



# **INDIGO SHIRE COUNCIL**

## **DRAFT RATING STRATEGY**

VERSION - 14 DECEMBER 2010

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DRAFT

## INTRODUCTION

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

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 Local Government Act 1989 and has responsibility for implementing many diverse programs, policies and regulations set by the Council itself, the State and the Federal Government.

Council's practices and decisions regarding rating are underpinned by a number of principles:

- Accountability, transparency and simplicity;
- Efficiency, effectiveness and timeliness;
- Equitable distribution of the rate burden across the community according to assessment of property value;
- A "safety net" approach to assist eligible ratepayers significantly affected by rates;
- Consistency with Council's strategic, corporate and financial directions and budgetary requirements; and
- Compliance with relevant legislation and accepted professional conventions and ethics.

## PURPOSE FOR POLICY

The purpose of this policy is to outline Council's approach towards rating its community and to meet the requirements of Part 8 the Local Government Act 1989 - Rates and Charges on Rateable Land.

This policy is to be regularly reviewed by Council. Council aspires, through its budget, to achieve service standards within resource allocation limits, that benefit the entire community.

Council believes that policy must be underpinned by sound principles, which are well understood, communicated to ratepayers and compliant with current legislation. A Council rating strategy will have a substantial impact on the ratepayer base of any municipality. The purpose of the policy, amongst a number of priorities, is to articulate the rating burden structure that provides a sound basis and foundation for the imposition of rates and an associated strategy going forward. The policy and strategy should not be ad hoc. It must be based on agreed principles and sound objectives.

Council aspires to balance service levels in accordance with the needs, means and expectations of its community and sets taxation levels (rating) to adequately resource its roles, functions and responsibilities.

In setting rates, Council gives primary consideration to its strategic directions, sound business management principles, budget considerations, the current economic climate, other external factors and likely impacts upon the community.

A rating strategy is the method by which council systematically considers factors of importance that informs its decisions about the rating system. The rating system determines how Council will raise money from properties within the municipality. 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 property owners' liability for rates.

Council has given consideration to a number of issues that were reviewed as part of the rating strategy including:

- the rationale and practical application of the municipal charge and the level at which it is set;
- consideration of the characteristics of farming within the municipality and an examination of the definition and application of the farm rate and the treatment of "genuine" farms and "hobby" farms, and the related issues and difficulties around the determination of genuine farming operations;
- objectives concerning vacant land;
- objectives concerning commercial/industrial land;
- objectives concerning environmental management of land.

## **RATING FRAMEWORK**

The general rating framework for Local Government was set out in research undertaken in the development of the Local Government Act 1989 (LGA89). 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 in part 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) – LGA89 Section 159.

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 cost in full or part.

The third element is the use of differential rate groups using variable "rates in dollars" to collect a rate against the property value.

In addition to the objectives above, 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 e.g. 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 Council. The tax should be consistent with the major policy objectives of Council.
- Simplicity for both administrative ease (and therefore lower cost) and to ensure that the tax is understood by taxpayers. The latter ensures that the tax system is transparent and capable of being questioned and challenged by ratepayers.

In adopting a differential rating structure, Council considers “that the differential rate will contribute to the equitable and efficient carrying out of its functions”- LGA89 Section 161(1) (b).

The Local Government Act 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 LGA89 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.

The legislative framework set down in the Local Government Act 1989 determines Council’s ability to develop a rating system. This framework provides Council with significant flexibility to tailor a system to suit its requirements. Under the legislation Council has the power to levy:

- a municipal charge;
- a uniform rate;
- differential rates;
- special rates & charges;
- service rates & charges;
- rate rebates and concessions; and
- waivers & deferments.

Indigo Shire has adopted the Capital Improved Valuation (CIV) system for rating purposes. CIV includes both the value of the land and any improvements on that land. Council believes the use of CIV better reflects capacity to pay than the alternatives and provides Council with the flexibility to levy differential rates.

## DEFINITIONS AND ABBREVIATIONS

LGA89	Local Government Act 1989
EBA	Enterprise Bargaining Agreement
Council	Generally refers to the Indigo Shire Council
CPI	Consumer Price Index
ISC	Indigo Shire Council
VCAT	Victorian and Civil Administrative Tribunal

## STRATEGIC DIRECTIONS

Council has determined that its annual rate setting objectives should be developed within a framework which integrates planning from a strategic directions level through to service delivery.

The strategic directions of Council are set out in the following documents:

### Indigo Shire Council Plan 2010-2013

This document includes strategic objectives, performance indicators and the Strategic Resource Plan.

### Council Budget 2010-11

Annual funding allocations (action plan) for activities and initiatives, with linkages to the Council Plan, together with key financial performance targets and measures.

### Annual Report 2009/10

Audited statutory operational and financial report including performance statement on key targets and measures identified in Budget and Council Plan.

Indigo Shire operates as a separate entity to other councils. 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, there is a common legislative framework for setting a budget that councils must follow as set out in the Local Government Act 1989.

## BUDGET CONSIDERATIONS

Council prepares and publishes its annual budget as a separate document in compliance with the LGA89, which includes a comprehensive submissions and approval process.

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 building and planning through to user pays fees assessed annually in accordance with movements in CPI, Local Government Cost Index, wages and market factors. Council relies on Federal and State funding mainly via the Grants Commission allocations. Specific purpose grants for new services and capital works are also received.

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.

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

The structure of the rating system is then determined, considering how rates are levied, and whether Council considers the use of differential rating will contribute to the equitable and efficient carrying out of the Council functions.

