

Draft Rating Strategy



Borough of Queenscliffe
Queenscliff & Point Lonsdale, Victoria, Australia

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1. Purpose

The purpose of a rating strategy is to explain Council's approach towards rating its community under Part 8 of the *Local Government Act 1989* (Rates and Charges on Rateable Land). A rating strategy sets out the factors considered by Council when selecting the rating system for determining how money will be raised from properties within the Borough.

In developing a rating strategy, Council seeks to balance service levels in accordance with the needs, means and expectations of the community. Rating levels are set to adequately resource Council's role, functions and responsibilities. In setting rates, Council gives primary consideration to its strategic objectives, sound financial management principles, annual budget considerations, the current economic climate and other external factors and the overall impacts upon the community.

In developing the Borough's draft rating strategy Council has reviewed all rates (including differential rates) and compared with those charged by other coastal and neighbouring councils.

2. Rating system

Rates and charges are an important source of revenue, accounting for approximately 60% of the total underlying operating revenue received by Council annually, with the balance almost equally comprised of government grants and user fees (mainly caravan park income).

Planning for future rate increases is a critical part of the annual budget process. As part of preparing the budget, Council considers the renewal and maintenance needs of its assets/infrastructure and community needs in relation to its available income requirements for the coming year, before deciding how much it should raise in general rates, after having first taken into account other sources of revenue.

Council needs to strike a balance between competing priorities, in determining the amount of rate revenue to be raised as a funding source, whilst at the same time considering community sensitivity to increases and the capacity to pay such annual increases. In doing so, Council may decide to forgo some activities and services in order to avoid high rate rises.

Once the total rate dollar required is determined, Council then decides the best method of allocating the rates across all rateable properties. Under the Act, Council has a number of rating options available to it including uniform rates, differential rates, municipal charges and service charges. In determining the most appropriate method for allocating rates it takes into consideration the key principles of equity and efficiency as well as other principles of simplicity, efficiency, sustainability and competitiveness. Queenscliffe currently uses a general and differential rating system.

In broad terms, the total amount of money to be raised in general rates is divided by the total value of all rateable properties. The resulting figure is called the 'rate in the dollar'.

For a council using only a general rate, the rate in the dollar is calculated as follows:

For example, if council plans to raise general rate revenue of \$5 million, and the Capital Improved Value (CIV) of all residential properties in the municipality is \$2 billion, then the rate in the dollar is calculated by dividing rate revenue by CIV = 0.0025 (0.25 cents in the dollar).

The formula for calculating the rates for an individual property (excluding any additional charges or arrears) is the property valuation multiplied by the rate in the dollar set by the council. Councils determine the rate in the dollar as part of their budget process.

For example if the Capital Improved Value of a property is \$750,000 and the council rate in the dollar is set at 0.25 cents in the dollar, then rates would be \$1,875.00 (\$750,000 x 0.0025). Note rates are rounded up or down to the nearest five cents.

Rate notices provide specific details on how rates are calculated.

2.1 Strategic directions

Council's annual rate setting objective is developed within a framework which integrates planning from its strategic objectives through to service delivery. The strategic objectives of Council are set out in the Council Plan, Long Term Financial Plan and the Annual Budget (including Strategic Resource Plan).

Council's Strategic Financial Plan recommends that the rating strategy be reviewed with respect to differential rating levels, giving consideration to the benefits that accrue to particular sections of the community and the community's capacity to pay. This plan also recommends that consistent rate increases should be applied from year to year.

The Borough's current Long Term Financial Plan assumes a consistent annual rate increase of 4.5% and this has been applied in the 2013/14 Draft Budget and across the four financial years covered by the Council Plan 2013 - 2017.

Rate increases adopted by the Borough of Queenscliffe over the past twelve (12) years are illustrated over.

Year	Rate increase
2001/02	6.98%
2002/03	12.00%
2003/04	8.00%
2004/05	7.00%
2005/06	4.00%
2006/07	6.50%
2007/08	6.75%
2008/09	6.75%
2009/10	3.50%
2010/11	5.50%
2011/12	4.50%
2012/13	4.00%
Average rate increase	6.29%

The challenge faced by the Borough, as with many small rural Councils, is the low growth in rateable properties (and therefore rate income) and the unavoidable increase in costs related to meeting legislative compliance requirements, the increasing expectations and demand for services and the challenge of infrastructure renewal.

The table above illustrates the increases deemed necessary by Council, in adopting its budgets in recent years. This has typically been in excess of inflation as Councils have sort to address the challenges associated with infrastructure improvements, the defined benefits superannuation liabilities facing Local Government and additional legislative and accountability requirements.

2.2 No financial gain

In establishing the proportion of rates and charges to be levied on properties, there is a common misconception that if a property's valuation rises then Council receives additional income. This is not the case, as the general revaluation process simply results in a redistribution of the rate burden across all properties in the Borough. Any increase to total valuations is offset by a reduction in the 'rate in the dollar' used to calculate the rate for each property.

