

# GREATER SHEPPARTON CITY COUNCIL



## RATING STRATEGY 2013 – 2017

## DISCUSSION PAPER FOR PUBLIC COMMENT

**Note: The recommendations of the Reference Group as detailed in this Discussion Paper are not necessarily representative of the views and opinions of the Council.**

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## 1 INTRODUCTION

### 1.1 INTRODUCTION

An objective for a council under the *Local Government Act 1989* (“the Act”) is to ensure the equitable imposition of rates and charges. Section 136 of the Act also requires that Council’s pursue spending and rating policies that are consistent with a reasonable degree of stability in the level of the rates burden.

This Rating Strategy details the framework which will be used by Greater Shepparton City Council in determining a fair and equitable distribution of the rating burden. The rating framework is set down in the Act and determines a council’s ability to develop a rating system.

In March 2011, the Greater Shepparton City Council commenced a staged review of the Rating Strategy which identified a number of refinements; such as reducing the farm rate differential to equal the residential rate, which were subsequently implemented in the 2011-2012 rating year.

A further review of the Rating Strategy is being undertaken during the 2012-2013 rating year with the assistance of the Rating Strategy Reference Group. **The recommendations of the Reference Group as detailed in this Discussion Paper are not necessarily representative of the views and opinions of the Council.**

The Discussion Paper provides details of the existing legislative rating framework, the rating principles the Council should consider when striking differential rates, the history of the Council’s current rating system and concludes with 19 recommendations of the Rating Strategy Reference Group.

The Rating Strategy Reference Group have recommended that the Council’s practices and decisions regarding rating should be underpinned by the following rating principles as detailed in section 3.3 of the Discussion Paper:

- Equity Principle, considering:
  - Property wealth tax (including both horizontal and vertical equity)
  - User benefit
  - Capacity to pay
- Incentive principle
- Comparative rates principle
- Simplicity principle
- Efficiency principle
- Legislative compliance principle

It is proposed that the Council seek public submissions regarding the Rating Strategy 2013-2017 Discussion Paper and that public submissions be heard at a Special Council Meeting to be held on Tuesday 23 April 2013 at 5.30pm.

During the public submission period an information session will be held during the day and a second information session will be held in the evening during the week commencing 8 April 2013.

The Council will then consider the Rating Strategy 2013-2017 Discussion Paper and any subsequent public submissions during the development of its Strategic Resource Plan 2013-2017 and 2013-2014 Budget.

Community members may like to comment on the following points:

- Do you support the recommendations of the Rating Strategy Reference Group?
- Do you agree with the rating principles proposed? Are there any additional rating principles you would like the Council to consider?
- Should the Council maintain a municipal charge to offset some of the administrative costs of the Council?
- Are the proposed differential rates easy to understand?
- Do you think the proposed differential rate property types and classes are too broad or too narrow?
- Do the recommended differential rates reflect differing levels of Council services received by different property classes?
- Do you consider the proposed differential rates will be equitable with regard to capacity of different types and classes of property owner to pay?
- Which property types and classes should contribute to the promotion of:
  - Shepparton; or
  - Greater Shepparton?
- Should the Council waive rates for charitable or not-for-profit residential or retail premises?

## 1.2 RATING STRATEGY REFERENCE GROUP RECOMMENDATIONS – SUMMARY COMMENTARY

The Rating Strategy Reference Group has made the following recommendations to the Council regarding the equitable sharing of the rates burden between various categories of ratepayers.

Council has adopted the Capital Improved Value (CIV) as the value to which the rate in the dollar will be assessed. 73 of 79 Victorian councils use CIV and the remaining 6 councils use Net Annual Value.

### ***Recommendation 1***

***That the basis of valuation for rating purposes continue to be Capital Improved Value.***

The municipal charge is a flat, identical charge that can be used to offset some of the “administrative costs” of the Council. It is proposed that the recovery of Council’s administration costs be allocated by property valuation rather than as a flat fee. The municipal charge is a regressive tax and has a greater impact upon lower valued properties, which have a lower capacity to pay. Removing the requirement for a municipal charge also simplifies the Council’s rating system.

### ***Recommendation 2***

***That there be no Municipal Charge.***

The user benefits analysis undertaken estimated that the relative rate in the dollar when compared to residential land should be commercial 181% (2012-2013 Budget 292%), industrial 176% (2012-2013 Budget 272%) and farm land 80% (2012-2013 Budget 100%).

### ***Recommendation 3***

***That user benefits be taken into consideration when setting differential rates.***

Rating instruments such as differential rates are available to reflect the differing capacity of classes to pay. For example, higher differential rates may reflect the income producing capacity of one class of property compared to another.

### ***Recommendation 4***

***That capacity to pay also be taken into consideration when setting differential rates.***

If a uniform rate was applied to simplify the rating system rather than applying the existing differential rates, residential and farm differential rates would increase by 48% and the commercial and industrial differential rates would decrease by 49% and 45% respectively.

**Recommendation 5**

***That Greater Shepparton City Council continue to apply differential rating as its rating system.***

Current differential rates for unimproved land are set equal to or lower than relative improved residential, commercial and industrial land.

**Recommendation 6**

***That the unimproved residential, commercial and industrial land differential rates be set greater than improved residential, commercial and industrial land to encourage development.***

After considering the relative user benefit, capacity to pay and comparative rates for farm land of other councils, the Rating Strategy Reference Group made the following recommendation.

**Recommendation 7A**

***That the farm land differential rate be set in the range of 85% to 95% in comparison to the residential rate.***

Currently residential rural lifestyle properties are included in the farm land differential rating category.

**Recommendation 7B**

***That a residential rural lifestyle differential rate be introduced for properties with a single residential dwelling on an allotment of land sized between 0.4 and 20 hectares in rural, semi-rural or bushland setting and the differential rate be set at the same rate as residential properties.***

After considering the relative user benefit, capacity to pay and comparative rates for commercial improved land of other councils, the Rating Strategy Reference Group made the following recommendation.

**Recommendation 8**

***That the existing three commercial improved differential rates be combined into one category.  
That the commercial improved differential rate be set at 200% in comparison to the residential rate.***

After considering the relative user benefit, capacity to pay and comparative rates for industrial improved land of other councils, the Rating Strategy Reference Group made the following recommendation.

**Recommendation 9**



***That the existing three industrial improved differential rate categories be combined into one category.***

***That the industrial improved differential rate be set at 200% in comparison to the residential rate.***

Should a differential rate be introduced to encourage increased tenancy of vacant commercial shops? Properties would include land with buildings that are unoccupied and are capable of use primarily for commercial purposes.

***Recommendation 10***

***That a vacant commercial differential rate not be introduced due to the difficulty of administration.***

Subject to being consistent with the Ministerial Guidelines for Differential Rates additional revenue could be raised through the rating system with respect to gaming venues, late licence premises or late trading premises.

***Recommendation 11***

***That in the future separate differential rates be introduced for properties defined as Gaming Venues, Late Licence Premises and Late Trading Premises.***

***Recommendation 12***

***Should the existing rating system of Shepparton commercial and industrial properties contributing to Shepparton Show Me remain, that the amount contributed by each property be communicated annually.***

***Recommendation 13***

***The promotion of Greater Shepparton is supported; however the existing rating system of Shepparton commercial and industrial properties contributing to Shepparton Show Me should be removed and the Council should investigate other methods of collection for a promotional fund.***

The Council has received requests to waive commercial rates under the provisions of section 171 of the Act for local charitable organisations that own land used for the retail sale of goods as part of a charitable enterprise. Adopting a waiver of rates and charges would provide recognition that charitable organisations are operating substantially for the benefit of the local community.

**Recommendation 14**

***That the Council develop a policy to enable it to consider waiving rates or providing rebates or concessions by application for charitable and not-for-profit residential or retail premises in accordance with the Act, where the organisation is not making a profit from those property uses.***

**Recommendation 15**

***That heritage rating incentives be investigated with the assistance of the Council's Heritage Advisory Committee, that are consistent with the heritage objectives of the Council, for consideration in the future.***

Shepparton's inner city area is alive with sites simply begging for "in-fill" development on which residences could easily be created by innovative designers bringing hundreds, if not thousands, of people back to live in the inner city making it a genuinely walkable or at least a city which could be easily traversed by bicycle.

**Recommendation 16**

***Greater centralisation of the population through increased accommodation density to the centre of urban areas is supported. However the proposal to use the rating system to encourage centralisation is not recommended for implementation at this point in time, as this proposal requires further investigation, development, understanding and assessment.***

To spread the impact of recommendations of the Rating Strategy Reference Group the implementation of the new Rating Strategy can be phased over the period 2013-2017.

