City of Wodonga Rating Strategy 2015

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Contents

1. INTRODUCTION

1.1. Introduction

Good governance requires 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 Council may alter. Council policies should be subject to continual refinement. It is therefore incumbent upon 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 Council believes are relevant.

This strategy details the framework which will be used by the City of Wodonga in determining 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.

1.2. History

Council's current rating strategy was significantly reviewed in the mid 1990's with the changes becoming effective from 1995/96. At that time Council moved from Site Value (land only) based rates calculations to Capital Improved Value (land plus capital improvements such as buildings). Also at that time several new rating categories were introduced. The next significant review was conducted in 2010 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. At that time Council resolved to review its rating strategy every four years.

1.3. Rating Strategy Reference Group

This 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:

1.1 Identify and recommend principles that Council should consider when striking general rates, particularly with regard to the creation and maintenance of any differential rates;

1.2 Make recommendations regarding the equitable sharing of the rates burden between various categories of ratepayers – eg, Residential, Commercial, Industrial, Rural, Not-for-profit groups;

1.3 Recommend any changes to the structure of current charges and their relationship to general rates, eg. Garbage, Environmental Levies, Municipal Charges; and,

1.4 Identify any other special purposes rates or charges or levies it believes Council should consider.

2. RATING FRAMEWORK

2.1. Context

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

2.2. Background

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.

However, Council can modify certain aspects of the rating system in accordance with the legislation. This could include for example 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.

Total rates collected are fixed by Council each year as part of the budget process. Council, like other businesses, only seeks to increase the total amount of revenue required in order to account for CPI, and deliver the services and capital works program that is expected by the community, and required by legislation.

Public finance theory and practice implies that taxation revenue whether it is at Federal, State or a 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 able to be linked to costs associated with the service and thus are user pays based.

The amount of property rates collected by Council depends on conscious and considered choices as to the quantity and quality of services that it decides to provide 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 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.

Therefore, rates are the balancing item between total expenses and all other revenue sources.
Rate and charges revenue is a major source of income providing around 64% of cash operating income for 2013/14 (ie. $36.2m of a total $56.4m)

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 Council can provide flexible payment options to ratepayers experiencing genuine hardship upon request.

In the Local Government context, the rating system determines how Council will raise money from properties within the municipality while the annual budget determines how that money will be spent. The rating system comprises the valuation base and the rating instruments that are used to calculate property owner’s 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 Council has the power to levy:

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

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.

3. RATING STRATEGY

3.1. What is a Rating Strategy?

A *rating strategy* is the process by which council systematically considers the factors of importance that inform its decisions about the *rating system*. The rating system determines how 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 that are 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.

3.2. Council responsibilities

Part 1A – Local Government Charter, of the Local Government Act 1989 describes the purpose of Local Government is 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 which therefore will lead to differing service requirements between councils.

3.3. Council profile

The City of Wodonga serves a population of some 37,000 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. It is bounded by the Murray River in the north, Towong Shire in the east and Indigo Shire in the south and west. The city is served by the Hume Freeway, the Kiewa Valley Highway, the 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 170,000 people.

The city includes the main urban centre of Wodonga and encompasses 15 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 and 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's Council provided services are ratepayers in other shires.

The City of Wodonga is responsible for over $500 million worth of assets and infrastructure including roads, bridges, civic centre, recreation and leisure facilities, drains, libraries and parks.

Every time a person leaves their house they use services provided by 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 include, parenting and maternal and child health advice, provision of parking permits, access via internet, demolition, building and renovations, garbage, recycling and green waste 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. Hazard reduction to noise, fire, abandoned vehicles, parking, street stalls, disabled parking, street furniture, graffiti, animals, nuisance pets and busking permits are all required to be controlled by Council.

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

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, whilst another council may provide specialist training or aquatics venues. This cross use of facilities and the ability to specialise leads to a reduced cost of service provision.

However, City of Wodonga 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. Whilst 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 provide the higher levels 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.

3.4. Principles

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 Council provide are broad and are allocated according to community lifecycle and lifestyle needs. In particular, Council provides goods and services that are not provided by private enterprise (eg. 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. By legislation (Valuation of Land Act 1960) the value of all property is to be reassessed every two years and is to be relative to all other like property within the municipality.