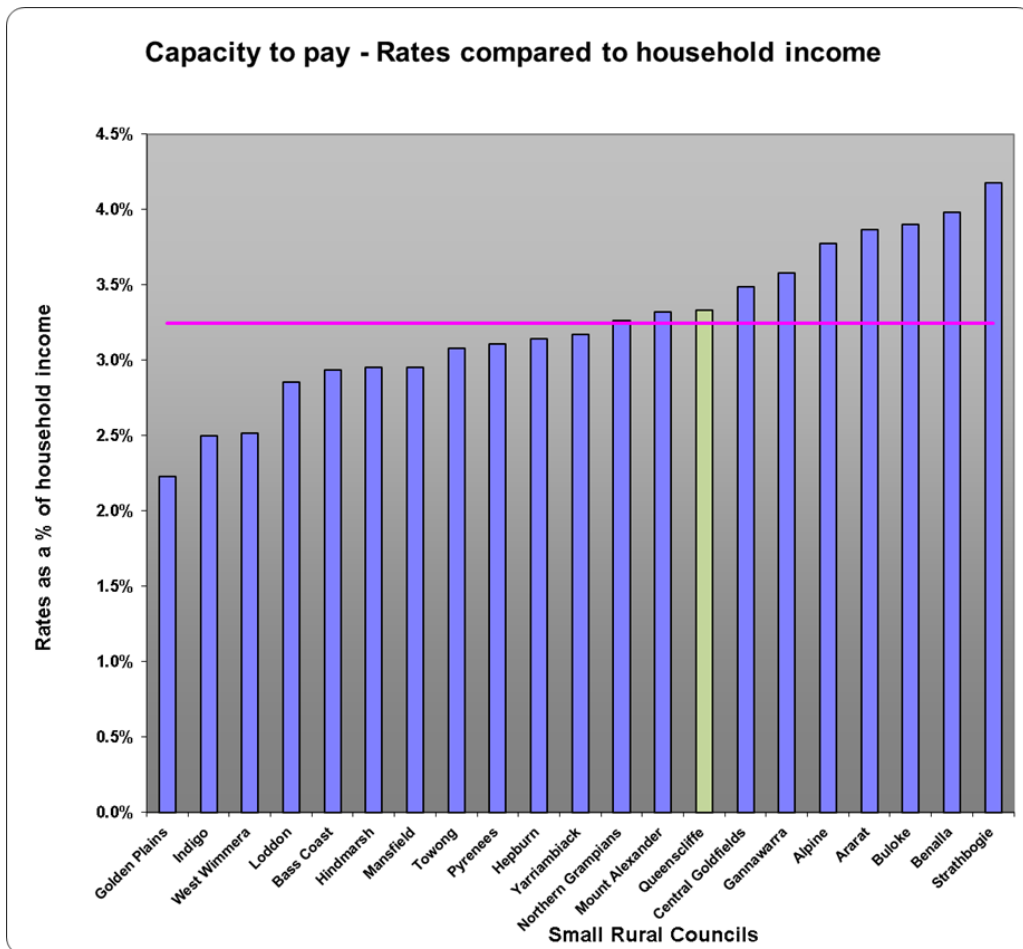
2.3 Community impact

Council is aware of the financial impact that property rates may have on the community. Financial modelling is conducted, as part of the review of Council's rating strategy in preparation for the budget, to consider the impact of various rating options on each class of property against which rates are levied.

Council's practices and decisions regarding rating are underpinned by the principles of equity, incentive, simplicity, efficiency and legislative compliance.

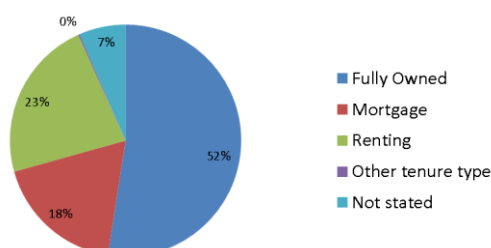
In considering these principles, Council has reflected on a number of factors and their broader community impact. The following graphs include representations of:

- the overall capacity to pay, (ie rates compared to household income across 21 small rural councils represented as a percentage is indicated on the following graph). The Borough sits at 3.3% which is slightly above the average of 3.2%;
- the relatively high proportion of fully-owned home ownership, compared to our neighbouring G21 councils (52% compared to 36%); and
- the Borough's age demographic which shows a high percentage of the population as 60 years or over;

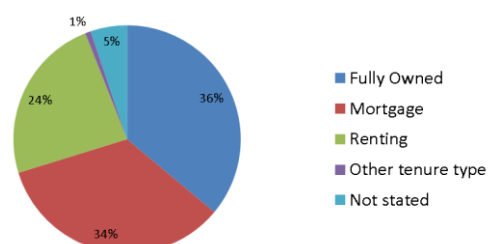


The following graphs indicate housing tenure or home occupancy within the Borough compared with neighbouring Councils in the G21 region (2011 data).

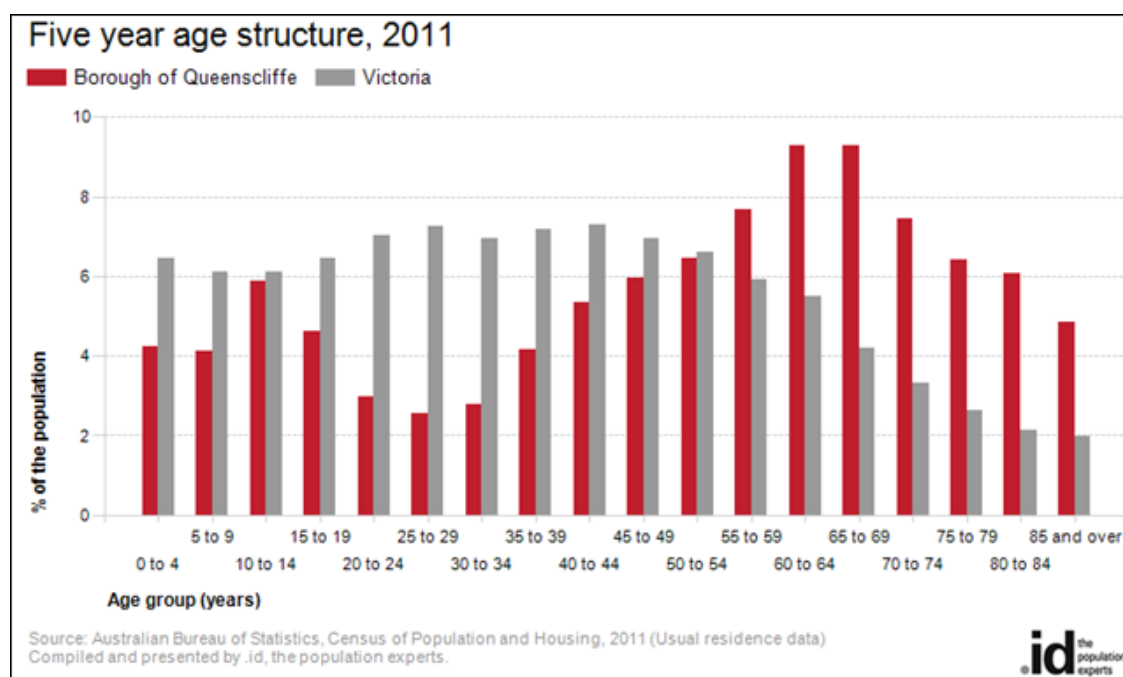
Borough of Queenscliffe - Housing Tenure



G21 Region - Housing Tenure



The age demographic for the Borough of Queenscliffe as a comparison to the State of Victoria is depicted below (Source Australian Bureau of Statistics, 2011)



The set of data covering identifying comparative levels of home ownership and capturing the comparatively higher numbers of people in each of the cohorts over 60 years of age indicates that a reasonable proportion of the general ratepayer population of the Borough own their own homes, are more likely to be retired and on fixed incomes, and while possibly asset rich (given the comparatively higher value of properties in the Borough) and cash poor, their capacity to pay is lessened.

