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1 EXECUTIVE SUMMARY

In the preparation of the 2010 Rating Strategy of the council, it was resolved the council review its rating strategy every four years. The last review of the Rating Strategy in 2014 resulted with an updated Rating Strategy released in 2015, to apply for the 2015-2016 rates raised.

The council has undertaken its current review in consultation with representatives of the local community, with the following objectives.

1. Identify and recommend principles the council should consider when striking general rates, particularly with regard to the creation and maintenance of any differential rates.

2. Make recommendations regarding the equitable sharing of the rates burden between various categories of ratepayers – eg. residential, commercial, industrial, rural, not-for-profit groups.

3. Recommend any changes to the structure of current charges and their relationship to general rates, eg. garbage, environmental levies, municipal charges.

4. Identify any other special purposes rates or charges or levies it believes the council should consider.

The review recommendations are the following.

1. Council continue to use the CIV model of valuation

2. A municipal charge not be introduced

3. Council continue with the current differential categories

4. Council continue with the 140 per cent differential for commercial and industrial properties

5. Council continue with the 200 per cent differential for vacant land properties

6. Council continue with the 75 per cent differential for rural farming properties

7. Council continue with the 100 per cent differential for rural non-farming properties

8. Council continue with the zero per cent differential for recreation and cultural properties

9. Council continue with the 93 per cent differential for societies and clubs not exempt as recreational and cultural properties

10. Council increase the differential for development use land from 100 per cent to 200 per cent over a two-year period.

11. The Waste Management Charge be set to equal the estimated costs of providing waste management services to the community.

12. Council offer a one (1) year 100 per cent rate rebate for new 8-star or higher energy-rated homes

13. Council should consider the introduction of a special rate on a case-by-case basis.
2 INTRODUCTION

Good governance requires the council to provide ongoing and periodic monitoring and review of the impact of major decisions, as over time corporate knowledge, issues and the membership of the council may alter. Council policies should be subject to continual refinement. It is therefore incumbent upon the council to evaluate on a regular basis whether the existing rating system best satisfies the legislative objectives to which it must have regard and those other objectives, which the council believes are relevant.

The council will use the framework set out in this strategy to ensure a fair and equitable distribution of the rating burden. The rating framework is set down in the Local Government Act 1989 ("the Act") and determines a council’s ability to develop a rating system. The framework provides some flexibility to suit its requirements within the context of public finance methodology, which includes principles of equity, benefit, efficiency and community resource allocation.

2.1 History

The council significantly reviewed its rating strategy in the mid 1990s with the changes becoming effective from 1995-1996. At the time, the council moved from site value (land only) based rates calculations to capital improved value (land plus capital improvements such as buildings). There were also several new rating categories introduced from the review.

In 2010, the next major review was conducted, with changes being made to differentials for vacant, commercial, industrial and development use land. It also saw the change from Rural 1, 2 and 3 categories to Rural Farming and Non-Farming. The council also resolved to review its rating strategy every four years.

The last review was undertaken in 2014-2015, which resulted in the rating strategy set in 2010 being retained without amendment.

2.2 Rating Strategy Reference Group

This revised strategy was developed with the input and involvement of a Rating Strategy Reference Group.

The objectives of the Rating Strategy Reference Group were to act as an advisory group for the development of a new Rating Strategy, and in particular to:

- Identify and recommend principles that the council should consider when striking general rates, particularly with regard to the creation and maintenance of any differential rates;
- Make recommendations regarding the equitable sharing of the rates burden between various categories of ratepayers, eg. residential, commercial, industrial, rural, not-for-profit groups;
- Recommend any changes to the structure of current charges and their relationship to general rates, eg. garbage, environmental levies, municipal charges; and,
- Identify any other special purposes rates or charges or levies it believes the council should consider.
3 RATING FRAMEWORK

3.1 Context

The council has prepared this Rating Strategy, within the context of the current legislative framework, to improve transparency by providing a detailed explanation of rating concepts and decisions.

3.2 Background

The council acknowledges that the existing system of raising rates using the property (wealth tax) valuation methodology is imperfect, however, the application of an alternate rating model (e.g. income tax, share of GST revenues) is not available within the constraints of the existing legislation.

The council is able to modify certain aspects of the rating system in accordance with the legislation, which may include applying different rates in the dollar (or differential rates) to different classifications of properties. Such modification needs to consider social and equity principles while minimising any penalty, via a shift in rate burden, to another property classification.

The council fixes the amount of total rates collected each year as part of the budget process, which incorporates consideration of the Fair Go Rates system introduced in 2016. The Fair Go Rates system caps the amount that councils can increase the general rate in any given year. It is important that rates imposed are fair and equitable, even with the council’s ability to increase its overall rating base being constrained.

Public finance theory and practice implies that taxation revenue, whether it is at federal, state or local level, is generally used to finance various forms of “public goods, services and community obligations” not necessarily in direct relation to user benefit but ultimately for the benefit of the community as a whole. In this respect, property rates are a general-purpose levy not linked to user pays, or ability to pay, principles. Other charges, such as waste service fees, are linked to costs associated with the service and thus are user pay-based.

The quantity and quality of services that the council, using conscious and considered choices, decides to provide will determine the amount of property rates collected and how much of the cost is to be recovered from other revenue sources. The amount collected in rates represents the difference between the total expense required by the council to fund programs, maintain assets, to service and redeem debt, and the total of revenue from all other sources. Other sources of income include grants, prescribed and discretionary fees, fines and charges, sales of assets and interest earned.

Rate and charges revenue is a major source of income for the council, providing about 63 per cent of the operating income for the 2017-2018 year (ie. $36.4 million of a total $57.4 million)

The council acknowledges that property rates do not recognise that ratepayers can be “asset rich” and “income poor”. In some cases, ratepayers may have considerable wealth reflected in property they own but have a low level of personal income. Examples include pensioners, self-funded retirees, businesses subject to cyclical downturn, households with large families and property owners with little equity but high levels of mortgage debt.

Moreover, the Australian taxation system - which allows for annuities, allocated pensions income and other assets to be treated differently in an assessment for government concessions and benefits - may further distort the true disposable income status of one household compared to another.

While personal income tax is more reflective of the capacity to pay, it is not possible to expect a property rating system to deal practically with all aspects of capacity to pay based on individual households and businesses. Given this, the council can provide flexible payment options to ratepayers experiencing genuine hardship upon request.
In the local government context, the rating system determines how the council will raise money from properties within the municipality, while the annual budget determines how the council will spend that money. The rating system comprises the valuation base and the rating instruments used to calculate property owners’ liability for rates.

The rating framework is set down in Part 8, Division 1 of the Act and determines how a council develops a rating system. The framework provides considerable flexibility to suit an individual council’s requirements within context of public finance methodology, which includes principles of equity, benefit, efficiency and community resource allocation. Under section 155 of the Act, the council has the power to levy:

- General rates;
- Municipal charges;
- Special rates and charges; and,
- Services rates and charges.

The council acknowledges that this framework will not universally cater for the possible significant revaluation property movements in a non-homogenous market place and may result in significant movements in rates (“rates shock”) on an individual, on a case-by-case basis within rating categories.
4 RATING STRATEGY

4.1 What is a Rating Strategy?

A rating strategy is the process by which the council systematically considers the factors of importance that inform its decisions about the rating system. The rating system determines how the council will raise money from properties within the municipality. It does not influence the total amount of money to be raised, only the share of revenue contributed by each property. The rating system comprises the (valuation) base and actual rating instruments used to calculate an individual property owners’ liability for rates.

