



**REVENUE AND  
RATING STRATEGY  
2017-2021**



**Yarriambiack**  
SHIRE COUNCIL





Fishing at Beulah Weir Pool





## TABLE OF CONTENTS

<b>1.</b>	Executive Summary	2
<b>2.</b>	What is a Rating Strategy?	3
<b>3.</b>	Financial Management Principles	4
<b>4.</b>	Rating Framework	6
4.1	Rate Capping	7
<b>5.</b>	Property Valuation	7
5.1	Valuation Process	7
5.2	Supplementary Valuation Process	8
5.3	Objections to Property Valuation	8
<b>6.</b>	Differential Rates	9
<b>7.</b>	Service Rates and Charges	11
<b>8.</b>	Municipal Charge	12
<b>9.</b>	Special Rates and Charges	12
<b>10.</b>	Collection Of Rates and Charges	12
10.1	Payment Options	12
10.2	Payment Methods	13
10.3	Unpaid Rates and Charges	13
10.4	Debt Recovery	13
<b>11.</b>	Financial Hardship Consideration	13
<b>12.</b>	Concessions and Rebates	14
<b>13.</b>	Fire Services Property Levy	14
<b>14.</b>	Further Information	14

# 1. EXECUTIVE SUMMARY

Council must determine the fairest and most fair rating system from within the parameters established in the Local Government Act 1989.

Rates are the primary source of income for Council and other revenue sources include fees, fines, grants from Federal and State Governments, proceeds from the sale of assets, interest earned on investments and, where appropriate, borrowings.

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 (a Rating System) that provides the revenue needed for ongoing financial sustainability.

The key platforms to the current approach to rating at Council include:

SECTION	DESCRIPTION
<b>Property Valuation</b>	<p>Council applies the Capital Improved Value (CIV) as the valuation methodology to levy Council rates.</p> <p>A general revaluation of all properties will be completed every two years and supplementary valuations will be performed between each revaluation cycle.</p>
<b>Differential Rates</b>	<p>Council utilises a differential rating system.</p> <ul style="list-style-type: none"> <li>- a General Rate for Residential, Commercial and Industrial use</li> <li>- a Farm Rate for Farming use.</li> </ul>
<b>Service Charges &amp; Municipal Charge</b>	<p>Council currently provides:</p> <ul style="list-style-type: none"> <li>- a compulsory weekly kerbside waste collection service for residential properties in urban areas</li> <li>- a compulsory fortnightly kerbside recycling collection service for residential properties in urban areas</li> <li>- an optional weekly kerbside waste collection service for rural areas abutting the sealed road network.</li> <li>- an optional fortnightly kerbside recycling collection service for rural areas abutting the sealed road network.</li> </ul> <p>A municipal charge as provided under Section 159 of the Local Government Act 1989 allows councils to raise up to 20% of their rates from a flat base amount per assessment across the municipality.</p>
<b>Special Rates &amp; Charges</b>	<p>Council currently has no special rates and charges.</p>
<b>Rate Payment Options</b>	<p>Council must allow rates to be paid by four gazetted instalments with due dates. In addition Council will offer:</p> <ul style="list-style-type: none"> <li>- a lump sum payment option</li> <li>- fortnightly payments offered to Council Staff as part of Council's Enterprise Bargaining Agreement.</li> </ul>
<b>Financial Hardship Consideration</b>	<p>Council recognises there are cases of genuine financial hardship and assessment will be based on compassion, fairness, confidentiality and compliance with statutory requirements.</p>
<b>Concession/ Rebates</b>	<p>Council will:</p> <ul style="list-style-type: none"> <li>- Continue to provide concessions as determined by the State Government</li> <li>- Continue to review the suitability of any possible concessions and/or rebates that may be applied without causing an equality imbalance across the community.</li> </ul>

## 2. 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.

The rating strategy 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 Local Government Act to calculate the property owner's liability for rates.

