



RATING POLICY

2019-23

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1. PURPOSE

The purpose of the Rating Policy is to establish the framework for setting the Buloke Shire Council's (the Council) Revenue and Rating Strategy. The Rating Policy and Revenue and Rating Strategy are reviewed and adopted every four years following a general election of Council. The Revenue and Rating Strategy is reviewed in the intervening years and adjusted where Council is of the opinion that the Strategy does not provide for the equitable imposition of rates and charges.

Council's policy in regard to rates and charges as set out in the *Local Government Act 1989* (the Act) is set out below. Further details are provided in Appendix A and Appendix B.

2. COUNCIL POLICY

2.1 Objectives

2.1.1 Legislation

Under Section 3C of the Act, the primary objective of a council is to endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effects of decisions. Further in seeking to achieve its primary objective, a council must ensure the equitable imposition of rates and charges.

Under Section 136 of the Act, a Council must pursue spending and rating policies that are consistent with a reasonable degree of stability in the level of the rates burden.

2.1.2 Policy

Council will give consideration to the good practice taxation principles when determining the equitable imposition of rates and charges.

2.2 Valuation Method

2.2.1 Legislation

A council may use the site value, net annual value or capital improved value system of valuation. For the purposes of calculating the site value, net annual value or capital improved value of rateable land, a council must use the current valuations made in respect of the land under the *Valuation of Land Act 1960*.

Valuations occurring up to January 2018 were undertaken on a two-year basis, with supplementary valuations able to be done where there are sales in subdivisions and consolidations, as well as following the construction and demolition of buildings. Changes were made to the *Valuation of Land Act 1960* that from 2019 it will require property valuations to be undertaken through the Valuer General's Office on an annual basis.

2.2.2 Policy

Council will use the capital improved value valuation method as this satisfies the equity principles and allows council to utilise differential rates in its rating structure.

2.3 Rates and Charges

2.3.1 Legislation

Under Section 155 of the Act, a council may declare the following rates and charges on rateable land:

- General rates under section 158
- Municipal charges
- Service rates and charges
- Special rates and charges.

2.3.2 Policy

Council's policy in regard to the rates and charges able to be declared under the Act is set out in the following sections.

2.4 Differential Rates

2.4.1 Legislation

Under Section 158 of the Act, a council when declaring rates and charges must declare whether the general rates will be raised by the application of a uniform rate or differential rates.

Under Section 161 of the Act, if a council declares a differential rate for any land, the council must:

- Specify the objectives of the differential rate including a definition of the types or classes of land which are subject to the rate and a statement of the reasons for the use and level of that rate
- Specify the characteristics of the land which are the criteria for declaring the differential rate.

A council must have regard to any Ministerial Guidelines before declaring a differential rate for any land. The Minister issued Guidelines in April 2013. These Guidelines attempt to spell out clearly what types and classes of land may be considered for differentials and also those that are not appropriate for differentials or need to be "carefully considered".

The highest differential rate must be no more than four times the lowest differential rate.

2.4.2 Policy

Council will provide a differential rate for farms in recognition of the changes to property values relative to other categories, the high value of land as an input to farm operations, the contribution that the farm sector makes to the economic activity of the Shire and in recognition of a lower level of service usage associated with their rural isolation.

Council does not consider any other differential rate is appropriate for any of the other listed categories of land use within the Ministerial Guidelines.

Council gives consideration to the good practice taxation principles as set out Section 2.11 when setting differential rates. Council's policy on the taxation principles is provided in Appendix B.

2.5 Municipal Charge

2.5.1 Legislation

Under Section 159 of the Act, a council may declare a municipal charge to cover some of the administrative costs of the council. A council's total revenue from a municipal charge in a financial year must not exceed 20 per cent of the sum total of the council's total revenue from a municipal charge and total revenue from general rates. The *Local Government Bill 2018* proposes that this be reduced to 10%.

A person may apply to a council for an exemption from the payment of a municipal charge on rateable land if the rateable land is farm land, the rateable land forms part of a single farm enterprise and an exemption is not claimed in respect of at least one other rateable property which forms part of the single farm enterprise. In the case of a single farm enterprise which is occupied by more than one person, an exemption cannot be claimed in respect of more than one principal place of residence.