Were Council to apply a uniform rate as opposed to a differential rate, the impact on non-commercial, non-tourist accommodation ratepayers would be greater and this would result in all ratepayers covering the cost of activities associated with tourism-related activities which is not equitable. The use of differential rates decreases the rates apportioned to residential properties.

To further lessen the burden on those most vulnerable to rate increases, Council is proposing the introduction of a \$20 pensioner rebate above that applied by other levels of Government (Refer section 3.7).

2.4 Property valuations

For the purpose of the *Local Government Act 1989* and its rating provisions, the *Valuation of Land Act 1960* is the principal Act in determining property valuations. In general, each separate occupancy determined by Council's independent valuer on rateable land must be valued and rated. Contiguous areas of vacant land with more than one title in the same ownership may be consolidated for rating purposes.

An assessment for the purpose of rating may be against any piece of land subject to separate ownership or occupation. In this context, land has been defined to include buildings, structures or improvements.

Property values are determined by independent professional valuers appointed by council. These valuers assess the market value of each property in line with guidelines laid down by the State Valuer General.

Valuers must assess the value of a property in three ways:

- Capital Improved Value - the total market value of the land plus buildings and other improvements;
- Net Annual Value - the current value of a property's net annual rent (by law, Net Annual Value must be at least five per cent of the Capital Improved Value for commercial property and exactly five per cent of Capital Improved Value for residential property); and
- Site Value - the market value of the land only.

The Borough of Queenscliffe, like most Victorian councils, uses the Capital Improved Value (CIV) to levy rates.

Being a measure of the realised value of property, the CIV is seen to be more equitable to tax residents, than a valuation based on the notional value of land alone. In addition, differential rating combined with CIV affords Council greater flexibility in developing rating outcomes to pursue its particular objectives. For this reason, Council has adopted the CIV system for valuing properties.

It is recommended that Council continue to use Capital Improved Value as the methodology for valuing properties.

State legislation requires that all properties in every municipality be revalued every two years. The latest general revaluation was conducted in January 2012 and the resulting rates calculated were used for the 2012/13 rating year.

Council's independent valuer undertakes a physical inspection of some properties during each revaluation. Other valuations are derived from a complex formula based on sectors, sub-market groups, property condition factors (including age, materials and floor area), factors such as locality and views, and land areas compared to sales trends within each sector/sub-market group. Council's independent valuer determines the valuations according to the highest and best use of a property.

Owners/ratepayers can object within 60 days of receipt of the initial Rates and Valuation Notice. Valuation notices are supplied around the 1st of September each year. Objections to Site Value can also be made, within 60 days of having received a Land Tax Assessment, provided that an objection has not previously been lodged with Council in the current year. If still not satisfied with the outcome, following this objection process, a person may opt to take this further via the VCAT (Victorian Civil and Administrative Tribunal) appeals process.

Changes in property values will vary across a municipality. These will be reflected in each property's rate bill. A general revaluation may result in the rates for some properties going up while others go down. If a property's value increases by less than the average increase across the municipality, the rates for that property will be relatively lower. Rates will be relatively higher if a property's value increases by more than the average increase in valuation.

As outlined earlier, Councils do not collect extra revenue as a result of the revaluation process. Valuations are simply used as an apportioning tool to assess the rates payable for each individual property.

Information about a property's value is included on the rate notice issued by the council.

2.5 Differential rates

Section 161(1) of the *Local Government Act 1989* allows Councils to raise any general rates by the application of a differential rate if it uses the capital improved value system of valuing land.

Councils are able to levy either a uniform rate or one or more differential rates. A uniform rate is where all rateable properties in a municipality are charged based on the same rate in the dollar. Differential rates are where councils set different rates in the dollar for different categories of rateable land.

Councils may for example, have differential rates for vacant land, various categories of residential property or commercial properties – each paying a higher or lower rate in the dollar.

Differentials should be applied where specified local objectives can be achieved. There is no limit on the number or type of differential rates that can be levied, but the highest differential rate can be no more than four times the lowest differential rate.

If a council decides to apply differential rates as part of the mix, it will usually consider some or all of three equity principles, as outlined below:

- 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 more ability to pay rates than do others with similarly valued properties; and
- the incentive or encouragement principle – some ratepayers may be doing more towards achieving Council's goals than others in areas such as environmental or heritage protection for example.

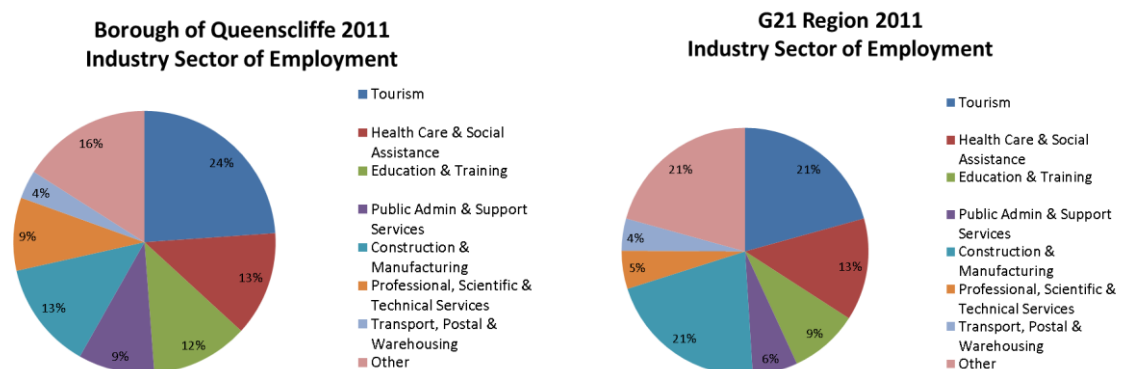
Another consideration is delivering a simple and transparent system of rates and charges. A simple rating system is more transparent, meaning that the underlying purpose and

principles behind it are clearer (ie. providing clarity regarding who is liable for a particular rate and how the liability is calculated).