This Rating Strategy is based on the premise of:

- Providing sufficient funding to maintain a broad range of quality services and well-designed and constructed capital works that meet current and future needs; and
- Providing the community with a degree of certainty with regard to predictable and affordable future rate increases.

The following are the foundations for the Rating Strategy:

- Apply Capital Improved Value (CIV) as the valuation methodology to levy Council rates
- Apply a differential rate for farming properties
- Review the rating structure following each biennial valuation
- Apply the mandatory four instalment payment options
- Provide alternative payment options
- Consider applications for financial hardship assistance based on current guidelines.

### 3. FINANCIAL MANAGEMENT PRINCIPLES

Council must make decisions about how much of the cost of specific services is to be funded by users/ consumers and how much is to be funded generally by ratepayers. There are some major practical considerations that will influence what type of services will attract fees and charges. Most important is whether the services being considered are either entirely or partially “public goods”.

#### Public Goods

Public goods are services that provide a broad and often unquantifiable benefit to the community rather than a particular benefit to individuals, businesses, specific groups or individual properties. The characteristics of “public goods” include:

- The use of or enjoyment by one person does not diminish their availability to, or enjoyment by, others (that is, they are non-rival); and
- It is not practical to exclude access to them (that is, they are non-excludable).

Examples include roads and parks and public toilets.

#### Private Goods

Private goods are those goods which are both rival in consumption (that is, one person’s use diminishes its availability or enjoyment by others) and excludable.

Examples include childcare centres, leisure centres and use of community halls.

Generally, Council should fund “Private Goods” through user charges and fund “Public Goods” through rates. However it is often difficult to define local government services as either purely public goods or purely private goods, and most will lie somewhere on the spectrum between the two. This inevitably results in a large number of Council services, although having income from user fees, being subsidised by rates.

Council reviews the user fees and charges annually as part of the annual budget process. The applicable annual user fees and charges are provided in Council’s budget document.

Rates are levied on each property owner based on the value of their property and are calculated as follows:

**Property Value x Rate in the dollar = Council Rates**

$$\mathbf{\$50,000 \times 0.006550 = \$327.50}$$

In the example the “rate in the dollar” for a residential property is 0.006550 and when applied to a property capital improved value of \$50,000, the rates payable would be \$327.50.

Rates are in the form of a general purpose levy and the benefits that a ratepayer may receive will not necessarily be to the extent of the rates paid in any one year. Benefits are consumed in different quantities and types over the lifecycle of the ratepayer, for example: maternal and child health, libraries, aged care, local laws, roads and footpaths.

Council's practices and decisions regarding rating are underpinned by:

- Accountability, transparency and simplicity;
- Efficiency, effectiveness and timeliness;
- Equitable distribution of the rate burden across the community according to assessment of property wealth;
- Consistency with Council's strategic, corporate and financial directions and budgetary requirements;
- Compliance with relevant legislation.

Some of the services that Council provides include:

- Building and Planning services;
- Environmental Health;
- Fire Prevention;
- Dog and cat management and control;
- Community leadership/advocacy and community development programs;
- Aged Care Services including meals on wheels, home help and volunteer drivers;
- Events and tourism;
- Parks, gardens, playgrounds and street lighting;
- Road and footpath construction and maintenance;
- Skate parks, sporting and recreation facilities;
- Stormwater and drainage management;
- Youth and family services including maternal and child health and immunisation;
- Waste and recycling collection and disposal.



## 4. RATING FRAMEWORK

The Local Government Act 1989 stipulates that the primary objective of a Council is to endeavour to achieve the best outcomes for the local community while considering the long-term and cumulative effects of decisions. In seeking to achieve its primary objective, a Council must have regard to a number of facilitating objectives, including:

- Promoting the social, economic and environmental viability and sustainability of the municipal district
- Ensuring that resources are used efficiently and effectively and services are provided in accordance with best value principles to best meet the needs of the local community
- Improving the overall quality of life of people in the local community
- Promoting appropriate business and employment opportunities to ensure that services and facilities provided by the Council are accessible and equitable
- Ensuring the equitable imposition of rates and charges
- Ensuring transparency and accountability in council decision-making.