**Recommendation 17**

***To provide a reasonable degree of stability in the level of the rates burden, implementation of the Rating Strategy can be phased over a number of years.***

Council rates are based on principles, however understanding how the rating system is applied and the impact on individual ratepayers can be complex.

**Recommendation 18**

***That the Council considers methods and opportunities for the community to better understand the rating system.***

Further reviews of the Rating Strategy may include the structure of waste charges and consideration of other special rates, charges or levies.

**Recommendation 19**

***That the Council establishes an ongoing Rating Strategy Advisory Committee to assist in the further development and implementation of its Rating Strategy.***

A summary of recommended changes is detailed in the table below.

No.	Area	Current	Recommendation
2	Municipal charge	\$214	No charge
6	Unimproved land – residential	Equal to improved land	Higher than improved land
6	Unimproved land – commercial	47% less than improved land	Higher than improved land
6	Unimproved land – industrial	63% less than improved land	Higher than improved land
7A	Farm land	Equal to residential rate	85% to 95% or residential rate
7B	Rural lifestyle properties	Equal to residential rate	Equal to residential rate
8	Commercial improved 1	301% of residential rate	200% of residential rate
8	Commercial improved 2	304% of residential rate	200% of residential rate
8	Commercial improved 3	237% of residential rate	200% of residential rate
9	Industrial improved 1	267% of residential rate	200% of residential rate
9	Industrial improved 2	332% of residential rate	200% of residential rate
9	Industrial improved 3	223% of residential rate	200% of residential rate
11	Gaming Venues, Late Licence Premises and Late Trading Premises differential rate	None	To be introduced in the future
12	Shepparton Show Me contribution	Not undertaken in 2012-2013	Communicated annually to each property
13	Greater Shepparton promotional fund	Only urban Shepparton commercial and industrial improved properties contributing	Investigate alternative methods of funding
14	Charitable organisations – residential or retail premises	No existing policy	Council to consider waiving rates
15	Heritage incentives	None	Investigate options
18	Increase community understanding of rating system	Development of a new Rating Strategy	Consider methods and opportunities
19	Ongoing Rating Strategy Advisory Committee	Fixed term Rating Strategy Reference Group	Establish

### 1.3 RATING STRATEGY REFERENCE GROUP

The Rating Strategy Reference Group comprised 11 members appointed by resolution of the Council as follows:

- Two Councillors, with one acting as chairperson
- Nine community members representing a cross-section of ratepayer categories including: Residential, Farm/rural, Commercial and Industrial, along with groups such as the Shepparton Chamber of Commerce and Industry, not-for-profit organisations, tourism association and environmental groups.
- Council staff attended to provide technical input and administrative support.

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

- Identify and recommend to the Council the principles that the Council should consider when striking general rates, particularly with regard to the creation and maintenance of any differential rates.
- Make recommendations to the Council regarding the equitable sharing of the rates burden between various categories of ratepayers – e.g. Residential, Rural, Commercial and Industrial.
- Recommend to the Council any changes to the structure of current charges and their relationship to general rates, e.g. Waste service charges and Municipal Charge.
- Identify any other special rates, charges or levies it believes the Council should consider.

The Group brought a variety of skills and perspectives as well as representation of the various categories of ratepayers. Members of the Group were as follows:

Name	Representation
Mayor Jenny Houlihan	Councillor and Group chair
Deputy Mayor Les Oroszvary	Councillor
Mick Buckworth	Not-for-profit organisation, Residential home owners, Industrial land owners
Jamie Cox	Commercial property sector, Shepparton Chamber of Commerce and Industry
Glenda Farrington	Tourism association, Commercial property sector
Trina Laffy	Commercial property sector, Residential home owners
Robert McLean	Environmental group
Tom Perry	Farming/rural land owners
Leanne Raditsas	Farming/rural land owners, Residential home owners
Paul Uniacke	Commercial property sector, Residential home owners, Industrial land owners
Bruce Wilson	Residential home owners

These were accompanied by Council representatives as follows:

Name	Position
Justin Finlayson	Director Business
Tammi Rose	Manager Finance and Rates
Wendy Clark	Revenue and Rates Manager

The group performed an advisory function by providing input and feedback during the development of this Strategy.

The Council will receive the Discussion Paper before releasing it for public comment.

The Council will consider recommendations of the Rating Strategy Reference Group and public comment before determining its position, which will be incorporated into the Council's draft 2013-2014 Budget, which in turn will be submitted for public comment before being adopted.

## 2 RATING FRAMEWORK

### 2.1 CONTEXT

Council has prepared this Rating Strategy within the context of the current legislative framework to provide a detailed explanation of rating concepts and Council's 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) 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, including the application of differential rates in the dollar (or differential rates) to different classifications of properties.

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

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 liable 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 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, sale of assets and interest earned.

Council acknowledges that property rates do not recognise that individual ratepayers within a class of properties can be "asset rich" and "income poor".

While income and goods and services taxes are more reflective of 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. The rating system comprises the valuation base and the rating instruments that are used to calculate property owners' liability for rates.

## 2.3 RATING FRAMEWORK

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.

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, which includes principles of equity, benefit, efficiency and community resource allocation. Under the Act, Council has the power to levy:

- Municipal charge
- Uniform rates
- Differential rates
- Special rates and charges
- Service rates and charges

and to:

- Provide rebates and concessions
- Provide deferrals and waivers based on hardship

Council acknowledges that this framework will not universally cater for the possible significant revaluation of property movement in a non-homogenous market place and may result in significant movements in rates on an individual case-by-case basis within rating categories.

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

- The entire community should contribute to the unavoidable costs of local government
- Where feasible, services should be funded on a user pays system
- Where specified, local objectives can be achieved using differential rates
- Residual service costs should be apportioned on the basis of property valuation

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

Council rates are basically calculated as follows:

$$\text{Rate in the dollar} \times \text{Property value} = \text{Council rates}$$

As an example the "rate in the dollar" for a residential property in 2012-2013 is 0.00384340.

Assuming a property, say a house and land, was valued at \$250,000, the annual rate payment would be \$960.85, calculated as:

$$0.00384340 \times \$250,000 = \$960.85$$



Rates are in the form of a general purpose levy. 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.

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. Under the Act, the municipal charge cannot raise more than one-fifth (20%) of the total amount rates through rates (including the municipal charge).

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.

## 2.4 PROPERTY VALUATIONS

For the purpose of the Act and its rating provisions, the *Valuation of Land Act 1960*, is the principle Act 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 communication towers.

Local government may adopt one of the following three valuation methodologies to value properties in its municipality:

**Capital Improved Value (CIV):** the total value of the property including the land value (i.e. Site Value) and other improvements including the buildings and landscaping.

**Site Value (SV):** the total value of land, plus any improvements which permanently affect the amenity or use of the land, such as drainage works, but excluding the value of building and other improvements.

**Net Annual Value (NAV):** the value of the rental potential of the land, less the landlord's outgoings (such as insurance, land tax and maintenance costs). For residential and farm properties this must be set at 5% of the CIV.

Every two years, Council engages independent, licensed valuers as contractors to satisfy its statutory requirement under the Valuation of Land Act 1960 to conduct a review of property values based on market movements and recent sales trends. For the 2012-2013 and 2013-2014 rating years, valuations will be based on values returned as at 1 January 2012.

Valuers undertake a physical inspection of at least 33% of the total number of residential and rural assessments during each revaluation cycle. Inspections are undertaken on all commercial, industrial and specialist properties. 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 the sub-market groups which are reviewed during the

revaluation process. Council's contract 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 according as potential 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 are subdivided. Supplementary valuations are notice to ratepayers by the issue of a rates notice.

The Valuer-General 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.

## 2.5 OBJECTIONS TO PROPERTY VALUATIONS

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 1960*.

Further information can be obtained by contact Council or accessing the Land Victoria website at [www.land.vic.gov.au/valuation](http://www.land.vic.gov.au/valuation).

## 2.6 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 the 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, Council only seeks to increase the total amount of revenue required from all ratepayers in order to provide the services and capital works expected by the community.

## 2.7 RATING DIFFERENTIALS

The Act allows councils to "differentiate" rates based on the use of the land, the geographic locality of the land or the use and locality of the land. Different rates in the dollar of CIV can be applied to different classes of property. These classes must be clearly differentiated and the setting of the differentials must be used to improve quality 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, 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 the rate; and
- Identify types and classes of land in respect to uses, geographic location, planning scheme zoning, building types and other relevant criteria.

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

The general objectives of each differential rate are to ensure that all rateable land makes an equitable financial contribution to costs 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 rate characteristics.

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.

