

# Rating Strategy

Adopted 13 April 2016



**Borough of Queenscliffe**  
Queenscliff & Point Lonsdale, Victoria, Australia

## Table of Contents

<b>1. INTRODUCTION</b>	<b>2</b>
<b>2. PURPOSE</b>	<b>2</b>
<b>3. BACKGROUND</b>	<b>2</b>
<b>4. COMMUNITY ENGAGEMENT</b>	<b>4</b>
<b>5. FIRE SERVICES PROPERTY LEVY</b>	<b>5</b>
<b>6. RATING SYSTEM</b>	<b>6</b>
6.1 Strategic directions	6
6.2 Cost recovery of waste management services	8
6.3 No financial gain	9
6.4 Community impact	9
6.5 Property valuations	13
6.6 Differential rates	15
6.7 Differential rate definitions	17
<b>7. RATING STRUCTURE APPLIED TO THE DRAFT 2016/17 BUDGET</b>	<b>18</b>
7.1 General or residential rate	20
7.2 Residential vacant land rate	21
7.3 Commercial rate	21
7.4 Tourist accommodation rate	22
7.5 Cultural and recreational land	23
7.6 Additional Pension Rebate	23
7.7 Other rebates	24
<b>8. OTHER RATING OPTIONS AVAILABLE TO COUNCIL</b>	<b>25</b>
8.1 Municipal charge	25
8.2 Service rates and charges	25
8.3 Kerbside Waste Charges and the State Government Landfill levy	26
8.4 Public Waste Charge	26
8.5 Green Waste charges	27
8.6 Additional bin charges	27
<b>9. COLLECTION AND ADMINISTRATION OF RATES</b>	<b>28</b>
9.1 Payment options	28
9.2 Interest on arrears and overdue rates	28
9.3 Pension concession/Additional Pension Rebate	29
9.4 Deferred payments	29
9.5 Financial Hardship	29
9.6 Rate payment collections	30
9.7 Summary	30
<b>10. RATE CONTRIBUTIONS</b>	<b>30</b>
<b>11. STATE GOVERNMENT IMPOSED FIRE SERVICES PROPERTY LEVY (FSPL)</b>	<b>31</b>
<b>12. CONCLUSION</b>	<b>31</b>

## 1. Introduction

The purpose of this document is to detail the elements of the Borough of Queenscliffe Rating Strategy and any changes proposed to the previous Rating Strategy, including the implementation of the State Government's new rate capping legislation, which commences from 1 July 2016.

A summary of recommendations is provided on Page 31 of this document.

## 2. Purpose

The purpose of a rating strategy is to explain the Borough of Queenscliffe Council's approach towards raising rates and charges within the Borough under *Part 8 - Rates and Charges on Rateable Land* of the *Local Government Act 1989 (LGA)*. A rating strategy sets out the factors considered by Council when selecting the rating system to determine how money will be raised from properties within the Borough. It establishes Council's policy on the valuation base to be used, how differential rating will be applied between various property types, the Council position on a Municipal Charge and service charges (waste collection and disposal, including kerbside, green and public waste services, application of rebates and the payment methodology to be used).

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 within the limitations of Federal and State Government legislation and policy. In setting rates and charges, Council gives primary consideration to its strategic objectives, sound financial management principles, annual budget considerations, legislative requirements, the current economic climate, other external factors and the overall impacts upon the community. Under the LGA, a primary objective of all Victorian local governments is to ensure the equitable imposition of rates and charges. The purpose of a rating strategy is therefore to consider what rating options are available to Council under the LGA and how Council's choices in applying these options will contribute towards meeting an equitable rating strategy. The objective of the strategy is not to influence the total amount of money to be raised – only to redistribute the share of revenue contributed by each property to raise the revenue amount that will be determined in the annual budget process.

## 3. Background

In reviewing the Borough's Rating Strategy, Council has benchmarked all rates (including differential rates) and charges with those charged by other neighbouring G21 region councils. The Rating Strategy considers the impact of the State Government imposed rate capping legislation to be introduced in 2016/17 and provides for continued full cost recovery of waste management expenditure by separating out funding raised from general rate revenue for all waste management services, including the collection and disposal of residential kerbside waste, green waste and public waste services. Kerbside waste and public waste services were previously included in general rate revenue and the cost distributed among all rateable properties.

Council endorsed a draft Rating Strategy at a Special Council Meeting held on 20 January 2016. Public submissions were subsequently invited over a 28 day public exhibition period. At a Special Council Meeting held on 9 March 2016, Council subsequently resolved to incorporate the following principles in the revised draft Rating Strategy:

- a) Full cost recovery of all waste management services;
- b) Transparent itemisation of three waste management charges (kerbside waste, green waste and public waste) on the 2016/17 Rate Notice; and
- c) Disclosure of all costs associated with each of the waste management streams to the community as supplementary information to accompany the 2016/17 Rate Notice.

Council further resolved that the draft Rating Strategy be revised to incorporate:

- a) the fixed charges of (i) public waste and (ii) green waste; and
- b) a CIV-based residential kerbside waste charge, including hard waste.

As a result, a fixed Public Waste charge is proposed to apply to all properties in the Borough with each property contributing equally to the full cost recovery of public waste services, including street and park bins collection, street cleaning, street sweeping and beach cleaning. The fixed Public Waste charge will be itemised on the Rate Notice. The proposed CIV-based Kerbside Waste charge to recover the cost of residential kerbside waste collection and disposal will be described as a Kerbside Waste charge on the Rate Notice. The Kerbside Waste charge is proposed to apply to all residential premises rated as General rate or Tourist Accommodation rate properties that are capable of being occupied. As a result, only those who can access the service will contribute, based on the property value (CIV), to recover the total cost. Commercial and Vacant Land properties will no longer contribute to recover the cost of residential kerbside waste.

Total rate revenue will decrease by an amount that is the cost of kerbside waste and public waste collection and disposal services and service charge revenue will increase by an amount reflecting the cost of each of these services. The base General rate in the dollar decreases and the differential rates are adjusted down accordingly (as these are calculated as a percentage of the General rate).

If applied in the 2015/16 rating year, the comparative contributions previously collected from ratepayers toward general rates, kerbside and public waste services, as well as the existing separate green waste service, would be as follows:

**Comparative contributions to General rates, Kerbside, Public and Green Waste services  
by Sample CIVs**

Rates & Charges	2015/16 per Current Year's Rate Notice *			
	\$300,000	\$600,000	\$900,000	\$1,200,000
Sample CIVs				
General Rates	\$716.05	\$1,432.10	\$2,148.15	\$2,864.20
Kerbside Waste	\$61.55	\$123.05	\$184.55	\$246.10
Public Waste	\$30.25	\$60.55	\$90.85	\$121.10
<b>Sub total: 2015/16 Rates*</b>	<b>\$807.85</b>	<b>\$1,615.70</b>	<b>\$2,423.55</b>	<b>\$3,231.40</b>
Green Waste Charge	<b>\$36.90</b>	<b>\$36.90</b>	<b>\$36.90</b>	<b>\$36.90</b>
<b>Total 2015/16 Rates &amp; Charges</b>	<b>\$844.75</b>	<b>\$1,652.60</b>	<b>\$2,460.45</b>	<b>\$3,268.30</b>

#### 4. Community engagement

Public consultation is an important part of the development of the Rating Strategy. Given the complexity of rating systems and how rating systems are applied, this emphasises the importance of maintaining a better informed community.