Council rates are basically calculated as follows:-

Rate in the dollar X Property Value = Council Rates

As an example the “rate in the dollar” for a residential occupied property in 2014/15 is 0.005430. Assuming a property, say a house and land, was valued at $250,000, the annual rates payable would be $1,357.50, calculated as:-

0.005430 X $250,000 = $1,357.50

Rates are in the form of a general purpose levy and the benefits that a ratepayer may receive will not necessarily be to the extent of the rates paid. 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 Council governs for the whole needs and wishes of the community, and raises rates accordingly.

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.

3.5. 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; and,
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%) of the total amount raised through rates (including the municipal charge) - LGA Section 159.

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

Waste collection services are based on user pays principles while a wide variety of other services provided by 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 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.

In adopting a differential rating structure for "ad valorem" (or based on property values) rates, Council considers "that the differential rate will contribute to the equitable and efficient carrying out of its functions"- LGA Section 161(1)(b).

The LGA at Part 1A Local Government Charter - Section 3C(f) provides that an objective of council should be "to ensure the equitable imposition of rates and charges". The LGA does not further define equity or efficiency of the rating structure, and it can be presumed that the adoption of a legal rating framework will ensure equity and efficiency within the meaning and principles of the legislation.

3.6. Strategic directions

Council has determined that its annual rate setting objectives should be developed within a framework which integrates planning to enable the efficient and effective delivery of the services it delivers to its community.

The strategic directions of 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 some 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.

In Victoria, as with each state, there is a common legislative framework for setting a budget that councils must follow, as set out in the Local Government Act 1989.

3.7. Budget considerations

Council prepares and publishes its annual budget in compliance with section 137 of the Act, which includes a comprehensive submissions and approval process. As indicated earlier as part of the financial planning and budget process, the rate revenue required to meet expenditure needs is calculated taking into account other sources of revenue.

Other revenue sources include statutory fees (for example building and planning approvals) through to user pays fees assessed annually in accordance with movements in CPI, wages and market factors. Council relies on Federal and State funding mainly via the Grants Commission allocations, or income from service agreements with the state government (for example Home and Community Care, Maternal Child Health, immunisations, etc.). Specific purpose grants for new services and capital works are also received on a competitive application basis.

Each year Council establishes the maintenance needs of its assets and infrastructure and the community services and facilities that will be provided in the next financial year as part of the budget process.

After considering these other revenue sources, Council then determines the amount required to be collected in rates to meet the financial responsibilities.

Table 1: Determining revenue to be funded from general rates – example from 2014/15 Budget

Summary of Revenue Items	2014/15 Budget $000's
Total Revenue needed to fund operating costs and capital program	$67,846
Less User Fees	5,623
Less Contributions	600
Less Grants – Operating	9,008
Less Grants - Capital	4,357
Less Other Revenue	9,737
Less Service Charges	7,664
Remainder to be funded from general rates	**$30,857**

The structure of the rating system is then determined, considering how rates are levied between and within the various categories of property by setting differential tariffs i.e. the Rating Strategy.

Generally, Council seeks to have a budget each year in accordance with its Strategic Resource Plan. Surplus or deficit results, however, may be possible in the context of longer term programming and providing funding for future capital works, in the context of the overall budget. In other words surpluses may be retained in reserves to help fund known major works into the future.

3.8. External influences

Council is subject to numerous economic factors. Since one of the major expenditure items is salaries and wages, any CPI and EBA adjustments will have a significant impact on costs and subsequent rating decisions.

Council is also subject to significant movements in funding from state and federal sources. Cost shifting back to Council has been a major concern for all Councils and more recently subject to a Federal Government Inquiry which found that "the extent and effects of cost shifting as detailed are the major problems facing Local Government's deteriorating infrastructure".

State governments also have the ability to impose a cost impost onto Council by amending legislation. This can include regulatory and compliance changes affecting Councils operations.

Changes to population and demographics will influence costs particularly in the medium to long term.

3.9. Benefit Principle

A popular complaint levelled at 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/benefit and the rate burden.

