RATING STRATEGY

2010 – 2015

… a Fair and Equitable Rating Structure

Prepared: June 2010

Revised: February 2011

Revised: March 2012 / Adopted: May 2012

Rating Strategy Review 2012/13 - Year 3

Year 3 of Council's Rating Strategy sees the commencement of the gradual process of repaying the Strathbogie community for its support of a strategic, uncompromising rating regime, based on community self-reliance and a determination to arrest the decline of our valuable infrastructure.

The strategy has required a substantial local rating effort, an effort which can now be demonstrated to be providing tangible benefits in terms of addressing the gap between the funding **required for** infrastructure renewal and the funding **available for** infrastructure renewal.

A measure of the strategy's progress has been a downward review of proposed future rating increases. The strategy originally proposed increases for 2012/13 and 2013/14 of 9% and 8% respectively. Those increases are now proposed to be reduced to 7% in each of the forecast years. Charges for garbage collection and recycling are expected to increase by only 4%.

The revised rating regime is set in the context of a Long Term Financial Plan which enables Council to maintain its strong, on-going investment in infrastructure renewal.

It is important for ratepayers to understand that this review of the Rating Strategy is set in the context of a municipal revaluation. In a revaluation all property values are reviewed by the Valuer General and adjusted to reflect current levels of valuation. The valuation includes land and improvements (dwellings, sheds, fences etc) and is referred to as the Capital Improved Value (CIV).

The proposed rates increase of 7% applies to the total amount of rates to be raised by Council. The revaluation will however result in a range of movements in individual property values which, as property value is a key determinant of rates, will result in outcomes on an individual property basis that may vary considerably and not necessarily equate to 7%

The strategy also proposes the introduction of 2 new differential rates for vacant residential land and vacant commercial/industrial land. Further details of the new differentials are provided later in this report.

In acknowledgement of the community's support for the Rating Strategy, Council proposes a rating package for 2012/13 which, in conjunction with more modest rating increases, offers the following additional financial and social benefits.

- Retention of the Municipal Charge at its current level until such time as it equates to 10% of total rates and charges (currently 14.5%)

  This initiative will provide a gradual, modest benefit for lower valued properties.

- A discount of 2% for rates and charges paid in full by 30 September.
- Free pass for waste disposal at transfer stations,
- Free double pass for Euroa Community Cinema
- Free family pass for community pools

While the necessity of responding to infrastructure renewal has demanded a strong, uncompromising and self-reliant approach, Council has always been very conscious of individual ratepayer's capacity to pay. It is therefore very pleasing that, while many other small municipalities are commencing the challenge of tackling infrastructure renewal, Strathbogie Shire has progressed to a stage where it can assume a more moderate rating regime and deliver to its community a better maintained infrastructure network.

1.0 Background

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

The strategy is to be used as a basis for consultation with the community about defining a fair rating system for the Shire.

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

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

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; and
- It has a large sparsely populated geographic area with consequent extensive infrastructure network requirements.

The combination of these circumstances creates a critical problem with regard to the funding of infrastructure renewal, ie 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 investment 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.

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.

Accordingly, Council was pleased to advise in its 2011/12 Rating Strategy review, the commitment, by the State government, of $1million per annum over 4 years for infrastructure renewal. This funding has provided valuable resource for infrastructure renewal, but falls short of the level of investment required to fully address the “infrastructure investment gap”

Consequently, this strategy has, from its outset, identified the need to arrest the deterioration of Shire infrastructure throughincreased investment in infrastructure renewal from local resources.

Accordingly, Council's rating strategy, strategic resource plan and budget have reflected and progressively addressed these circumstances.

The success of this long-term strategic approach is amply demonstrated in this, the 2012/13 update of the Rating Strategy. The rating increases forecast in earlier versions of the strategy have been reviewed in the context of Council's Long Term Financial Plan and infrastructure renewal requirements. The earlier forecast rating increases for 2012/13 and 2013/14 have now been revised downward, from 9% and 8% respectively, to 7% in each of those forecast years.

Section 10.0 "Proposed Rates Structure" provides further supporting information and details of the rating structure proposed to maintain the levels of investment required.

2.0 Scope and Assumptions

Revenue-Side:
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.