Council, together with the local community, place a high priority on clearly communicating the elements of the draft Rating Strategy and understanding the State Government imposed changes. This is particularly important this year due to the impact of rate capping and how this alters the way that Council rates are calculated.

Public submissions were invited on the previous draft Rating Strategy endorsed by Council on 20 January 2016, which occurred over a 28 day exhibition period in line with Section 223 of the LGA and closed on Wednesday, 17 February 2016. This Rating Strategy is prepared in accordance with the Act and was submitted to Council for approval following a further community consultation process, involving a call for public submissions for a further two week period. The aim is to assist in enhancing the community's understanding of the principles underpinning the proposed changes to the Rating Strategy relating to waste management charges and provide further opportunity for community feedback. The revised Rating Strategy was made available for inspection at the Council offices and on Council's web site from 17 March to 31 March 2016. Interested community members were invited to make a submission on any proposal contained in the Strategy. All submissions were considered by Council at a Special Council Meeting on 13 April 2016.

To assist interested persons to understand the Rating Strategy and make a submission if they wish, Council officers undertook a further community engagement process, provided additional general information and awareness communication during the public submission period and sought further community feedback on the Rating Strategy. The final step was for Council to adopt the Rating Strategy after receiving and considering all submissions from interested parties. The Rating Strategy was adopted on 13 April 2016 prior to Council considering the Draft 2016/17 Budget at its Ordinary Meeting of Council scheduled on 27 April 2016.

The key dates for the Rating Strategy community engagement process were as follows:

Rating Strategy Process	Timing
1. Officers prepared initial draft Rating Strategy	December
2. Councillors workshop initial draft Rating Strategy	December – January
3. Final draft Rating Strategy submitted to Council for consideration	20 January
4. Public notice calling for submissions	21 January
5. Information and awareness	21 January – 17 February
6. Rating Strategy made available for public inspection and submissions	21 January – 17 February
7. Submissions period closed (28 day duration)	17 February
8. Hearing of submissions by Council	18 February
9. Council consideration of draft Rating Strategy	24 February
10. Council resolution to revise draft Rating Strategy	9 March
11. Council's Governance & Finance Portfolio Reference Group meeting to consider revised draft Rating Strategy	16 March
12. Public notice calling for further submissions	17 March
13. Information and awareness	17 March – 31 March
14. Draft Rating Strategy available for public inspection and submissions	17 March – 31 March
15. Final Rating Strategy and submissions presented to Council for consideration	13 April

## 5. Fire Services Property Levy

The Fire Services Property Levy must be collected by Council on behalf of the State Government under the Fire Services Property Levy Act 2012. This State Government imposed levy comprises a range of fixed rates and variable rates that apply to properties in the Borough, which are increased annually by the State Government in line with Treasury and Finance forecasts for taxation revenue and economic variables. The levies applied in the 2015/16 rating year by State Government were:

FSPL Rates	2015/16 Financial Year	
	Fixed	Variable per \$1000 of CIV
Residential	\$104.00	\$0.1440
Tourist Accommodation	\$104.00	\$0.1440
Commercial	\$210.00	\$0.9900
Public Benefit	\$210.00	\$0.1440

## 6. 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 (within legislated rate capping limits), 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.

Once the total rate revenue amount 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, service rates and charges and special rates and charges. In determining the most appropriate method for allocating rates Council takes into consideration the key principles of equity and efficiency as well as other principles of simplicity, efficiency, sustainability and competitiveness.

The Borough of Queenscliffe uses a differential rating system to calculate rates.

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 ( $\$750,000 \times 0.0025$ ). Note:, rates are rounded up or down to the nearest five cents.

Valuation and Rate Notices provide specific details to ratepayers about how rates are calculated.

### 6.1 Strategic directions

Council's annual rate setting objective is developed within a framework that 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 their capacity to pay. This plan also recommends that a consistent approach to rate increases should be applied from year to year.

The Borough's previous Long Term Financial Plan assumed a consistent annual rate increase of 4.5%, noting Council's decision to apply a smaller increase of 3.8% in the

2015/16 Adopted Budget with 4.5% applied in its Strategic Resource Plan for the three financial years from 2016/17 – 2018/19.

With the introduction of rating capping legislation, a capped rate increase of 2.5% has been imposed by the State Government in the 2016/17 financial year on general rates and municipal charges. The rate cap is much lower than the increase assumed in Council's current Long Term Financial Plan, having a significant impact on Council's cash available to fund operating budgets, major projects and capital works.

Rate increases adopted by the Borough of Queenscliffe over the past six financial years 2010/11 – 2015/16 are illustrated below.

<b>Average Rate Increase</b>	
<b>Year</b>	<b>Rate Increase</b>
2010-11	5.50%
2011-12	4.50%
2012-13	4.00%
2013-14	4.50%
2014-15	4.50%
2015-16	3.80%
<b>Average Rate Increase 2010-11 to 2015-16</b>	<b>4.46%</b>

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

The table above illustrates the past increases deemed necessary by Council, in adopting budgets in recent years. This has typically been in excess of CPI as Council has sought to address the challenges associated with infrastructure improvements, the defined benefits superannuation liabilities facing Local Government, additional legislative and accountability requirements, asset renewal and maintenance challenges, State Government levies, wage increases and other employee costs and changes to services and work conditions approved by the Fair Work Commission and State and Federal Governments.



## 6.2 Cost recovery of waste management services

There is an underlying principle applied in the LGA recognising that local government may apply full cost recovery to ratepayers for the provision of waste collection and disposal services within the municipality. The introduction of a Kerbside Waste charge and a Public Waste charge enables Council to continue to apply this principle. Council acknowledges that the previous practice of recovering all waste costs from general rate revenue is no longer achievable under the new rate capping legislation. Application of waste charges applies a consistent approach to the strategies already applied by the vast majority of councils in Victoria.

The introduction of waste management charges for all waste services allows Council to continue to apply this principle using a different application method. These waste management cost streams include residential kerbside collection and disposal, green waste collection and disposal and public waste collection and disposal. These cost streams are included in the annual budget and may include the net cost of items such as:

### **Kerbside Waste**

- Roadside E Waste collection
- Kerbside waste collection (including general, recycling and hard waste)
- Landfill disposal (including Landfill Levy)
- Waste collection bin renewal
- Waste and litter education
- Regional Waste Management Group membership

### **Green Waste**

- Kerbside collection and disposal of green waste
- Green waste monitoring and evaluation
- Green waste education program

### **Public Waste**

- Public waste collection (including street and park bins)
- Street cleaning and sweeping
- Beach cleaning

This means that the distribution of the burden of the costs to be recovered can be applied to properties, using different methodologies, using an approach that Council considers to be the most equitable for each waste service component.