## COMMUNITY IMPACT

### **Rating Strategy Statement on Community Impact:**

***Council will review the Rating Strategy annually.***

## 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.

Local Government may adopt one of the following three valuation methodologies to value properties in its area (LGA89 Section 157).

**Capital Improved Value:** (CIV) the value of land and other improvements including buildings and structures.

**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). Being a measure of the realisable value of the property, the CIV is an indicator wealth and affordability and thus it is more equitable to tax 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 Valuers have a 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 2010-2011 rating year valuations are based on values returned as at 1 January 2010.

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

**Rating Strategy Statement on Property valuations:**

***Council has adopted the Capital Improved Value (CIV) as the value to which the rate in the dollar will be assessed, pursuant to Section 157 of the LGA89.***

## **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 general 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 used to calculate the rate for each property. Total income is fixed each year as part of the budget process. Council seeks to increase the total amount of revenue required in order to account for CPI, Local Government Cost Index, wage and other service costs imposed upon it. Council may seek to increase its revenue to account for service provision enhancements and in the maintenance and upkeep of its infrastructure.

## **DIFFERENTIAL RATING**

The Local Government Act allows Councils to raise any general rates by the use of a differential rate if the Council uses the CIV system of valuing land and Council considers the differential rate will contribute to the equitable and efficient carrying out of its functions.

**Rating Strategy Statement on Differential rating:**

***Council has determined to raise its general rates by the use of differential rates on the basis Council considers the use of the differential rates will contribute to the equitable and efficient carrying out of its functions.***

Pursuant to section 161 of the LGA89:

**161. Differential rates**

- (1) A Council may raise any general rates by the application of a differential rate if—
  - (a) it uses the capital improved value system of valuing land; and
  - (b) it considers that the differential rate will contribute to the equitable and efficient carrying out of its functions.
- (2) If a Council declares a differential rate for any land, the Council must—
  - (a) specify the objectives of the differential rate which must be consistent with the equitable and efficient carrying out of the Council's functions and must include the following—
    - (i) a definition of the types or classes of land which are subject to the rate and a statement of the reasons for the use and level of that rate in relation to those types of classes of land
    - (ii) an identification of the types or classes of land which are subject to the rate in respect of the uses, geographic location (other than location on the basis of whether or not the land is within a specific ward in the Council's municipal district) and planning scheme zoning of the land and the types of buildings situated on it and any other criteria relevant to the rate;
    - (iii) 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; and
  - (b) specify the characteristics of the land which are the criteria for declaring the differential rate.
- (3) A Council which declares a differential rate must ensure that copies of the following information are available for public inspection at the Council office—
  - (b) the objectives of the differential rate and the criteria on the basis of which that rate was declared;
  - (c) the rate and amount of rates payable in relation to land in each category of differential rating and what proportion of the total rates and charges this represents;
  - (d) any other information which the Council considers it necessary to make available.

- (5) *The highest differential rate in a municipal district must be no more than 4 times the lowest differential rate in the municipal district.*

The purpose 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 objective 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:

- (a) construction and maintenance of public infrastructure;
- (b) development and provision of health and community services;
- (c) provision of general support services; or
- (d) A specific objective as described within the differential characteristic.

## **DIFFERENTIAL TARIFF DEFINITIONS AND CHARACTERISTICS – CURRENT DEFINITIONS:**

### **Residential Land -**

Means any land that is not elsewhere described and includes residential property up to and including 8 hectares (HA).

### **Residential 2 (Home Industry)**

Means residential type occupation of land in situations where that land is also utilised as a place of tourism, commerce, or industry and where the property may directly benefit from additional Council services such as tourism, economic development services, promotion and other Council services.

### **Residential Vacant Land –**

Means any residential type land that currently does not contain buildings but has the potential to be utilised for residential type accommodation or development that will place a similar demand for Council services as the other residential classifications.

### **Commercial / Industrial Land –**

Means any land that is commercial / industrial and reflects capacity of the property and for which Council may provide additional services. This may include Residential 2 (Home Industry) type properties that have in excess of 5 bedrooms.

### **Rural 1 Land**

Means any land not elsewhere described that is 40 hectares or greater

### **Rural 2 Land**

Means any land not elsewhere described that is land > 8 hectares and < 40 hectares.

## REASONS FOR DIFFERENTIAL RATES POLICY:

- (a) the application of the rating strategy should be simple, efficient, and include a mechanism that contains principles of public benefit taxation. While general rates are not a user pay mechanism, elements of the rating strategy will embrace the user pays principle where practicable.
- (b) The CIV method is used to take into account the full development value of the property. Council recognises that people with higher value properties *generally* have higher incomes and a greater ability to meet the provision of Council services.
- (c) All properties within the municipality are valued on a capital improved basis irrespective of whether the properties are subject to rates or exempt under legislation.
- (d) Rating shall endeavour to promote and encourage economic development throughout the municipality.
- (e) Rating, through the application of higher differentials recognises the ability of *some* ratepayers to obtain concessions from the tax deductibility of Council rates.
- (f) Council may consider the imposition of any specific cost that applies to the rating group.
- (g) To promote equity in rating, a "Municipal Charge" is applied by Council.
- (h) Council may consider the imposition of specific costs that may warrant the striking of new or higher differentials.
- (i) Rating must ensure that there is sufficient funding to meet the cost of providing and maintaining infrastructure assets and services for the benefit of current and future generations.

## CONTEXT

### RATES & TAXATION

Taxation revenue is used to finance a range of services provided by the various levels of Government. Taxation revenues generally become consolidated into a general pool of funds and are spent by governments on services that:

- are either entirely or partially “public goods” ;
- relate to their “community service obligations” to provide support to particular individuals or groups; and
- they believe are appropriate to assist the achievement of specific objectives which will have flow-on effects that will ultimately benefit all constituents.