### 3 RATING STRATEGY

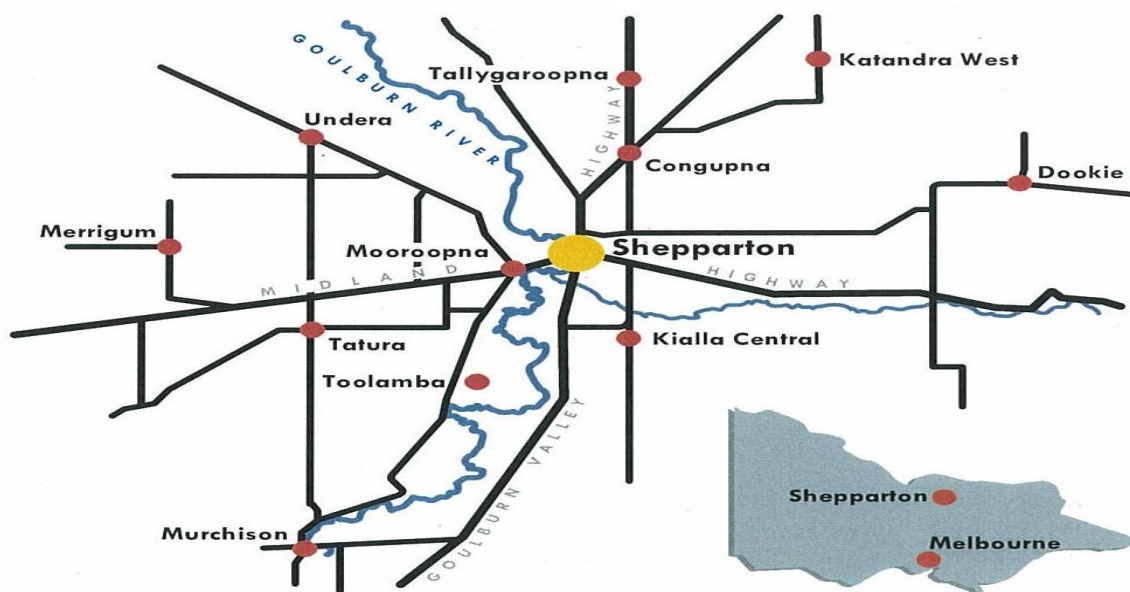
#### 3.1 WHAT IS A RATING STRATEGY?

A rating strategy is the process by which Council systematically considers the factors of importance that 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 an individual property owner's liability for rates.

This rating strategy comprises of a number of components including:

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

#### 3.2 COUNCIL PROFILE



The City of Greater Shepparton is a vibrant, diverse community located approximately two hours north of Melbourne, in the heart of the Goulburn Valley. The City has a population of about 64,000 and covers an area of 2,421 square kilometres. It is the fifth largest provincial centre in Victoria and one of the fastest growing regions in the State. The major urban centres of Shepparton and

Mooroopna are located at the confluence of the Goulburn and Broken rivers and at the intersection of the Goulburn Valley and Midland Highways.

Nearly 80 per cent of people live in the major urban areas of Shepparton and Mooroopna. With a population of 4,500 and home to many industries and large organisations, Tatura is also a popular choice for many as are the smaller rural townships and surrounding agricultural areas of Congupna, Dookie, Katandra, Kialla West, Merrigum, Murchison, Tallygaroopna, Toolamba and Undera. This diversity of choice reflects the wide range of lifestyle choices available across the municipality from small urban blocks close to high quality amenities, through to large working orchards and farms.

Greater Shepparton's diverse and multicultural composition is one of its key strengths, with approximately 11 per cent of residents being born overseas. Significant populations have settled in the region from Italy, Turkey, Greece, Albania, Netherlands, United Kingdom, Germany, India, New Zealand, Philippines and Iraq. More recently, families from the Congo and Sudan have moved to the area. The City also has a significant Aboriginal population with approximately three per cent of its residents being of indigenous origin.

The region has a strong and well developed economy, based primarily on irrigated agriculture, food processing, retailing and road transport.

The Goulburn Valley is responsible for around 25 per cent of the total value of Victoria's agricultural production and is often referred to as the "Food Bowl of Australia". Dairy and fruit growing are the major primary industries, with the viticulture and tomato industries also showing significant growth. Food processing is a significant secondary industry, with over 30 major food processing related businesses located within two hours of the major urban centres.

The large volume of fresh and processed foodstuffs produced in the region generates an extremely high number of freight movements. The road transport industry, which has grown up to support this freight task is a substantial contributor to Greater Shepparton's economy in its own right and Shepparton is now provincial Victoria's largest truck sales and service centre.

Greater Shepparton has enjoyed strong industrial, business and residential growth over the past ten years and Shepparton is one of the five fastest growing inland regional centres in Australia. Large processing and retail developments have provided increased employment opportunities and underpinned this growth.

As a regional hub, Greater Shepparton provides a range of goods and services to a catchment of approximately 230,000 people. This regional role allows the City to support a strong and diverse retail sector and attract national retail outlets, which in turn, increase the attractiveness of the City as a retail destination.

The City also enjoys high quality medical services and offers a range of tertiary education opportunities. Latrobe University's new campus in Shepparton has further increased the range of tertiary courses available to regional students.

Greater Shepparton continues to reinforce its reputation as a key events destination within both the Victorian and National market. The City has a strong history of attracting major events to the region to boost the local economy.

### 3.3 RATING PRINCIPLES

Council's practices and decisions regarding rating are underpinned by the principles of equity, incentive, simplicity, efficiency and legislative compliance.

- **Equity principle:** To achieve an equitable distribution of the rate burden across the community. A differential rating structure can assist in achieving an equitable imposition of rates and charges. The equity principle includes consideration of property wealth tax, user benefit and capacity to pay principles.
  - **Property wealth tax:** Council is limited to taxing one component of wealth, being real property. The wealth tax principle implies that rates paid are dependent upon the value of a ratepayer's real property and does not necessarily have any correlation to the individual ratepayer's consumption of services or the perceived benefits derived by individual ratepayers from the expenditures funded from rates. Some moderation of the effect of property value on the level of rates paid through differential rates may be required to make the rating system more equitable.
    - **Horizontal equity** means that like properties in the same position, e.g. with the same property value, geographical locality and/or land use, should be treated the same. The act allows councils to differentiate rates based on the use of land and/or the geographic locality of the land. There is a fundamental importance on which characteristics define similarity. Horizontal equity is ensured mainly by accurate property valuations and their classification into homogenous property classes.
    - **Vertical equity** in respect to property taxation means that higher property values should incur higher levels of tax.

- **User benefit:** A popular complaint 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.

Evaluating the relative benefits received by various classes of property raises many practical difficulties, in particular, trying to trace quantifiable consumption/benefits to particular types of properties.

The analysis often gets reduced to arguments of what services are consumed by residential versus farm, commercial/industrial versus residences versus farms, and between different towns. Clearly, the exercise is not clear cut – for example, it might be argued that rural 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 a small number of properties.

- **Capacity to pay:** The relativity of rates paid by each class of property, including residential, farm, commercial, industrial and cultural and recreational, are to be considered in relation to their respective capacity to pay. Ratepayers with higher value properties generally have a higher wealth and a greater capacity to pay. However, as rates are levied on unrealised wealth in the form of real property, their nexus with ratepayers’ capacity to pay may be more tenuous. Ratepayers may be asset rich but cash poor.

Council acknowledges that property rates do not recognise that individual ratepayers within a class of properties 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.

While income and goods and services taxes are more reflective of 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.

Rating instruments such as differential rates are available to reflect the differing capacity of classes to pay. For example, higher differential rates may reflect the income producing capacity of the class of property.

- **Incentive principle:** Rate setting objectives can also be used to support Council’s social, environmental, or economic goals as part of a longer term strategy such as the Council Plan. For example, rates can be altered to encourage business activity, the development of vacant land or environmentally sustainable improvements.



- **Comparative rates principle:** When considering what is an equitable distribution of the rate burden across the community, the Council's rating structure should be compared to other like councils of a similar size, scale and population. Benchmarking on its own however, does not necessarily determine Council's performance with respect to an equitable distribution of rate burden. Although the information may show differences between councils, the reasons for the differences sometimes require further investigation. What is an equitable distribution can be difficult to determine based on benchmarking indicators alone.
- **Simplicity principle:** Refers a transparent rating system with a clear purpose and principles that is understood by ratepayers, with a view to the tax system being capable of being questioned and challenged by ratepayers. Finding a balance between different objectives can be complex.
- **Efficiency principle:** Refers to the cost of administering the rates system including issuing of assessments, collection of rates, monitoring outcomes, educating and informing ratepayers, enforcement and debt recovery. There is a tendency for uniformity to help minimise administration costs, however, it is also possible for a simple rate system to be costly if it is unpopular and results in increased appeals and higher collection costs.
- **Legislative compliance principle:** It is important to ensure that all rating decisions are made in accordance with relevant legislation, including the Act.