This rating strategy comprises a number of components including:

- A review of rationales and objectives;
- Related research;
- The development of definitions;
- Rate modelling;
- The development of required documentation;
- Opportunity for public review/consultation; and,
- Results of comments received.

4.2 Council responsibilities

Part 1A – Local Government Charter of the Local Government Act 1989 describes the purpose of local government as to provide for the peace, order and good government, facilitate and encourage development, to provide services and facilities for the community and to maintain, improve, and develop the resources of the municipal district.

Local government must operate in accordance with the Act and has responsibility for implementing many diverse programs, policies and regulations set by state and federal government. Councils have to be flexible and therefore have powers to set their own regulations and local laws and provide a range of discretionary services in response to local community needs. Each Victorian municipality is different. Community demographics will vary in terms of age, prosperity, property base, topography. This will therefore lead to differing service requirements between councils.

4.3 Council profile

Wodonga Council serves a population of more than 40,000 people and covers an area of 433 square kilometres of land.

Wodonga is located in the Ovens-Murray district on the Victorian-NSW border, about 300km north-east of Melbourne. Bordered by the Murray River in the north, Towong Shire in the east and Indigo Shire in the south and west, the city is serviced by the Hume Freeway, Kiewa Valley Highway, Murray Valley Highway, and the Sydney to Melbourne railway line.

Wodonga shares the state boundary with Albury and the two communities share a close relationship in many areas. Residents of the two cities regularly cross the boundary for employment, recreation and retail opportunities. The close proximity of the two cities — combined with the surrounding rural townships — means that Wodonga has a catchment of approximately 180,000 people.

The city includes the main urban centre of Wodonga and encompasses 13 suburbs and rural localities, as well as significant rural hinterland and substantial industrial areas. The majority of the population lives in the urban areas, whereas rural land is used mainly for agriculture, including grazing and dairy farming.
Wodonga acts as the main shopping and service amenities centre for many towns within a short drive to Wodonga. The city has excellent health facilities, several large supermarkets and schools, and a university. Because of this, Wodonga plays an important role in providing services and products, which are not always readily available to those living in the satellite towns. This also provides a significant financial boost to Wodonga and its economy. This means that many of the beneficiaries of Wodonga Council provided services are ratepayers in other shires.

Wodonga Council is responsible for more than $500 million worth of assets and infrastructure including roads, bridges, community centres, recreation and leisure facilities, drains, libraries and parks.

Every time a person leaves their house, they use services provided by the council. From roads, foot and bike paths, public street lighting, litter bins, school crossings, library books, sporting facilities, community meeting spaces and places, community halls, swimming pools, playgrounds, parking spaces, waste transfer station, baby capsule hire, childcare programs, preschools, school holiday programs, maternal and child health services, and immunisation programs. In-home services provided by the council include parenting, maternal and child health advice and garbage, recycling and green waste / organics removal.

Local laws are important for community amenity for the safety, peace and order as well as public health, care of council property and the environment. The council is required to control hazard reduction for noise, fire, abandoned vehicles, parking, street stalls, disabled parking, street furniture, graffiti, animals, nuisance pets and busking permits.

The council collects property rates from residents and businesses to help fund its community infrastructure and service obligations.

The council's approach to service strategies, budget setting according to priorities and annual rate setting is crucial as to how these services are provided to the community. As previously mentioned with Wodonga being a regional centre, which services a catchment much greater than the boundaries of the city, services are utilised by non-residents of neighbouring councils, marginally increasing the cost of service to residents.

In comparison, many metropolitan councils have lower per capita rates due to economies of scale and interlinking of services with other neighbouring councils. For example, one council may have a high amenity retail sector, another focusing on industry, while another council may provide specialist training or aquatic venues. This cross use of facilities and the ability to specialise leads to a reduced cost of service provision.

However, Wodonga Council must provide a full range of services due primarily to its population diversity, geographic spread, as well as providing corporate development and regional leadership.

Wodonga is also a city experiencing strong growth. While this provides benefits on the form of additional rate revenue and improved economies of scale, it also places pressure on the need to provide infrastructure, which links together a wider geographical area, as well providing the higher levels of services and facilities demanded of a regional city.

Wodonga, as with most other councils, also faces the challenge of renewing and maintaining an aging infrastructure. Strong growth in short spaces of time in earlier decades means that a large proportion of infrastructure will age and need replacement at approximately the same time at the end of its useful life.

This Rating Strategy includes a summary of rating principles and policies including reasons for policy and historical trends.
4.4 Principles

The council must raise revenue each year to enable the achievement of its charter as described in Part 1A of the Act. This includes the provision of good governance and administration, and to provide for appropriate goods and services for the community. The goods and services the council provides are broad and are allocated according to community lifecycle and lifestyle needs. In particular, the council provides goods and services that are not provided by private enterprise (e.g. infrastructure, street lighting, regulatory and compliance activities).

Council rates constitute a system of taxation on the local community for the purposes of local government. The value of land and its improvements (or capital improved value) is generally used as the basis of taxation, which is a measure of the property wealth of the ratepayer. The value of all property is to be revalued by the Victorian Valuer General every year (from the 2019 year, with revaluations only required every two years for prior years), and is to be relative to all other like property within the municipality.

The calculation for council rates is as follows.

$$Rate\ in\ the\ dollar \times Property\ Value = Council\ Rates$$

As an example, the “rate in the dollar” for a residential occupied property in 2018-2019 is 0.00556. Assuming a property with house and land was valued at $250,000, the annual rates payable would be $1,390.00, calculated by the following.

$$0.00556 \times 250,000 = 1,390.00$$

Rates are in the form of a general-purpose levy and the benefits that a ratepayer may receive will not necessarily be to the extent of the rates paid. Benefits are consumed in different quantities and types over the lifecycle of the ratepayer e.g. maternal and child health, libraries and aged care, roads and footpaths, local laws. In other words, the council governs for the whole needs and wishes of the community, and raises rates accordingly.

The council’s practices and decisions regarding rating are underpinned by:

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

4.5 Rating framework

The general rating framework for local government was set out in research undertaken for development of the Local Government Act 1989. The research recommended that property rating should be based on the following objectives.

1. The entire community should contribute to the unavoidable costs of local government.
2. Where feasible, services should be funded on a user pays system.
3. Where specified, local objectives can be achieved using differential rates.
4. Residual service costs should be apportioned on the basis of property valuation.
In addition to rates on property, local governments are able to levy a municipal charge on each property. This charge is set to achieve the first objective above, i.e. to fund the unavoidable costs of local government. The municipal charge cannot raise more than one fifth (20 per cent) of the total amount raised through rates (including the municipal charge) - LGA Section 159. In the new Local Government Bill 2018 before the Victorian Parliament, the municipal charge cannot raise more than one tenth (10 per cent) of the total amount raised through rates (including the municipal charge) – LGB Section 105.

The third element is the use of differential rate groups using a variable “rate in dollar” to collect rates against property values, which is referred to as collecting an “ad valorem rate” against the property value.

The waste collection service charges are a user pays principle, while a wide variety of other services provided by the council have fees set to recover the full cost or, where subsidisation occurs, to fully notate such cross-subsidisation.

In addition to the objectives above, accepted public finance theory sets three major criteria for successful taxation policy.