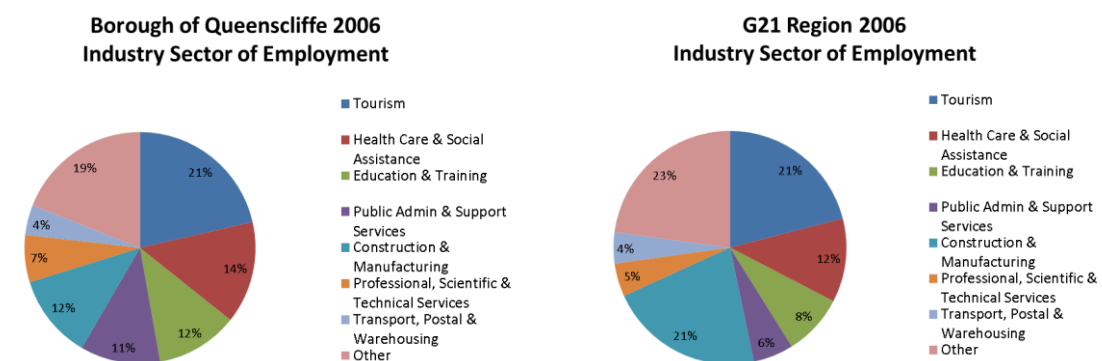
In considering the benefits or user pays principle, particularly as it relates to additional services provided by Council to the tourism sector, Council has considered the presence of tourism-related employment in the Borough.

The following reflects that tourism related employment as the major industry (combining retail and accommodation/hospitality industry data) in the Borough of Queenscliffe has jumped by 2.5% over the past 4 years, but has decreased in the G21 Region. This equates to an extra 33 Tourism industry jobs that have been created since 2006. Employment opportunities across the Borough have increased by 70 positions across all sectors, 47.1% of these new positions were in the tourism-related industry.

Comparative industry sector of employment data for 2011:



Comparative industry sector of employment data for 2006:



2.6 Differential tariff definitions

The definition of each differential rate is detailed in Appendix B of the 2013/14 Draft Budget. This is summarised as follows:

Residential land is any land, which is:

- used primarily for residential purposes; or
- unoccupied but zoned Residential under the Borough of Queenscliffe Planning Scheme; and
- not Commercial land or Tourist accommodation land.

Commercial land is any land, which is:

- used primarily for the carrying out the manufacture or production of, or trade in, goods or services (including accommodation); or
- unoccupied but zoned Business under the Borough of Queenscliffe Planning Scheme; and
- not Tourist accommodation land

Tourist accommodation land is any land, which:

- contains a dwelling, unit, cabin or house or part of a house, with five or less bedrooms available for holiday rental that is used, whether primarily or otherwise, to provide holiday accommodation for the purpose of generating income from the provision of such holiday accommodation;

3. Rating structure applied to the 2013/14 Budget

Council's proposed rating strategy comprises the following key elements:

- Property values (based on Capital Improved Value or CIV) and differential rating to be used to determine the distribution of total rates levied;
- Differential rating for Commercial properties including properties with six or more bedrooms which are rented out as holiday accommodation;
- Differential rating for Tourist Accommodation properties, specifically those properties with five or less bedrooms which are rented out as holiday accommodation;
- A rating concession for identified Cultural and Recreational ratepayers;
- A charge for additional garbage bins;
- An additional pensioner concession of \$20, above the government funded pensioner rebate, per eligible ratepayer property. Eligibility includes application on a principal place of residence with only one rebate per property;
- No application of a fixed municipal charge;
- No application of a fixed garbage charge.

Striking a proper balance between the above elements provides equity in the distribution of the rate burden across residents, businesses and recreational ratepayers.

The current rating system results in all ratepayers sharing the total rate burden on a sliding scale, based on the value of their property.

It is important to note the impact that the introduction of fixed charges will have on the lower valued property owners. In the current scenario of a general rate that funds all costs, including the garbage/waste management costs, the higher valued properties basically subsidise the lower valued properties. The introduction of fixed charges would result in those owners with lower valued properties paying more than is currently the situation.

It is acknowledged that property values do not necessarily indicate an owner's wealth or capacity to pay rates, however, in a property based taxation system it is the only indicator available to local government.

The impact of introducing other rating options is discussed throughout this Rating Strategy.

Comparison with neighbouring Councils and other coastal Councils is also provided for information. Note this relates to the current 2012/13 year with 2013/14 figures for Queenscliffe (only) provided as a contrast.

	QUEENSLIFFE 13/14	QUEENSLIFFE 12/13	COGG	BASS COAST	MOYNE	MORNINGTON	WELLINGTON	ALPINE	GLENELG	COLAC-OTWAY
General	0.00250418	0.00237662	0.00254400	0.00295800	0.00187402	0.00201670	0.00490400	0.00435900	0.00415000	0.00375900
Commercial/Industrial						0.00242000		0.00623300	0.00498000	0.00620300
Commercial/Tourism	0.00325543	0.00320844	0.00508200							0.00375900
Tourism Accommodation	0.00275459	na								
Vacant Land			0.00340100	0.00435260						
Industrial						0.00242000				
Cultural & Recreation	0.00062604	0.00059416	0.00160600						0.00207500	
Mixed Use - Resi & Business			0.00378100							
Farm Rate			0.00254400	0.00295800			0.00392400	0.00318200		0.00297000
Special - Dinner Plan S/Rte			Less -45%					0.00391900		
Special - Timber Plantation									0.00415000	
Special - Primary Production									0.00415000	
Special - Recreational Land									0.00415000	
General - Balance of Shire										0.00319500
Comm/Ind - Balance of Shire										0.00526300
Municipal Charge	0.00	0.00	86.33	0.00	210.00	160.00	0.00	0.00	0.00	149.00
Garbage Charge	0.00	0.00	226.00	284.00	434.00	130.00	164.00	343.00	197.00	277.00

Includes kerbside collection, state grant landfill levy, waste facilities service charge

Garbage charge is an optional green waste charge

\$193 waste, \$70 recycling & \$80 landfill rehab & development

Commercial/Industrial rate applies to ALL tourist accommodation

Note General & Commercial refer to Colac (Base Rate)

COUNCIL RATE COMPARISON: Using General Rate and any standard charges.