## 4 THE CURRENT RATING SYSTEM

### 4.1 HISTORY

#### 4.1.1 PROPERTY VALUATION BASE

Property values are used to calculate how much each property owner will pay. The Council uses the Capital Improved Value (CIV) as the basis for valuing its land. The Council considers that this method provides the fairest way to distribute the rate burden across all ratepayers on the following basis:

- The “Capacity to Pay Principle” of taxation requires that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth;
- Property value is a relatively good indicator of wealth (when lifetime incomes, including incomes from capital gains, are taken into account). The CIV, which closely approximates the market value of a property, provides the best indicator of overall property value.

Seventy-three of Victoria’s 79 councils use the CIV method to calculate property rates, while the remaining six use the Net Annual Value (NAV) method.

#### 4.1.2 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 maximum municipal charge that can be levied equals 20 per cent of the revenue raised from general rates and the municipal charge divided by the number of chargeable properties. Historically, the Council levied the municipal charge at between 7 and 7.5 per cent of the total rates revenue, well below the allowable 20 per cent maximum.

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 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 valued properties.

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

The effect for residential, commercial and industrial properties is not as general as there is usually greater diversity in the range of property values. It can be argued, however, that overall the municipal charge has an individualised impact for properties within a property class.

It is not a targeted rating instrument like a differential rate and the use of differential rates is considered to be a more transparent and accurate means of achieving rate outcomes for certain classes of property.

The Council has levied a municipal charge since amalgamations in 1994.

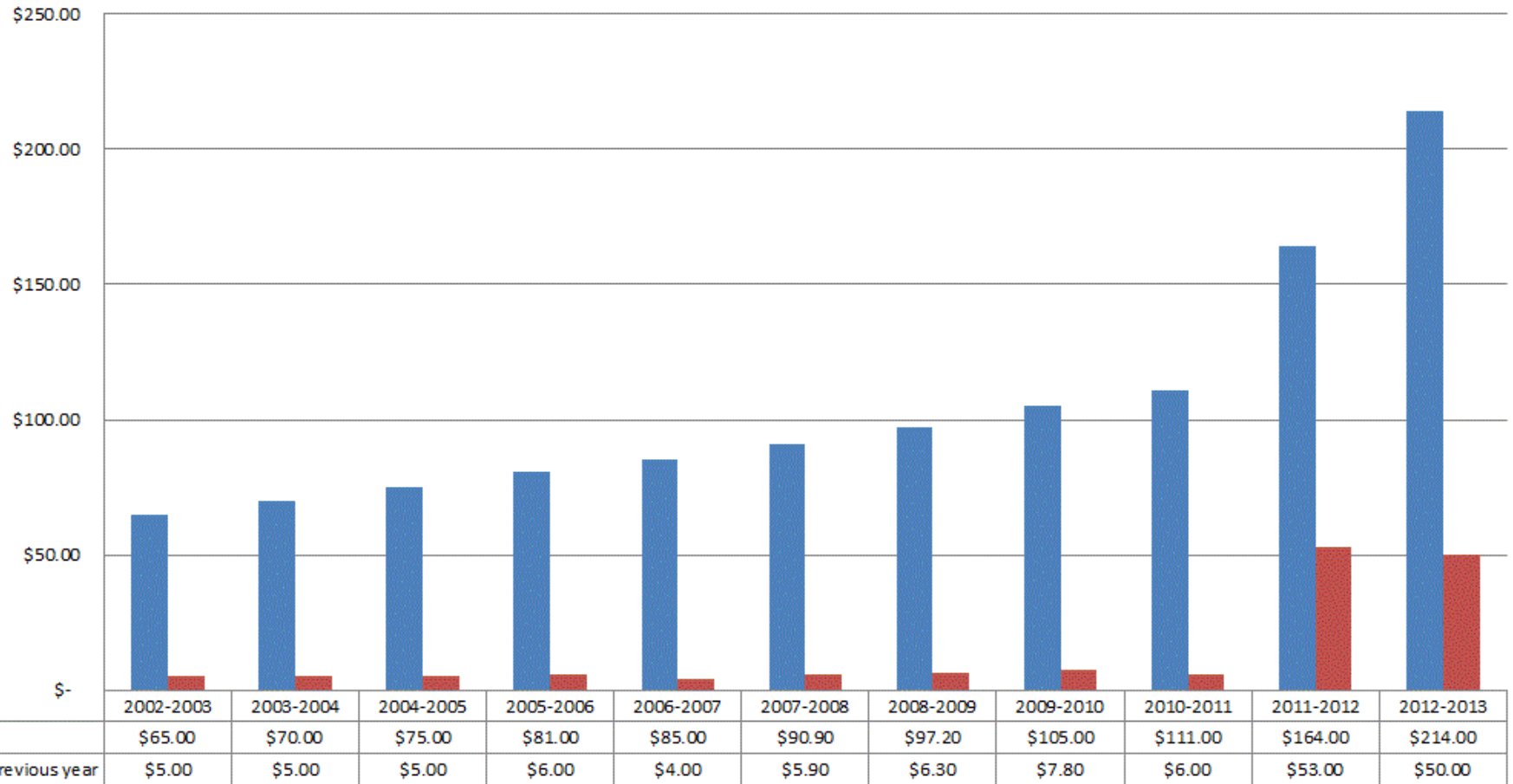
In March 2011, following the review of the Council’s Rating Strategy an option to increase the municipal charge as a proportion of total rate revenue was identified. The objective was to spread,

more evenly, the administrative costs the Council. In 2011-2012, the Council endorsed an increase of \$53 to the municipal charge taking it from \$111 to \$164, which increased the municipal charge revenue, as a percentage of total rates revenue from 7 per cent to 10 per cent.

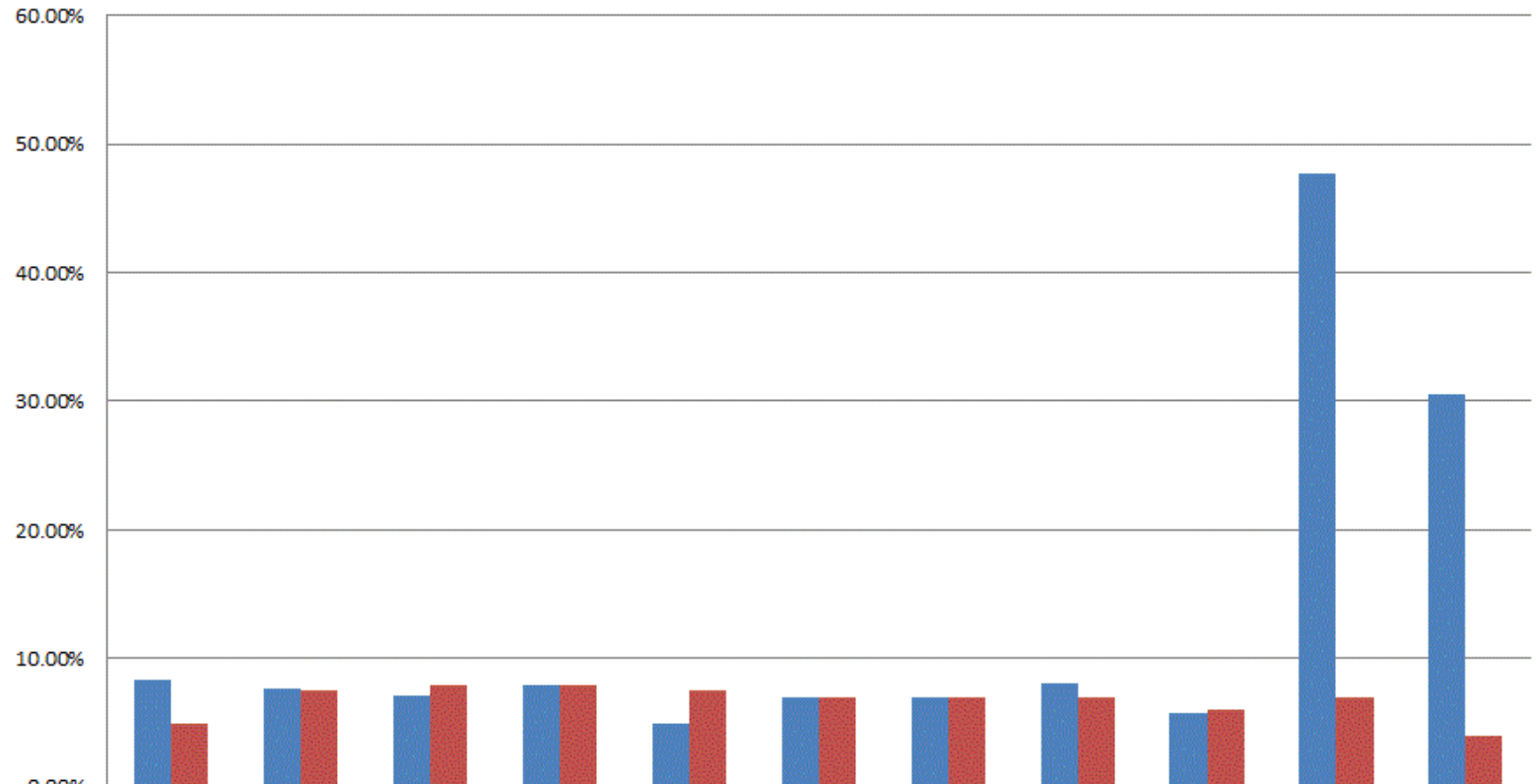
In 2012-2013, the Council adopted an increase of \$50 to the municipal charge taking it from \$164 to \$214. This change increased the municipal charge revenue, as a percentage of total rates revenue from 10 per cent to 12 per cent which is still below the allowable 20 per cent maximum.