- Equity - including both horizontal and vertical equity. Horizontal equity means that those in the same position (eg. with the same property value), should be treated the same. Vertical equity in respect to property taxation means that higher property values should incur higher levels of tax.
- Efficiency, meaning that in a technical sense the tax should not unduly interfere with the efficient operation of the economy. For local government the tax should be consistent with the major strategic objectives of the council.
- Simplicity for both administrative ease (and therefore lower cost) and to ensure as far as possible that the tax is understood by taxpayers, with a view to the tax system being transparent and capable of being questioned and challenged by ratepayers.

The LGA at Part 1A Local Government Charter - Section 3C(2)(f) provides that an objective of the council should be “to ensure the equitable imposition of rates and charges”. The Act does not define equity or efficiency of the rating structure, therefore the adoption of a legal rating framework will ensure transparency in how the council aims to achieve equity and efficiency within the meaning and principles of the legislation.

4.6 Strategic directions

The council has determined that its annual rate setting objectives should be set out in a framework, which integrates planning to enable the efficient and effective delivery of the services it provides to its community.

The strategic directions of the council are set out in the following documents.

- **Council Plan** - This document includes strategic objectives, performance indicators and the Strategic Resource Plan.
- **Council Budget** - Annual funding allocations for activities and initiatives, service reviews, with linkages to the Council Plan, together with key financial performance targets and measures.

There are 79 local governments in Victoria and 677 local governments throughout Australia. As indicated earlier, each council has different local issues, costs and service provision needs. Each council budget is different to reflect local community needs and priorities.

Each state has a common legislative framework for setting a budget that councils must follow, which in Victoria is set out in the Local Government Act 1989.
4.7 Benefit Principle

A popular complaint levelled at the council is that “the rates I pay have no correlation with the services I consume or the benefits I receive”. This argument is based on the benefit principle (the opposite of the wealth tax principle) that argues there should be a nexus between consumption and benefit and the rate burden.

Some councils have attempted to evaluate the relative benefits received by various classes of property. These approaches raise many practical difficulties, in particular, trying to trace quantifiable consumption and benefits to particular types of property or geographic locations and attributing varying levels of access by ratepayers to services that are universally available. The council accepts that any in-depth analysis of this issue could also be quite costly, impacting efficiency, and would not change the result (to any great extent) under the current legislative frameworks.

The analysis often gets reduced to arguments of what services are consumed by town versus country, businesses versus residences versus farms, and between different towns and suburbs. Clearly, the exercise is not clear-cut – for example, it might be argued that country ratepayers derive less benefit from library services than their town counterparts but the reverse may be argued with respect to the costs of repairing and constructing long lengths of local roads to service one or two properties.

4.8 Property Valuations

For the purpose of the Act and its rating provisions, the Valuation of Land Act 1960 is the principle act in determining property valuations. Generally, each separate occupancy 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 rating purposes 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 and may include automatic teller machines, show-case, signage, advertising, radio and mobile telecommunications towers.

Local government may adopt one of the following three valuation methodologies to value properties in its area (LGA Section 157).

- **Capital Improved Value:** (CIV) The value of land and other improvements including the house, other buildings and landscaping.
- **Site Value:** The value of the land plus any improvements, which permanently affect the amenity or use of the land, such as drainage works, but excluding the value of buildings and other improvements. Also referred to as the unimproved market value of the land.
- **Net Annual Value:** The value of the rental potential of the land, less the landlord's outgoings (such as insurance, land tax and maintenance costs). For residential and farm properties this must be set at 5 per cent of the CIV (Valuation of Land Act 1960 - Section 2).

The council has adopted the Capital Improved Value (CIV) as the value to which the rate in the dollar will be assessed. The Council believes that being a measure of the realisable value of the property, the CIV most closely reflects wealth and affordability and thus it is more equitable to rate residents on the total value of their property rather than the notional value of their land alone. In addition, differential rating combined with CIV allows greater flexibility in developing rating outcomes enabling the council to pursue its particular objectives.

Up until June 30 2018, property valuations occurred every two years by a valuation authority (a municipal council or the Valuer-General). From 2019, valuations will be annual and the Valuer-General will be the sole valuation authority. The Valuer-General will provide valuations to councils and the State Revenue Office for the purposes of council rates, land tax, and the Fire Services Property Levy.
The changes do not affect underlying valuation principles or methodologies, which are in the *Valuation Best Practice Specifications* updated by VGV for each revaluation.

Valuers undertake a physical inspection of at least 33 per cent of all properties during each revaluation cycle. Other valuations are derived from a complex formula based on sectors, sub-market groups, property condition factors (including age, materials and floor area), influencing factors such as locality and views, and land areas compared to sales trends within each sector or sub-market group. The municipality has defined sub-market groups that are reviewed during the revaluation process. Valuers determine the valuations according to the highest and best use of a property.

In valuing large areas of land without buildings, residential zoning, permits for subdivision or structure plans are indications of potential for subdivision. If the land is capable of subdivision, it will be valued accordingly as potential sub-divisional land rather than farmland, despite its use. The value of sub-divisional land will typically be higher than farmland. The amount of valuation increase will depend on market factors at the time of valuation.

Supplementary valuations are valuation adjustments that are required when properties have a reason to be reviewed. Reasons for review may include a dwelling demolished, a certificate of occupancy issued for a completed dwelling, titles issued for newly subdivided lots, or the reduction of value on a parent assessment due to area subdivided. Supplementary valuations are notified to ratepayers by the issue of a rates notice.

The Valuer General of Victoria is now responsible for the total valuation of each municipality and certifying that the valuations are true and correct. Valuations are conducted using best practice guidelines formulated and published by the Valuer General Victoria.

The total value of the municipality is the base value against which the council strikes its rate in the dollar for each defined category, or type, of property.

Refer Appendix 9.1, Rates Data per 2018-2019 Budget, below for information on the valuation base assumed in the 2018-2019 Budget, based upon which the rate in the dollar was struck for each property type.

### 4.9 Objections to property valuation

The *Valuation of Land Act 1960* provides that objection to the valuation may be made each year within two months of the issue of the original or amended (supplementary) Rates and Valuation Charges Notice (Rates Notice).

Any objections received are processed in accordance with the *Valuation of Land Act – Division 3 Sections 16-21*.

### 4.10 No windfall gain

There is a common misconception that if a property valuation rises then the council receives a “windfall gain” with additional income. This is not so as the revaluation process results in a redistribution of the rate burden across all properties in the municipality. Any increase to total valuations of the municipality is offset by a reduction to the rate in dollar (ad valorem rate) used to calculate the rate for each property. Total income is set each year as part of the budget process and the Fair Go Rates system (rate capping).
4.11 Rating Differentials

The Act allows councils to “differentiate” rates based on the use of the land, the geographic locality of the land or the use and locality of the land. Different rates in the dollar of CIV can be applied to different classes of property. These classes of property must be clearly differentiated and the setting of the differentials must be used to improve equity and efficiency.

There is no theoretical limit on the number or type of differential rates levied, however, the highest differential rate can be no more than four times the lowest differential rate.

The council has a diverse mix of geographically located and land use properties. Valuation methodology is not consistent between differing land use property types and the establishment of differential tariff groups ensures greater equity and contribution from rates according to land use characteristics in relation to affordability and taxation principles.

In accordance with Section 161(2) of the Act, the council is required to undertake the following when levying a differential rate.

- Specify the objectives of the differential rate, which must include the following.
  - Defining the types and classes of land and a statement of reasons for the use and level of that rate
  - Identifying the types and classes of land in respect to uses, geographic location, planning scheme zoning, building types and any other relevant criteria
  - If there has been a change in the valuation system, any provision for relief from a rate for certain land to ease the transition for that land
  - Specify the characteristics of the land which are the criteria for declaring the differential rate.