	QUEENSLIFFE	QUEENSLIFFE	COGG	BASS COAST	MOYNE	MORNINGTON	WELLINGTON	ALPINE	GLENELG	COLAC-OTWAY
CIV - 1,000,000	\$2,504.18	\$2,376.62	\$2,544.00	\$2,958.00	\$1,874.02	\$2,016.70	\$4,904.00	\$4,359.00	\$4,150.00	\$3,759.00
Municipal Charge	\$0.00	\$0.00	\$86.33	\$0.00	\$210.00	\$160.00	\$0.00	\$0.00	\$0.00	\$149.00
Garbage Charge	\$0.00	\$0.00	\$226.00	\$284.00	\$434.00	\$130.00	\$164.00	\$343.00	\$197.00	\$277.00
Total Rates and Charges	\$2,504.18	\$2,376.62	\$2,856.33	\$3,242.00	\$2,518.02	\$2,306.70	\$5,068.00	\$4,702.00	\$4,347.00	\$4,185.00
% above BOQ Rate Charge	n/a	n/a	20.18%	36.41%	5.95%	-2.94%	113.24%	97.84%	82.91%	76.09%
CIV - 800,000	\$2,003.34	\$1,901.30	\$2,035.20	\$2,366.40	\$1,499.22	\$1,613.36	\$3,923.20	\$3,487.20	\$3,320.00	\$3,007.20
Municipal Charge	\$0.00	\$0.00	\$86.33	\$0.00	\$210.00	\$160.00	\$0.00	\$0.00	\$0.00	\$149.00
Garbage Charge	\$0.00	\$0.00	\$226.00	\$284.00	\$434.00	\$130.00	\$164.00	\$343.00	\$197.00	\$277.00
Total Rates and Charges	\$2,003.34	\$1,901.30	\$2,347.53	\$2,650.40	\$2,143.22	\$1,903.36	\$4,087.20	\$3,830.20	\$3,517.00	\$3,433.20
% above BOQ Rate Charge	n/a	n/a	23.47%	39.40%	12.72%	0.11%	114.97%	101.45%	84.98%	80.57%
CIV - 400,000	\$1,001.67	\$950.65	\$1,017.60	\$1,183.20	\$749.61	\$806.68	\$1,961.60	\$1,743.60	\$1,660.00	\$1,503.60
Municipal Charge	\$0.00	\$0.00	\$86.33	\$0.00	\$210.00	\$160.00	\$0.00	\$0.00	\$0.00	\$149.00
Garbage Charge	\$0.00	\$0.00	\$226.00	\$284.00	\$434.00	\$130.00	\$164.00	\$343.00	\$197.00	\$277.00
Total Rates and Charges	\$1,001.67	\$950.65	\$1,329.93	\$1,467.20	\$1,393.61	\$1,096.68	\$2,125.60	\$2,086.60	\$1,857.00	\$1,829.60
% above BOQ Rate Charge	n/a	n/a	39.90%	54.34%	46.60%	15.36%	123.59%	119.49%	96.34%	102.98%

The separate addition of a garbage charge and municipal charge at neighbouring councils results in higher total rates payable over a range of property valuations.

The Borough's rating structure is detailed in Appendix B of the 2013/14 Draft Budget. Highlights are as follows:

– Rate in the dollar

Type of Property	2012/13 cents/\$CIV	2013/14 cents/\$CIV
General rate for rateable residential properties	0.237662	0.250418
General rate for rateable commercial properties	0.320844	0.325543
General rate for rateable tourist accommodation properties	na	0.275459
Rate concession for rateable cultural and recreational properties	0.059416	0.062604

– Total amount to be raised for rates and charges

Type of Property	2012/13 \$	2013/14 \$
Residential	4,914,810	4,988,786
Commercial	637,093	395,647
Tourist accommodation	na	453,976
Cultural and recreational	3,566	3,889
TOTAL Rates to be raised	5,555,469	5,842,297

– Number of rateable properties

Type of Property	2012/13 No.	2013/14 No.
Residential	2,756	2,640
Commercial	261	156
Tourist Accommodation	na	228
Cultural and recreational	4	5
Total number of assessments	3,021	3,029

3.1 General or residential rate

The actual rating burden applied to general or residential properties is determined by decisions to apply either higher or lower rates in the dollar of property value to other classes of property. The equity of the general rate is therefore a by-product of the equity inherent in the setting of those other rates. Differential rates are set relative to the general or residential rate.

The objective of this general rate is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the construction and maintenance of infrastructure assets, development and provision of community services and provision of general support services.

3.2 Residential vacant land rate

In 2012/13, there are 107 residential vacant land properties in the Borough, with valuations ranging from \$172,000 to \$2,421,000 (average is \$648,000). Council currently rates these at the same rate in the dollar as for the general or residential rate.

There is a practice in other Councils whereby a higher rate is applied to vacant land, for example to encourage development of that land. Given the comparatively low number of vacant lots and the comparatively high land values within the Borough, no premium has been applied to the general rate.

The objective of this residential vacant land rate is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the construction and maintenance of infrastructure assets, and provision of general support services.

In summary, given the comparatively low number of vacant lots and the comparatively high land values within the Borough it is recommended that Council continue its practice of applying the general or residential rate to residential vacant land.

3.3 Commercial rate

In 2012/13 the Borough of Queenscliffe applied one differential rate to all Business/Commercial ratepayers. This included businesses that operate in the tourism and accommodation sectors. The differential rate applied was a 35% premium on the general (residential) rate.

The rationale underpinning the application of this differential rate centred on the additional financial demands on Council and the benefits that flow to the commercial sector in Council providing visitor information services as well as tourism promotion. It is also noted that the commercial rate is tax deductible for commercial enterprises.

The objective of this commercial differential rate is to ensure that all rateable commercial properties make an equitable financial contribution, which reflects capacity of the property and for which Council may provide additional services, to the cost of carrying out the functions of Council, including but not limited to the:

- Construction and maintenance of infrastructure assets
- Development and provision of community services
- Provision of general support services
- Costs associated with the Visitor Information Centre service and tourism promotion.