Attempts have been made by some councils to evaluate the relative benefits received by various classes of property. These approaches raise many practical difficulties, in particular, trying to trace quantifiable consumption/benefits to particular types of property or geographic locations and attributing varying levels of access by ratepayers to services that are universally available. Council accepts that any in-depth analysis of this issue could also be quite costly and impact 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 argument may be argued with respect to the costs of repairing and constructing of long lengths of local roads to service one or two properties.

3.10. Property Valuations

For the purpose of the Local Government 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 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 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 landlords' outgoings (such as insurance, land tax and maintenance costs). For residential and farm properties this must be set at 5% of the CIV (Valuation of Land Act 1960 - Section 2).

Council has adopted the Capital Improved Value (CIV) as the value to which the rate in the dollar will be assessed. 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 Council to pursue its particular objectives.

Every two years Council engages independent valuers as contractors to satisfy its statutory requirement under the Valuation of Land Act Section 13DC (5), to conduct a review of property values based on market movements and recent sales trends. For the 2014/15 and 2015/16 rating years valuations will be based on values returned as at 1 January 2014; and for the 2016/17 and 2017/18 rating years valuations will be based on values returned at 1 January 2016.

Valuers undertake a physical inspection of at least 33% 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 / sub-market group. The municipality has defined sub-market groups which are reviewed during the revaluation process. Council 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 subdivisional land rather than farm land, despite its use. The value of subdivisional land will typically be higher than farm land. The amount of valuation increase will depend on market factors at the time of valuation.

Supplementary Valuations are adjustments that are required to be made when properties have a reason to be reviewed. Reasons for this 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 responsible for reviewing the total valuation of each municipality for accuracy before 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 used as a base against which Council strikes its rate in the dollar for each defined category, or type, of property.

Refer Appendix 9.1 Rates Data per 2014/15 Budget below for information on the valuation base assumed in the 2014/15 Budget, based upon which the rate in the dollar was struck for each property type.

3.11. 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).

Objections must be dealt with in accordance with the Valuation of Land Act – Division 3 Sections 16-21.

3.12. No windfall gain

There is a common misconception that if a property's valuation rises then 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 fixed each year as part of the budget process. As previously explained the Council only seeks to increase the total amount of revenue required from all ratepayers in order to account for CPI, wage and provide the services and capital works expected by the community.

3.13. Rating Differentials

The Local Government 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 that can be levied however the highest differential rate can be no more than four times the lowest differential rate.

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 the Act, section 161 Council is required to undertake the following when levying a differential rate. Council must:

- specify the objectives of the differential rate;
- define the types and classes of land and a statement of reasons for the use and level of that rate; and
- identify the types and classes of land in respect to uses, geographic location, planning scheme zoning, building types and any other relevant criteria.

The purpose of the above is to ensure that 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 Local Government Act.

The general objectives of each of the differential rates is to ensure that all rateable land makes an equitable financial contribution to cost of carrying out the functions of 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 can only be covered by a higher differential in other property classes and vice-a- 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.

3.14. Ministerial Guidelines

In 2012 the 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).

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 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,
- The Victorian Government's Developing a Rating Strategy: A Guide for Councils as amended from time to time.

In specifying objectives of differential rates, a Council should also have regard to the strategic objectives set out in the Council Plan (S.125) 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 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.

The guidelines use the following differential rates hierarchy:

- 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; and
- 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; and
- aluminium production land.

The guidelines indicate that 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; and
- 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.

It is Victorian Government policy under the Timber Industry Action Plan to recognise timber plantations as an 'as of right' crop-raising activity in the farming and rural activity zones, consistent with other crop types. Therefore it is **appropriate** to consider timber plantations consistently with farm land for the purpose of setting rating strategies.

4. THE CURRENT RATING SYSTEM

The current rating system in City of Wodonga is characterised by the following:

- a general rate based on Capital Improved Value; and
- the application of five differential rates applying to ten different categories, these being vacant land, land improved for residential, commercial or industrial use, farm land, development use land, and social clubs/societies.

As an example the "rate in the dollar" for residential occupied land in 2014/15 was 0.005430.

Assuming a property, say a house and land, was valued at $250,000, the annual rates payable would be $1,357.50, calculated as:-

0.005430 X $250,000 = $1,357.50

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 is 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 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 framing, 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 8 hectares in size; or,
- less than 8 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 (DUL).

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 which are carried on for the benefit of its members and their guests.