The purpose of the above is to ensure the council has a sound basis on which to develop the various charging features when determining its revenue strategies and ensure that these are consistent with the provisions of the Act.

The general objectives of each of the differential rates is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of the council, including the:

- Construction and maintenance of public infrastructure;
- Development and provision of health and community services;
- Provision of general support services; or,
- A specific objective as described within the differential characteristic

The application of a differential rate means that one class of property is treated differently from another – either paying a higher or lower ad valorem rate in the dollar. For each effect a differential has, it will have the opposite effect for other property classes. A lower differential given to one class of property is offset by a higher proportion of rates being covered by other property classes and vice-versa.

The relativity of the differential rate is normally expressed in terms of a comparison of the rate in the dollar against a nominated general rate. The general rate normally used as the benchmark is the particular rate in the dollar that applies to residential properties, whether it is a rate that applies to residential properties or a rate applying to a broader class that includes residential.

Under section 161 (2A), a council must have regard to any ministerial guidelines before declaring a differential rate for any land. This is discussed further below.
4.12 Ministerial Guidelines

In 2012 the Victorian Parliament passed the Local Government Amendment Act 2012 which introduced section 161(2B) of the Act. Section 161(2B) provides that:

*The Minister may, by notice published in the Government Gazette, make guidelines for or with respect to:*

a) *The objectives of differential rating;*
b) *Suitable uses of differential rating powers;* and,
c) *The types or classes of land that are appropriate for differential rating.*

Further, by reason of section 161(2A) a council must have regard to any ministerial guidelines made under subsection (2B) before declaring a differential rate for any land.

Further, section 161(4) provides that:

*On the recommendation of the Minister, the Governor in Council may by Order in Council prohibit any Council from making a declaration of a differential rate in respect of a type or class of land, if the Minister considers that the declaration would be inconsistent with any guidelines made under subsection (2B).*

The Ministerial Guidelines state that:

*When declaring general rates, a Council must consider how the use of differential rating contributes to the equitable and efficient carrying out of its functions compared to the use of uniform rates. Such a determination and its rationale must be disclosed in the Council’s proposed budget and any revised budget, or be referenced in the Council’s rating strategy. In specifying the objective of each differential rate, a Council should be able to provide evidence of having had regard to:*

- good practice taxation principles and their assessment against a particular differential rate objective and determination;
- modelling or consideration of the impact of the rating decision on those rated differentially and the consequential impact upon the broader municipality; and
- rating strategies or related Council documents; and,

*In specifying objectives of differential rates, a Council should also have regard to the strategic objectives set out in the Council Plan (S.125 of the LGA) to ensure its objectives for differential rates (and thereby a percentage of Council revenue) accords with the strategic objectives.*

**Types and classes of land appropriate for differential rating**

The Ministerial Guidelines set out the following information on types and classes of land appropriate for differential rating.

*The differential rate category terminology must unambiguously correspond with clearly identified uses, geographic location, planning scheme zoning of the land and types of buildings situated on it. The types and classes of land must be described:*

- Clearly and consistently so as to avoid any community uncertainty with regards to application; and,
- In a manner that is consistent with the fulfilment of the stated council objectives.*
For the purposes of reading these guidelines the following differential rates hierarchy has been adopted to:

- Those that are appropriate;
- Those that require careful consideration; and,
- Those that are not appropriate.

Types and classes of land categories and their combination that are considered appropriate for differential rates include the following:

- General land
- Residential land
- Farm land
- Commercial land
- Industrial land
- Retirement village land
- Vacant land
- Derelict
- Cultural and recreational.

Types and classes of land categories that must be carefully considered as to whether they are appropriate for the application of differential rates include (but are not limited to) the following.

- Holiday rental
- Extractive
- Landfill
- Dry land farming
- Irrigation farm land
- Automobile manufacture land
- Petroleum production land
- Aluminum production land

The use of a differential rate applicable to very few property assessments in a municipality should be considered with caution, particularly in relation to setting of higher differential rates, and have regard to the impact on the land subject to the proposed rate and the consequential impact upon the broader municipality through consideration of equity. This is especially so in the case of differential rates applied to narrowly or specifically defined activities or land use types.

It would not be appropriate to declare a differential rate that is defined narrowly and applied specifically or exclusively to the following types and classes of land.

- Electronic gaming machine venues or casinos
- Liquor licensed venues or liquor outlet premises
- Business premises defined whole or in part by hours of trade
- Fast food franchises or premises
- Tree plantations in the farming and rural activity zones
- Land within the urban Growth Zone without an approved Precinct Structure Plan in place
The use of specific differential rates on these types and classes of land is **not appropriate**. The use of differential rate powers to lessen the impact of externalities arising from the type of legitimate business conducted on the land or fund actions intended to ameliorate the externalities arising from such business on the land is **not appropriate**.

The use of differential rates to fund a specific service or benefit provided to the land subject to a particular rate is also **not appropriate**. In circumstances whereby additional services or special benefit are provided, a service rate or charge or alternatively a special rate or charge may be more appropriate as it can be targeted and correctly apportioned.

For example, the use of a differential rate as a revenue instrument to raise funding for a specific action to ameliorate the effects of problem gambling or late night venues is **not an appropriate** use of general rates which are intended for consolidated revenue and allocation via the Council budget process.
5 THE CURRENT RATING SYSTEM

The current rating system in Wodonga is characterised by the following.

- A general rate based on Capital Improved Value
- The application of five differential rates applying to 10 different categories, these being vacant land, land improved for residential, commercial or industrial use, rural farming land, rural nonfarming land, development use land, and social clubs or societies.

As an example the “rate in the dollar” for a residential occupied property in 2018-2019 is 0.00556. Assuming a property, say a house and land, was valued at $250,000, the annual rates payable would be $1390.00, calculated as:

\[
0.00556 \times 250,000 = 1,390.00
\]

The different rating categories are defined based on the following criteria.

**Residential Occupied Land**

Land that is residential, meaning rateable land upon which is erected a private dwelling flat or unit which is used primarily for residential purposes as defined under the provisions of the Wodonga Planning Scheme.

**Commercial Occupied Land**

Land that is commercial, meaning rateable land which is used primarily for business or commercial purposes, and upon which are erected structures which are used in conjunction with, or for purposes ancillary to, business or commercial purposes for which the premises are being used; business and commercial use including but not being limited to the operations included in the definition of commercial under the provisions of the Wodonga Planning Scheme.

**Industrial Occupied Land**

Land that is industrial, meaning rateable land upon which is erected a factory or workshop which is primarily used for industrial purposes and includes any land which is used in conjunction with or for purposes for which the factory or workshop is being used; industrial use including but not being limited to the operations included in the definition of industry under the provisions of the Wodonga Planning Scheme.

**Rural – Farming Land**

Any land that is “farm land” within the meaning of Section 2(1) of the Valuation of Land Act 1960 paragraphs (a) and (b) and other criteria as defined by the council (c) hereunder.

(a) Not less than 2 hectares in area; and,
(b) That is used primarily for grazing, dairying, pig-farming, poultry farming, fish farming, tree farming, bee-keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities; and,
(c) Being a Primary Producer as evidenced by a current ATO assessment.
Rural – Non Farming Land

Any land, which is:

- Greater than eight hectares in size; or,
- Less than eight hectares in size and due to reasons of inappropriate subdivision is generally vacant, low valued land that has little utility to owners because the land is restricted to no development in its current form; and,
- Not Rural – Farming land, nor Development Use Land.