Council’s reliance on rates is influenced by policy and legislative factors that preclude or limit Council’s ability to charge. Council does not have discretion to set user fees and charges for a

range of services where this is set out in State legislation or regulation, such as prescribed fees for planning permits, or in funding agreements with other levels of Government such as those applying to aged services and maternal and child health.

The amount of rates collected by a 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 expenses required by Council to fund programs, maintain assets and to service and redeem debt, and the total revenue from all other sources. Other revenue sources include grants from other levels of government, prescribed and discretionary fees, fines and charges, income from the sale of assets and interest earned. Hence rates are the balancing item between total expenses and all other revenue and funding sources..

Rate revenue is a major source of the Indigo Shire's revenues accounting for about 32% its Total Revenue in 2010/11.

## **THE PROBLEMS WITH PROPERTY TAXATION**

Property taxes do not recognise the situation where ratepayers are "asset rich" and "income poor". In these cases ratepayers may have considerable wealth reflected in the property they own but have a low level of income. Examples include pensioners, businesses subject to cyclical downturn, and households with large families and property owners with little equity. In a commercial sense the argument has also been expressed in terms of the ability of property to generate a reasonable return.

Taxes on income and consumption are much more reflective of capacity to pay, especially the former, in which the personal circumstances e.g. the number of dependents, in addition to the level of income, are taken into account.

It is not possible to expect a property tax system to deal practically with the issue of capacity to pay based on the circumstances of individual households and businesses. In fact the issue takes up considerable time and resources of Governments with more diverse taxing and investigative powers and resources; for example, the Commonwealth Government uses assets as well as income tests for pensioner households.

Local government rates are also the most visible of taxes – either paid in full or in four instalments as in the case of the Indigo Shire Council. This compares with income and consumption taxes that are being continuously paid by individuals.

## **REVIEW OF RATIONALES & OBJECTIVES**

Decisions about the rating system need to be explainable, not in an ad hoc way, but in a considered way so that the reasoning behind the decisions that are made about the rating system is apparent. There should be a clear link between rating system outcomes and the Council objectives.

The two objectives which the rating system must have greatest regard are the achievement of equity and efficiency. There is a requirement that, where councils do not have a single rate, that the use of additional rates will achieve an equitable outcome. In other words an outcome that is

just or fair. The definition of equity is not clear-cut and there is certain subjectivity to what equity means. The decision to adopt differential rates in preference to a system based on a uniform rate indicates in itself a view that equity will not be delivered by a uniform rate system.

## CURRENT RATING SYSTEM

The 2010/11 rating system in Indigo Shire was characterised by the following:

A municipal charge set at a relatively high level, accounting for about 18.5 % of the revenue from the municipal charge and general rates (the legislated maximum is 20%);

Council provides for rate differentials covering 6 property categories being Residential, Residential 2 ( Home Industry), Residential vacant, Rural 2 (>8 Ha - <40Ha), Rural 1 (40 Ha and greater), and Commercial / Industrial. The rate relativities and share of rate and municipal charge revenues is summarised below.

Catagory	Ratio	2010/11 rate in \$ CIV	2010/11 Municipal Charge
Residential	1.00	0.002892	
Residential 2 ( Home Industry)	1.35	0.003904	
Residential Vacant	2.00	0.005783	
Rural 1	0.75	0.002169	
Rural 2	0.90	0.002602	
Commercial / Industrial	1.35	0.003904	
Municipal Charge			\$222.65

## RATING STRATEGY PROPOSALS

### 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 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. It is not a targeted rating instrument like a differential rate and Council believes that the use of differential rates is a more transparent and accurate means of achieving rate outcomes for certain classes of property.

Council supports the retention of the municipal charge as a part of the Indigo Shire rating system. It considers that it is equitable that all properties make a standard contribution to some administrative costs and that the municipal charge is a useful means of ensuring this contribution.

Council supports transparency and therefore has decided that it will identify the specific administrative expenses that the municipal charge will assist to offset. It argues that 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. There are unavoidable governance costs that Council feels are appropriately covered by the municipal charge.

In relation to the Council Budget 2010/2011, a total Municipal Charge of \$1,677,445 was applied. The following are a number of the administrative costs that were budgetted for in 2010/11 which the Municipal Charge assists in funding:

Administrative Services	\$796,399
Organisation Support Management	\$329,623
Risk and Insurances Management	\$245,100
Information Technology	\$551,810
Human resources	\$504,926
Civic Functions	\$ 3,580
Public relations	\$209,288

#### **Rating Strategy Statement on Municipal Charge**

***Council will levy a Municipal Charge at or near the maximum permitted pursuant to the LGA89***

## **DIFFERENTIAL RATES**

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 of Council in carrying out its functions. 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.

The effect of levying differential rates, like the municipal charge, is to reduce the impact of the property valuation on the amount of rates paid. The application of a differential rate means that one class of property is treated differently from another – either paying a higher or lower rate in the dollar. For each effect a differential has, it will have the opposite effect for other property classes. A rate discount given to one class of property can only be covered by higher rates paid

by other 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.

The objectives of each differential rate are detailed within Appendix 1 – Objectives Of Each Differential Rate.

#### **Rating Strategy Statement on Differential Rating**

***Council supports the use of differential rating to further the Council rating strategy objectives and to enable Council to equitably and efficiently carry out its functions.***

## **GENERAL OR RESIDENTIAL RATE**

General land is the balance of land defined by exception to the general rate. The exceptions to the general rate included currently in the Indigo Shire rating system include Residential 2 (Home Industry), Residential Vacant, Rural 1, Rural 2 and Commercial / Industrial.