CIV Rating Basis:
The Shire raises rates and charges under the Local Government Act 1989. 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 Local Government 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.

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.

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 every 2 years. 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. A municipal revaluation is currently being undertaken and will have effect from 1 January 2012.

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.

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 Local Government Act 1989.

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 level of direct service charges (garbage charge, recycling charge). Council determines the level of these charges on a cost – recovery basis.
- The amount of the municipal charge levied on assessments (irrespective of valuation); and

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 **capacity to pay** principle – some ratepayers have greater ability to pay rates than do others with similarly valued properties
- 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.

5.0 Service Charges

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. 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.

Municipal Charge - General Policy:
Under the Local Government 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. The level of municipal charge cannot exceed 20% of the total rates and municipal charges of Council.

Strathbogie Shire currently levies a municipal charge of $266 p.a. The revenue raised from the municipal charge currently equates to 14.5% of total rates and charges.

The main impact of the municipal charge (and service charges) is that they create a 'floor' resource pool that is independent of property value. This means that the use of flat charges generally flattens the rate and charge profile. This advantages higher value properties and disadvantages lower value properties.

Council may vary the level of the municipal charge from time to time if it is considered appropriate to achieve a more equitable rating outcome.

This 2012/13 update of the Rating Strategy proposes the retention of the Municipal Charge at the current level ($266) until such time as the revenue raised by municipal charge equates to 10% of total rates and charges (2017/18)

The effect of maintaining the current level of municipal charge will be a modest but gradual easing of the rate burden on lower valued properties.

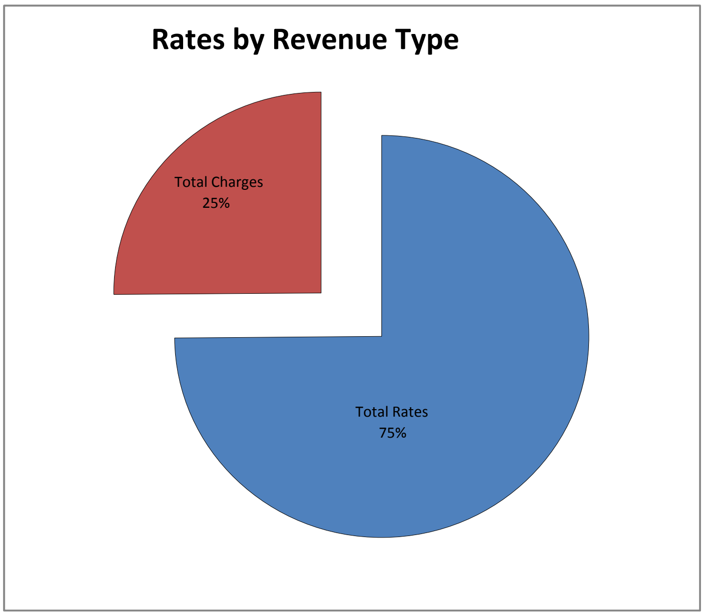
6.0 Strathbogie Shire – Current Rates/Charges Profile

Strathbogie Shire currently levies the following rates and charges (2011/2012):

Rate/Charge:	c/$	No. of Assess.	$ Revenue 2011/12
Residential Rate	0.44938	4,982	$4,964,300
Commercial/Industrial Rate	0.49432	256	$367,800
Farm Rate *	0.38197	1,748	$4,485,500
TOTAL RATES:		**6,986**	**$9,817,600**
Charges:	**c/$**	**No.**	**$ Revenue 2011/12**
Recycle Charge	$150	3,317	$497,600
Garbage Charge-Residential	$298	3684	$1,097,900
Garbage Charge-Commercial	$598	68	$40,500
Municipal Charge	$266	6,232	$1,657,600
TOTAL CHARGES:			**$3,293,600**
TOTAL RATES & CHARGES:			**$13,111,200**

(*less RL Rebates where applicable)

The following chart shows the current distribution of the Shire's total rates and charges:



The following chart shows the current distribution of the Shire's total rates by property type/use:

Profile Summary:

The above profile charts show:

- Service and municipal charges generate 25% of total rates and charges revenue. Rates generate 75% of total rates and charges.
- The major source of rates and charges income is the Residential sector (58%) followed by the Farm sector (38%);
  Note: The chart has been amended to now reflect Farm zoned properties of less than 40 hectares as Residential.
- The weighting (in an overall context) of the Commercial/Industrial rate base is small (4%). This is concentrated in the Nagambie and Euroa townships.