A commercial differential rate is regarded as necessary to provide the additional services to this sector. The tourism industry is the largest industry within the Borough. Festivals and events are also a related critical driver for the Borough of Queenscliffe economy and Council delivers a coordinated program to attract, develop and retain a strong calendar of events. A significant portion of the money raised is invested to undertake visitor information services and tourism strategies, to support the growth and future wellbeing of this sector within the Borough. Investment in tourism, along with the general nature

of commercial properties, results in a higher servicing cost to Council. Therefore, a differential rate is applied to ensure equity across ratepayers.

In 2012/13 there was a capacity for those providers of accommodation in holiday houses to allow up to six weeks of tourism rental without incurring the commercial rate. A statutory declaration was required by the ratepayer in order for the commercial rate to not be applied. To ensure equity, ratepayers in this category (tourism accommodation providers) who advertise their properties or are known to provide commercial accommodation are contacted by the Rates Department.

In recent years, considerable feedback has been received from both this group of ratepayers and from accommodation brokers in the area seeking changes to the application of the differential rate as it applies to tourist accommodation. The quantum of the premium has been questioned in terms of the comparable income accommodation providers receive with that of other commercial businesses within the Borough.

In reviewing the current rating strategy, Council has proposed a two-tiered commercial rate, which distinguishes between commercial businesses/larger tourist accommodation enterprises and smaller tourist accommodation providers. The distinction would be based on the scale of the tourist accommodation with those properties with six or more bedrooms rented out as holiday accommodation being subject to the commercial rate and properties with five or less bedrooms rented out as holiday accommodation being subject to a new tourist accommodation rate. This is further discussed at Sections 2.6 and 3.4 of this document.

Council has also reviewed the quantum of the commercial rate and concluded that the previous premium on the general rate of 35% should be reduced to a lower premium on the general rate of 30%, with effect from the 2013/14 financial year. This reduction in the premium recognises the current economic climate and aims to promote business sustainability and growth.

In summary, given the additional funds that Council allocates to visitor information services and tourism promotion and the benefits that flow to commercial properties, it is recommended that Council apply a 30% differential rate to commercial properties including those with six or more bedrooms rented out as holiday accommodation.

3.4 Tourist accommodation rate

As discussed in Section 3.3 above, Council has reviewed the application of the commercial rate applied in 2012/13 and concluded that a new differential rate with a premium of 10% should be applied to properties with smaller scale tourist accommodation. It is proposed that this new differential rate include those properties that have five or less bedrooms rented out as holiday accommodation, at any stage and for any length of time throughout the year.

The objective of this tourism accommodation differential rate is to ensure that all smaller scale rateable tourist accommodation properties make an equitable financial

contribution, which reflects capacity of the property and for which Council may provide additional services, to the cost of carrying out the functions of Council including but not limited to the:

- Construction and maintenance of infrastructure assets
- Development and provision of community services
- Provision of general support services
- Costs associated with the Visitor Information Centre service and tourism promotion.

In summary, given the additional funds that Council allocates to visitor information services and tourism promotion and the lesser benefits that flow to smaller scale tourist accommodation properties, it is recommended that Council apply a 10% differential rate to properties providing tourist accommodation that have five or less bedrooms rented out as holiday accommodation.

3.5 Cultural and recreational land

The *Cultural and Recreational Lands Act 1963* provides for Councils to grant a rating concession to any recreational lands which meet the test of being 'rateable land' under the Act.

The Borough has five properties which are rated under the provisions of the *Cultural and Recreational Lands Act 1963*. The rate in the dollar currently charged to these properties is 25% of the general rate (ie. the rate concession for recreational land is set at 75% of the residential rate and is treated as a contribution in lieu of rates).

Council has applied this rating concession in recognition of the voluntary nature of the not for profit sport and recreation clubs operating on the rateable land and the limited revenue streams available to these community organisations. It is proposed that the current practice of applying a rating concession continues to be applied to those volunteer managed and operated, not for profit clubs that are located on rateable land.

In summary, given the voluntary nature of the not for profit sport and recreation clubs operating on the rateable land and the limited revenue streams available to these community organisations, it is recommended that Council apply a rating concession of 75% (ie. require payment of 25% of the general rate) to those volunteer managed and operated, not for profit community clubs that are located on rateable land.

3.6 Additional bin charge

The *Local Government Act 1989* enables a council to impose a service rate or an annual service charge (or a combination of these) for certain purposes such as collecting and disposing of refuse. While the ability to impose a service rate (based on the property valuation) still exists, a service charge is the more common way of recovering the costs associated with garbage collection, recycling and disposal.

A unit charge may be levied on each property that receives or can access the service, and commonly appears as a separate amount on the rate assessment notice. A different amount may be charged for different property categories or for different sized bins.

The Borough currently includes garbage collection and disposal costs within its expenditure budget. It does not separately charge residential ratepayers for garbage collection.

Requests for any additional bin/s (ie. over and above the provided recycle and general waste bins for residential collection) will be considered on formal application, where exceptional circumstances exist. In 2012/13 this service attracted an additional charge of \$180 per second/additional bin.

It is recommended that Council, on receipt, review and acceptance of a formal application, apply an additional charge (as detailed in the fees and charges schedule of the 2013/14 budget) for any additional bin for the purposes of garbage collection, recycling and disposal.

3.7 Pensioner concession (additional to the pensioner rebate)

Council has the discretion to offer additional pensioner concessions, above that level funded by other levels of government, should it choose to do so. The Borough currently has 436 ratepayer properties eligible to receive a pensioner concession on rates. The pensioner concession applies to holders of a Centrelink or Veteran Affairs Pension Concession card or a Veteran Affairs Gold card which stipulates TPI or War Widow, on their sole or principal place of residence, with only one rebate per property.

Assuming an additional concession of \$20 per eligible ratepayer property, this would result in a total of \$8,720 to be reallocated within the general rate in the dollar.

It is proposed that Council introduces a concession of \$20 per eligible ratepayer property, above that funded by other levels of government.

In summary, given the financial pressures impacting on pensioners with fixed incomes, it is recommended that Council introduce an additional pensioner concession of \$20 per eligible ratepayer property, above that funded by other levels of government under the Municipal Rates Concession Scheme and that this be applied consistent with applicable pensioner definition used by other levels of government (noting that this definition may be subject to change from time to time).

More information regarding the government funded pensioner rebate is included at Section 5.3 of this document.

4. Other rating options available to Council

Local government's rating policy options include:

- Choice of valuation base (CIV, NAV or SV)

- General rates (uniform or differential rates)
- Municipal charges (not more than 20% of total rate revenue)
- Special rates and charges/rebates/waivers

Those options which could be considered by Council, with regard to the above, are described in further detail below.