Vacant Land

Land on which there does not exist any building obviously adapted for human habitation and which does not have the characteristics of Development Use Land.

Development Use Land

The valuer responsible for the returning of the general revaluation or any supplementary valuation may classify any land (or a portion of that land) that is in the process of being developed into the category of Development Use Land.

Classification to Development Use Land will be at the valuer’s discretion and based principally on the basis of applications and/or approvals for rezoning and/or development.

Society/Social Club Land

Any land, which is not subject to the Cultural and Recreational Lands Act 1963, and used primarily for the activities of a club or society carried on for the benefit of its members and their guests.
6 RATING STRATEGY

6.1 Municipal Charge

The council is able to levy a municipal charge on each rateable property within the municipality with the exception of farms where a single municipal charge is payable on multiple assessments operated as part of a single farm enterprise.

The municipal charge is a flat, identical charge per assessment that can offset some of the “administrative costs” of the council. The legislation is not definitive on what comprises “administrative costs”. The current maximum municipal charge equals 20 per cent of the total revenue raised from rates and the municipal charge combined.

The municipal charge is regressive, which means that as the value of properties decrease the municipal charge increases as a percentage of that value. As a result, there is a reduced rate burden on higher value properties.

Through its effect of providing a reduction in the amount paid by higher value properties, the municipal charge may be seen to assist certain classes of property. There is a tendency in rural municipalities for farms, as a class, to generally benefit from its application.

The effect for residential, commercial and industrial properties is not as general, as there is usually a greater diversity in the range of property values.

Arguably, a municipal charge as a part of a rating system provides for a more equitable outcome in that all properties make a standard contribution to some administrative costs and that the municipal charge is a useful means of ensuring this contribution. These expenses are comparable to the property charge component in the pricing of utilities, such as water, electricity and telephone, – in other words, that some costs must be borne before any service consumption occurs.

A municipal charge is similar to waste charges, that apply equally to all properties, irrespective of valuation, a per assessment contribution to a portion of the council’s administrative costs. While the benefit principle (ie. levying individual properties for services used) cannot fully be utilised, both the above charges represent a partial application of the principle and therefore reduce total reliance on a CIV approach to collect revenue.

Without the use of municipal charges, low-valued properties can possibly attract rate levies below $100 per annum (ie. bank ATM). In effect, after administrative costs, these properties are barely contributing to the general running of the council and provision of community services or asset maintenance.

The arguments against the retention of a municipal charge are that the charge is regressive thereby adversely affecting lower-valued properties. The percentage of the total rate bill that is represented by the municipal charge increases as the property value decreases.

Consideration has been given to both of the above arguments in reaching its views and the council has determined that a municipal charge will not be utilised when levying rates and charges.

Rating Strategy

That a Municipal Charge will not be included in council’s rates and charges.
6.2 Residential Occupied land

Residential Occupied land comprises the majority of property in Wodonga representing about 71 per cent of all rates assessments. For this reason, this category is often referred to as the General Rate, and becomes the benchmark to which all other differential rates are compared. The differential for this category will therefore always be set at 1.0.

The actual rating burden applying to Residential Occupied properties is an outcome 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 Residential Occupied rate is therefore a by-product of the equity inherent in the setting of those other rates. In the setting of differential rates, the council consciously considered their relativity to the Residential Occupied rate (or general rate).

**Rating Strategy**

That Residential Occupied is the default rating category against which other rating differentials are applied. The differential for Residential Occupied is therefore set at 1.00.

6.3 Farm Land

Historically, if properties conformed to the definition of Farm Land in the *Valuation of Land Act* they were provided with a lower differential rate.

Wodonga Council recognises farms through the use of two distinct categories of rural properties.

*Rural – Farming* means any land that is “Farm Land” within the meaning of Section 2(1) of the *Valuation of Land Act 1960* paragraphs (a) and (b) and other criteria as defined by the council (c) hereunder.

(a) Not less than 2 hectares in area; and,
(b) That is used primarily for grazing, dairying, pig-farming, poultry farming, fish farming, tree farming, bee-keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities; and,
(c) Being a Primary Producer as evidenced by a current ATO assessment;

*Rural – Non Farming* means any land which is greater than 8 hectares in size that is not Rural – Farming land, nor Development Use Land.

The *Valuation of Land Act* sets out the definition of Farm Land for valuation purposes and requires that farm properties are:

- At least 2 hectares;
- Primarily used for agricultural production (grazing, dairying, pig farming, poultry farming, pig farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind); and,
- Used by a business which has a significant or substantial commercial purpose, seeks to make a profit on a continuous or repetitive basis or has a reasonable prospect of making a profit from the agricultural activities being undertaken.

It is possible that, while conforming to the requirements of the *Valuation of Land Act*, some of these properties may not be “genuine” farms.

In order to address this possibility, the council introduced a definition of ‘farm land’ for rating purposes, including considering several alternatives for defining “farms” including size and farm production values. The council found that the use of size and output value thresholds in order to
determine eligibility for the farm rate was likely to result in a significant number of exceptions and substantially increase administration costs.

Difficulties associated with the definition in the Valuation of Land Act are arguably more to do with its practical application than with the definition itself. There are significant administration costs related to the annual auditing of properties’ conformance with criteria that reflect on the commercial purpose and business nature of the farming activities undertaken.

The value of using ATO Primary Producer Status is that responsibility for determining whether a farming activity is conducted as a business rests with the ATO rather than with council officers, so administration costs are minimised and the reliability of an ATO assessment is obtained.

ATO Primary Producer Status is relevant for farmers to be able to claim a range of tax offsets, establishment costs, depreciation allowances, farm management deposit schemes and claims for land care and water operations. However, since the introduction of GST and abolition of sales tax, the ATO no longer automatically issues any documentation that attests to Primary Producer Status, other than the Income Tax Assessment Notice, issued annually.

The council therefore requires applicants for the Rural – Farming rate to provide evidence in the form of a copy of their Income Tax Assessment Notice, or an equivalent statutory declaration or letter of confirmation from their Tax Agent, every four years.

Rating Strategy

That applicants for the Rural – Farming rate provide evidence in the form of a copy of their Income Tax Assessment Notice, or an equivalent statutory declaration or letter of confirmation from their tax agent, every four (4) years.

Inappropriate Subdivision (included in Rural – non farming)

Inappropriately subdivided land is generally vacant, low-valued land that has little utility to owners because the land is restricted to no development in its current form. Because of this restriction, the land has little value and the property valuations used for rating purposes reflect this.

The council believes that the low property valuation of inappropriately subdivided properties already reflects the service benefits received by these properties and leads to low rates being payable on them. It has therefore decided that this category of land should be subject to the general rate.

The definition of Rural – Non Farming is therefore as follows.

Rural – Non Farming means any land which is:

- Greater than eight hectares in size; or,
- Less than eight hectares in size and due to reasons of inappropriate subdivision is generally vacant, low-valued land that has little utility to owners because the land is restricted to no development in its current form; and,
- Not Rural – Farming land, nor Development Use Land.

Historically, a lower rate applied to farms in Wodonga. The basis for this decision is that, in the absence of some rate relief, the higher land component inherent in farming properties contributes to their relatively higher values and would result in farmers having to pay disproportionately high rates in relation to the income or surplus able to be generated from their properties.

In addition, by virtue of their distance from urban centres, farming households access and consumption of a range of services is lower. For example, there are services such as street lighting and street sweeping from which farm properties arguably obtain little or no direct benefit.
The council believes that there is an argument that rate relief for farmland is warranted in recognition of one of its major land use objectives. The council’s Municipal Strategic Statement (MSS) includes the objective of protect existing and future farm units through the identification of all land likely to be required for future urban development and through the implementation of policies that discourage urban uses in rural areas.

