

# Revenue and Rating Plan

Community Engagement 2021

# Rates – is a tax, not a value proposition

*“Rates are a tax which fund council services and infrastructure. Rates are calculated based on the value of your property relative to others in the municipality”* Local Government Victoria Website

*“Our council services and infrastructure are essential to supporting healthy and resilient communities and businesses in Victoria. Equally important is the means to pay for these services and rates provide over half of the revenue for our councils.”* Local Government Rating System Review – Discussion Paper

# Rate Cap

- Minister for Local Government sets the rate cap (1.5% for 21/22)
- Cap is the maximum amount a council can increase its general rates and municipal charges in total
- Waste service charges and Fire Services Property Levy charges are not part of the rate cap
- Individual property rates can increase or decrease higher or lower than the rate cap depending on valuation changes, bin changes etc

# Local Govt Victoria words on Rating Plans

“Determines only the share of revenue contributed by each property”

“Does not influence the total amount of money that will be raised”

“A reduction provided to any group of ratepayers.....must be born by increases to other ratepayers”

# Rating Plan Objective

How to best (fairly and simply) distribute the rates



**Challenge:** What is fair? Can we have something that is simple and fair?

# Rating Plan Principles

EQUITY – difficult to define (what is fair to one is unfair to another)

EFFICIENCY – impact on economy, cost to administer

SIMPLICITY – how easily it can be understood

# Simplest Rating Plan = Uniform Rate

Rate revenue ÷ Capital Improved Value

$$\text{\$72M} \div \text{\$11.6B C.I.V}$$

$$= \$0.0062143 \text{ cents per CIV\$}$$

# Uniform Rate – General (Residential)

Address	CIV (Capital Improved Value)	Uniform Rate
Low Value CIV, KIALLA	\$11,000	\$68
Medium Value CIV, SHEPPARTON	\$271,000	\$1,684
High Value CIV, SHEPPARTON	\$2,010,000	\$12,491



# Uniform Rate – Farm

Address	CIV	Uniform Rate
Low Value CIV, MURCHISON	\$44,000	\$273
Medium Value CIV, ZEERUST	\$510,000	\$3,169
High Value CIV, TATURA	\$10,460,000	\$65,002

# Uniform Rate – Commercial/Industrial

Address	CIV	Uniform Rate
Low Value CIV, SHEPPARTON	\$26,000	\$162
Medium Value CIV, TATURA	\$364,000	\$2,262
High Value CIV, SHEPPARTON	\$43,160,000	\$268,209

# Uniform Rate - Split



Residential	Commercial/Industrial	Farm
83% of ratepayers	8% of ratepayers	9% of ratepayers
with 67% of CIV	with 17% of CIV	with 16% of CIV
paying 67% of rates	paying 17% of rates	paying 16% of rates

# Uniform Rate – Simplest, but is it the fairest?



*"I don't use many council services"*

*"Farming businesses are different to others"*

*"I'm a pensioner"*

*"I'm asset rich, cash poor"*

*"I can't make money from my property like others"*

# Equity Principles – What is fair?

## Horizontal Equity

Ratepayers in similar situations  
should pay similar amounts

## Vertical Equity

Those better off should pay  
more than those worse off



## User Benefit

Some ratepayers use  
more or benefit more

## Capacity to Pay

Some have more ability to  
pay than others do

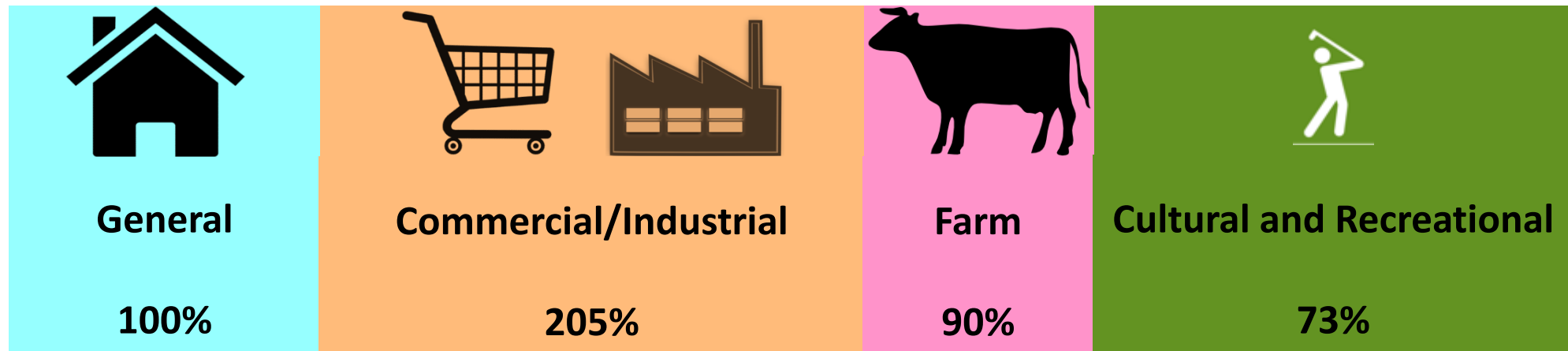
## Incentive

Some may be helping  
Council's goals

# Rating Differentials

“A useful tool to address equity issues that may arise from the setting of Council rates derived from property valuations”