Establishing a fixed charge for public waste collection and disposal recognizes that those ratepayers who may access a waste service or receive the benefits of a waste service will fundamentally receive the same service or share similarly in the benefits of that service and therefore should contribute equally to the cost of that service.

Council proposes that a CIV-based residential Kerbside Waste charge be applied, which continues the current practice of sharing the rate burden on a sliding scale. While

acknowledging that property values do not necessarily indicate an owner's wealth or capacity to pay rates, an alternative fixed charge approach would result in those owners with lower valued properties paying significantly more than is currently the situation.

### **6.3 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 rateable properties within 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.

Separation of waste management charges from general rates does not raise additional revenue, but ensures that the fundamental principle of cost recovery is maintained. The methodology used to apply waste management charges will redistribute the burden of these costs across properties within the Borough according to the methodology applied. For example, fixed charges distribute the burden of cost according to a user pay or benefit principle where all ratepayers with access will share the burden equally. Alternatively, a property value (CIV-based) approach recognises that those ratepayers with higher property wealth should contribute more.

Similarly, introduction of a Kerbside Waste charge applied to residential properties will shift the burden of full cost recovery for kerbside collection and disposal from all rateable properties under the existing general rates system to only those ratepayers who may access the service (residential and tourist accommodation properties).

All properties in the Borough will continue to contribute to the full cost of public waste collection and disposal, however the principle applied is that all ratepayers receive an equal benefit from public waste services provided in the Borough.

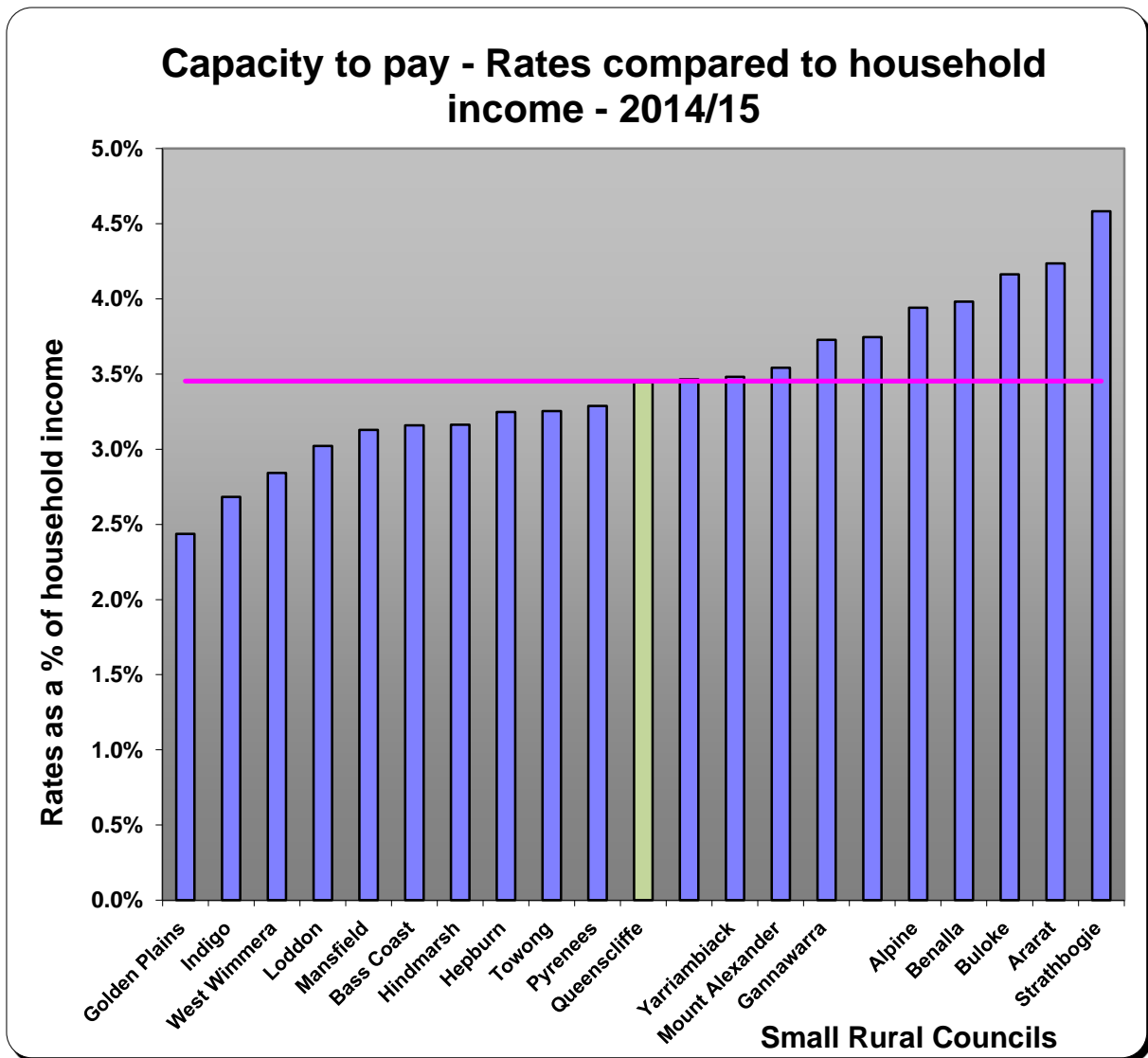
### **6.4 Community impact**

Council is aware of the financial impact that property rates may have on different community groups. Financial modelling is conducted, as part of the review of Council's Rating Strategy in preparation for developing the annual budget and 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:

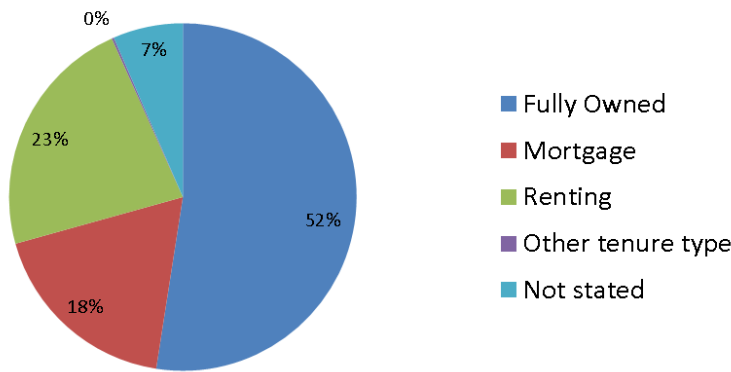
- the overall capacity to pay, (ie rates compared to household income across 21 small rural councils represented as a percentage is indicated on the following graph). The Borough sits at 3.4% which is slightly below the average of 3.5%;

- 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.