In developing a Rating Strategy due regard is also given to:

### **Local Government (Finance and Reporting) Regulations 2004**

These regulations set out the information to be disclosed in Council's annual budgets in relation to rates and charges.

### **Valuation of Land Act 1960**

For the purpose of the Local Government Act and its rating provisions, the Valuation of Land Act is the principal legislation that relates to determining property valuations.

### **Revenue & Rating Strategy Local Government Best Practice Guide 2014**

The Department of Transport, Planning and Local Infrastructure published a best practice guide to support councils to take an integrated approach to developing a revenue and rating strategy which takes into account all council revenue components.

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. In aspiring to balance service levels in accordance with the needs and expectations of the community it must set rating or taxation levels to adequately resource its roles and responsibilities.

Public finance theory sets three major criteria for successful taxation policy, or in this case, rating policy:

- **Equity** - including both horizontal and vertical equity. Horizontal equity means that those in the same position (i.e. with the same property value) 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 the system is transparent and capable of being questioned and challenged by ratepayers.



## 4.1 Rate Capping

Council is required to adhere to the Local Government Amendment (Fair Go Rates) Act 2015 and prepare a budget on the basis of applying an average rate cap fixed by general Order.

The average rate cap sets the maximum allowable percentage that Council can increase its average rates per property from one year (base) to the next (capped year). To calculate the average rates per property in the base year, Council must calculate the 'base average rate'. To calculate the average rates per property in the capped year, a council must calculate the 'capped average rate'. Council's capped average rate must not exceed the base average rate by more than the average rate cap set by the general Order.

The rates cap will only apply to general rates, not to other revenue such as service rates and charges. However, there is scope for the Minister to extend the application of the rate cap to other rates or charges in future years.

## 5. PROPERTY VALUATION

The Local Government Act 1989 and the Valuation of Land Act 1960 are the principle Acts in determining property valuations. Generally, occupancy on each rateable land can be valued and rated. Contiguous areas of vacant land with more than one title in the same ownership may be consolidated for rating purpose.

Council may adopt one of the following three valuation methodologies:

- **Site Value:** the value of the land plus any improvements which permanently affect the amenity or use of land, such as drainage works, but excluding the value of buildings and other improvements. Also referred to as the unimproved market value of the land.
- **Capital Improved Value:** the land and other improvements, including dwellings, other buildings and landscaping.
- **Net Annual Value:** the value of the rental potential of the land, less the landlords' outgoings (such as insurance, land tax and maintenance costs). For residential and farm properties this must be set at 5% of the capital improved value (Valuation of Land Act Section 2).

Council currently uses the Capital Improved Value (CIV) for rating purposes. Utilising CIV as the basis for rates allows council to adopt differential rating, which may better reflect capacity to pay rather than the alternatives and provides council with the flexibility to levy differential rates. The vast majority of Victorian Councils use CIV as the basis for levying rates and charges.

### 5.1 Valuation Process

Council is required to conduct a revaluation of all properties every two years. The revaluation is conducted by a Council's Contract Valuer and these valuations are used for rating purposes for 2 consecutive financial years.

During the revaluation process the Valuers have a statutory requirement to conduct a review of property values based on market movements and recent sales trends.

The Valuers undertake a physical inspection of some properties during each revaluation. Other valuations are derived from complex formulas based on sectors, sub market groups, property condition factors (including age, materials and floor area), influencing factors such as locality and views, and land areas compared to sales trends within each sector/sub-market group. The municipality has defined sub-market groups of consistent property types which are reviewed during the revaluation process.

## *5.2 Supplementary Valuation Process*

Supplementary valuations are returned by Council's Contract Valuers during the financial year when a significant change to the valuation occurs. The most common causes for supplementary valuations are:

- Construction of a new dwelling or building
- Further material improvement to an existing dwelling or building
- Subdivision of a property
- Consolidation of properties.