2.5.2 Policy

Council recognises the regressive nature of the municipal charge but will levy a municipal charge on the grounds that all properties should contribute to its administrative costs.

2.6 Service Rates and Charges

2.6.1 Legislation

Under Section 162 of the Act, a council may declare a service rate or charge for any of the following services:

- Provision of a water supply

- Collection and disposal of refuse
- Provision of sewage services
- Any other prescribed service.

2.6.2 Policy

Council will levy a charge for kerbside garbage and recycling services on the basis of full cost recovery.

2.7 Special Rates and Charges

2.7.1 Legislation

Under Section 163 of the Act, a council may declare a special rate or charge for the purposes of defraying any expenses or repaying (with interest) any advance made to or debt incurred or loan raised by the Council, in relation to the performance of a function or the exercise of a power of the council, if it will be of special benefit to the persons required to pay the special rate or special charge.

2.7.2 Policy

Council will levy special rates and charges wherever it believes these may be appropriate.

2.8 Payment Options and Incentives

2.8.1 Legislation

Under Section 167 of the Act, a council must allow rates and charges to be paid in four instalments. A council may also allow rates and charges to be paid in a lump sum. Under Section 168 of the Act a council may also provide incentives for prompt payment.

2.8.2 Policy

Council will allow payment of rates and charges by lump sum in February as well as quarterly instalments. A discount for early payment of rates will not be offered.

2.9 Rebates and Concessions

2.9.1 Legislation

Under Section 169 of the Act, a council may grant a rebate or concession in relation to any rate or charge:

- To assist the proper development of the municipal district; or
- To preserve buildings or places in the municipal district which are of historical or environmental interest; or
- To restore or maintain buildings or places of historical, environmental, architectural or scientific importance in the municipal district; or
- To assist the proper development of part of the municipal district.

A council resolution granting a rebate or concession must specify the benefit to the community as a whole resulting from the rebate or concession.

2.9.2 Policy

Council ratepayers may apply for the state government pensioner rebate if they hold an eligible Centrelink Pensioner Concession Card or DVA Gold Card specifying TPI or War Widow. Ratepayers may also apply for a rate rebate to protect remnant native vegetation. This rebate is administered in accordance with the 'Rate Rebate Scheme for Protection of Indigenous Vegetation Guidelines'.

2.10 Deferments, Discounts and Waivers

2.10.1 Legislation

Under Section 170 of the Act, a council may defer in whole or in part the payment by a person of any rate or charge which is due and payable for a specified period and subject to any conditions determined by the

council if it considers that an application by that person shows that the payment would cause hardship to the person.

Under Section 171 of the Act, a council may waive the whole or part of any rate or charge or interest in relation to:

- An eligible recipient
- Any other class of persons determined by the Council for the purpose of waiving rates or charges on the grounds of financial hardship.

2.10.2 Policy

Council has a separate and specific policy, 'Rates and Charges Financial Hardship Policy' for the handling of hardship cases which allows deferment of all or part of rates for varying times depending on circumstances. Interest may also be waived in hardship cases.

2.11 Taxation Principles

2.11.1 Legislation

Wealth Tax

The Victorian Government's *Local Government Better Practice Guide: Revenue and Rating Strategy 2014* states that when developing a rating strategy, in particular with reference to differential rates, a council should give consideration to the following key good practice taxation principles:

- Wealth Tax
- Equity
- Efficiency
- Simplicity
- Benefit
- Capacity to Pay
- Diversity.

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.

Equity

Horizontal equity – ratepayers in similar situations should pay similar amounts of rates (ensured mainly by accurate property valuations, undertaken in a consistent manner, their classification into homogenous property classes and the right of appeal against valuation). Vertical Equity – those who are better off should pay more rates than those worse off (the rationale applies for the use of progressive and proportional income taxation. It implies a "relativity" dimension to the fairness of the tax burden).

Efficiency

Economic efficiency is measured by the extent to which production and consumption decisions by people are affected by rates.

Simplicity

How easily a rates system can be understood by ratepayers and the practicality and ease of administration.

Benefit

The extent to which there is a nexus between consumption/benefit and the rate burden.

Capacity to Pay

The capacity of ratepayers or groups of ratepayers to pay rates.