Year	Municipal Charge	Increase \$	Increase %	Total Rates and Charges Revenue Increase %	Municipal Charge Revenue % of Total Rates and Charges Revenue	Maximum Allowed %
2002-2003	\$65	\$5	8%	5.00%		20%
2003-2004	\$70	\$5	8%	7.50%	7%	20%
2004-2005	\$75	\$5	7%	8.00%	7%	20%
2005-2006	\$81	\$6	8%	8.00%	7%	20%
2006-2007	\$85	\$4	5%	7.50%	7%	20%
2007-2008	\$91	\$6	7%	6.95%	7%	20%
2008-2009	\$97	\$6	7%	6.95%	7%	20%
2009-2010	\$105	\$8	8%	6.95%	7%	20%
2010-2011	\$111	\$6	6%	6.00%	7%	20%
2011-2012	\$164	\$53	48%	6.95%	10%	20%
2012-2013	\$214	\$50	30%	3.95%	12%	20%

### GREATER SHEPPARTON CITY COUNCIL Municipal Charge changes between 2002-2003 to 2012-2013

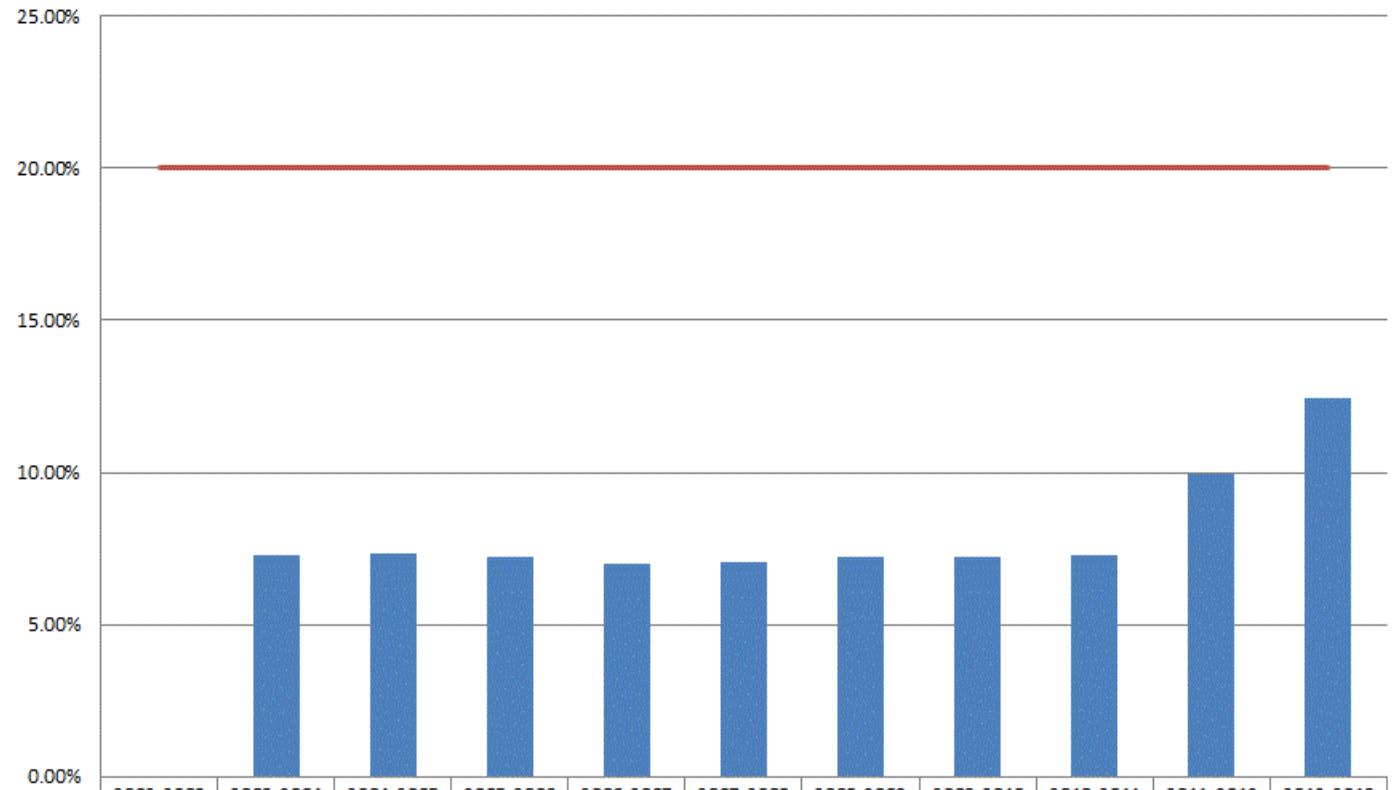


### GREATER SHEPPARTON CITY COUNCIL Municipal Charge % increases between 2002-2003 to 2012-2013



■ % Increase for Municipal Charge	8.33%	7.69%	7.14%	8.00%	4.94%	6.94%	6.93%	8.02%	5.71%	47.75%	30.49%
■ % Increase for Total Rates and Charges Revenue	5.00%	7.50%	8.00%	8.00%	7.50%	6.95%	6.95%	6.95%	6.00%	6.95%	3.95%

### GREATER SHEPPARTON CITY COUNCIL Municipal Charge Revenue as a % of Total Rates and Charges Revenue between 2002-2003 to 2012-2013



■	Municipal Charge Revenue as a % of Total Rates and Charges Revenue	0.00%	7.28%	7.31%	7.22%	7.02%	7.05%	7.24%	7.25%	7.26%	9.95%	12.43%
—	% Maximum Allowed	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%

### 4.1.3 DIFFERENTIAL RATES

The current rating structure comprises ten differential rates and a rate concession for rateable outdoor recreational lands developed primarily for regional use, incorporated into major property categories: Residential, Farm, Commercial, Industrial and Cultural and Recreational.

The different rates are structured in accordance with the requirements of section 161 of the Act and are detailed below:

- **Residential Improved and Unimproved Land**
  - Land used primarily for residential purposes; or
  - Unimproved land but which, by reason of its locality and zoning under the relevant Planning Scheme, would – if developed – be or likely to be used primarily for residential purposes.
- **Farm Land**
  - Land that is not less than 2 hectares in area; and
  - That is used primarily for grazing (including agistment), dairying, pig-farming, poultry-farming, fish-farming, tree-farming, bee-keeping, viticulture, fruit-growing or the growing of crops of any kind or for any combination of those activities; and
  - That is used by a business –
    - That has significant and substantial commercial purpose or character; and
    - That seeks to make a profit on a continued basis from its activities on the land; and
    - That is making a profit from its activities on the land, or has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way it is operating.
- **Commercial Unimproved Land**
  - Unimproved land but which, by reason of its locality and zoning under the relevant Planning Scheme, would – if developed – be or likely to be used primarily for the sale of goods or services or other commercial purposes.
- **Commercial Improved 1 Land**
  - Land located within the Urban Shepparton Area (see map below); and
  - That is used primarily for, or is capable of use primarily for commercial purposes.
- **Commercial Improved 2 Land**
  - Land located outside the Urban Shepparton Area (see map below); and
  - That is used primarily for, or is capable of use primarily for commercial purposes; and
  - Has a Capital Improved Value of \$500,000 or more.
- **Commercial Improved 3 Land**
  - Land located outside the Urban Shepparton Area (see map below); and
  - That is used primarily for, or is capable of use primarily for commercial purposes; and