The actual rating burden applying to general or Residential 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 general 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 general or residential rate.

## **RESIDENTIAL 2 (HOME INDUSTRY) DIFFERENTIAL**

The objective of this differential rate includes but is not limited to the raising of rates that will assist Council:

- Enhance the economic viability of the Tourism sector through targeted programs and projects
- Extend initiatives towards the establishment of ventures and themes that support Council's strategic objectives
- Identify, develop and market the strengths and attractions of each town
- Determine the feasibility of establishing tourism education facilities
- Identify the opportunities for rural tourism
- Participate as an active partner in tourism initiatives
- Promote economic development
- Provide signage, street scaping and promotional activity that is complementary to the achievement of tourism objectives

This differential applies to owners of residential type occupation of land in situations where that land is also utilised as a place of tourism, commerce or industry and where the property may



directly benefit from additional Council services such as tourism, economic development services, promotion and other Council services.

**Rating Strategy Statement on Residential 2 (Home Industry) differential.**

***That Council apply a differential rate titled Residential 2 (Home Industry), and the differential be set at 120 % of the general or residential rate.***

## **RURAL LAND RATING DIFFERENTIALS**

Council is of the view that it has a responsibility to ensure the farm or rural rate is applied to farm land operators or primary producer ratepayers if the definition of farm land pursuant to the Valuation of Land Act 1960 is satisfied.

The Valuation of Land Act 1960 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.

The Council rating strategy review found that the difficulties associated with the definition in the Valuation of Land Act were more to do with its practical application than with the definition itself. Councils with substantial numbers of farms, like Indigo Shire, face potentially significant administration costs related to the annual auditing of property conformance with criteria that reflect on the commercial purpose and business nature of the farming activities undertaken.

Council has in the past considered that the differential on rural properties being determined on property size provided a sound practical basis for rating these properties.

Council has also considered the use of some form of Australian Taxation Office (ATO) primary producer Status as the basis in the determination of the eligibility of what Council currently terms Rural 1 and Rural 2. The value in adopting an ATO Primary producer determinant is that responsibility for determining whether a farming activity is conducted as a business rests with the ATO rather than Council, so administrative costs are minimised and the expertise of the ATO assessment is obtained.

Following extensive investigation, Council is of the view that there is no clear and administratively effective mechanism within the ATO structure that can be utilised by Council to determine primary producer operations or status. The ATO has issued a ruling that 'provides a guide to the indicators that are relevant to whether or not a person is carrying on a business of primary production'. Legal advice has been obtained that would preclude Council from using ATO documentation as the basis for determining the rural rating differentials.

Council is of the view that the clearer and more effective process is to categorise properties as smaller and larger rural holdings and make land size part of the determining factor. This method of defining Rural 1 and Rural 2 properties is not without its problems, as the land size does not always align property usage with the objectives of a rural or farm land rate differential. Council may also consider the use of statutory declarations as to farm land usage as defined in the Valuation of Land Act 1960.

Council has also considered the creation of a further category of rural land holding. An additional category has been considered being the creation of 3 rural differential categories. Council concluded that the creation of a further rural differential rating category would not achieve any greater benefit than the existing rural differentiation.

Historically a lower rate has been applied to farms in ISC. 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.

There is also a level of support within Council 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 other urban based services from which farm properties arguably obtain little or no direct benefit.

Council believes that there is a strong argument that rate relief for agricultural land is also warranted in recognition of one of its major land use objectives. Council's Municipal Strategic Statement includes the objective under 'Agriculture' - 'to ensure that the use and development of rural land is both compatible and complementary to agricultural activities'.

Council has considered an alternative model to the current land size only model comprising Rural 1 and Rural 2. Council considered a model that encompasses the following features.

Properties 80 Ha and over in size will constitute Rural 1.

Properties in the Rural 2 category will have their definition altered to reflect property sizes >8HA - <80HA and will be deemed not to be farm land pursuant to the Valuation of land Act 1960. Owner/s / occupier/s will be able to make application to Council that the land be classified as 'farm land'. On Council being satisfied that the property is in fact used as farm land, a rebate will apply bring the Rural 2 differential rate to that applicable to Rural 1. Council will use the Council Valuers to assess all such applications, and farm land use will be assessed against information provided in the application, valuation information held, onsite property inspection, and against the definition of farm land pursuant to the Valuation of Land Act 1960.

In summary, Council takes the position that:

- evidence shows that the returns able to be realised by farming from the assets employed (including land) are lower than for other forms of land, so that its capacity to pay rates is lower;

- rate relief should continue to be provided to genuine farm land operations because of the sectors importance both to the local economy and as a characteristic of the local environment.
- that rebate relief should only apply to those properties where it can be substantiated that genuine farm land operations exist.

**Rating Strategy Statement on Rural 1 differential**

1. *The definition of Rural 1 be altered to incorporate land size 80 HA and greater.*
2. *That the Rural 1 rate differential alter 2 % from 75% to 73% in the first year of the rating startegy application then 1% per annum until a differential of 65% of the general or Residential rate is achieved.*

**Rating Strategy Statement on Rural 2 differential**

1. *That the definition of Rural 2 be altered to incorporate land size >8 HA - <80 HA.*
2. *That the Rural 2 differential alter by 4% to 94% in the year following it introduction and alter a further 3% PA until the differential is eliminated..*
3. *That the Rural 2 rate differential be rebated to the Rural 1 differential level based on a successful application process to verify Rural 2 land use conforming to the farm land definition contained in the Valuation of Land Act 1960.*

## **LARGE RURAL HOLDING REBATE**

In order to further its aim of assisting the preservation of agricultural land, a large rural land holding rebate has been considered by Council.