Diversity

The capacity of ratepayers within a group to pay rates.

2.11.2 Policy

Council will give consideration to the good practice taxation principles when determining the equitable imposition of rates and charges. Council's policy on the taxation principles is provided in Appendix B.

3. CHANGES TO THE RATING STRATEGY

Council has established the following parameters for the purposes of deciding when a detailed review of the Revenue and Rating Strategy is required in any budget year:

- The 2019-20 rate burden for any differential rate category changes by +/- 1% or greater following a general revaluation of properties
- Any change in the legislative framework that materially impacts the equitable imposition of rates and charges.

APPENDIX A: Policy on Rates and Charges

Residential Land

Principle:	A differential may be offered for residential land
Rationale:	A differential is considered appropriate for residential land under the Ministerial Guidelines for use of differentials
Issues:	<ul style="list-style-type: none"> • Rates are an allowable deduction for tax purposes for residential properties held for investment purposes and homebased businesses in relation to the portion of the home that is used for business purposes • Residential properties generally have a higher access to services • Residential properties tend to be lower in valuation and therefore are adversely impacted by the regressive nature of the municipal charge
Council Policy:	Council does not consider it appropriate to have a separate differential for residential land

Commercial Land

Principle:	A differential may be offered for commercial land
Rationale:	A differential is considered appropriate for commercial land under the Ministerial Guidelines for use of differentials
Issues:	<ul style="list-style-type: none"> • Rates are an allowable deduction for tax purposes for commercial properties • Commercial properties are operated for profit • A large number of commercial properties are held for investment purposes • The commercial category is much smaller in size than the residential or farm categories • Commercial business activity is underpinned by the farm sector
Council Policy:	Council does not consider it appropriate to have a separate differential for commercial land

Industrial Land

Principle:	A differential may be offered for industrial land
Rationale:	A differential is considered appropriate for industrial land under the Ministerial Guidelines for use of differentials
Issues:	<ul style="list-style-type: none"> • Rates are an allowable deduction for tax purposes for industrial properties • Industrial properties are operated for profit • The industrial category is much smaller in size than the residential or farm categories • Industrial business activity is underpinned by the farm sector
Council Policy:	Council does not consider it appropriate to have a separate differential for industrial land

Farm Land

Principle:	A differential may be offered for farming land
Rationale:	A differential is considered appropriate for farm land under the Ministerial Guidelines for use of differentials, and it is a specific requirement of these Guidelines for Council to consider a reduced differential for this category of land use
Issues:	<ul style="list-style-type: none"> • Rates are an allowable deduction for tax purposes for farm properties • Farm properties are operated for profit • Farm properties generally have a lower access to services due to their remoteness • An excessive rate burden is applied on farmers due to their land holding having a significantly greater value than for other small businesses • Farmers are unable to pass on increases in costs to prices • Farms are seen as more susceptible or fragile than other business operations to external factors • Farm activity underpins the economic activity of the Shire • Farms are less impacted by the municipal charge as they pay on a business entity basis rather by assessment
Council Policy:	Council considers it appropriate to have a separate differential for dryland farms in recognition of the distinct characteristics of this type of farm land and of changes to relative property values, the high value of land as an input to farm operations, and in recognition of a lower level of service usage associated with their rural isolation than other categories

Municipal Charge

Principle:	A Municipal Charge may be levied
Rationale:	A fixed charge may be levied in recognition of the fact that all rateable properties have an obligation to contribute to the administrative functions of Council. The charge cannot be more than 20% of total revenue from general rates and the municipal charge
Issues:	<ul style="list-style-type: none"> • As the municipal charge is a fixed charge, it is regressive, meaning that as the value of properties decrease, the municipal charge increases as a percentage of rates paid, thus the total burden is reduced on higher value properties • A reduction in the level of the municipal charge would benefit lower valued properties • Any reduction in the charge would need to be offset by an increase in the general rate which would increase the general rates on all properties across all sectors • The higher the municipal charge the greater is the benefit to farms with multiple assessments that are eligible for the “single farm enterprise” exemption.
Council Policy:	Council recognises the regressive nature of this charge but will levy a municipal charge on the grounds that all properties should contribute to its administrative costs