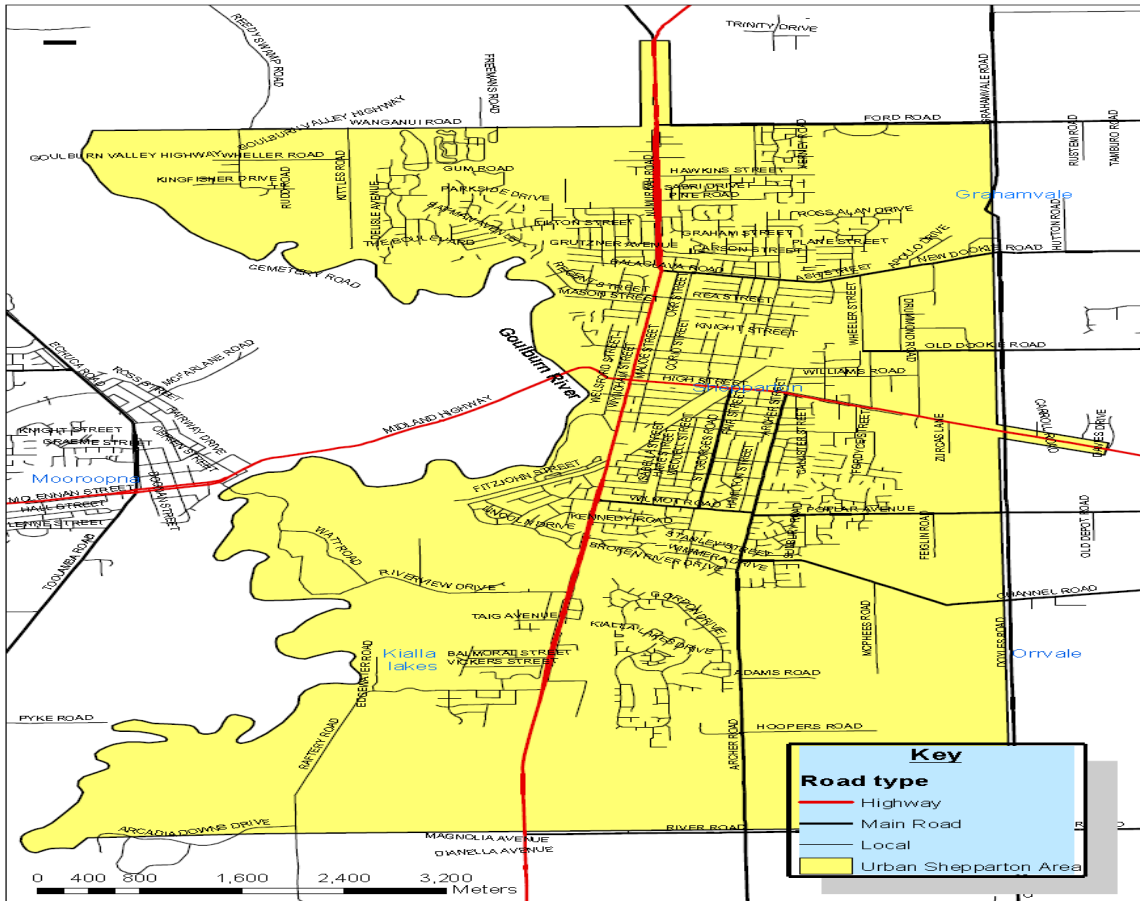
- Has a Capital Improved Value of less than \$500,000.
- **Industrial Unimproved Land**
  - Unimproved land but which, by reason of its locality and zoning under the relevant Planning Scheme, would – if developed – be or likely to be used primarily for the industrial purposes.
- **Industrial Improved 1 Land**
  - Land located within the Urban Shepparton Area (see map below); and
  - That is used primarily for, or is capable of use primarily for industrial purposes.
- **Industrial Improved 2 Land**
  - Land located outside the Urban Shepparton Area (see map below); and
  - That is used primarily for, or is capable of use primarily for industrial purposes; and
  - Has a Capital Improved Value of \$500,000 or more.
- **Industrial Improved 3 Land**
  - Land located outside the Urban Shepparton Area (see map below); and
  - That is used primarily for, or is capable of use primarily for industrial purposes; and
  - Has a Capital Improved Value of less than \$500,000.
- **Cultural and Recreational Land**
  - Rateable outdoor recreational lands developed primarily for regional use as evidenced by paid administrative support and/or commercial business dealings in their operation or management will be granted a rating concession under the *Cultural and Recreational Land Act 1963*.



The Urban Shepparton Area is bound by:

- The Goulburn River to the west
- Wanganui Road and Ford Road to the north, but including the Goulburn Valley Highway to the Barmah-Shepparton Road
- The Shepparton Heavy vehicle By-Pass to the east, but including Benalla Road to Davies Drive
- River Road to the south

**Map of Urban Shepparton Area**



Details of the objectives of each differential rate, the types of classes of land which are subject to each differential rate and the uses of each of the differential rate are contained in Appendix C Statutory Disclosures of the Council Budget.

## 4.1.3.1

 HISTORICAL RATES AND CHARGES DATA  
 FROM 2002-2003

Historical rates and charges data are detailed below for both the ratio to residential rate and the rates in the dollar. Significant change occurred in most differential rate type categories during the 2004-2005 rating year compared to the residential rate category.

In the 2004-2005 rating year, the residential differential rate in the dollar was reduced to mitigate the impact of a significant increase in valuations compared to other differential categories.

## 4.1.3.1.1 RESIDENTIAL RATES

Details of the differential rate in the dollar and the ratio comparison to the residential differential rate are included in the table below.

Rating Year	Rate in the Dollar	Ratio to Residential Rate
2002-2003	0.00424250	100%
2003-2004	0.00455670	100%
2004-2005	0.00319080	100%
2005-2006	0.00344610	100%
2006-2007	0.00317460	100%
2007-2008	0.00342640	100%
2008-2009	0.00317780	100%
2009-2010	0.00340570	100%
2010-2011	0.00359550	100%
2011-2012	0.00377980	100%
2012-2013	0.00384340	100%

## 4.1.3.1.2 FARM RATES

Details of the farm differential rate in the dollar and the ratio comparison to the residential differential rate are included in the table below.

Rating Year	Rate in the Dollar	Ratio to Residential Rate
2002-2003	0.00352900	83%
2003-2004	0.00379030	83%
2004-2005	0.00352620	111%
2005-2006	0.00380830	111%
2006-2007	0.00370600	117%
2007-2008	0.00352810	103%
2008-2009	0.00361270	114%
2009-2010	0.00386180	113%
2010-2011	0.00400730	111%
2011-2012	0.00377980	100%
2012-2013	0.00383940	100%

#### 4.1.3.1.3 COMMERCIAL RATES

Details of the commercial unimproved differential rate in the dollar and the ratio comparison to the residential differential rate are included in the table below.

Rating Year	Rate in the Dollar	Ratio to Residential Rate
2002-2003	0.00465033	110%
2003-2004	0.00499483	110%
2004-2005	0.00458667	144%
2005-2006	0.00495360	144%
2006-2007	0.00424913	134%
2007-2008	0.00520140	152%
2008-2009	0.00490770	154%
2009-2010	0.00524880	154%
2010-2011	0.00517500	144%
2011-2012	0.00546120	144%
2012-2013	0.00539040	140%

Details of the commercial improved differential rates in the dollar and the ratio comparison to the residential differential rate are included in the table below.