Part of the objectives of the Municipal Strategic Statement and the Rural Land Review are to ensure that the use and development of rural land is both compatible and complementary to agricultural activities. A level of relief could be provided to larger rural landholdings to encourage the preservation of higher than minimum size rural properties under the Rural Zones within the Planning Scheme, which preclude subdivision below 40 hectares. This could take the form of a rate rebate based on assessment land size.

Council concluded that there is insufficient evidence to support such a rebate. Council considers that the provision of such a rebate will have minimal impact in furtherance of the objective of retaining larger parcels of land.

**Rating Strategy Statement on Large Rural Holding Rebate**

***That no Large Rural Land Holding rebate form part of the Council Rating Strategy.***

## COMMERCIAL & INDUSTRIAL LAND DIFFERENTIAL

Indigo Shire incorporates a significant number of small to medium sized commercial and industrial properties. The municipality also has a small number of more significantly valued commercial / industrial lands. In 2010/11 there were in total 362 properties being determined as commercial / industrial.

Over recent years council has applied a commercial/industrial rate differential at a higher level than the general or Residential rate. In 2010/11 the rate is set at 135% of the general / Residential rate. Arguments made with respect to a greater capacity to pay by business generally revolve around the fact that the rates they pay are tax deductible or that business places additional demands on some council services, and should be rated at a higher differential.

Council has reviewed its higher rating of these properties and considers that the bulk of commercial/industrial ratepayers have a greater capacity to pay rates than most other ratepayers and that this sector places greater demands on Council services.

For example, Council believes industrial properties place higher demands on road infrastructure through specific commercial/industrial heavy vehicle movements. Commercial operations are direct and indirect beneficiaries of economic development and tourism activities and promotion within the shire.

Council's Municipal Strategic Statement states a number of objectives with respect to commercial/industrial land that have been considered as part of the strategic process. A number of these objectives centre on economic development and the local employment and income benefits that will flow from it.

Council has an Economic Development Unit and has developed an Economic Development Action Plan to assist and encourage business and wider economic development within the Shire. The Action Plan aims to build upon the natural attributes of the Shire, to foster business growth and employment, by identifying the areas of competitive advantage.

In considering the application of a differential rate, Council believes that, where it is considered that extraordinary demands on services are made by commercial/industrial uses, or the special requirements of commercial/industrial uses are being satisfied by council expenditures, these are better addressed by the use of special rates and charges provision within the LGA89. Council can adopt this approach with respect to a range of specific initiatives including streetscapes in shopping precincts, business district beautification etc.

Council has therefore decided that commercial/industrial properties should be subject to a higher differential rate.

Council has also considered the introduction of a further category being a large commercial / industrial differential. Council has not been satisfied that a case can be made that would support this large commercial / industrial differential category. In the absence of clear objectives being articulated to warrant and support this additional differential category, Council cannot support this change.

**Rating Strategy Statement on Commercial / Industrial land differential**

***That Council apply a rate differential titled Commercial / Industrial and that the differential rate be set at 135% of the general or residential rate.***

## **RESIDENTIAL VACANT LAND DIFFERENTIAL**

In 2010/11 there were 445 residential vacant land properties in the Shire. These properties are classified as Residential Vacant and attract a rating differential of 200%. Council considers vacant land should be treated differently so as to encourage development. Development may be encouraged for its salutary effect on local employment and income and also as part of an overall strategic approach to encourage urban consolidation within the Shire. Council recognises that the area of higher differential rating of residential vacant land is subjective and arguments can be made to support a number of positions.

Council considers on balance there are factors that materially influence the decisions of property owners to sell or develop land. The theoretical argument often made is that by increasing the rates on vacant residential the holding of it for speculative purposes is discouraged and development is encouraged. This position is supported by Council.

**Rating Strategy Statement on Residential Vacant Land differential**

***That Council apply a rate differential titled Residential Vacant and that the differential rate is set at 200% of the general or residential rate.***

## **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 of whether to provide a cultural and recreational lands rate rests with Council.

Extract *Cultural and Recreational Lands Act 1963*

### **Sec 4. Rates**

- (1) *Notwithstanding the provisions of any Act or enactment relating to the making and levying of rates by a municipal council in lieu of the rates that would otherwise be payable to a municipal council in respect of recreational lands there shall be paid to the municipal council as rates in each year such amount as the municipal council thinks reasonable having regard to the services provided by the municipal council in relation to such lands and having regard to the benefit to the community derived from such recreational lands.*

### **Rating Strategy Statement on Recreational Land**

***Council does not consider that the Cultural and Recreational Lands Act a more appropriate vehicle for declaring rates on recreational land than the differential rating powers under the Local Government Act.***

## **CHARITABLE AND NOT-FOR-PROFIT ORGANISATIONS**

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

There also are a number of organisations, which provide housing for low-income people, on a voluntary and not-for-profit basis. The provisions of the Act preclude such residential properties from being non-rateable, even though their use may be regarded as charitable, in the everyday sense of the term.

### **Rating Strategy Statement on Charitable and Not for Profit Organisations**

***Council seeks to comply with LGA89 Section 154 and not expand concessions beyond those provided for in legislation.***

## **SERVICE RATES AND SERVICE CHARGES**

Council has the power to declare a service rate or service charge or combination service rate and charge to fund the provision of water supply, sewage, waste and other prescribed services. The Council need not necessarily use property value as the basis for levying a service rate or charge and could use some other criteria.