*Ministerial Guidelines 2013*



# Rating Differentials

- Why is Farm at 90%
  - Farming operations involve large properties (high CIVs)
  - Often operated as family concerns
  - Unable to pass on increases in costs like other businesses
  - Profitability is affected by weather and international markets
- Why is Commercial/Industrial at 205%
  - Acknowledges the taxation benefit allowed to businesses
  - Relatively higher capacity to pay compared to General and Farm differentials

# Differential Rate – General (Residential)

Address	CIV	Uniform Rate	Differentials
Low Value CIV, KIALLA	\$11,000	\$68	\$59
Medium Value CIV, SHEPPARTON	\$271,000	\$1,684	\$1,453
High Value CIV, SHEPPARTON	\$2,010,000	\$12,491	\$10,775



# Differential Rate – Farm

Address	CIV	Uniform Rate	Differentials
Low Value CIV, MURCHISON	\$44,000	\$273	\$212
Medium Value CIV, ZEERUST	\$510,000	\$3,169	\$2,461
High Value CIV, TATURA	\$10,460,000	\$65,002	\$50,466

# Differential Rate – Commercial/Industrial

Address	CIV	Uniform Rate	Differentials
Low Value CIV, SHEPPARTON	\$26,000	\$162	\$286
Medium Value CIV, TATURA	\$364,000	\$2,262	\$4,000
High Value CIV, SHEPPARTON	\$43,160,000	\$268,209	\$474,307

# Rating Differentials- Split



Residential	Commercial/Industrial	Farm
83% of ratepayers	8% of ratepayers	9% of ratepayers
with 67% of CIV	with 17% of CIV	with 16% of CIV
paying <b>58%</b> of rates (Uniform was 67%)	paying <b>30%</b> of rates (Uniform 17%)	paying <b>12%</b> of rates (Uniform 16%)

# Municipal Charge – is a minimum contribution fairer?



*Is it fairer to rely solely on property values (even using differentials) to determine the distribution of rates.....*

**OR**

*is it fairer (more equitable) that all ratepayers each cover (at least) a minimum portion of the costs to run the municipality?*

# Differential Rate with MC – General (Residential)

MC = Municipal Charge

Address	CIV	Uniform Rate	Differentials No MC	Differentials With \$195 MC
Low Value CIV, KIALLA	\$11,000	\$68	\$59	\$249
Medium Value CIV, SHEPPARTON	\$271,000	\$1,684	\$1,453	\$1,526
High Value CIV, SHEPPARTON	\$2,010,000	\$12,491	\$10,775	\$10,067




# Differential Rate with MC – Farm

Address	CIV	Uniform Rate	Differentials No MC	Differentials With \$195 MC
Low Value CIV, MURCHISON	\$44,000	\$273	\$212	\$389
Medium Value CIV, ZEERUST	\$510,000	\$3,169	\$2,461	\$2,449
High Value CIV, TATURA	\$10,460,000	\$65,002	\$50,466	\$43,431