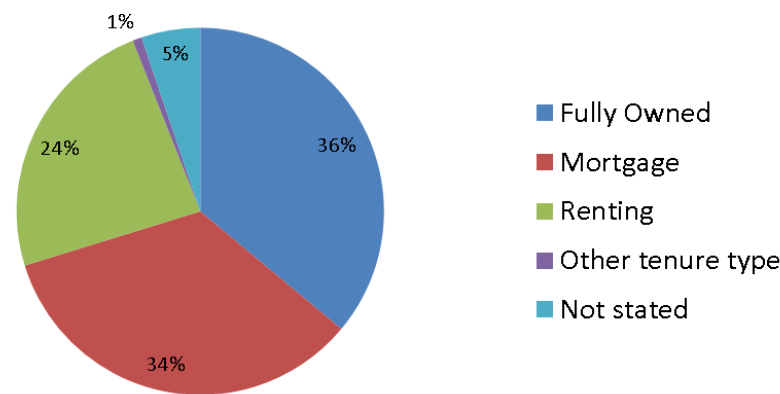


The following graphs indicate housing tenure or home occupancy within the Borough compared with neighbouring Councils in the G21 region (2011 data).

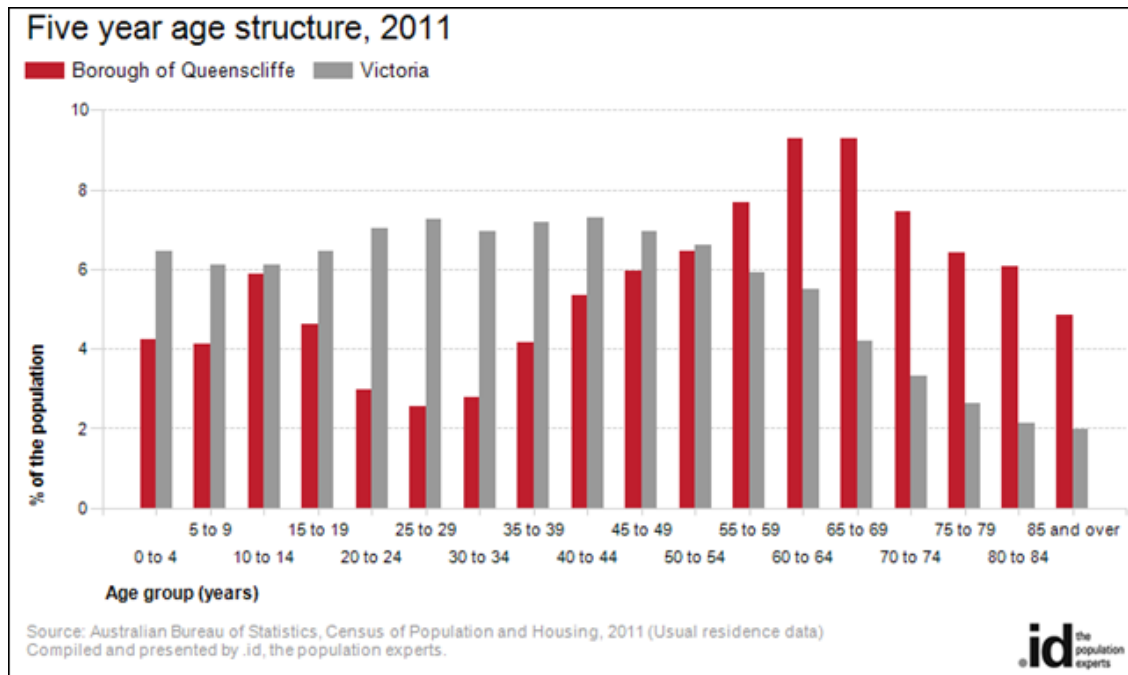
**Borough of Queenscliffe - Housing Tenure**



**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 above identifies a much higher level of home ownership in the Borough of Queenscliffe when compared to other neighbouring Councils in the G21 Region. The bar chart indicating five year age cohort data highlights the higher numbers of people aged over 60 years in Queenscliffe when contrasted with Victoria. This information reflects that a comparatively higher 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 (residential) 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.

The State Government legislation allows councils to calculate a separate charge for the collection and disposal of waste, including residential kerbside waste (general waste, hard waste and recycling services), green waste and public waste. This enables full recovery of costs, which the State Government acknowledges to be a user pay service with typical costs increases that are significantly higher than CPI. Separating waste charges on the Rate Notice also enables increased transparency about the waste management costs to be recovered in each year.

With the introduction by the State Government of rate capping legislation, Council intends to a CIV-based charge for kerbside collection and disposal, and a fixed charge for public waste collection and disposal. Costs associated with waste management generally

increase by a level well in excess of CPI and are typically costs that Council cannot control. The State Government and Council have recognised that these costs cannot be sufficiently recovered by general rate increases if the rate cap is restricted to CPI. The CIV-based Kerbside Waste charge will apply to residential premises rated as General rate or Tourist Accommodation rate that are capable of being occupied. This means that Commercial and Cultural & Recreational rated properties will no longer contribute to the costs of providing this kerbside waste collection and disposal service because these properties do not receive this service. The result is that those ratepayers who are eligible to access the service, take full responsibility for the service provided to them. The fixed Public Waste charge will apply equally to all rateable properties in the Borough.

To further lessen the burden on those most vulnerable to rate increases, Council currently provides a \$20 pension rebate in addition to the pension concession funded by State Government (Refer section 7.6). It is proposed to increase this additional pension rebate from \$20 to \$40, effective from the 2016/17 rating year.

## 6.5 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. The valuers assess the 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 general rates.

Being a measure of the realised value of property, the CIV is seen to be fairer and more equitable to ratepayers than a valuation that is 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 for the purpose of raising general rates.

***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 next general revaluation will be conducted as at 1 January 2016 and the resulting rates calculated will be applied in the 2016/17 and 2017/18 rating years

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 and Rate notices are issued around 1 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 rating year. If still not satisfied with the outcome, following this objection process, a person may opt to request further review 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 Valuation & Rates Notice. In a municipal revaluation year, rate increases are impacted by the rate increase (or rate cap) and the property valuation increases of individual properties relative to the average across the municipality. This may result in 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 rate increase for that property will be relatively lower than the average. Rate increases experienced 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 how the rate burden will be distributed among rateable properties.

Information about a property's value is included on the Valuation and Rate Notice issued by Council.

## 6.6 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.

Differential rates are not about the amount each ratepayer pays. Rather they are about the relative proportion each class of property will pay.

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 to achieve specified local objectives. 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 Council decides to apply differential rates as part of the mix, it will 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).

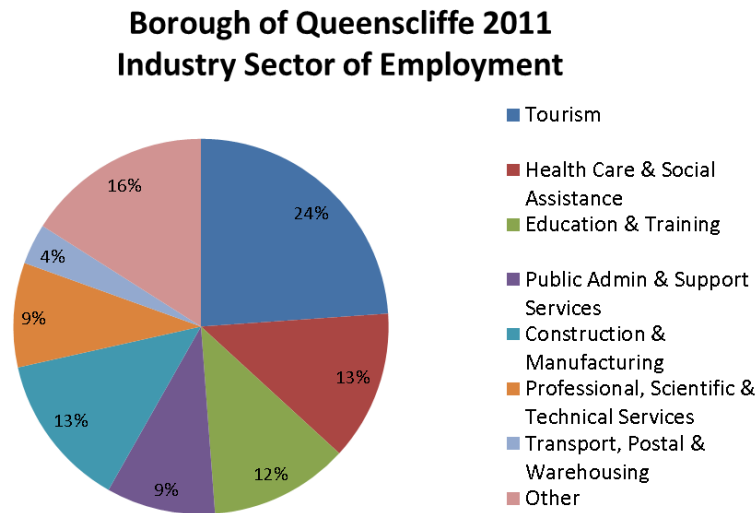
In considering the benefits or user pays principle, particularly as it relates to additional services provided by Council to the tourism sector, Council has considered the presence of tourism-related employment in the Borough.