5. RATING STRATEGY

5.1. Municipal Charge

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 be used to offset some of the “administrative costs” of the Council. The legislation is not definitive on what comprises “administrative costs”. The maximum municipal charge that can be levied equals 20% of the revenue raised from rates and the municipal charge divided by the number of chargeable properties.

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, the burden is reduced 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 and 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 Council's administrative costs in an equitable method of distribution. Whilst the benefit principle (i.e. 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 land can possibly attract rate levies below $100 per annum. In effect, after administrative costs, these properties are barely contributing to the general running of 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 Council's 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 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.

5.2. Residential Occupied land

Residential Occupied land comprises the majority of property in the City of Wodonga representing some 86% 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 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.

5.3. Farms

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

City of Wodonga currently recognises farms through the use of two distant categories of rural properties, these being:-

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 Council (c) hereunder:

(b) not less than 2 hectares in area; and

(b) that is used primarily for grazing, dairying, pig-farming, poultry farming, fish farming, tree framing, 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 will basically 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 Council has introduced the definition of farm land for rating purposes, including considering several alternatives for defining “farms” including size and farm production values. 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 expertise of 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 The major issue related to ATO Primary Producer Status is that 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.

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, 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, every four 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.

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 8 hectares in size;

  or,
- less than 8 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 has been applied to farms in City of 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.

It can also be argued that, by virtue of their distance from urban centres, farming households' access and consumption of a range of services is lower and this is also an argument for lower rates. For example, there are services such as street lighting and street sweeping from which farm properties arguably obtain little or no direct benefit.

Council believes that there is an argument that rate relief for farm land is also warranted in recognition of one of its major land use objectives. 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 the City 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;

- 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.

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* 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 be set at 0.75, and the *Rural – Non Farming* differential be set at 1.00.

5.4. 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. 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”. 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.

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 currently treated as either Residential Occupied land, or Residential Vacant land, and are subject to the differentials pertaining to those categories accordingly.

5.5. Commercial Occupied Land and Industrial Occupied Land

City of 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.

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.

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 deductable for business, but not for residential (again rental properties excepted).

Understandably 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 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

5.6. Vacant Land (Residential, Commercial and Industrial)

City of Wodonga currently has 894 vacant properties across residential, rural residential, commercial and industrial sectors. The predominant category is residential with 794 assessments.

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 Council.

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

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.

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 2.00 times the general rate.

Rating Strategy

That the differential rate for vacant land be set at 2.00 times the general rate.

5.7. Development Use Land

Whilst 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, it also believes that vacant land which has been acquired for the purpose of development should be treated differently.

Council believes that land developers inherently have a financial imperative to develop and sell land as quickly as possible. Accordingly Council proposes that the differential should continue for Development Use Land to distinguish this land from Vacant Land.

Council believes that no strong rationale exists for Development Use Land to be assigned a differential that is higher, or lower, than the general rate (Residential Occupied land). It therefore proposes that Development Use Land differential be set at the general rate differential of 1.0.

It should be noted that this also represents a continuation of the previous policy of Development Use land being set at 50% of the Vacant Land rate.

Rating Strategy

That the Development Use Land differential be set at the general rate differential of 1.0.

5.8. Social Clubs/Society Land

There are currently 3 assessments within the Social Clubs/ Societies category. 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, Council has determined that it remain unchanged. It therefore proposes that Social Clubs/Societies differential be set at the general rate differential of 0.93.

Rating Strategy

That the Social Clubs/Society Land differential be set at the general rate differential of 0.93.

5.9. Cultural and Recreational Land

The provision of rate relief to recreational land is provided by the Cultural and Recreational Lands Act 1963. The Act 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 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; and

(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 .

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 currently 14 assessments that are granted non-rateability under the C & R 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.

Council believes that the current 14 sporting bodies in this category should be treated as non-rateable under the Cultural &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 &Recreational Lands Act 1963.

5.10. 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 the needy.

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.

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 Wodonga, and granted non-rateability status, 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; and,
8. Confirmation that no dividend is paid to any member, Director, or any other person

In respect of elderly persons units owned by Department of Human Services a rebate of 50 per cent of the general rate applies pursuant to an agreement held on file dated 27th February 1989.