4.1 Municipal charge

The Local Government Act enables councils to levy a municipal charge. The municipal charge is a flat charge that can be used to offset some of the administrative and or compliance costs of the council. The total amount raised from the municipal charge cannot be more than 20% of the total raised from the combination of municipal charge and general rates.

On one hand, applying a fixed municipal charge can be a way of ensuring that all properties make a standard contribution towards a council's administrative costs. On the other hand, it will result in lower value properties being charged a higher level of rates.

The Borough of Queenscliffe does not currently levy a municipal charge on its ratepayers and it is proposed that this practice continues.

Based on 20% of total rates, the Borough could introduce a Municipal charge of anything up to approximately \$380 per property per annum. The municipal charge applied by neighbouring and other coastal councils in 2012/13 differs, as indicated in the table on page 9 of this document, ranging from nil at the Borough of Queenscliffe and Bass Coast Shire to as high as \$210 at Moyne Shire. The City of Greater Geelong charged \$86.33 and Surf Coast Shire \$167.

Given the regressive nature of a fixed municipal charge and the comparatively high percentage of older residents that are retired and likely to be on fixed incomes, it is recommended that Council continue its current practice and not introduce a fixed municipal charge as part of its rating strategy.

4.2 Green waste disposal

Green waste is currently undertaken as a bundled collection service, three times a year. Feedback received from ratepayers and residents indicates a strong desire for a regular bin based collection service. Currently there is not a disposal facility option available in the region, for the quantity of green waste produced by the Borough of Queenscliffe. Council continues to advocate to the Barwon Region Waste Management Group and neighbouring Councils for the development of a regional green waste disposal facility to enable a bin-based fortnightly green waste collection for residential properties in the Borough. As an interim measure, Council has allocated \$18,000 in its 2013/14 draft budget for three additional green waste bundled services.

When a regional green waste disposal facility is developed Council will need to undertake a process of broad community consultation before determining the most suitable green waste collection arrangement and associated property charges. This will ultimately be included in a future rating strategy.

It is recommended that Council continue its advocacy to Barwon Region Waste Management Group and neighbouring Councils seeking the development of a regional green waste disposal facility to enable a bin-based fortnightly green waste collection for residential properties in the Borough.

4.3 Garbage Charges and the State Government Landfill levy

The Borough currently includes garbage collection and disposal costs, including the State government imposed landfill levy, as part of the general rate. It does not separately charge residential ratepayers for the costs of garbage collection and disposal, except where a second or additional bin has been requested and approved.

Council could consider separating out the State government imposed landfill levy on its rate notice, however if introduced as a fixed charge this would be a regressive form of taxation which will impact most on those with the lowest property values.

Given the regressive nature of fixed charges and the comparatively high percentage of older residents that are retired and likely to be on fixed incomes, it is recommended that Council continue its current practice and not introduce a fixed garbage charge (including the State Government landfill levy) as part of its rating strategy.

5. Collection and administration of rates

Collection and administration of rates is undertaken by Council officers, with assistance provided by the independent valuer and a debt collection agency as required.

All rates are deemed collectible, with no provision for doubtful debts. Interest is charged accordingly (see 5.2 below.). When rates are not paid Council officers seek to negotiate a payment plan. If rate payments are not paid for extended periods without suitable agreed repayment arrangements, Council uses Barwon Credit Management to coordinate debt collection as required. This is usually on an annual basis at the end of each financial year.

During the year, reminder notices are sent out after the second and third instalments, and final reminders after the fourth instalment, with instruction that non-payment (or no payment arrangement instigated) will result in debt collection proceedings.

It is recommended that Council continue the current practices.

5.1 Payment options

Council offers a range of payment options including direct debit, Bpay, internet (directed to Australia Post BPay), mail, telephone (credit card payments) and over the counter services at the Municipal Office in Queenscliff.

Council incurs costs of collection via agency and merchant service fees. The cost of collection is included in Council's expenditure budget each year. Council has not adopted a user pays principle for these costs.

It is recommended that Council continue this practice.

5.2 Interest on arrears and overdue rates

Interest is charged on all overdue rates in accordance with Section 172 of the *Local Government Act 1989*. The interest rate applied is fixed under Section 2 of the *Penalty Interest Rates Act 1983*, which is determined by the appropriate State Government Minister and published by notice in the Government Gazette. The interest rate for the 2012/13 financial year is 10.5%.

Council cannot apply an alternative rate, however it does have the power to exempt any person from paying the whole or part of any interest amount.

It is recommended that Council continue this practice.

5.3 Pensioner rebates

Holders of a Centrelink or Veteran Affairs Pension Concession card or a Veteran Affairs Gold card which stipulates TPI or War Widow, may claim a rebate on their sole or principal place of residence.

In 2012-13, the government-funded indexed rebate, provided under the Municipal Rates Concession Scheme, was \$198.00 or 50% of the rate payment, whichever is the lesser amount.

Upon initial application, ongoing eligibility is maintained, unless rejected by Centrelink or the Department of Veteran Affairs during the annual verification procedure. Upon confirmation of an eligible pensioner concession status, the pensioner rebate is deducted from the rate account before payment is required by the ratepayer.

With regards to new applicants, after being granted a Pensioner Concession Card (PCC), pensioners can then apply for the rebate at any time throughout the rating year. Retrospective claims for the past two rating years can be applied for through Council, and will be granted on verification of eligibility back to the appropriate date. Any claim for rebates prior to this period are at the discretion of the relevant government department.

Council has the discretion to offer an additional rebate or concession to pensioners, above that level funded by the government under the Municipal Rates Concession Scheme. Council has not previously offered any additional pensioner rebate or concession. The recommended practice in the future is detailed in section 3.7 of this Rating Strategy.

5.4 Deferred payments

Councils have the power to defer payment of rates and charges, for those people who have proven financial difficulties. Where deferment of rates and charges is approved, interest continues to accrue on outstanding payments.

The Borough currently has a comparatively low level of ratepayers (three in total) on such deferred payment arrangements.

It is recommended that Council continue this practice.

5.5 Financial Hardship

Councils have the power to waive part or all of any rates and charges, under financial hardship provisions. The Borough has not approved any waiving of rates to date. All financial hardship applications are assessed on an individual basis with the aim of establishing an agreed payment arrangement. Council has a comparatively low number and percentage of hardship applications.