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% between 2006 and 2011 (Census years), but has decreased in the G21 Region for the same period. This equates to an extra 33 tourism industry jobs that have been created between 2006 and 2011. Employment opportunities across the Borough



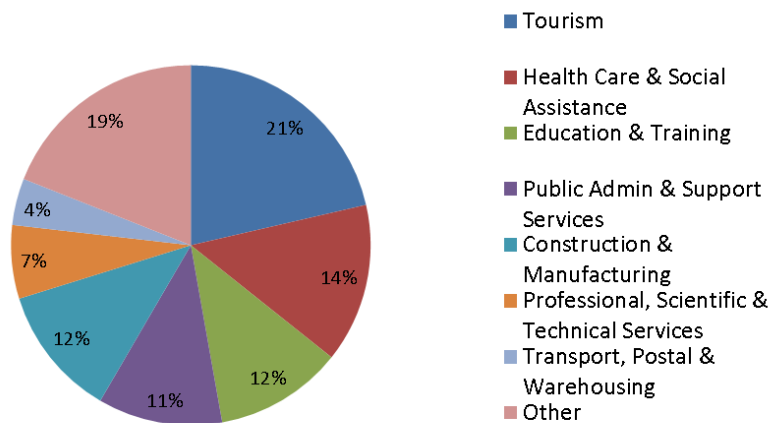
have increased by 70 positions across all sectors, 47.1% of these new positions were in the tourism-related industry. This information will be updated following the 2016 Census.

Comparative industry sector of employment data for 2011:

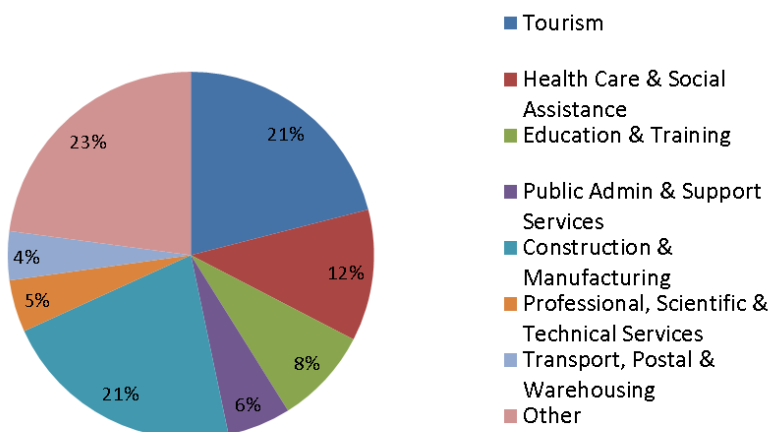


Comparative industry sector of employment data for 2006:

### Borough of Queenscliffe 2006 Industry Sector of Employment



### G21 Region 2006 Industry Sector of Employment



## 6.7 Differential rate definitions

The definition of each differential rate is detailed in Appendix B of the annual 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;

## **7. Rating structure applied to the Draft 2016/17 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 CIV-based charge for residential kerbside waste collection and disposal (garbage and recyclables);
- A fixed charge for public waste collection and disposal;
- A fixed charge for green waste service;
- Fixed charges for additional garbage bins;
- A pension rebate of \$40, which is in addition to the State government funded pension concession, 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.

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 previous rating years where a general rate has funded all kerbside and public waste collection and disposal costs, the higher valued properties and those not able to access the service subsidised the lower valued properties. The introduction of a CIV-based Kerbside Waste charge will continue this current practice of sharing the rate burden on a sliding scale, however the introduction of a fixed Public Waste charge changes the current practice of sharing the rate burden on a sliding scale, to one where those owners with lower valued properties will pay more and those with higher valued properties will pay less than is currently the situation.

It is acknowledged that property values do not necessarily indicate an owner's wealth or capacity to pay rates. Fixed waste charges establish a principle whereby ratepayers who may access or receive the benefits of a waste service in the Borough, will fundamentally receive the same service or share similarly in the benefits of that service and should therefore contribute equally to the cost of that service. Comparisons with neighbouring G21 region councils are also provided for information. Note this data relates to the current 2015/16 financial year.

### Comparison of rates and charges to G21 region councils

Rates and charges for residential properties	<i>Queenscliffe Adopted Budget 2015/16</i>	<i>COGG Adopted Budget 2015/16</i>	<i>Colac-Otway Adopted Budget 2015/16</i>	<i>Surf Coast Adopted Budget 2015/16</i>	<i>Golden Plains Adopted Budget 2015/16</i>
General	0.00269281	0.00283200	0.00451300	0.00254570	0.00368600
Municipal Charge	0.00	94.30	178.00	195.00	225.00
Garbage Charge	0.00	258.25	285.00	350.00	238.00
Recycling Charge	0.00	0.00	189.00	0.00	0.00
Green Waste Charge	36.91	0.00	0.00	0.00	0.00
<b>CIV - 1,200,000</b>	<b>\$3,231.37</b>	<b>\$3,398.40</b>	<b>\$5,415.60</b>	<b>\$3,054.84</b>	<b>\$4,423.20</b>
Municipal Charge	\$0.00	\$94.30	\$178.00	\$195.00	\$225.00
Garbage Charge	\$0.00	\$258.25	\$285.00	\$350.00	\$238.00
Recycling Charge	\$0.00	\$0.00	\$189.00	\$0.00	\$0.00
Green Waste Charge	\$36.91	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Rates and Charges</b>	<b>\$3,268.28</b>	<b>\$3,750.95</b>	<b>\$6,067.60</b>	<b>\$3,599.84</b>	<b>\$4,886.20</b>
% above BOQ 2015/16 Budget	n/a	14.77%	85.65%	10.14%	49.50%
<b>CIV - 900,000</b>	<b>\$2,423.53</b>	<b>\$2,548.80</b>	<b>\$4,061.70</b>	<b>\$2,291.13</b>	<b>\$3,317.40</b>
Municipal Charge	\$0.00	\$94.30	\$178.00	\$195.00	\$225.00
Garbage Charge	\$0.00	\$258.25	\$285.00	\$350.00	\$238.00
Recycling Charge	\$0.00	\$0.00	\$189.00	\$0.00	\$0.00
Green Waste Charge	\$36.91	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Rates and Charges</b>	<b>\$2,460.44</b>	<b>\$2,901.35</b>	<b>\$4,713.70</b>	<b>\$2,836.13</b>	<b>\$3,780.40</b>
% above BOQ 2015/16 Budget	n/a	17.92%	91.58%	15.27%	53.65%
<b>CIV - 600,000</b>	<b>\$1,615.69</b>	<b>\$1,699.20</b>	<b>\$2,707.80</b>	<b>\$1,527.42</b>	<b>\$2,211.60</b>
Municipal Charge	\$0.00	\$94.30	\$178.00	\$195.00	\$225.00
Garbage Charge	\$0.00	\$258.25	\$285.00	\$350.00	\$238.00
Recycling Charge	\$0.00	\$0.00	\$189.00	\$0.00	\$0.00
Green Waste Charge	\$36.91	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Rates and Charges</b>	<b>\$1,652.60</b>	<b>\$2,051.75</b>	<b>\$3,359.80</b>	<b>\$2,072.42</b>	<b>\$2,674.60</b>
% above BOQ 2015/16 Budget	n/a	24.15%	103.30%	25.40%	61.84%
<b>CIV - 300,000</b>	<b>\$807.84</b>	<b>\$849.60</b>	<b>\$1,353.90</b>	<b>\$763.71</b>	<b>\$1,105.80</b>
Municipal Charge	\$0.00	\$94.30	\$178.00	\$195.00	\$225.00
Garbage Charge	\$0.00	\$258.25	\$285.00	\$350.00	\$238.00
Recycling Charge	\$0.00	\$0.00	\$189.00	\$0.00	\$0.00
Green Waste Charge	\$36.91	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Rates and Charges</b>	<b>\$844.75</b>	<b>\$1,202.15</b>	<b>\$2,005.90</b>	<b>\$1,308.71</b>	<b>\$1,568.80</b>
% above BOQ 2015/16 Budget	n/a	42.31%	137.45%	54.92%	85.71%