In comparison to the neighbouring shires, the total value of agricultural production in Wodonga is relatively insignificant.

Due to topographical constraints such as hills and floodplains, a large percentage of Wodonga will not be required for future urban development and will remain in rural use. These areas require careful land management for a range of environmental, lifestyle and economic reasons. Accordingly, the MSS includes the following strategies.

- Rural living, rural residential development and housing on small lots below the minimum area specified in this scheme will not be supported, unless it can be clearly demonstrated that the development is ancillary to commercial rural production. Such rural enterprises are to be established prior to any proposal being considered. This strategic direction is in place to maintain the economies of scale and recognise the potential for farming to expand in the city of Wodonga.
- All rural uses are to be sustainable and manageable as effective and operational uses. A balance will be maintained between agricultural best practice, use of whole farm management plans and ensuring minimal impact on the environment within non-urban areas.

In principle, farm properties as defined as Rural – Farming, will continue to be the lowest-rated group and a farm differential tariff is to be maintained. The farm differential is to recognise the benefits of large holdings, open space and traditionally generally less demand upon council services per land area held. This takes into account of the traditional low economic return to large landholdings, avoid distortions in the market or an ability to contribute above the standard charge.

In summary, council takes the position that:

- It is generally accepted that the returns able to be realised by farming from the assets employed (including land) are lower than for other forms of land, and arguably will be more inconsistent into the future due to climate change, so that its capacity to pay rates is lower; and,
- A lower differential should continue to be provided to farm land because of its importance both to the local economy and as a characteristic of the local environment.

It should be noted that in comparison to the general residential land, farm rates in most cases will attract a tax deduction, whereas in most cases residential land rates will not.

The council believes a case can be made for a lower differential rate for Rural - Farming, and that a reasonable level at which to set the Rural - Farming rate is 0.75 of the general rate (Residential Occupied) in support of the above points.

With respect to Rural – Non Farming, the council proposes that this category of land should be subject to the general rate, that is, the same rate as Residential Occupied, and should therefore have a differential of 1.0.

**Rating Strategy**

That the Rural – Farming differential remain at 0.75, and the Rural – Non Farming differential remain at 1.00.
6.4 Rural Living Land

Rural Living land applies to those areas where there is already substantial development of rural areas with dwellings and where the rural character of the area is to be maintained. The council’s Municipal Strategic Statement describes the demand for the rural residential lifestyle and the aim of confining this type of development to specific areas, where there is good access to services, and are outside areas of environmental and landscape significance.

While some of these properties may act as a buffer between agricultural lands and more intensive residential development, they have developed as a result of the fragmentation of rural land and include “hobby farms”. The council considers that most rural residential properties make generally similar claims on council expenditures to residential properties, by virtue of their main purpose and location.

The council believes that controls via the planning scheme are sufficient to achieve its aims with respect to this land and therefore this category of land should be subject to the same rates in the dollar as residential land, either vacant or occupied as appropriate.

There is presently no separate rating category for rural living land. The properties are treated as either Residential Occupied land, or Residential Vacant land, and are subject to the differentials pertaining to those categories accordingly.

6.5 Commercial Occupied Land and Industrial Occupied Land

Wodonga includes a significant number of low-valued commercial and industrial properties that reflects its small to medium-sized businesses character. In addition, there a number of significantly high-valued commercial and industrial properties making for a disparate valuation base.

The definition used for distinguishing these properties is that they are rateable land and that they are used predominantly for the purposes of income generation through the carrying on of a business, commercial or industrial activity that is not farming.

The council continues to make significant investment in economic development including industrial estate development, tourism, retail and general support provided for the business community.

The cost of servicing the major industrial and commercial businesses is arguably higher due to maintenance of road infrastructure (heavy trucks), increased frequency of street sweeping, street garbage collection, and so on.

The council argues that there is a greater capacity to pay of business generally when compared with general residential properties. It is argued that the improved land asset itself is income producing, whereas residential land generally is not (rental properties excepted). Rates are generally tax deductible for business, but not for residential (again rental properties excepted).

Understandably, the council in the past has sought to attract investment to Wodonga through minimising rates payable within this category.

It could be argued that rates represent a small component of businesses’ annual costs and rates incentives therefore have limited effect in changing investment decisions between cities.

For the above reasons, the council sets a differential rate for Commercial Occupied and Industrial Occupied land at a higher rate than the general rate, and that differential should be set at 1.40 when compared with the general rate.

Rating Strategy

That the differential rate for Commercial Occupied and Industrial Occupied land be set at 1.40 when compared with the general rate of 1.0
6.6  Vacant Land (Residential, Commercial and Industrial)

Wodonga presently has 952 vacant properties across the residential, commercial and industrial categories. The predominant category is residential with 875 assessments.

The council holds the view that the vacant land differential should be higher than the general rate to encourage the development of land and ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of the council.

The encouragement of development is strategically important as it has a positive effect on local employment and income, while speculative behaviour should be discouraged.

The council believes a higher differential rate also assists to partly offset the costs of servicing new land, including major infrastructure studies and implementation of interconnecting infrastructure between subdivisions. The more difficult task however is determining an appropriate differential to the general rate.

The council believes that the vacant land differentially should be set at a higher rate for the reasons noted above and that rate be set at 2.0 when compared to the general rate of 1.0.

**Rating Strategy**

That the differential rate for vacant land remain set at 2.0 when compared to the general rate of 1.0.

6.7  Development Use Land

While council holds the view with regard to vacant land that a higher differential is justified to encourage the development of land (that is, the construction of buildings) for the reasons noted above, the council has also historically held the view that vacant land which has been acquired for the purpose of development should be treated differently.

The council believes that land developers inherently have a financial imperative to develop and sell land as quickly as possible. However, the deliberation of the reference group found that there has been a trend downwards in available vacant lots due to growth in population of the municipality and that an increase in the differential rate may create an added incentive to develop this land quickly.

The group considered it fair and equitable that Development Use Land be treated equivalent to vacant land, that is rated at 2.0. However, there was consensus that the shift to a differential of 2.0 should be transitioned over two years in a stepped approach, rather than as a one-off increase. This is in line with Section 161(2)(iii) of the *Local Government Act 1989*, which requires relief to ease the transition where there is a change in the objectives of the differential rates.

On this basis, the council has determined to increase the differential from 1.0 to 1.5 in the 2019-2020 rating period and from 1.5 to 2.0 in the 2020-2021 rating period.

**Rating Strategy**

That the Development Use Land differential be set at 1.5 for the 2019-2020 rating period and 2.0 in the 2020-2021 rating period and beyond.
6.8 Social Clubs/Society Land

There are presently three assessments within the Social Clubs/ Societies category. The council believes that while no strong rationale exists for Social Clubs/Society Land to be assigned a differential that is higher, or lower, than the general rate (Residential Occupied land), given the traditional 0.93 rate that has applied to this category, the council has determined that it remain unchanged. It therefore proposes that Social Clubs/Societies differential be set at 0.93 of the general rate differential.

Rating Strategy
That the Social Clubs/Society Land differential be set at 0.93 times the general rate differential

6.9 Cultural and Recreational Land

The provision of rate relief to recreational land is provided by the Cultural and Recreational Lands Act 1963. It effectively provides for properties used for outdoor activities to be differentially rated unless it involves land that is being leased from a private landowner. The discretion to provide a cultural and recreational land rate rests with the council.