6. OTHER RATES AND CHARGES

6.1. 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. Council currently applies two compulsory service charges - for garbage collection and recycling, and waste management, and one optional service charge being for green waste collection. Both these operate as a charge per assessment.

The council applies a garbage charge and recycling charge to cover the collection and disposal of waste and recycling, and associated capital works. These charges are supplemented by user charges at the waste transfer stations.

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

In previous years, the council has increased the waste charge to cover the cost of the establishment of the waste transfer station and some rehabilitation costs for the old landfills.

The current charge returns a net surplus for direct operating costs relating to waste management, and garbage collection and disposal. After allowing for indirect costs and land restoration costs the net surplus is approximately $1.6 million per annum (as per 2014/15 Budget).

The current surplus is partially 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. Council is currently experiencing an escalation in its waste disposal costs at the Albury Tip, and this will likely continue into the future.

It is proposed that no change be made to the levels of service charges except for cost of living increases consistent with general rates increases as deemed appropriate by Council on an annual basis.

Rating Strategy

That service charges be adjusted annually for cost of living increases in line with increases in general rates.

6.2. Special Rates and Charges

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 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 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 currently operating at City of Wodonga.

6.3. Deferred Payments & Waivers

Councils have the power to defer payment or waive part or all of any rate or charge. These provisions are currently restricted to concession card holders, although the Council will consider any legitimate submissions for rate relief in cases of severe hardship.

7. Other issues

7.1. Future reviews of this document

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 the next review be conducted in 2018.

In the interim years the rating strategy will be reviewed and considered by Council as part of its annual budget process.

8. Definitions and abbreviations

LGA	Local Government Act (1989) No. 11/1989 as amended.
EBA	Enterprise Bargaining Agreements.
Council	Generally refers to the City of Wodonga.
CPI	Consumer Price Index.
COW	City of Wodonga.
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.

9. 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.

8.1. 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 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 Council. The level of the differential rate is the level which 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.

8.2. RESIDENTIAL OCCUPIED LAND

Objective:

To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of 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 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 Council. The level of the differential rate is the level which 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 2014/15 financial year.

8.3. 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 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 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 Council. The level of the differential rate is the level which 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 2014/15 Financial Year.

8.4. 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 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 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 Council. The level of the differential rate is the level which 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.

8.5. COMMERCIAL OCCUPIED LAND

Objective:

To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of 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 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 Council. The level of the differential rate is the level which 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 2014/15 Financial Year.

8.6. 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 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.
4. Provision of economic development services.

Types and Classes:

Rateable land having the relevant characteristics described in the Resolution of 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 Council. The level of the differential rate is the level which 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.

8.7. 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 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 Council. The level of the differential rate is the level which 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 2014/15 Financial Year.

8.8. 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 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 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 Council. The level of the differential rate is the level which 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.

8.9. 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 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 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 Council. The level of the differential rate is the level which 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 2014/15 Financial Year.

8.10. 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 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 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 Council. The level of the differential rate is the level which 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

10. Appendices

9.1. Rates Data per 2014/15 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 2014/15 Budget

Type of Property	Differential Compared with Residential Occupied	Cents in the $CIV	Number of assessments	Total Value of Land (CIV) $	Rates raised $	Rates raised % Share
Residential Vacant	2.00	1.0860	794	87,293,000	948,002	3.09%
Residential Occupied	1.00	0.5430	15,112	3,936,825,000	21,356,960	69.61%
Commercial Occupied	1.40	0.7602	658	421,845,500	3,206,869	10.45%
Commercial Vacant	2.00	1.0860	18	8,184,000	88,878	0.29%
Industrial Occupied	1.40	0.7602	508	424,621,000	3,227,969	10.52%
Industrial Vacant	2.00	1.0860	82	27,060,000	293,872	0.96%
Rural Farming	0.75	0.4073	294	215,757,200	878,671	2.86%
Rural Non-Farming	1.00	0.5430	104	48,845,000	265,229	0.86%
Social Clubs/Society	0.93	0.5050	3	1,135,000	5,732	0.02%
Development Use Land	1.00	0.5430	62	75,336,000	409,074	1.33%
Total			**17,635**	**5,246,901,700**	**30,681,256**	**100.0%**

Currently no special rate or charges are operating at City of Wodonga.