Separate waste charges and municipal charges at neighbouring councils results in higher total rates payable over a range of property valuations. With the introduction by the State Government of a rate cap of 2.5% and the introduction of a CIV-based Kerbside Waste charge and a fixed Public Waste charge in the 2016/17 year, the outcome for Queenscliffe will result in increases in Rates and Charges, noting no Municipal charge applies. General rate revaluations that will apply to the 2016/17 rating year, will impact on the relative increases in Rates and Charges across different properties.

The Borough's current rating structure is detailed in Appendix B of the Budget. 2015/15 highlights are as follows:

– Rate in the dollar

Type or class of land	2014/15 cents/\$CIV	2015/16 cents/\$CIV	Change
General rate for rateable residential properties	0.259423	0.269281	3.8%
General rate for rateable commercial properties	0.337250	0.350066	3.8%
General rate for rateable tourist accommodation properties	0.285366	0.296210	3.8%
Rate concession for rateable cultural and recreational properties	0.064856	0.067321	3.8%

– Total amount to be raised for rates and charges

	2014/15 \$	2015/16 \$	Change
General rates	6,132,900	6,411,141	4.5%
Supplementary rates	10,000	10,000	0.0%
Charges - second bins	14,700	15,435	5.0%
Charges - green waste	0	106,485	100.0%
Less: additional \$20 pension rebate offered by Council	(8,600)	(8,460)	-1.6%
Less: rebate for properties of environmental interest	0	(4,800)	100.0%
<b>Total rates and charges</b>	<b>6,149,000</b>	<b>6,529,802</b>	<b>6.2%</b>

– Number of rateable properties

Type or class of land	2014/15 No.	2015/16 No.	Change
Residential	2,669	2,600	-2.6%
Commercial	153	164	7.2%
Tourist accommodation	205	285	39.0%
Cultural and recreational	5	5	0.0%
<b>Total number of assessments</b>	<b>3,032</b>	<b>3,054</b>	<b>0.7%</b>

## 7.1 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.

Residential properties generate the vast majority of Council's rate revenue (83.31%). Therefore, the Rating Strategy is largely about the equitable distribution of the rate burden across the community according to assessment of property value and how Council adopts the use of differential rating for a relatively small (16.69%) proportion of the rate base.

## **7.2 Residential vacant land rate**

In 2015/16, there are 82 residential vacant land properties in the Borough, with valuations ranging from \$182,000 to \$2,520,000 (average is \$707,000). 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.

Previously vacant residential land was charged a fixed Green Waste charge. It is proposed that vacant residential land assessments be excluded from both the Green Waste and Kerbside Waste charges from the 2016/17 financial year. The Public Waste charge will be applied to all rateable properties within the Borough, which includes vacant residential land.

***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.***

## **7.3 Commercial rate**

From the 2013/14 rating year the Borough of Queenscliffe applied a two-tiered differential rate to its Commercial and Tourist Accommodation properties. The differential rate applied to Commercial rated properties is 130% of the General (residential) rate. In the Borough of Queenscliff, Commercial properties include those with six or more bedrooms rented out as holiday accommodation.

A comparison of the immediate neighbouring councils shows that City of Greater Geelong has a Commercial rate of 208% of the general rate and Surf Coast Shire has a Commercial rate of 190% of the general rate. This compares to the Borough of Queenscliffe Council's Commercial rate of 130%.

The rationale underpinning the application of this differential rate centres on the additional financial demands on Council and the benefits that flow to the commercial sector in the provision of visitor information services as well as tourism promotion. It is also noted that commercial businesses can claim rates and charges as a tax deduction.

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:

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

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 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 does not propose to change the 130% differential rate applicable to commercial properties including those with six or more bedrooms rented out as holiday accommodation.***

#### **7.4 Tourist accommodation rate**

As discussed in Section 7.3 above, in 2013/14, the Borough of Queenscliffe applied a two-tiered different rate to its Commercial and Tourist Accommodation properties. The differential rate applied to Tourist Accommodation properties is a premium of 10% on the General (residential) rate. This differential rate includes 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 the Tourist 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:

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

***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 continue to apply a 10% differential rate to properties providing tourist accommodation that have five or less bedrooms rented out as holiday accommodation, at any stage and for any length of time throughout the year.***

## **7.5 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 continue to 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.***

## **7.6 Additional Pension Rebate**

Council has the discretion to offer an additional pension rebate, above that level funded by State government, should it choose to do so. The Borough currently has 411 ratepayer properties eligible to receive a pension concession on rates. The pension 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.

Council currently applies a rebate of \$20 per eligible ratepayer property, above that funded by other levels of government, resulting in a reduction of \$8,220 in total rates and charges collected by Council. It is proposed to increase this additional pension rebate from \$20 to \$40, effective from the 2016/17 rating year.

***In summary, given the financial pressures impacting on pensioners with fixed incomes, including the proposed introduction of fixed charges for public waste collection and disposal, it is recommended that Council increase the pension rebate from \$20 to \$40 per eligible ratepayer property, which is in addition to the pension concession funded by State 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 pension concession is included at Section 9.3 of this document.

## **7.7 Other rebates**

A rebate is a mechanism through which a targeted group receives a discount or concession to achieve certain objectives.

Essentially rebates are funded through the general rate pool. More specifically, the amount required to fund the rebate is calculated and is incorporated into the total rates and charges calculation. For transparency, the amount of any rebate or concession funded by ratepayers should be declared on an annual basis.

Council may grant rebates or concessions in accordance with the LGA to assist the proper development of the municipal district, to preserve, maintain and restore historical, environmental, architectural or scientific buildings or places of interest important within and to the municipality, to generally assist the proper development of all or part of the municipal district. Generally, conditions or undertakings are required and if not met require the rebate or concession to be repaid in part or in full as the case may be.