7.0 Differential Rating

The CIV rating method allows differential rating. 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 Local Government 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.

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 Rural Land Rebate

At the commencement of this Rating Strategy, Council had in place a Rural Land Rebate Scheme. The scheme provided a rates rebate to rural ratepayers who committed to reduce weed and vermin infestations and undertake environmental improvements to their property.

Council reviewed the merits of the Rural Land Rebate in terms of the environmental goals it was established for, taking into account the opportunity cost of the rates forgone and alternative ways of investing in the environmental improvement, weed and pest control measures.

Environmental measures, including weed and pest control are a fundamental responsibility that attaches to freehold land ownership. Land owners have a legal obligation to protect their properties from weed and pest infestations and to take measures to deal with these issues. Authority in this matter vests in the State government, not Council.

The Rural Land Rebate scheme effectively offered a rebate to property owners to do what they are obliged to do. Further, there was only a limited monitoring and audit process in place to measure the Council's investment (in terms of rates forgone) against demonstrable environmental outcomes.

Consequently, Council discontinued the Rural Land Management Rebate in 2011/12 and introduced a farm differential rate in line with the common practice of other rural local governments. The farm differential only applies to properties located within the farming zone and of not less than 40 hectares. Generally properties located within the farming zone, of less than 40 hectares, will attract the general rate.

Application for the farm differential may be made in respect of farming zoned properties of less than 40 hectares if it can be established that the property is used for a bone fide farming activity.

The application of a 40 hectare minimum area for farm differential eligibility is consistent with planning scheme criteria and minimum areas applied by a number of other rural municipalities.

After consideration of a number of modelling options and discussion with representatives of the Victorian Farmers Federation a differential rate of 85% was adopted by Council.

9.0 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 $193.40 per annum.

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.

10.0 Proposed Rates Structure

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 Council’s long-term strategic planning, significant increases in Council expenditure have been identified as being necessary to maintain an effective program of infrastructure renewal.

The key drivers of the need for additional resources are:

- The need for significantly increased investment in renewal of community facilities and public infrastructure to arrest the long-term decline in the condition of these crucial community assets; and
- Normal annual increases in the costs associated with local government service provision.

The Local Government Cost Index published by the Municipal Association of Victoria identifies 4% per annum as the cost indexation factor that should be applied for base budgeting purposes by councils. However, this does not allow for increased investment in the backlog of community infrastructure renewal identified as necessary in Strathbogie Shire.

The need for increased expenditure on renewal of community infrastructure and facilities is referred to as the ‘infrastructure investment gap’. It is represented by what has been a growing gap between the amount of money that Council spends on the renewal of its existing community infrastructure (ie; buildings, facilities, parks, roads, footpaths and drainage etc.) and the amount by which the value of these critical assets decreases each year.

In 2009/10, it was estimated that the Shire of Strathbogie’s ‘infrastructure gap’, at the then existing rating levels, would total approximately $60 million over the next 20 years (unindexed). In annual terms, approximately $3 million per year.

Following an extensive process of community consultation, Council consequently introduced in 2010/11 a Rating Strategy and complimentary operating expenditure cuts designed to substantially increase the level of funding available for infrastructure renewal.

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.

Rates Structure:

Council introduced in 2010/11 a 2 tiered rating and revenue structure over 5 years to address these issues. The components are:

- 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 is a surcharge on Council rates and municipal charges specifically to address the infrastructure and asset renewal backlog.