Service Rates and Charges

Principle:	Council may declare a service rate or charge for the provision of a water supply, collection and disposal of refuse, provision of sewage services and any other prescribed service
Rationale:	It is appropriate to have a user charge for the collection of kerbside garbage and recycling

Issues:	<ul style="list-style-type: none"> The calculation of the garbage charge is on a full cost recovery basis During 2017-18 the acceptable levels of contaminants in recyclable product delivered to China was reduced thereby impacting the recycling market. This resulted in a significant cost increase to Council for the recycling service. Council has passed this charge on through the recycling charge to those properties receiving the service
Council Policy:	Council will levy a charge for kerbside garbage and recycling services on the basis of full cost recovery

Special Rates and Charges

Principle:	Special rates and charges may be declared for the purposes of defraying any expenses or repaying (with interest) any advance made to or debt incurred or loan raised by the Council, if it will be of special benefit
Rationale:	Special rates and charges have been utilised principally for drainage, footpaths and road schemes where the “benefit” to individual ratepayers can be clearly identified. They can also be used for marketing and promotion schemes
Issues:	<ul style="list-style-type: none"> Greater use of Special Charges when there are clearly “special benefits” that can be identified would help address some of the equity issues around the benefit principle
Council Policy:	Council will levy special rates and charges wherever it believes these may be appropriate

Payment Options

Principle:	Council must offer quarterly instalments but may also offer other options such as a lump sum payment
Rationale:	The lump sum payment option has remained in February largely due to the preference by the farming community to pay annually at this time. Interest can be charged on overdue payments
Issues:	<ul style="list-style-type: none"> Farming practises have changed in recent years and farm incomes are now often spread differently across the year Compulsory quarterly payments would offer opportunities for improved efficiencies in how the rates department operates and better debt management and cash-flow management for Council and potentially ratepayers alike
Council Policy:	Council considers it appropriate to allow payment of rates and charges by lump sum in February as well as quarterly payments

Rebates and Concessions

Principle:	Rebates and Concessions may be offered for a number of reasons as defined in Section 169 of the Act
Rationale:	Primarily “to assist the proper development of the municipal district” or to assist the preservation and /or restoration of places “of historical or environmental interest”
Issues:	<ul style="list-style-type: none"> Council may offer rebates and concessions as it deems appropriate, and as established through clear policy direction Council provides for the state funded pensioner rebate scheme and protection of remnant vegetation

Council Policy:	Council administers the State Government funded pensioner rebate scheme. Ratepayers may apply for the state government pensioner rebate if they hold an eligible Centrelink Pensioner Concession Card or DVA Gold Card specifying TPI or War Widow. Ratepayers may also apply for a rate rebate to protect remnant native vegetation. This rebate is administered in accordance with the Rate Rebate Scheme for Protection of Indigenous Vegetation Guidelines
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Deferments, Discounts and Waivers

Principle:	Deferments, discounts and/or waivers of rates and charges are allowable in specific hardship cases
Rationale:	It is appropriate to assist ratepayers in the payment of rates and charges where there are demonstrated individual cases of hardship
Issues:	<ul style="list-style-type: none"> • Council has granted few waivers or discounts • Deferrals mean little lost revenue to Council and it picks up on the equity issue of capacity to pay, by delaying payment until assets are realised at a later date
Council Policy:	<p>Council has a separate and specific policy, “Rates and Charges Financial Hardship Policy” for the purposes of providing financial relief to ratepayers who are experiencing difficulty in meeting their financial obligations. Deferring or waiving of rates or charges or interest is only available to a ratepayer’s principal place of residence on properties rated as residential or retirement village properties. No option is available to defer or waive rates and charges on properties rated as vacant, commercial, industrial, or farm land.</p> <p>Ratepayers may have interest on outstanding rates or charges or part thereof, waived or rates or charges or interest deferred subject to a range of conditions. The total amount deferred on a single assessment cannot exceed 5% of the Capital Improved Value of the subject property</p>

APPENDIX B: Policy on Taxation Principles

Wealth Tax

Principle:	Council supports the principle that rates paid are dependent upon the value of the ratepayer's real property
Rationale:	To ensure that people in similar economic circumstances are treated similarly
Issues:	<ul style="list-style-type: none"> • There is a direct relationship between property holdings and disadvantage • Less wealthy people tend to own lower valued housing stock • Property owners with higher valued assets generally have a greater capacity to pay
Council Policy:	Council considers the wealth tax principle is a good starting point in developing its rating strategy