The most commonly used service rate or charge is that used to defray garbage collection and recycling costs. A unit charge is normally levied on each property that receives or can access the service. The recipient of the benefit of this service can clearly be identified as the property to which it is provided. This is considered preferable to levying a service rate based on property value where there would be no correlation between consumption of service and the level of rates paid.

Council currently applies four service charges - for garbage collection, recycling collection, green waste collection and for waste management facilities. These operate as a charge per assessment. The garbage collection, recycling collection, and green waste collection charge is a recurrent charge levied on residential, farm and commercial industrial properties that are in receipt of the service. The waste management facility charge is a charge levied on all rateable properties.

Council contends that these charges are consistent with sound pricing policy – they are clearly identifiable as services to property and service recipients are entitled to the same level of service consumption for a fixed price.



Although Council does not operate a transfer station in all towns within the Shire, the separate levying of a waste management facility charge is seen as environmentally responsible.

Council does have exposure to former landfill operations and associated rehabilitation issues. Council may seek to give further attention to a former landfill rehabilitation charge to earmark funds to help fund this liability.

**Rating Strategy Statement on Waste Management Facility Charge**

***That Council rename the existing Waste Management Facility Charge to become a Waste Management and Environmental Charge to make a contribution to the cost of operation of the Council transfer stations as well a contribution toward the future cost of landfill rehabilitation.***

## **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.

Council recognises these Special rates and Charges provisions as detailed in sections 162-166 of the LGA89.

### **163. Special rate and special charge**

*(1) A Council may declare a special rate, a special charge or a combination of both only for the purposes of—*

- (a) defraying any expenses; or*
- (b) repaying (with interest) any advance made to or debt incurred or loan raised by the Council— in relation to the performance of a function or the exercise of a power of the Council, if the Council considers that the performance of the function or the exercise of the power is or will be of special benefit to the persons required to pay the special rate or special charge.*

Special rates and charges can be 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 and are targeted rating instruments. Certain council expenses and the beneficiaries of those expenditures 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 special benefit. 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 more widely.

The consideration of such schemes needs to be considered in the pricing policies for services and whether revenue collection issues would be better addressed by general rates or user charges.

## REBATES AND CONCESSIONS

Under the Local Government Act 1989, Council has the power to grant a rebate or concession in relation to any rate or charge to assist “proper” development and the preservation of buildings or places of historical, environmental, architectural or scientific importance within the municipality.

Extract Local Government Act 1989:

### **169. Rebates and concessions**

*(1) A Council may grant a rebate or concession in relation to any rate or charge—*

- (a) to assist the proper development of the municipal district; or*
- (b) to preserve buildings or places in the municipal district which are of historical or environmental interest; or*
- (c) to restore or maintain buildings or places of historical, environmental, architectural or scientific importance in the municipal district; or*
- (d) to assist the proper development of part of the municipal district.*

*(1A) A Council resolution granting a rebate or concession must specify the benefit to the community as a whole resulting from the rebate or concession.*

*(1B) A Council may only grant a rebate or concession—*

- (a) to owners of specified rateable properties not exceeding one third of the rateable properties in the municipal district; or*
- (b) to owners of rateable properties who undertake to satisfy terms that directly relate to the community benefit as are specified by the Council.*

*(1C) If sub-section (1B)(a) applies and subsection (1B)(b) does not apply, a person may make a submission under section 223.*

*(2) If a person granted a rebate or concession has not complied with the terms on which the rebate or concession was granted, the Council must by a notice sent to the person—*



- (a) require the payment of the whole or part of the rate or charge by a specified date; and*
- (b) require the payment of interest for the late payment of the rate or charge, as if the rebate or concession had not been granted.*

While the original intent of the term “proper” development had a land use perspective, Councils may use the provision to assist economic development and environmental objectives. Rebates and concessions should be used with respect to *individual* properties within a property class. The legislation intended that differential rates be used to achieve an outcome for a *class* of properties. They are also appropriate instruments to use if an outcome is unable to be achieved through broadly applied rates.

Council has consciously considered the role that a rebate scheme could play in the achievement of its environmental objectives as stated in the Municipal Strategic Statement. It presently offers no incentives for environmental protection through the rating system and has considered whether this might be appropriate.

Consistent with its stated objectives on environmental protection, it considered the potential use of rate rebates to enhance recognition and protection of specific properties that have high environmental significance.

Council believes that:

- a rate rebate scheme is a worthwhile instrument with which to assist the protection of areas of high environmental significance, such as those registered with the Trust for Nature (TFN) Program; within Indigo Shire.
- a rebate quarantined to areas of high significance that are registered by the Trust for Nature Program would require little administration by council and cost very little even if all rates were rebated. Council has determined therefore, to provide rate rebates to properties registered with the Trust for Nature Program.

Properties registered with the Trust for Nature Program are assessed and monitored by the Trust, and a covenant is placed on the property title to safeguard the environmentally significant areas.

Covenants normally cover part of a property. They are registered at no cost to property owners although a voluntary contribution to the TFN Stewardship program is encouraged. The TFN Stewardship fund provides the resources to regularly visit all covenants and observe their condition. This occurs at least once every three years with some covenants receiving annual visits.

While it might be argued that individuals who are contemplating registering covenants are not likely to be influenced by rebates, TFN representatives believe that the provision of rate rebates can be supported on a number of grounds, namely:

- for existing landholders, on whose behalf the TFN took out the covenant, it recognises their important contribution to the community;
- it reinforces the importance of this land for future generations.;

- the existence of a rebate for covenanted areas generates enquiries about the TFN and has multiplier effects; and
- monetarily it provides some assistance to covenanted property owners to undertake remedial works, if required, on affected lands.