These are shown in more detail below:

Expenditure Assumptions:	2010/11	2011/12	2012/13	2013/14	2014/15
Increase in Rates and Charges (LG Cost-indexed) **	4%	4%	4%	4%	4%
Community Infrastructure Catch-up levy	11%	5%	3%	3%	3%
Total Increase in Rates and Charges levied by Council	**15%**	**9%**	**7%**	**7%**	**7%**
Differential Rates (on CIV): % of BASE	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**
General/Residential Rate (BASE)	100%	100%	100%	100%	100%
Vacant Residential Land Rate	N/A	N/A	150%	175%	175%
Commercial/Industrial Rate	105%	110%	115%	120%	120%
Vacant Commercial/Industrial Rate	N/A	N/A	150%	175%	175%
Rural Land Rate (> 40 Ha)	100%	85%	85%	85%	85%
Rural Land Rebate (SV-% of 2009/10 rebate level)	12.3%	0%	0%	0%	0%
Charges:	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Increase to municipal charge	15%	9%	0%	0%	0%
Service charges (garbage charges, recycling charges - assumed % incr.)	15% **	4%	4%	4%	4%

** The significant first year increase in garbage and recycling service charges is consistent with the existing policy of full-cost recovery. It was required to fund the introduction of a new waste management system following the closure of the Violet Town Landfill (which has reached capacity)and to meet increases in the State Government landfill levy.

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

- Rates and Municipal Charges increases of 15 % in Year 1 and 9% in Year 2.
- Rates increases of 7% in each of Years 3,4 and 5
- Retention of the existing policy of full cost recovery for all service charges, with the level of service charges indexed annually in line with costs;
- Retention of the level of municipal charge at the 2011/12 level ($266) until the total amount raised by municipal charges comprises 10% of total rates and municipal charges. It is anticipated that this level will be achieved by 2017/18.

Proposed Differential Rates -

- General/Residential Rate (Base) 100%
- Vacant Residential Land Rate 150%
  (Proposed phase in – 150% for 2012/13, then 175% from 2013/14)
- Commercial/Industrial Rate 120%
  (Proposed phase in over 4 years - increasing by 5% per year)
- Vacant Commercial/Industrial Land Rate 150%
  (Proposed phase in – 150% for 2012/13, then 175% from 2013/14)
- Rural Farm Rate 85%

Proposed Commercial/Industrial Differential Rate:
Council introduced in 2010/11 a 120% differential rate on commercial/industrial properties, to be implemented progressively, increasing by 5% per annum over 4 years. 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.

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 12 of this strategy.

Replacement of Rural Land rate with Farm Differential:
The Rural Land Rebate scheme was discontinued in Year 2 of the Strategy (2011/12). Council considered that the effective operation of the program had been compromised by its lack of direct control and authority. The state government has primary responsibility for the management of pest, plants and animals and Council has no powers of prosecution for non-compliance.

Council does not consider that the scheme has resulted in demonstrable environmental improvements over and above those that landholders would have otherwise been legally obliged to implement.

Council replaced the Rural Land Rebate with a farm differential rate in Year 2 (2011/12). The differential is currently 85%. 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.

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

Council considers that the discontinuation of the rural land rebate scheme and introduction of a farm differential rate 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.

Proposed Vacant Residential Land Differential:
Council intends in Year 3 of the Strategy (2012/13) to introduce a differential rate for vacant residential land. The proposed level of the vacant residential land rate differential is 150% of the general rate in Year 3 of the strategy, increasing to 175% in Year 4.

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.

Proposed Vacant Commercial/Industrial Land Differential
Council intends in Year 3 of the Strategy (2012/13) to introduce a differential rate for vacant commercial/industrial land. The proposed level of the vacant residential land rate differential is 150% of the general rate in Year 3 of the strategy, increasing to 175% in Year 4.

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 12 of this strategy.

11.0 Special Rates & Charges

Section 163 of the Local Government Act 1989 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.

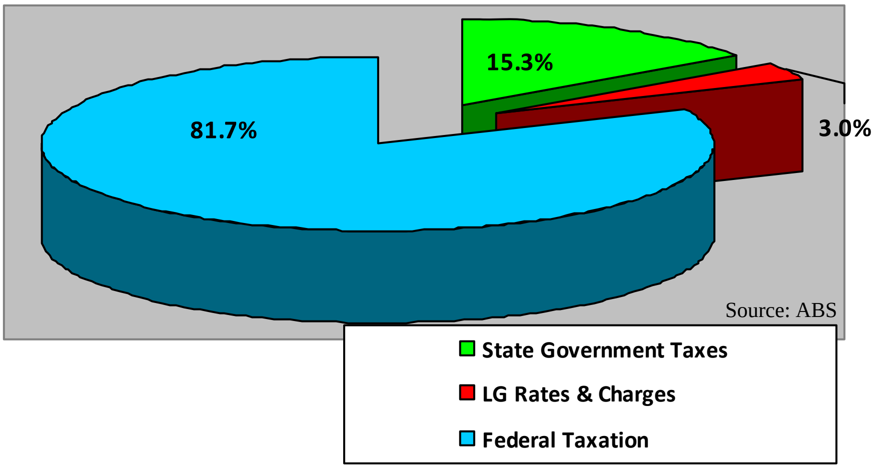
This is a commonly used rating mechanism in local government and is typically used for projects such as footpath, kerb and channel and drainage construction works where the benefit is relatively easy to identify and quantify.