It is recommended that Council continue this practice.

5.6 Rate payment by instalments

The Borough offers payment by four instalments, with the following due dates: 30th September, 30th November, 28th February and 31st May in each financial year, or the next working day thereafter should these days fall on a weekend or public holiday. These payment dates for instalment are fixed by the Minister for Local Government and published in the Government Gazette. This practice provides a clear structure for paying rate instalments and a predictable cash flow to support Council's financial management.

It is recommended that Council continue to require payment of rates through four instalments on the dates outlined.

6. Differential Rates: Discussion Paper and Ministerial Guidelines

The Local Government (Miscellaneous) Amendments Act 2012 has enabled the Minister for Local Government to develop a Discussion Paper and Ministerial Guidelines on differential rates and prohibit differential rates that are inconsistent with these Guidelines. The State Government conducted a series of workshops with local governments and peak bodies to discuss the guidelines and, specifically, the objectives and uses of differential rates.

Each year Council's budget documentation includes detailed information in relation to its differential rates (refer Section 9 - Rating Strategy and Appendix B - Statutory Disclosures). This information is also available on Council's website.

Council forwarded a submission to the State Government on 18 March 2013, outlining its preferred position in terms of the application of differential rating for tourism promotion and development purposes. It is Council's understanding that the application of differential

rates in this Rating Strategy is consistent with the Ministerial Guidelines recently published by the State Government.

7. Rate Contributions

The General/Residential rate comprises 87.2% of the total CIV and contributes to 85.4% of the total rate revenue. The Commercial rate comprises 5.3% of the total CIV and contributes 6.8% of the total rate revenue. The Tourist Accommodation rate comprises 7.2% of total CIV but contributes 7.8% of rate revenue. The Cultural and Recreational rate comprises 0.3% of total CIV but contributes 0.1% of rate revenue due to the concession applied.

8. State Government imposed Fire Services Property Levy (FSPL)

The Fire Services Property Levy, which comes into effect on 1 July 2013, dictates a significant change to the role of local government in collecting the State government imposed levy. Under State legislation, Council has no choice but to collect this State Government levy via its municipal rates.

Officers are involved in a number of briefings by the State government over the coming months and, after this has occurred, will then be in a position to fully brief Council on the application and impact of this property based levy. The estimated time for completion of all State Government briefings and the application of the levy is May- June 2013.

It is important to note that the levy will be payable by all rateable and non-rateable property owners and will comprise a fixed charge plus an ad valorem (a rate based on the value of property). At this stage, the fixed charge has been set by the State government at \$100 for residential properties and \$200 for commercial properties, however the rate in the dollar for the ad valorem has not been announced (and is not expected to be set until 31 May 2013).

Another key issue is that the fixed charge for the proposed differential known as 'tourist accommodation' properties would be levied at \$200 (not the \$100 residential fixed charge which many people may assume). The fixed charge is based on AVPCC Codes (Australian Valuation Property Clarification Codes) which are set by the State Revenue Office. Council has raised concerns with the State Government regarding the impact of this on tourist accommodation properties that fall within the 'commercial' fixed charge area.

The Fire Services Property Levy will be shown separately on the rates notice, clearly indicating that it is a State Government imposed levy.

9. Conclusion

In preparing this rating strategy, Council has endeavoured to balance service levels in accordance with the needs, means and expectations of the community with rating options and levels to adequately resource Council's role, functions and responsibilities. In setting rates, Council gives primary consideration to its strategic objectives, sound financial management principles, annual budget considerations, the current economic climate and other external factors and the overall impacts upon the community. Council has reviewed

all rates (including differential rates) and compared with those charged by other coastal and neighbouring councils.

This draft Rating Strategy includes a set of recommended directions in relation to future rating principles and practices. In summary, it is recommended that Council:

- Continue to use Capital Improved Value (CIV) as the methodology for valuing properties;
- Continue its practice of applying the general or residential rate to residential vacant land given the comparatively low number of vacant lots and the comparatively high land values within the Borough;
- Apply a 30% differential rate to commercial properties including those with six or more bedrooms rented out as holiday accommodation, given the additional funds that Council allocates to visitor information services and tourism promotion and the benefits that flow to commercial properties;
- Apply a 10% differential rate to properties providing tourist accommodation that have five or less bedrooms rented out as holiday accommodation, given the additional funds that Council allocates to visitor information services and tourism promotion and the lesser benefits that flow to smaller scale tourist accommodation properties (rate payers);
- Apply a rating concession of 75% (ie. require payment of 25% of the general rate) to those volunteer managed and operated, not for profit community clubs that are located on rateable land.
- Apply an additional charge (as detailed in the Council budget fees and charges schedule) for any additional bin for the purposes of garbage collection, recycling and disposal;
- Introduce an additional pensioner concession of \$20 per eligible ratepayer property, above that funded by other levels of government under the Municipal Rates Concession Scheme, and that this be applied consistent with applicable pensioner definitions used by other levels of government (refer definitions in this report), given the financial pressures impacting on pensioners with fixed incomes;
- Continue its current practice and not introduce a fixed municipal charge or fixed garbage charge (including State Government landfill levy) as part of its rating strategy, given the regressive nature of a fixed charges and the comparatively high percentage of older residents that are retired and likely to be on fixed incomes;
- Continue its advocacy to Barwon Region Waste Management Group and neighbouring Councils seeking the development of a regional green waste disposal facility to enable a bin-based fortnightly green waste collection for residential properties in the Borough;
- Continue the current practices in respect to collection and administration of rates including its present approaches to payment options, interest on arrears and overdue rates, deferred payments, financial hardship and rate payment by instalments.

Finally, the draft Rating Strategy highlights the pending imposition of the State Government imposed Fire Services Property Levy, which comes into effect on 1 July 2013. As indicated, under new State legislation, Council has no choice but to collect this State Government levy via its municipal rates. This heralds a significant change to the role of local government in collecting this State Government levy. The scale and impact of this levy will not be known until it is declared in May or June 2013.

10. Next Steps

Council is seeking community feedback on this draft Rating Strategy until 30 May 2013. Council will collate and review comments received from the community before determining its final Rating Strategy at the 26 June Ordinary Council Meeting.

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