Equity (Horizontal)

Principle:	Council considers issues of horizontal equity when developing its rating strategy
Rationale:	To ensure that people in similar economic circumstances are treated similarly
Issues:	<ul style="list-style-type: none"> • It is difficult to assess individual economic circumstances • Levels of Government with more diverse taxing powers struggle to achieve this despite using a broad range of taxing instruments from income and assets tests, consumption versus income taxation etc
Council Policy:	Council will consider issues of horizontal equity in its rating strategy

Equity (Vertical)

Principle:	Council considers issues of vertical equity when developing its rating strategy
Rationale:	To ensure that people in different economic circumstances are treated differently
Issues:	<ul style="list-style-type: none"> • It is difficult to assess individual economic circumstances • Levels of Government with more diverse taxing powers struggle to achieve this despite using a broad range of taxing instruments from income and assets tests, consumption versus income taxation etc
Council Policy:	Council will consider issues of vertical equity in its rating strategy

Efficiency

Principle:	Council considers issues of economic efficiency when developing its rating strategy
Rationale:	The level of rates burden can affect the extent to which production and consumption decisions are made by people
Issues:	<ul style="list-style-type: none"> • Being more efficient means that the burden on ratepayers can be reduced or ratepayer's utility can be increased by limited resources being diverted to more productive areas • For services where users are price sensitive, direct charging can influence demand patterns and thus lead to greater allocative efficiency
Council Policy:	Council will consider issues of efficiency in its rating strategy

Simplicity

Principle:	Council considers issues of simplicity when developing its rating strategy
Rationale:	The complexity of the rating system affects how easily it can be understood by ratepayers and the practicality and ease of administration
Issues:	<ul style="list-style-type: none"> • The simpler the rating system is, the easier it is for ratepayers to understand • Some complexity maybe required in the rating system to ensure there is equity in the imposition of rates • The simplicity principle can often conflict with other principles
Council Policy:	Council will consider issues of simplicity in its rating strategy

Benefit

Principle:	Council considers issues of “benefit” or “user pays” principle when developing its rating strategy
Rationale:	The benefit principle points to the fact that some groups may have more access to Council services
Issues:	<ul style="list-style-type: none"> • User charges, special rates and service charges lend themselves better to dealing with the issue of benefit • A user charge can be used where the benefit of a particular service can be mapped to an individual ratepayer • While rural ratepayers derive less benefit from library services or street lighting than their town counterparts the reverse may be argued with respect to the cost of repairing rural roads that are seldom travelled on by the urban ratepayer • Many services are not location specific • Access is not synonymous with consumption • Residents can travel or use technology to access services • Services provided in different locations within the municipality have different costs (e.g. waste collection in rural areas may be more costly than in urban areas) • Rates are a property wealth tax based on valuation of properties and not based upon access to services • Services are available on a “whole of life” basis (i.e. different services are accessed at different points during a person’s life)
Council Policy:	Council will consider issues of benefit in its rating strategy

Capacity to Pay

Principle:	Council considers issues of capacity to pay when developing its rating strategy
Rationale:	Some groups may have a greater or lesser capacity to pay (i.e. asset rich but income poor)
Issues:	<ul style="list-style-type: none"> • Council does not have access to income information for all ratepayers to make an informed assessment • Individuals may apply on hardship grounds to have their rates deferred or interest waived and in doing so need to provide Council with some of this information
Council Policy:	Council will consider issues of capacity to pay in its rating strategy

Diversity

Principle:	Council considers issues of diversity when developing its rating strategy
Rationale:	Some ratepayers within a group may have a greater or lesser capacity to pay (i.e. city versus rural)
Issues:	<ul style="list-style-type: none"> • Establishing sub-groups may lead to an overly complex rating system • Council does not have access to income information for all ratepayers • Individuals may apply on hardship grounds to have their rates deferred or interest waived and in doing so need to provide Council with some of this information
Council Policy:	Council will consider issues of diversity in its rating strategy