Council will investigate opportunities for the consideration of such schemes. Of particular interest is the potential to utilise special rate or charge schemes for stormwater management works.

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

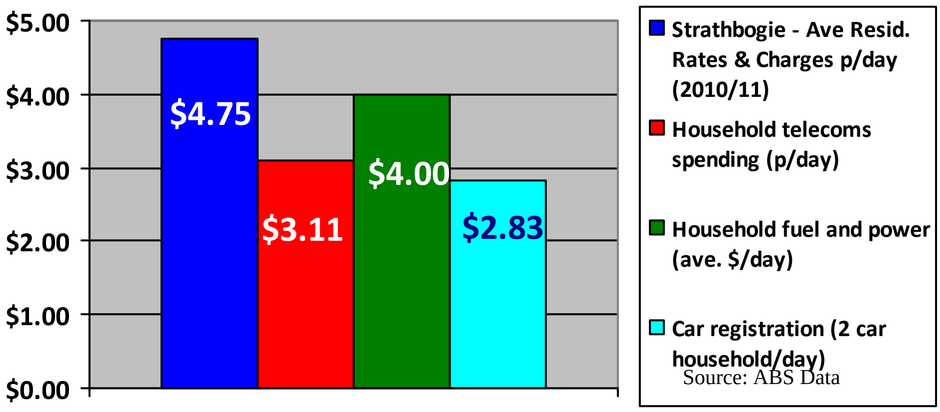
12.0 Impact of the Proposed Structure

It is important to place the increases in rates and charges proposed in this strategy into context. The following chart shows the sources of all taxation in Australia:



In an overall taxation context, local government rates and charges account for only 3% of the total levied nationally. Whilst local government is substantially funded by State and Federal Governments (ie; in addition to rates and charges), the services and programs provided by local government are those closest to the local community in terms of their day to day life.

The following chart shows the average Australia expenditure (June 2010) on household telephone usage and domestic fuel/power costs compared to local government rates (as proposed).



This above chart puts in context the level of rates and charges proposed in this strategy ($4.75/day) compared to other typical household spending items.

13.0 Differential Rates – Objectives and Characteristics

Section 161 of the Local government Act 1989 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.

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/iIndustrial 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/iIndustrial differential rate is considered to be 120% of the general rate, subject to the following transitional arrangements -

- 105% of the general rate in Year 1 of the strategy
- 110% of the general rate in Year 2 of the strategy
- 115% of the general rate in Year 3 of the strategy
- 120% of the general rate in Year 4 of the strategy

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/iIndustrial 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.

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 85% 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.

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. The differential is proposed to be introduced over 2 years with a differential of 150% of the general rate in its first year and 175% of the general rate subsequently.

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;

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 175% of the general rate. The differential is proposed to be introduced over 2 years with a differential of 150% of the general rate in its first year and 175% of the general rate subsequently.

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.

14.0 Trust For Nature - Covenanted Land

Conservation covenants are voluntary but legally-binding agreements between landholders and Trust for Nature which permanently protect the remnant vegetation on properties. Conservation covenants remain on the title of a property, even if it is sold.

Conservation covenants are backed by State legislation through the *Victorian Conservation Trust Act* (1972).

Local Governments in Victoria have been encouraged to acknowledge and support owners of covenanted land through the implementation of incentives within their rating systems.

Whilst Council recognises the importance of the Trust for Nature Scheme and applauds those involved, the Shire cannot at this stage commit financially to the program. This matter has been reviewed for 2012/13 and it is proposed that the current position be maintained.