# Differential Rate with MC – Commercial/Industrial

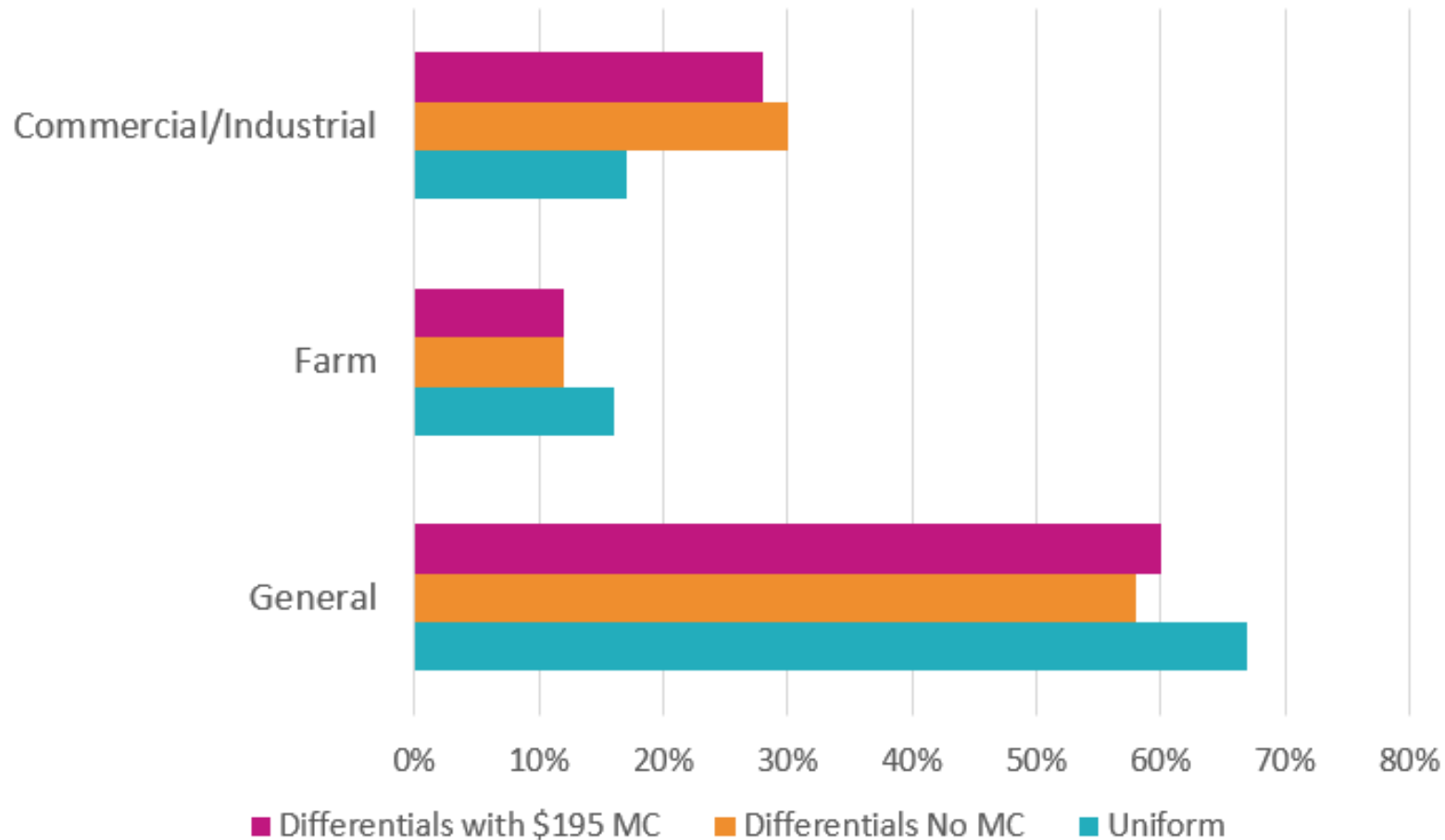
Address	CIV	Uniform Rate	Differentials No MC	Differentials With \$195 MC
Low Value CIV, SHEPPARTON	\$26,000	\$162	\$286	\$457
Medium Value CIV, TATURA	\$364,000	\$2,262	\$4,000	\$3,860
High Value CIV, SHEPPARTON	\$43,160,000	\$268,209	\$474,307	\$409,336

# Rating Differentials with \$195 MC - Split

		
Residential	Commercial/Industrial	Farm
<p>83%</p> <p>of ratepayers</p>	<p>8%</p> <p>of ratepayers</p>	<p>9%</p> <p>of ratepayers</p>
<p>with</p> <p>67%</p> <p>of CIV</p>	<p>with</p> <p>17%</p> <p>of CIV</p>	<p>with</p> <p>16%</p> <p>of CIV</p>
<p>paying</p> <p>60%</p> <p>of rates</p> <p>(Uniform 67%)</p> <p>(Differentials 58%)</p>	<p>paying</p> <p>28%</p> <p>of rates</p> <p>(Uniform 17%)</p> <p>(Differentials 30%)</p>	<p>paying</p> <p>12%</p> <p>of rates</p> <p>(Uniform 16%)</p> <p>(Differentials 12%)</p>



# Rating Plan - Comparison



# Other Revenue Items

- User fees and charges
- Statutory fees and charges
- Grants
- Contributions
- Interest on investments

# User Fees and Charges

- User fees are charged when Council can easily identify who is using a service
- Some examples of user fees include:
  - Aquamoves fees
  - Parking fees
  - Resource Recovery Centres (aka. transfer station/tip)
- If user fees were not charged the cost of providing those services would need to be covered by another type of revenue (e.g. rates)

# Pricing Methods

- Council can price user fees in the following ways:
  - **Full cost recovery** (the users pays all of the costs associated with the service)
  - **Subsidised pricing** (other sources of revenue, e.g. rates, covers a portion of the costs associated with the service)
  - **Market prices** (based on market prices, if a private market exists)

# Summary

- Rates is a tax to fund infrastructure and services
- The total revenue from general rates and municipal charge is capped
- Waste Services charges and Fire Services Property Levy not capped
- The Rating Plan only determine the share of revenue contributed by each property
- Objective of the Rating Plan is to do this fairly and simply
- GSCC's current rating strategy utilises differential rates and municipal charge to achieve this objective
- Other revenue items include user fees and charges, grants, contributions, etc.