The rebate can be calculated on the number of hectares under TFN Program covenant, with a minimum land under TFN Program being 5 ha and capped at 300 ha.

That is: Rebate = TFN ha covenanted X agreed rebate per ha.

In relation to 2010/11, 9 properties within Indigo Shire have been covenanted; the largest of these is 191ha and the smallest 3 ha. In total approximately 200 ha have been covenanted with TFN Program in Indigo Shire. A further 3 covenants are being negotiated involving land totalling 60 ha.

#### **Rating Strategy Statement on Trust for Nature Program rebate**

***That Council initiate a Trust for Nature Program rebate on the basis of TFN Program covenanted land with a minimum size of 5 HA and a maximum size of 100 HA, and that the rebate be set at \$10 per HA.***

## **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 hard holders, although the Council will consider any legitimate submissions for rate relief in cases of severe hardship.

Extract Local Government Act 1989:

### **170. Deferred payment**

- (1) *A Council may defer in whole or in part the payment by a person of any rate or charge which is due and payable for a specified period and subject to any conditions determined by the Council if it considers that an application by that person shows that the payment would cause hardship to the person.*

### **171. Waiver**

- (1) *The Council may waive the whole or part of any rate or charge or interest in relation to—*
- (a) *an eligible recipient under sub-section (4); or*
  - (b) *any other class of persons determined by the Council for the purpose of waiving rates or charges on the grounds of financial hardship.*
- (2) *A resolution of the Council for the purposes of subsection*
- (1)(b) *must include the objectives to be achieved by the waiver.*

## PAYMENT DATES FOR RATES

Council, in accordance with the LGA89 section 167 (1) must allow for the payment of rates by four instalments per annum. Council may allow a person to pay a rate or charge in a single lump sum payment pursuant to LGA89 Section 167 (2).

### **167. Payment of rates and charges – extract only**

- (1) *A Council must allow a person to pay a rate or charge (other than a special rate or charge) in 4 instalments.*
- 2) *An instalment is due and payable on the date fixed by the Minister by notice published in the Government Gazette.*
  - (a) *A Council may allow a person to pay a rate or charge in a lump sum.*
  - (b) *If allowed, a lump sum payment of general rates, municipal charges, service rates or service charges is due and payable on the date fixed by the Minister by notice published in the Government Gazette.*

The Minister fixes instalment and single lump sum payment dates by notice published in the Government Gazette.

## ALTERNATIVE INSTALMENT / PAYMENT OPTIONS

A number of councils offer four instalments per annum as the only payments option. LGA89 Section 167 requires that councils “must allow” payment in four instalments and “may allow” payment in one lump sum. The Minister fixes the dates of instalments and lump sum by notice published in the Government Gazette. The dates are set state-wide with no variability between councils and have traditionally been the dates as listed above.

Council may in future consider moving to the instalment payment options only. Of the rate accounts issued annually, 81% now use the 4-instalment option. A move to four instalments only would bring cash flow forward and increase interest on cash held in investments. However, this is offset by increased postage and collection fees.

### **Rating Strategy Statement on payment dates / options for rates**

***That Council offer ratepayers the option to pay rates by four instalments due on 30 September, 30 November, 28 February and 31 May each year, or the next working day thereafter should those days be a weekend or public holiday.***

***Ratepayers may pay in a single lump sum payment.***

## **PAYMENT OPTIONS**

Council currently offers and will continue with a range of payment options including direct debit, Bpay, internet via [www.indigoshire.vic.gov.au](http://www.indigoshire.vic.gov.au), by mail, telephone, over the counter services at Council Service Centres, POSTbillpay, and Credit card.

Council incurs costs of collection via agency and merchant service fees. The cost of collections via all options continues to increase and Council has not adopted a user pays principal.

## **INTEREST ON ARREARS AND OVERDUE RATES**

Interest is charged on all overdue rates in accordance with LGA89 Section 172. The interest rate to apply is fixed under Section 2 of the Penalty Interest Rates Act 1983, which is determined by the Minister and published by notice in the Government Gazette. The interest rate is the applicable rate from 1 July 2010 and is 10.5% pa.

Council cannot apply an alternative rate but has the power to exempt any person from paying the whole or part of any interest amount generally or specifically payable – LGA Section 172 (2A). As part of the hardship provisions Council allows people who have proven financial difficulties to defer rate payments.

## **PENSIONER REBATES**

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

For 2010-2011 the government-funded indexed rebate is provided under the Municipal Rates Concession Scheme. It will be \$187.60 (\$184.30 in 2009-2010) or 50% of the rate payment, whichever is the less. Upon initial application, an ongoing eligibility is maintained unless rejected by Centrelink or Department of Veteran Affairs during verification procedures. Upon acceptance of pensioner status the concession or rebate is deducted from the rate account before payment by the ratepayer.

Applications for the concession must be lodged by 30 June in each year. Retrospective claims are at the discretion of the Government Department.

Councils view is that pensioners receive a variety of utility and other concessions funded from general government taxation, which is appropriate. The State Government has historically accepted the need to redistribute income taxes in support of utility concessions and rebates to low income households. Council supports this view and along with annual indexation of the municipal rate concession amount. For Council to make further concessions would mean a redistribution of the rate burden with other ratepayers bearing the cost by way of higher rates and charges and having regard to these factors would unfairly penalise those ratepayers.