Eligible land is described in section 2 (a) as follows.

(i) Lands which are vested in or occupied by any body corporate or incorporate which exists for the purpose of providing or promoting cultural or sporting recreational or similar facilities or objectives and which applies its profits in promoting its objects and prohibits the payment of any dividend or amount to its members.

(ii) Used for outdoor sporting recreational or cultural purposes or similar outdoor activities.

The Act goes on to cite examples such as showgrounds, Flemington racecourse, and the MCG.

The council has determined not to levy rates on properties that are used exclusively for the purposes of recreation for the community of Wodonga due to the benefit to the community derived from such recreational lands.

There are presently 14 assessments that are granted non-rateability under the Cultural and Recreational Lands Act being a mixture of properties in the categories of racecourse, sports clubs reserves and buildings that don’t have gaming machines, kart club, yacht club, swimming club, golf club, tennis clubs, bowling club, band hall, angling club, show society and pistol club.

In the cases where properties include clubrooms that contain gaming machines these are treated as a commercial enterprise and are rated accordingly.

The council believes that the 14 sporting groups in this category should be treated as non-rateable under the Cultural and Recreational Lands Act 1963 for the reasons stated above.

Rating Strategy
That the current 14 sporting bodies on cultural and recreational land be treated as non-rateable under the Cultural and Recreational Lands Act 1963.
6.10 Non-rateable properties

Section 154 of the Local Government Act 1989 provides for properties where the use is charitable, to be non-rateable. Charitable uses include those providing health services, education, religion, and services to vulnerable persons.

This section of the act also provides for council, Crown, ministerial or other public statutory body land to be non-rateable.

There also are a number of organisations which provide service to disadvantaged people on a voluntary and not-for-profit basis.

The council recognises that the organisations providing these services are providing a valuable community service, which in part also supplements council’s own activities in this area. It is considered appropriate that council grants these properties non-rateability in respect of these properties, to the organisation which provides the service to the community. This will assist the organisation in its activities.

In order to be considered a charitable organisation, and granted non-rateability status, Wodonga Council determines each case on its merits and requests the following information in making its determination.

1. Evidence of “Deductible Gifts Recipient” (DGR) status
2. A copy of their Constitution, Association Articles and Objects
3. What, if any taxes do they pay and what, if any taxes are they exempt from
4. What services they provide
5. Where do they obtain their revenue to provide their services
6. Who are their clients
7. Copies of their annual reports including financial statements for the past two financial years
8. Confirmation that no dividend is paid to any member, director, or any other person
7 OTHER RATES AND CHARGES

7.1 Service Rates and Charges

The council is empowered under section 162(1)(b) of the Local Government Act 1989 to levy a service charge for the collection and disposal of refuse. The council currently applies two compulsory service charges that operate as a charge per assessment.

- Residential occupied kerbside collections for garbage, recycling and food organics/green organics (FOGO)
- Waste management

Optional service charges apply to any variations from the standard kerbside service, such as for additional bins and/or larger than standard bin sizes. In addition, both the compulsory and optional services being provided are regularly reviewed and updated, to meet the ever-changing needs and expectations of the community.

The waste management levy is a charge levied to all occupied properties to cover the costs of waste management, which includes street litter and sweeping, transfer station administration, tip rehabilitation (to comply with Environment Protection Agency directions) and other general waste management functions for the city.

In previous iterations of the rating strategy, revenue collected resulted in a net surplus for the council in relation to waste management, with the surplus used for other environmental issues such as management of Wodonga’s environmental lands, parks and gardens’ activities, environmental sustainability-based programs and activities, and some other programs.

Wodonga Council has determined to no longer make any surplus from refuse-related charges, setting the annual charge to recover the estimated costs incurred in managing refuse at council. The Local Government Bill 2018 also provides for the proposed service charges to not exceed the estimated costs of the relevant service.

Rating Strategy

That service charges be adjusted annually to reflect the estimated cost of providing waste management services to the community.

7.2 Special Rates and Charges

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

Special rates and charges have been used by the council to fund things like the construction of infrastructure (street schemes) or to fund marketing, promotional and economic development initiatives that assist local traders.

Special rates and charges are specifically designed to address the benefit principle. They are very targeted rating instruments in the sense that they focus on ratepayers that receive an exclusive or additional benefit to other ratepayers from particular council expenditures. Certain council expenses and the beneficiaries of those expenses are required to be identified clearly and the directness of the benefit needs to be demonstrable.

The fundamental difference in using differential rates or special rates and charges in addressing the benefit principle is magnitude. A special rate or charge is generally applied to a single or narrow group of expenditures. Generally the areas chosen for their use can be seen clearly to benefit some
ratepayers. For example, the primary benefit from the collection of a special rate or charge from traders within a shopping precinct to spend on marketing is to the income of those traders. By comparison the sweeping of streets in that precinct, while making the area a nicer one in which to shop, has some broader public health benefits for residents who live nearby and the population in general. In the latter case it would be much more difficult to determine which properties have a benefit which is (more) special. While there has been a tendency for these special rate and charges schemes to be used for capital expenses, there has been an increasing trend of using them for recurrent things.

Councils may have several special rates and charges schemes in place at any one time.

The proliferation of these schemes is not a practical option, particularly given the impact on efficiency – each scheme having to be justified, advertised and managed. The consideration of such schemes needs to be considered on a case by case basis as to whether revenue collection issues would be better addressed by general rates or user charges.

No special rate or charges are operating at Wodonga. The reference group determined that future special rates or charges should be considered on a case-by-case basis as part of the annual budget process.

**Rating Strategy**

That special rates and charges are considered on a case-by-case basis as part of the annual budget cycle.

**7.3 Deferred Payments & Waivers**

Under the Act, the council, may defer payment or waive part or all of any rate or charge on the grounds of hardship. The council will consider any legitimate submission for rate relief in cases of severe hardship in accordance with council’s *Rates and Charges Hardship Directive*. 
8 REBATES

8.1 Pensioner rebate

A ratepayer who holds a pensioner card or a Veteran Affairs Gold Card is eligible to receive a rate rebate from the Department of Health and Human Services (in 2018-2019 $229.40 plus a $50 rebate for the Victorian Government Fire Services Levy).

At the time of developing the rating strategy there were 3021 ratepayers claiming the above rebates.

8.2 8-star energy rating rebate

A recommendation of the 2018 rating strategy review was for the council to introduce a one-off rate rebate for properties that have been 8-star energy rated (or higher) under the Nationwide House Energy Rating Scheme (NatHERS). This initiative aligns with the council’s recently drafted Environmentally Sustainable Design strategy and aims to encourage positive environmental practices in the community.

The rebate will apply to a new build or a complete renovation, which would bring the entire property up to a minimum 8-star NatHERS energy rating.

The rebate will be 100 per cent of the annualised (12 months equivalent) rates, calculated from the date of issue for the certificate of occupancy on the property and applied as a credit against the supplementary rates notice and annual rates notice (if required).

9 OTHER ISSUES

9.1 Future reviews of this document

The council proposes that a comprehensive review of its rating strategy, with community input, occur at regular intervals of every four years.

The timing of this would be in the mid-term of the prevailing council. It is therefore proposed that the next review will be conducted in 2022-2023.

In the interim years the rating strategy will be reviewed and considered by the council as part of its annual budget process.
10 DEFINITIONS AND ABBREVIATIONS

EBA  Enterprise Bargaining Agreements.
Council  Generally refers to Wodonga Council.
CPI  Consumer Price Index.
VCAT  Victorian and Civil Administrative Tribunal
Ad Valorem  A tax, duty or fee that varies according to value of products, service or property upon which it is levied.