Council currently applies a rebate to residential properties which are deemed to be of significant environmental benefit to the community and has entered into a 'Trust for Nature' covenant. A rate rebate of 100% on covenant areas 1 hectare or greater is applied to the residential rates for the area which falls within the covenant for this property. Smaller land areas are considered on a case by case basis based on the property's unique environmental value. This approach is established under the Council Policy CP019 Rate Incentives for Conservation and Land Management.

***It is recommended that Council continue to regularly review the approach to the rebate available under adopted under Council Policy CP019 Rate Incentives for Conservation***

***and Land Management to ensure that it meets Council's objectives, in accordance with the Policy requirements.***

## **8. 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)
- Service rates or charges (to defray costs of collection and disposal of waste)
- Special rates and charges/rebates/waivers (to defray costs of functions with a special benefit to those who pay)

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

### **8.1 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 , whereas other G21 councils do (City of Greater Geelong: \$94.30; Colac-Otway: \$178; Surf Coast: \$195; and Golden Plains: \$225) .

***It is recommended that the Borough of Queenscliffe does not levy a municipal charge on rateable properties and that the current practice continues.***

### **8.2 Service rates and charges**

Section 162 of the Act enables Council to establish waste management charges to recover the costs of collection and disposal of waste (service rates and charges). Council has powers to establish a fixed (for example, Public and Green Waste charges or Additional bin charges) or variable charges (for example, CIV-based Kerbside Waste Charge) to recover the cost of collection and disposal of waste from those who have access to these waste services. The objective is that only those ratepayers who are eligible to access services take full responsibility for the cost of the service provided to them.

### 8.3 Kerbside Waste Charges and the State Government Landfill levy

The Borough currently recovers the cost of residential kerbside waste collection and disposal, including the State government imposed landfill levy, from the general rate. Council does not separately charge residential ratepayers to recover the costs of kerbside waste collection and disposal, except where a Green Waste service applies or an additional bin has been requested and approved.

Council proposes to introduce a CIV-based Kerbside Waste charge in the 2016/17 financial year. Annual cost increases generally exceed CPI and would not be fully recoverable if it remains within the general rates, which is subject to the new rate capping regime effective from the 2016/17 rating year. This CIV-based charge will apply to residential premises rated as General rate or Tourist Accommodation rate that are capable of being occupied, excluding:

- vacant residential land; and
- residential premises attached to a Commercial rated property where there is no suitable access to the property to provide the service in a safe and practical manner.

***It is recommended that Council introduce a CIV-based residential Kerbside Waste charge in 2016/17 applied to all residential premises rated as General rate and Tourist Accommodation properties that are capable of being occupied.***

### 8.4 Public Waste Charge

The Borough currently recovers the full cost of public waste collection and disposal from general rate revenue. Public waste services include street and park bins collection, street cleaning, street sweeping and beach cleaning services. Council does not separately charge ratepayers to recover the costs of public waste collection and disposal.

Council proposes to introduce a fixed Public Waste charge in the 2016/17 financial year. Annual cost increases generally exceed CPI and would not be fully recoverable if it remains within the general rates, which is subject to the new rate capping regime effective from the 2016/17 rating year. This fixed charge will apply equally to all rateable properties in the Borough.

Establishing a fixed charge for public waste collection and disposal establishes a principle whereby those who receive the benefits of public waste services provided in the Borough will fundamentally receive the same service or share similarly in the benefits of that service and therefore should contribute equally to the cost of that service.

***It is recommended that Council introduce a fixed Public Waste charge in 2016/17 applied to all rateable properties in the Borough for the collection and disposal of public waste.***

## 8.5 Green Waste charges

As discussed in Section 6 above, Council is permitted to apply a fixed rate charge to its Green Waste service, which it did so when the service was introduced in the 2015/16 financial year. The cost of this service is expected to increase due to expenditure budgeted at a lower cost/tonne than actual costs and some variation in volumes collected/disposed. This fixed charge applies to residential premises rated as General rate or Tourist Accommodation. Charges were also previously applied to vacant residential land, however it is proposed that vacant residential land not be subject to the Green Waste charge from 2016/17 (unless specifically requested). The 2015/16 Green Waste charge is \$36.90.

***It is recommended that Council continue to apply the fixed rate Green Waste charge to residential premises rated as General rate or Tourism Accommodation rate, however exclude vacant residential land from 2016/17, to recover expenditure incurred in the provision of this service.***

## 8.6 Additional bin charges

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. Council may apply a service rate (based on criteria determined by Council), or a fixed service charge to recover the costs associated with waste collection and disposal (including kerbside, public and green waste) with a service charge being the more common approach currently used in the sector.

A unit charge may be levied on each property that may access the service and commonly appears as a separate amount on the Valuation and Rates Notice. A different amount may be charged for these services depending on the criteria set by Council, which might include the property type, the nature of the service or different sized bins.

Requests for an additional set of waste and recycle bin(s) (ie. over and above the first provided recycle and general waste bins for residential kerbside collection) are considered on formal application, where exceptional circumstances exist. In 2015/16 this service attracts an additional charge of \$210 per set of additional bins.

Requests for an extra waste or recycle bin, where the bin is additional to the first provided recycle and general waste bins for residential kerbside collection, are considered on formal application, where exceptional circumstances exist. In 2015/16 this service attracts an additional charge of \$105 per additional bin.

Requests for a green bin, where the bin is either additional to the first provided green bin for residential kerbside collection, or for vacant residential land, are considered on formal application where exceptional circumstances exist. In 2015/16 this service attracts an additional charge of \$36.90 per additional bin.

***It is recommended that Council, on receipt, review and acceptance of a formal application, apply additional fixed charges (as detailed in the fees and charges schedule of the 2015/16 budget) for any additional bin provided for the purposes of kerbside collection of general waste, recycling and green waste and disposal.***

## **9. 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 9.2 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 Great Southern 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.

### **9.1 Payment options**

Council offers a range of payment options, including direct debit, BPay, internet (directed to Australia Post Billpay), mail, telephone (credit card payments) and over the counter services at the Council 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 cost recovery principle for these costs.

### **9.2 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 2015/16 financial year is 9.5%.

Council cannot apply an alternative interest rate, however it does have the power to exempt any person from paying the whole or part of any interest amount. Council Policy CP031 Rates Assistance establishes a mechanism by which Council can offer some form of financial relief to ratepayers experiencing financial difficulty in meeting rates and charges payments.

### **9.3 Pension concession/Additional Pension Rebate**

Holders of a Centrelink or Veteran Affairs Pension Concession card, or a Veteran Affairs Gold card which stipulates TPI or War Widow (excludes Health Care and DVA all conditions, POW, EDA and dependent cards), may claim a rebate on their sole or principal place of residence.

The government-funded indexed rebate is provided under the Municipal Rates Concession Scheme. The pension concession is currently \$213.00 or 50% of the rate payment, whichever is the lesser amount. The government has also funded a concession for eligible pensioners of \$50.00 to partially offset the introduction of the Fire Services Property Levy in 2013/14.