Council will send a Supplementary Rate Notice to property owners to advise them of the valuation change and the resulting impact on the rates payable.

## *5.3 Objections to Property Valuation*

The Valuation of Land Act 1960 provides that an objection to the valuation may be made each year within two months of the issue of the annual or supplementary rates notice. Objections must be dealt with in accordance with the Valuation of Land Act – Division 3 Sections 16-21.

Council will continue to advise ratepayers via the Rate Notice of their right to object and appeal the valuation. Property owners also have the ability to object to the site valuations on receipt of their Land Tax Assessment.

## 6. DIFFERENTIAL RATES

A council may raise any general rates by the application of a differential rate if it uses the capital improved value system of valuing land. If a council declares a differential rate for any land, the council must specify the objectives of the differential rate. A council must have regard to any Ministerial Guidelines before declaring a differential rate for any land under Section 161 of the Local Government Act 1989.

Differential rates are a useful tool to address equity issues that may arise from the setting of council rates derived from property valuations.

### GENERAL DIFFERENTIAL RATE

#### Objective:

To ensure that equitable contribution is obtained from general rates in respect of rateable land, as appropriate having regard to land characteristics, to the cost of carrying out the functions of Council, including the cost of:

1. Construction and maintenance of public infrastructure;
2. Development and provision of health and community services;
3. Provision of general support services.

#### Types and Classes:

Residential land is any land, which is:

- Occupied for the principal purpose of physically accommodating persons; or
- Unoccupied but zoned residential under the Yarriambiack Shire Council Planning Scheme.

Commercial and Industrial land is any land, which is:

- Occupied for the principal purpose of carrying out the manufacture or production of, or trade in, goods or services; or
- Unoccupied but zoned commercial or industrial under the Yarriambiack Shire Council Planning Scheme.

#### Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council.

The level of the differential rate is the level which the Council considers is necessary to achieve the objectives specified above.

### FARM DIFFERENTIAL RATE

#### Objective:

To ensure that equitable contribution is obtained from general rates in respect of rateable land, as appropriate having regard to land characteristics, to the cost of carrying out the functions of Council, including the cost of:

1. Construction and maintenance of public infrastructure;
2. Development and provision of health and community services;
3. Provision of general support services.



### Types and Classes:

Rateable land having the relevant characteristics described below:

Any land which is "farm land" within the meaning of Section 2(1) of the Valuation of Land Act 1960.

Farm land means any rateable land -

- a) that is not less than 2 hectares in area; and
- b) that is used primarily for grazing (including agistment), dairying, pig-farming, poultry farming, fish-farming, tree-farming, beekeeping, viticulture, fruit-growing or the growing of crops of any kind or for any combination of those activities; and
- c) that is used by a business -
  - i. that has significant and substantial commercial purpose or character; and
  - ii. that seeks to make a profit on a continued basis from its activities on the land; and
  - iii. that is making a profit from its activities on the land, or has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way it is operating.

### Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council.

The level of the differential rate is set at 77 per cent of the general rate.

### Cultural and Recreational Land

Council does not levy a rate on Cultural and Recreational Land with the municipality in accordance with Section 4 (1) of the Cultural & Recreational Lands Act 1963. Cultural and Recreational Land is defined as land that is used primarily for recreational and cultural purposes by not-for-profit organisations.

