge interest on unpaid rates and charges in accordance with the rate fixed under section 2 of the *Penalty Interest Rate Act 1983* which is altered from time to time by the Victorian State Government. The penalty interest rate applicable under *The Act* is the rate ruling on 1 July each year. The current rate is 10% and will apply each year unless it is amended on or before 30 June.

12.3 Debt Recovery

After the final day for payment of rates and charges, reminder notices are forwarded to ratepayers. A further final notice is sent requesting payment or inviting ratepayers to make arrangements to pay their outstanding debt.

Any ratepayer who has difficulty paying their rates is invited to contact Council to make alternate payment arrangements. If no payment is forthcoming or no arrangements have been made to pay the amount outstanding, Council pursues the recovery of outstanding rates and charges through Debt Collection agents. All costs incurred for recovery are added to the amount outstanding.

Council has a Hardship Policy that is to be referenced in all cases.

Council will also make every effort to contact ratepayers at their correct address but it is the ratepayer’s responsibility to properly advise Council of their contact details. Amendments to the LGA require both the vendor and buyer of the property, or their agents to notify Council by way of notices of disposition and acquisition respectively.

13.0 Fire Service Property Levy (FSPL)

While the Fire Service Property Levy is not part of the rating strategy, Council is responsible for the collection of the FSPL on behalf of the State Government.

Prior to the introduction of the Fire Services Property Levy, Victoria’s fire services were funded by financial contributions from insurance companies, the State Government and metropolitan Councils. Insurance companies recovered the cost of their contributions by imposing a fire services levy on insurance premiums.

One of the key findings of Victorian Bushfire Royal Commission was that this model for fire services funding was inequitable, lacked transparency and discouraged some owners from insuring, or fully insuring, their property due to the additional cost the levy imposed on premiums. As a result, the Commission recommended that the insurance-based fire services levy be replaced with a property-based levy which would require all property owners contributing to fire services funding, not just those with adequate insurance.

On 28 August 2012, the Victorian Government announced that it would implement the Commission's recommendation. The *Fire Services Property Levy Act 2012* (FSPLA) was developed to establish the legal framework for the new Fire Services Property Levy. The Act received Royal Assent on 16 October 2012, and will impose a levy on land in Victoria from 1 July 2013.

The Local Government sector or Councils were appointed as the collection agency for the State Government to collect the levy on leviable land within their municipal district including leviable land owned by Council.

13.1 Property Subject to FSPL

All land is leviable under the FSPLA unless that land is:

- Commonwealth owned land;
- State Government owned land; and
- Public bodies.

For the 2019/20 financial year, the fixed charges were set as follows:

- Residential land (including vacant residential land): $105;
- Commercial land: $213;
- Industrial land: $213;
- Primary production land: $213;
- Public benefit land: $213 and
- Vacant land (excluding vacant residential land): $213.

The fixed charge is subject to adjustment in line with the Victorian Consumer Price Index (CPI). The State Revenue Office (SRO) will notify Councils of changes when they occur.

The Minister will publish the CPI adjusted fixed charge for a levy year before 31 May of the previous year on the SRO website at www.sro.vic.gov.au.

13.2 Levy of Rates

The Minister may determine different levy rates based on land use classification and whether the land is located in the metropolitan fire district or in the country fire district of Victoria. If the Minister does not determine and specify the levy rate by 31 May for the next levy year, the levy rate will remain the same as the most recently determined levy rate.

13.3 FSPL Collection

Section 25(2) of the *Fire Services Property Levy Act 2012* currently requires that for levy purposes the assessment notice must display a number of information items. The information that must be displayed is as follows:

- Date of the notice;
- Name and address of the owner of the land or a person that the owner has nominated the notice should be sent to;
- The levy amount including the fixed charge and variable component;
- How the levy amount was calculated, including the levy rate and any concession applied;
- Land use classification (residential, commercial, industrial etc);
- Address or legal description of the land;

- CIV of the land;
- Date by which the levy amount must be paid;
- Any outstanding levy or levy interest payable;
- That the owner of the land may apply for a waiver, deferral or concession in respect of the leviable land under section 27 of the *Fire Services Property Levy Act 2012* for rateable land and section 28 for non-rateable land; and
- Any prescribed matters.

14.0 Recommendations

1. Apply Capital Improved Value as the valuation methodology to levy Council rates.

2. Apply five (5) differential rates in the dollar; (Residential - General, Vacant Residential, Commercial/Industrial, Vacant Commercial/Industrial, Farm).
    - Residential - Differential - 100%
    - Vacant Residential - Differential – 175%
    - Commercial/Industrial - Differential – 120%
    - Vacant Commercial/Industrial - Differential – 210%
    - Farm - Differential – 80%

3. Review the rating structure following each biennial valuation.

4. Apply no Municipal Charge

5. Apply a kerbside collection, organics and recycling service charge.

6. Apply a service charge that fully recovers the cost of a tree management program.

7. Apply the mandatory rate instalment payment options.

    - 1st instalment due – 30 September
    - 2nd instalment due – 30 November
    - 3rd instalment due – 28 February
    - 4th instalment due – 31 May

8. A lump sum option is available but must be paid by 30 September in order to avoid incurring interest.

9. Allow direct debit payments from cheque or savings accounts.

10. Consider waivers in accordance with the hardship policy.