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 pension concession status, the pension concession 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 concession/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 concessions/rebates prior to this period are at the discretion of the relevant government department.

Council has the discretion to offer a rebate to pensioners, in addition to the pension concession funded by the State government under the Municipal Rates Concession Scheme. Council currently applies a pension rebate of \$20 per eligible ratepayer. Council is proposing to increase this Additional pension rebate from \$20 to \$40, effective from the 2016/17 rating year. This is discussed in more detail in section 7.6 of this Rating Strategy.

### **9.4 Deferred payments**

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

The Borough currently has one ratepayer on a deferred payment arrangement.

### **9.5 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 waiver of rates and charges to date as any rates and charges forgone would be redistributed to the balance of ratepayers in the Borough. 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.

## 9.6 Rate payment collections

Council, in accordance with the LGA section 167 (1) must allow for the payment of rates by four instalments per annum. The Act permits Council to allow a person to pay a rate or charge in a single lump sum payment per the LGA section 167 (2).

The Borough offers payment by instalments, with the following due dates: 30 September, 30 November, 28 February and 31 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 (aimed at better matching between when Council receives its rate revenue and when Council needs to expend these same amounts, which is consistent with most other utility service providers).

The option for residents to pay in a single payment is already available – ratepayers may pay all instalments at the date of the first instalment (30 September).

Under the mandatory instalment option, interest penalties are only backdated to the due date of the instalment.

Some councils offer both lump sum (payment in full) and instalment payment options and, for lump sum, some councils also offer early payment discount. An increasing number of councils are considering a move from lump sum to instalments only to improve cash flow, while others are considering a move from instalments only to lump sum due to increasing postage costs. Maintaining an adequate cash flow throughout the year is an essential consideration for the Borough of Queenscliffe. For this reason, lump sum payments in each year are not available at the Borough.

## 9.7 Summary

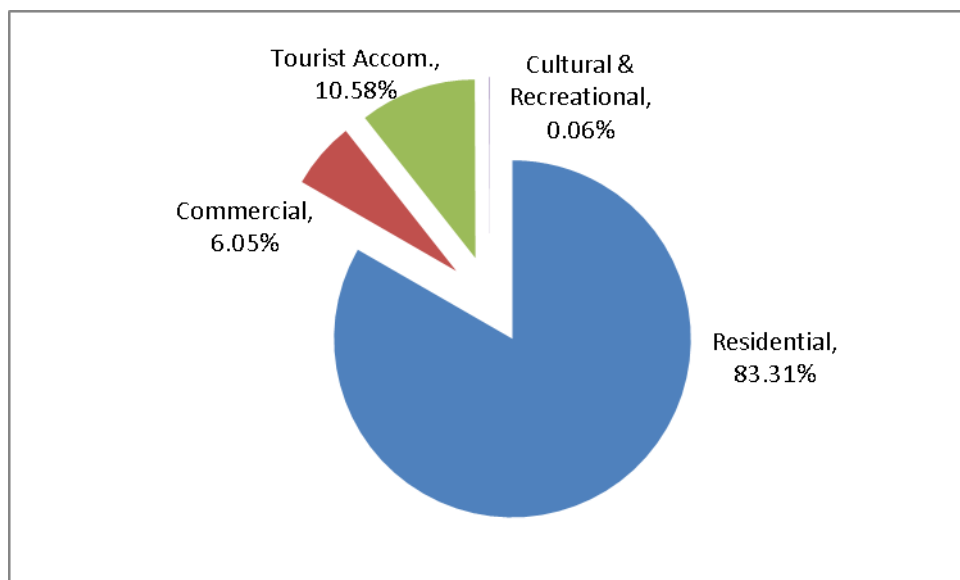
***It is recommended that Council continue the current practices in respect to collection and administration of rates including its present approaches to repayment of outstanding rates, payment options, interest on arrears and overdue rates, deferred payments, financial hardship and rate payment by instalments.***

## 10. Rate Contributions

Following introduction of CIV-based Kerbside and fixed Public Waste charges from the 2016/17 rating year, the General (residential) rate comprises 84.7% of the total CIV and contributes to 83.4% of the total rate revenue. The Commercial rate comprises 5.2% of the total CIV and contributes 6.0% of the total rate revenue. The Tourist Accommodation rate comprises 9.8% of total CIV but contributes 10.5% 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.

The following chart provides a snapshot of the current 2015/16 financial year's rate revenue by property type.

**2015/16 Rate Revenue by Property Type**



#### **11. State Government imposed Fire Services Property Levy (FSPL)**

Following a recommendation of the Victorian Bushfires Royal Commission, the State Government changed how it collects revenue to pay for fire fighting services. This means residents no longer pay for a fire services levy through their property insurance. Instead, property owners see a separate charge on their Council Valuation and Rates Notice for this State Government tax.

***The Fire Services Property Levy, which came into effect on 1 July 2013, resulted in 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 on behalf of the State Government via its rating system.***

It is important to note that the levy is payable by all rateable and non-rateable property owners as determined by the State Government. The Fire Services Property Levy is not subject to the rate cap. It currently comprises fixed and variable components and the levy has typically increased at a rate that has been significantly above the level of increase imposed by the rate cap on general rates.

***The Fire Services Property Levy is shown separately on the Valuation and Rates Notice, clearly indicating that it is a State Government imposed levy.***

#### **12. Conclusion**

In preparing this rating strategy, Council endeavours 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 legislative framework, the current economic climate, other external factors and the overall impacts upon the community. Council has reviewed all rates (including differential rates) and charges and compared with those charged by other neighbouring G21 region councils.

This Rating Strategy includes a set of recommended directions in relation to future rating principles and practices.

The summary of recommendations, as defined in this document, are as follows:

- ***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;***
- ***Continue to apply a 130% 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;***
- ***Continue to apply a 110% 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);***
- ***Continue to 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.***
- ***Continue the current practice of not applying a municipal charge on rateable properties.***
- ***Continue to apply the fixed rate Green Waste charge to residential premises rated as General rate or Tourism Accommodation rate, however exclude vacant residential land from 2016/17, to recover expenditure incurred in the provision of this service.***
- ***Introduce a CIV-based Kerbside Waste charge applied to all residential premises rated as General rate and Tourist Accommodation properties that are capable of being occupied. This is in response to the new rate capping legislation, whereby the recovery of costs associated with providing residential kerbside waste collection and disposal would be achieved by way of a CIV-based Kerbside Waste charge. Note the Commercial rated and Cultural & Recreational rated properties will no longer contribute to the cost of the service, as these particular properties do not have access to the service.***
- ***Introduce a fixed Public Waste charge applied to all rateable properties in the Borough for the collection and disposal of public waste. This is in response to the new rate capping legislation, whereby the recovery of costs associated with providing public waste collection and disposal would be achieved by way of a fixed Public Waste charge.***

- *Apply additional fixed charges (as detailed in the Council budget fees and charges schedule) for any additional bins for the purposes of kerbside collection of general waste, recycling, green waste and disposal.*
- *Increase Council's pension rebate from \$20 to \$40 per eligible ratepayer property, which is in addition to the pension concession funded by State 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 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.*