#### Differential Rates History

	2013/14	2014/15	2015/16	2016/17	2017/18
General	100%	100%	100%	100%	100%
Farm	85%	77%	77%	77%	77%

#### Number of Assessments vs. Budget Income vs. % of Rates Income Table

	Number of Assessments	Budget Income 2017/18	Percentage of Rates Income
General - Residential	3,338	\$2,038,023	18.9%
General - Commercial	458	\$330,683	3.1%
Farm	3,064	\$8,067,236	74.7%
Municipal Charge	4,994	\$358,711	3.3%
		<b>\$10,794,653</b>	<b>100%</b>

## 7. SERVICE RATES AND CHARGES

The Local Government Act 1989 allows Council to declare annual service charges for any combination of the following services, on the basis of any criteria specified by the Council:

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

Weekly kerbside waste and fortnightly recycling collection services are provided in urban areas and rural areas abutting the sealed road network. The charge for a waste/recyclables service is compulsory for all residential properties in urban areas (whether or not the service is used) and optional in areas outside the urban boundary.

The waste service charges account for the various costs associated with the provision of waste management services; including a recycling service, waste disposal and management, development, rehabilitation and operation of the Council's landfills in accordance with Environment Protection Authority License, waste minimization promotion and education, management and administration of the waste, recycling and the provision of a weekly kerbside waste collection service and fortnightly recycling collection service.

Waste services charges are not subject to the rate cap.

In addition, all ratepayers receive an allocation of hard/green waste vouchers which can be used at Council's landfills within the municipality.

### Service Rates and Charges History

	2013/14	2014/15	2015/16	2016/17	2017/18
Residential 80L waste service	\$114.20	\$121.06	\$127.11	\$130.92	\$133.54
Residential 120L waste service	\$158.53	\$168.04	\$176.45	\$181.74	\$185.37
Residential 240L waste service	\$308.55	\$327.06	\$343.42	\$353.72	\$360.79
Commercial 120L waste service	\$158.53	\$168.04	\$176.45	\$181.74	\$185.37
Commercial 240L waste service	\$308.55	\$327.06	\$343.42	\$353.72	\$360.79
Rural 80L waste service	\$114.20	\$121.06	\$127.11	\$130.92	\$133.54
Rural 120L waste service	\$158.53	\$168.04	\$176.45	\$181.74	\$185.37
Rural 240L waste service	\$308.55	\$327.06	\$343.42	\$353.72	\$360.79
Residential recycling service	\$102.43	\$108.57	\$114.00	\$117.42	\$119.77
Commercial recycling service	\$102.43	\$108.57	\$114.00	\$117.42	\$119.77
Rural recycling service	\$102.43	\$108.57	\$114.00	\$117.42	\$119.77

## 8. MUNICIPAL CHARGE

A municipal charge as provided under Section 159 of the Local Government Act 1989 allows councils to raise up to 20% of their rates from a flat base amount per assessment across the municipality to recover part of the administrative operating costs. Where multiple properties form part of a single farming enterprise, exemptions may be granted to eligible properties upon application.

### Municipal Charge History

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Municipal Charge	\$60.00	\$63.60	\$68.70	\$70.42	\$71.83

## 9. SPECIAL RATES AND CHARGES

Council has the power to levy a special rate or special charge, or a combination of special rate and charge, to fund service provision under Section 163 of the Local Government Act 1989. A special rate or charge can be used if Council deems that a special benefit is received by those properties on which it is levied. Council need not necessarily use property value as the basis for levying a special rate or charge.

Council may have several special rates and charges schemes in place at any one time, however, the proliferation of these schemes is not a practical option, particularly given the impact on efficiency as each scheme has to be justified, advertised and managed. The consideration of such schemes should be on a case by case basis as to whether revenue collection issues would be better addressed by general rates or user charges.

## 10. COLLECTION OF RATES AND CHARGES

Under section 156 of the Act, the owner of any rateable land is liable to pay the rates and charges on that land. If the owner cannot be found the occupier is liable to pay. If rates are unpaid they are regarded as the first charge on the land and are recoverable by legal proceedings. Council may sell the land in order to recover any debt as a result of the non-payment of rates and charges, including the costs of the legal action.

### 10.1 Payment Options

In accordance with Section 167(1) of the Local Government Act, Council must allow a person to pay their rates and charges in four instalments and the instalments are due and payable on the dates fixed by the Minister as published in the Government Gazette.