Rating Year	Commercial Improved 1		Commercial Improved 2		Commercial Improved 3	
	Rate in the Dollar	Ratio to Residential Rate	Rate in the Dollar	Ratio to Residential Rate	Rate in the Dollar	Ratio to Residential Rate
2002-2003	0.00934914	220%	0.00788810	186%	0.00788810	186%
2003-2004	0.01004167	220%	0.00847240	186%	0.00847240	186%
2004-2005	0.00978672	307%	0.00798670	250%	0.00798670	250%
2005-2006	0.01056967	307%	0.00862560	250%	0.00862560	250%
2006-2007	0.00930799	293%	0.00764200	241%	0.00764200	241%
2007-2008	0.01032730	301%	0.00952440	278%	0.00761950	222%
2008-2009	0.00982640	309%	0.00914330	288%	0.00728480	229%
2009-2010	0.01050930	309%	0.00977880	287%	0.00779110	229%
2010-2011	0.01098520	306%	0.01039200	289%	0.00845080	235%
2011-2012	0.01169750	309%	0.01105310	292%	0.00893920	236%
2012-2013	0.01156310	301%	0.01168960	304%	0.00909690	237%

#### 4.1.3.1.4 INDUSTRIAL RATES

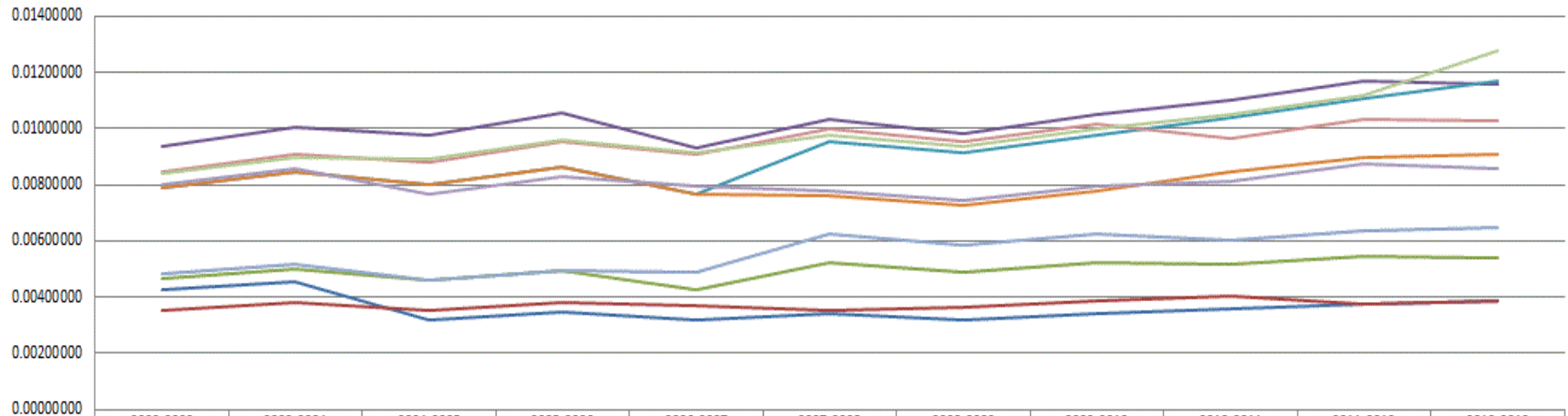
Details of the industrial unimproved differential rate in the dollar and the ratio comparison to the residential differential rate are included in the table below.

Rating Year	Rate in the Dollar	Ratio to Residential Rate
2002-2003	0.00480370	113%
2003-2004	0.00515955	113%
2004-2005	0.00459765	144%
2005-2006	0.00496545	144%
2006-2007	0.00485840	153%
2007-2008	0.00626300	183%
2008-2009	0.00585660	184%
2009-2010	0.00626360	184%
2010-2011	0.00601220	167%
2011-2012	0.00635360	168%
2012-2013	0.00649550	169%

Details of the industrial improved differential rates in the dollar and the ratio comparison to the residential differential rate are included in the table below.

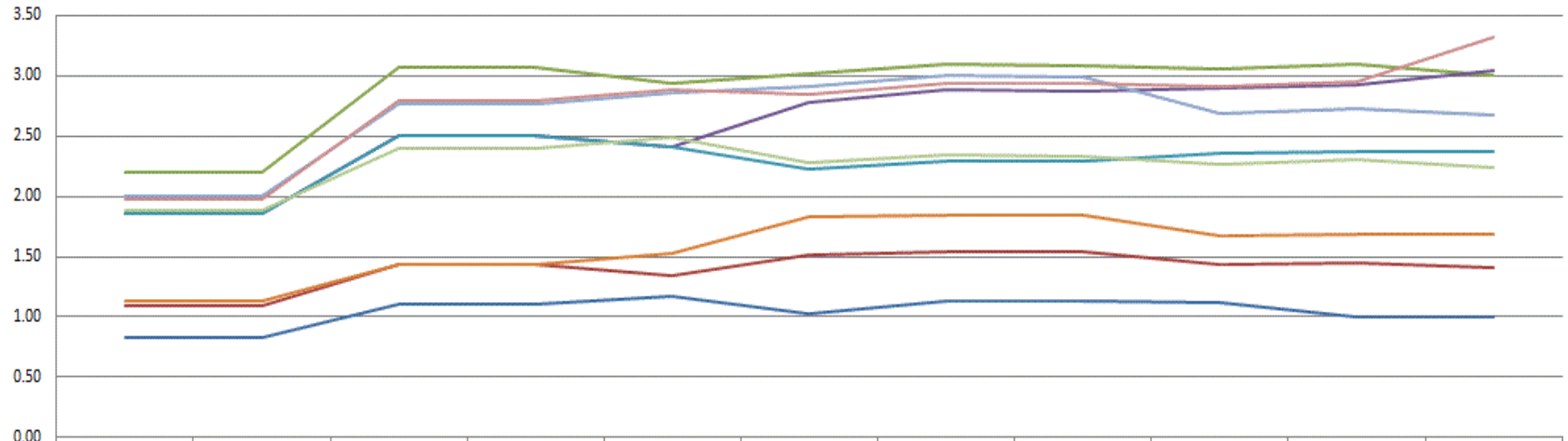
Rating Year	Industrial Improved 1		Industrial Improved 2		Industrial Improved 3	
	Rate in the Dollar	Ratio to Residential Rate	Rate in the Dollar	Ratio to Residential Rate	Rate in the Dollar	Ratio to Residential Rate
2002-2003	0.00847385	200%	0.00837360	197%	0.00799750	189%
2003-2004	0.00910155	200%	0.00899390	197%	0.00858990	189%
2004-2005	0.00881965	276%	0.00888610	278%	0.00766110	240%
2005-2006	0.00952520	276%	0.00959700	278%	0.00827400	240%
2006-2007	0.00906305	285%	0.00913940	288%	0.00792060	249%
2007-2008	0.00626300	291%	0.00974110	284%	0.00779290	227%
2008-2009	0.00585660	300%	0.00933630	294%	0.00743920	234%
2009-2010	0.00626360	299%	0.00998520	293%	0.00795620	234%
2010-2011	0.00601220	269%	0.01047720	291%	0.00813600	226%
2011-2012	0.00635360	273%	0.01116640	295%	0.00871650	231%
2012-2013	0.00649550	267%	0.01274130	332%	0.00858440	223%

### GREATER SHEPPARTON CITY COUNCIL Rate in the Dollar between 2002-2003 to 2012-2013



	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Residential	0.00424250	0.00455670	0.00319080	0.00344610	0.00317460	0.00342640	0.00317780	0.00340570	0.00359550	0.00377980	0.00384340
Farm	0.00352900	0.00379030	0.00352620	0.00380830	0.00370600	0.00352810	0.00361270	0.00386180	0.00400730	0.00377980	0.00383940
Commercial Unimproved	0.00465033	0.00499483	0.00458667	0.00495360	0.00424913	0.00520140	0.00490770	0.00524880	0.00517500	0.00546120	0.00539040
Commercial Improved 1	0.00934914	0.01004167	0.00978672	0.01056967	0.00930799	0.01032730	0.00982640	0.01050930	0.01098520	0.01169750	0.01156310
Commercial Improved 2	0.00788810	0.00847240	0.00798670	0.00862560	0.00764200	0.00952440	0.00914330	0.00977880	0.01039200	0.01105310	0.01168960
Commercial Improved 3	0.00788810	0.00847240	0.00798670	0.00862560	0.00764200	0.00761950	0.00728480	0.00779110	0.00845080	0.00893920	0.00909690
Industrial Unimproved	0.00480370	0.00515955	0.00459765	0.00496545	0.00485840	0.00626300	0.00585660	0.00626360	0.00601220	0.00635360	0.00649550
Industrial Improved 1	0.00847385	0.00910155	0.00881965	0.00952520	0.00906305	0.00997950	0.00952190	0.01018370	0.00967550	0.01030280	0.01025780
Industrial Improved 2	0.00837360	0.00899390	0.00888610	0.00959700	0.00913940	0.00974110	0.00933630	0.00998520	0.01047720	0.01116640	0.01274130
Industrial Improved 3	0.00799750	0.00858990	0.00766110	0.00827400	0.00792060	0.00779290	0.00743920	0.00795620	0.00813600	0.00871650	0.00858440