11 OBJECTIVES OF EACH DIFFERENTIAL RATE

In accordance with LGA section 161 the following describes the objectives, type, class, and reasons for each differential rate, along with other disclosure as required under the Act.

11.1 Residential vacant land

Objective:
To encourage the development of land and ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the:

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

Types and Classes:
Rateable land having the relevant characteristics described in the resolution of the council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the budget adopted by the council. The level of the differential rate is the level which the council considers is necessary to achieve the objectives specified above.

Geographic Location: Wherever located within the municipal district.

Use of Land: Any use permitted under the relevant planning scheme.

Planning Scheme Zoning: The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant planning scheme.

Types of Buildings: Nil.
11.2 Residential occupied land

Objective:
To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of the council, including the:

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

Types and Classes:
Rateable land having the relevant characteristics described in the resolution of the council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the budget adopted by the council. The level of the differential rate is the level which the council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant planning scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant planning scheme.

Types of Buildings:
All buildings which are now constructed on the land or which are constructed prior to the expiry of the 2018-2019 financial year.
11.3 Rural land - farming

Objective:

To encourage the development of land for farming purposes and ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of the council, including the:

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

Types and Classes:

Rateable land having the relevant characteristics described in the resolution of the council.

Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure described in the budget adopted by the council. The level of the differential rate is the level which the council considers is necessary to achieve the objectives specified above.

Geographic Location:

Wherever located within the municipal district.

Use of Land: Any use permitted under the relevant planning scheme.

Planning Scheme Zoning: The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant planning scheme.

Types of Buildings: Where applicable, all buildings which are now constructed on the land or which are constructed prior to the expiry of the 2018-2019 financial year.
**11.4 Commercial vacant land**

**Objective:**
To encourage the development of land for commercial purposes and ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of the council, including the:

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

**Types and Classes:**
Rateable land having the relevant characteristics described in the resolution of the council.

**Use and Level of Differential Rate:**
The differential rate will be used to fund some of those items of expenditure described in the budget adopted by the council. The level of the differential rate is the level which the council considers is necessary to achieve the objectives specified above.

**Geographic Location:**
Wherever located within the municipal district.

**Use of Land:**
Any use permitted under the relevant planning scheme.

**Planning Scheme Zoning:**
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant planning scheme.

**Types of Buildings:**
Nil.
11.5 Commercial occupied land

Objective:
To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of the council, including the:

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

Types and Classes:
Rateable land having the relevant characteristics described in the resolution of the council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the budget adopted by the council. The level of the differential rate is the level which the council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant planning scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant planning scheme.

Types of Buildings:
All buildings which are now constructed on the land or which are constructed prior to the expiry of the 2018-2019 financial year.
11.6 Industrial vacant land

Objective:
To encourage the development of land for industrial purposes and ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of the council, including the:

1. Construction and maintenance of public infrastructure; and,
2. Development and provision of health and community services; and,
3. Provision of general support service; and,
4. Provision of economic development services.

Types and Classes:
Rateable land having the relevant characteristics described in the resolution of the council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the budget adopted by the council. The level of the differential rate is the level which the council considers necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant planning scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant planning scheme.

Types of Buildings:
Nil.
11.7 Industrial occupied land

Objective:
To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the:

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

Types and Classes:
Rateable land having the relevant characteristics described in the resolution of the council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the budget adopted by the council. The level of the differential rate is the level which the council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant planning scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant planning scheme.

Types of Buildings:
All buildings which are now constructed on the land or which are constructed prior to the expiry of the 2018/2019 financial year.
11.8 Rural land – non farming

Objective:

To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of the council, including the:

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

Types and Classes:

Rateable land having the relevant characteristics described in the resolution of the council.

Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure described in the budget adopted by the council. The level of the differential rate is the level which the council considers is necessary to achieve the objectives specified above.

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the relevant planning scheme.

Planning Scheme Zoning:

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant planning scheme.

Types of Buildings:

Nil.
11.9 Social clubs/society land

Objective:
To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of the council, including the:

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

Types and Classes:
Rateable land having the relevant characteristics described in the resolution of the council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the budget adopted by the council. The level of the differential rate is the level which the council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant planning scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant planning scheme.

Types of Buildings:
Where applicable, all buildings which are now constructed on the land or which are constructed prior to the expiry of the 2018-2019 financial year.
11.10 Development use land

Objective:
To encourage the development of land and ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of the council, including the:

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

Types and Classes:
Rateable land having the relevant characteristics described in the resolution of the council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the budget adopted by the council. The level of the differential rate is the level which the council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant planning scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant planning scheme.

Types of Buildings:
Nil
12 APPENDICES

12.1 Rates Data per 2018-2019 Budget

The current rate relativities and share of rate revenues, number of assessments and total value of land (CIV) is summarised in Table 1.

Table 1: Rates Data per 2018-2019 Budget

<table>
<thead>
<tr>
<th>Type of property</th>
<th>Differential compared with residential property</th>
<th>Cents in the $CIV</th>
<th>Number of assessments</th>
<th>Total value of land (CIV)</th>
<th>Rates raised $</th>
<th>Rates raised share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential occupied</td>
<td>1.00</td>
<td>0.556</td>
<td>16,669</td>
<td>4,827,001,000</td>
<td>26,838,126</td>
<td>71.34%</td>
</tr>
<tr>
<td>Residential vacant</td>
<td>2.00</td>
<td>1.113</td>
<td>875</td>
<td>111,242,000</td>
<td>1,238,123</td>
<td>3.29%</td>
</tr>
<tr>
<td>Commercial occupied</td>
<td>1.40</td>
<td>0.779</td>
<td>700</td>
<td>502,651,000</td>
<td>3,915,651</td>
<td>10.41%</td>
</tr>
<tr>
<td>Commercial vacant</td>
<td>2.00</td>
<td>1.113</td>
<td>13</td>
<td>6,258,000</td>
<td>69,652</td>
<td>0.19%</td>
</tr>
<tr>
<td>Industrial occupied</td>
<td>1.40</td>
<td>0.779</td>
<td>596</td>
<td>467,865,000</td>
<td>3,644,668</td>
<td>9.69%</td>
</tr>
<tr>
<td>Industrial vacant</td>
<td>2.00</td>
<td>1.113</td>
<td>64</td>
<td>22,872,000</td>
<td>254,565</td>
<td>0.68%</td>
</tr>
<tr>
<td>Rural farming</td>
<td>.75</td>
<td>0.417</td>
<td>273</td>
<td>208,296,000</td>
<td>868,594</td>
<td>2.31%</td>
</tr>
<tr>
<td>Rural non-farming</td>
<td>1.00</td>
<td>0.556</td>
<td>119</td>
<td>74,510,000</td>
<td>414,276</td>
<td>1.10%</td>
</tr>
<tr>
<td>Social clubs/society</td>
<td>.93</td>
<td>0.517</td>
<td>3</td>
<td>1,174,000</td>
<td>6,070</td>
<td>0.02%</td>
</tr>
<tr>
<td>Development use land</td>
<td>1.00</td>
<td>0.556</td>
<td>50</td>
<td>66,545,000</td>
<td>369,990</td>
<td>0.98%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>19,362</strong></td>
<td></td>
<td></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Presently, there no special rates or charges are operating at Wodonga Council.