- 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 also allow a person to pay their rates and charges in a lump sum. Council offers the lump sum option with the Government gazetted due date of 15 February.

Council also offers Council employees the option of paying their Yarriambiack Shire Council rates through fortnightly payments as part of Council's Enterprise Bargaining Agreement.



## 10.2 Payment Methods

Council offers an extensive range of payment options for ratepayers to pay their accounts:

- BPay – secure banking web page or phone;
- Australia Post – in-store, phone, secure payment web page or AusPost app;
- Council Offices (Warracknabeal and Hopetoun) – phone and over the counter during business hours or via mail; and
- Payment by Centrepay.

## 10.3 Unpaid Rates and Charges

In accordance with Section 172 of the Local Government 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 that applied on the first day of July immediately before the due date.

The penalty interest will be applied after the due date of an instalment. For lump sum payers, the interest penalty will be applied after the due date of the lump sum, but calculated on each of the instalment amounts that are overdue from the day after their due dates. In all cases interest penalty will continue to accrue until all amounts are paid in full.

## 10.4 Debt Recovery

In the event that an account becomes overdue, Council will issue an overdue final notice which includes interest charges. If no payment is forthcoming or no arrangements have been made to pay the debt, Council may pursue the recovery of outstanding rates and charges through its debt collection agencies.

Any costs incurred during the recovery process are added to the amount outstanding. 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 correct mailing and contact details.

Any ratepayer who has difficulty paying their rates is invited to contact Council to make alternate payment arrangements.

An accumulation of three or more years of rates and charges debt enables Council to initiate sale proceedings of the rateable property in accordance with Section 181 of the Local Government Act 1989.

# 11. FINANCIAL HARDSHIP CONSIDERATION

Council recognises there are cases of genuine financial hardship requiring respect and compassion in special circumstances.

Council will assess financial hardship applications by taking into account the principles of fairness, integrity, confidentiality and compliance with statutory requirements.

## 12. CONCESSIONS AND REBATES

Section 169 of the Local Government Act provides Council with the ability to grant rebates or concessions on rates and charges:

- To assist proper development of the municipal district; or
- To preserve buildings or places in the municipal district that have a 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.

In addition, section 171(4) of the Local Government Act 1989 provides Council with the ability to waive rates to eligible recipients in accordance with the State Concessions Act 2004 provided that the rateable or part of rateable land by the applicant is that person's sole or principal place of residence. Only one application (in the prescribed form) for each rating period can be made by that person. Proof of eligibility is provided by Pensioner Concession Cards but not extended to Health Care cardholders. Eligible pensioners may gain a concession of up to 50 per cent of their total rates and charges, up to a maximum amount set by the State Government each year.

No further concessions are available to eligible pensioners, but Council will review this position periodically.

## 13. FIRE SERVICES PROPERTY LEVY

Effective from 1 July 2013 Council is an appointed collection agent for the State Government Fire Services Levy. Council is required to calculate and collect a levy from all land within the Yarriambiack municipality unless specifically exempt, i.e.: Commonwealth owned land or State Government owned land.

Property owners who currently receive a council rates concession in respect of their principal place of residence automatically receive the FSPL \$50.00 concession.

## 14. FURTHER INFORMATION

For further information on the Council's Revenue and Rating Strategy please contact Council on 5398 0100 or by email [info@yarriambiack.vic.gov.au](mailto:info@yarriambiack.vic.gov.au).

## Contact Us

**Business hours:** 8.30am to 5pm weekdays

**In person:** 34 Lyle Street, Warracknabeal

**Mail:** PO Box 243, Warracknabeal, VIC, 3393

**Phone:** (03) 5398 0100

**Fax:** (03) 5398 2502

**Email:** [info@yarriambiack.vic.gov.au](mailto:info@yarriambiack.vic.gov.au)

**Web:** [www.yarriambiack.vic.gov.au](http://www.yarriambiack.vic.gov.au)