**Rating Strategy Statement on Pensioner Rebates**

***Council considers that it is not appropriate for Council via ratepayer funds to make an additional rebate or offset to pensioners.***

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## **APPENDIX 1: OBJECTIVES OF EACH DIFFERENTIAL RATE:**

### **RESIDENTIAL**

#### **Objective:**

To ensure all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council including the construction and maintenance of public infrastructure, provision of health, community and general support services.

#### **Types and Classes:**

The residential or general rate is the balance of land defined by exception to the general rate.

#### **Use and Level of Differential Rate:**

The differential rate will be used to fund some of those items of expenditure described in the budget process. 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 Zone:**

The zoning permitted to each rateable land within this category as determined by zone maps as referred to in the Indigo Shire Planning Scheme.

#### **Types of Buildings:**

All buildings which are now constructed on the land or which are constructed prior to the expiration of the year ended 30 June 2011.

## **RESIDENTIAL 2 (HOME INDUSTRY)**

### **Objective:**

The objective of this differential rate includes but is not limited to the raising of rates that will assist Council:

- Enhance the economic viability of the Tourism sector through targeted programs and projects
- Extend initiatives towards the establishment of ventures and themes that support Council's strategic objectives
- Identify, develop and market the strengths and attractions of each town
- Determine the feasibility of establishing tourism education facilities
- Identify the opportunities for rural tourism
- Participate as an active partner in tourism initiatives
- Promote economic development
- Provide signage, street scaping and promotional activity that is complementary to the achievement of tourism objectives

### **Types and Classes:**

This differential applies to owners of residential type occupation of land in situations where that land is also utilised as a place of tourism, commerce or industry and where the property may directly benefit from additional Council services such as tourism, economic development services, promotion and other Council services.

### **Use and Level of Differential Rate:**

The differential rate will be used to fund some of those items of expenditure described in the budget process. 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 Zone:**

The zoning permitted to each rateable land within this category as determined by zone maps as referred to in the Indigo Shire Planning Scheme.

### **Types of Buildings:**

All buildings which are now constructed on the land or which are constructed prior to the expiration of the year ended 30 June 2011.

## **RESIDENTIAL VACANT**

### **Objective:**

To encourage the development of land and ensure all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council including the construction and maintenance of public infrastructure, provision of health, community and general support services.

### **Types and Classes:**

This differential applies to owners of residential type land that currently does not contain buildings but has the potential to be be utilised for residential type accommodation or development that will place a similar demand for Council services as the other residential type classifications.

### **Use and Level of Differential Rate:**

The differential rate will be used to fund some of those items of expenditure described in the budget process. 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 Zone:**

The zoning permitted to each rateable land within this category as determined by zone maps as referred to in the Indigo Shire Planning Scheme.

### **Types of Buildings:**

All buildings which are now constructed on the land or which are constructed prior to the expiration of the year ended 30 June 2011.

## **RURAL 1**

### **Objective:**

To provide an equitable rate for large scale primary producers to:-

1. encourage land use consistent with farming activities as defined by section 2, Valuation of Land Act (1960\*) and conservation of areas which are suited for agricultural pursuits,
2. recognise the inequity of the State Government requirement for property based rating system,
3. encourage uses compatible with the physical capacity of the land,
4. conserve the resources of soil, flora and fauna and the significant natural features in areas identified as having ecological and landscape interest value,
5. conserve as far as possible the existing patterns of vegetation to maintain landscape quality.

### **Types and Classes:**

Land size 80 HA and greater.

### **Use and Level of Differential Rate:**

The differential rate will be used to fund some of those items of expenditure described in the budget process. 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 Zone:**

The zoning permitted to each rateable land within this category as determined by zone maps as referred to in the Indigo Shire Planning Scheme.

### **Types of Buildings:**

Where applicable, all buildings which are now constructed on the land or which are constructed prior to the expiration of the year ended 30 June 2011.

## **RURAL 2**

### **Objective:**

To provide an equitable rate for small scale primary production to:-

1. encourage land use consistent with farming activities as defined by section 2, Valuation of Land Act (1960\*) and conservation of areas which are suited for agricultural pursuits,
2. recognise the inequity of the State Government requirement for property based rating system,
3. encourage uses compatible with the physical capacity of the land,
4. conserve the resources of soil, flora and fauna and the significant natural features in areas identified as having ecological and landscape interest value,
5. conserve as far as possible the existing patterns of vegetation to maintain landscape quality.

### **Types and Classes:**

Land size >8Ha - <80Ha.

**Use and Level of Differential Rate:**

The differential rate will be used to fund some of those items of expenditure described in the budget process. 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 Zone:**

The zoning permitted to each rateable land within this category as determined by zone maps as referred to in the Indigo Shire Planning Scheme.

**Types of Buildings:**

Where applicable, all buildings which are now constructed on the land or which are constructed prior to the expiration of the year ended 30 June 2011.

**COMMERCIAL / INDUSTRIAL**

**Objective:**

To provide an equitable rate for commercial and industrial use land which reflects capacity of the property and for which Council may provide additional services. This may include Residential 2 (Home Industry) type properties that have in excess of five {5} bedrooms.

**Types and Classes:**

To provide an equitable rate for commercial and industrial use land which reflects capacity of the property and for which Council may provide additional services and having the relevant characteristics described in the Council resolution.

**Use and Level of Differential Rate:**

The differential rate will be used to fund some of those items of expenditure described in the budget process. 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 Zone:**

The zoning permitted to each rateable land within this category as determined by zone maps as referred to in the Indigo Shire Planning Scheme.

**Types of Buildings:**

All buildings which are now constructed on the land or which are constructed prior to the expiration of the year ended 30 June 2011.