### GREATER SHEPPARTON CITY COUNCIL Ratio to Residential Rate between 2002-2003 to 2012-2013



	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
— Farm	0.83	0.83	1.11	1.11	1.17	1.03	1.14	1.13	1.11	1.00	1.00
— Commercial Unimproved	1.10	1.10	1.44	1.44	1.34	1.52	1.54	1.54	1.44	1.44	1.40
— Commercial Improved 1	2.20	2.20	3.07	3.07	2.93	3.01	3.09	3.09	3.06	3.09	3.01
— Commercial Improved 2	1.86	1.86	2.50	2.50	2.41	2.78	2.88	2.87	2.89	2.92	3.04
— Commercial Improved 3	1.86	1.86	2.50	2.50	2.41	2.22	2.29	2.29	2.35	2.36	2.37
— Industrial Unimproved	1.13	1.13	1.44	1.44	1.53	1.83	1.84	1.84	1.67	1.68	1.69
— Industrial Improved 1	2.00	2.00	2.76	2.76	2.85	2.91	3.00	2.99	2.69	2.73	2.67
— Industrial Improved 2	1.97	1.97	2.78	2.78	2.88	2.84	2.94	2.93	2.91	2.95	3.32
— Industrial Improved 3	1.89	1.89	2.40	2.40	2.49	2.27	2.34	2.34	2.26	2.31	2.23

## 4.1.3.2

 RATES AND CHARGES DATA RELATING  
TO 2012-2013

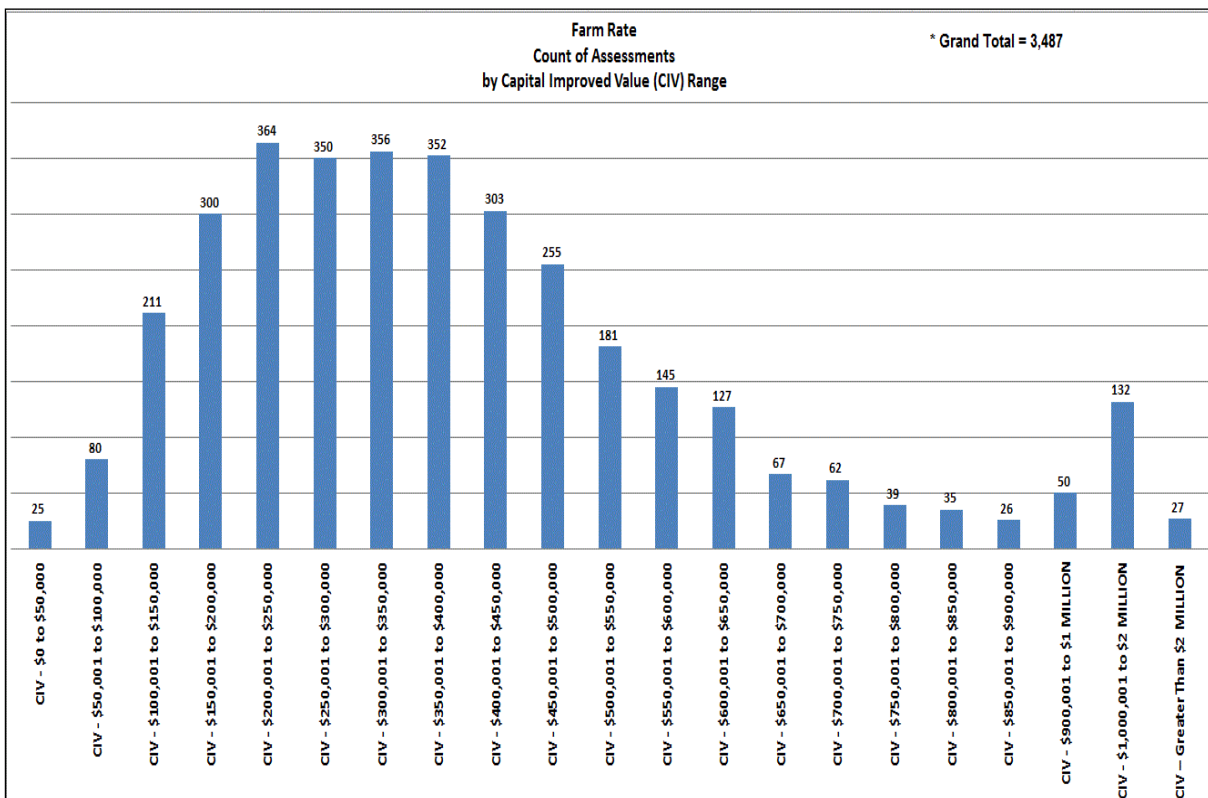
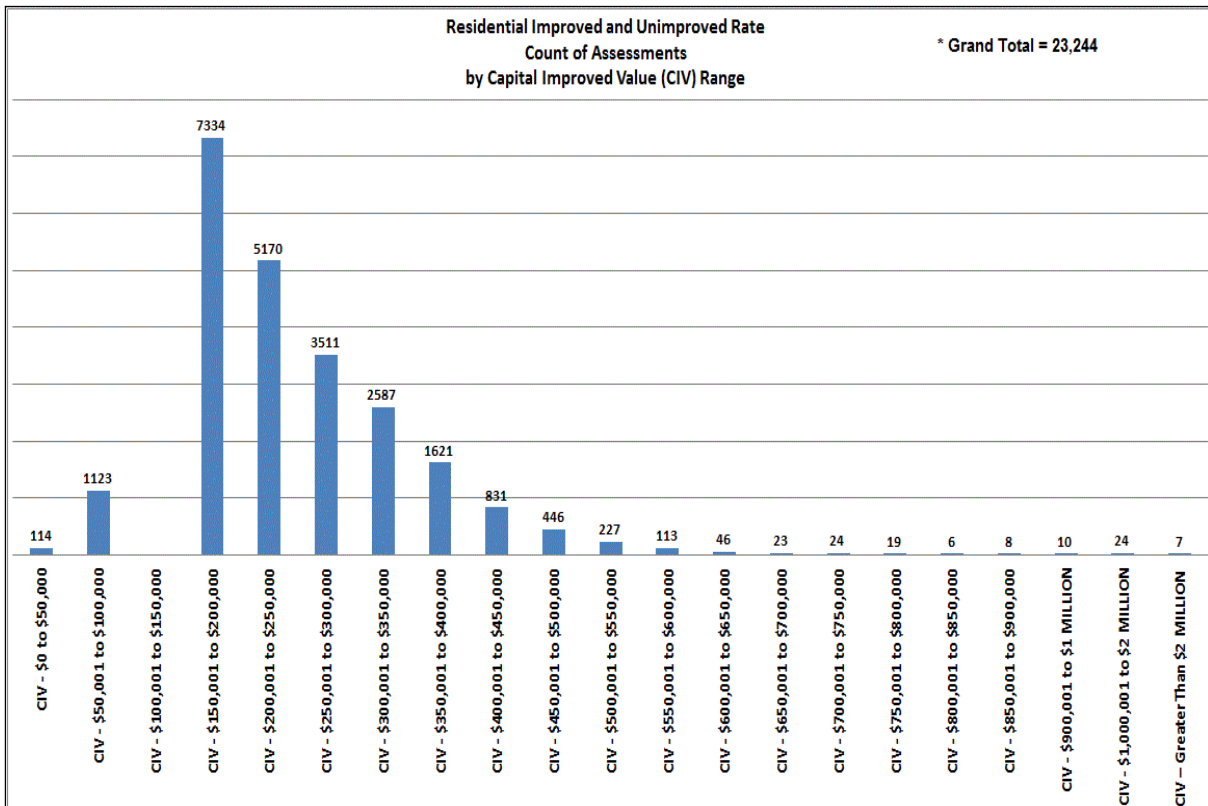
Details of each differential rate in the dollar, the ratio to the residential differential rate, the number and percentage of assessments for 2012-2013 are included in the table below.

Differential Category*	Cents in/\$ CIV 2012-2013	Ratio to Residential Rate	Assessments 2012-2013	% of Assessments
Residential Improved and Unimproved Land	0.0038434	100%	23,244	80%
Farm Land	0.0038394	100%	3,487	12%
Commercial Unimproved Land	0.0053904	140%	65	0%
Commercial Improved 1 Land	0.0115631	301%	1,357	5%
Commercial Improved 2 Land	0.0116896	304%	37	0%
Commercial Improved 3 Land	0.0090969	237%	267	1%
Industrial Unimproved Land	0.0064955	169%	80	0%
Industrial Improved 1 Land	0.0102578	267%	533	2%
Industrial Improved 2 Land	0.0127413	332%	29	0%
Industrial Improved 3 Land	0.0085844	223%	87	0%
Cultural and Recreational Land	0.0027999	73%	7	0%
<b>TOTAL</b>			<b>29,193</b>	<b>100%</b>

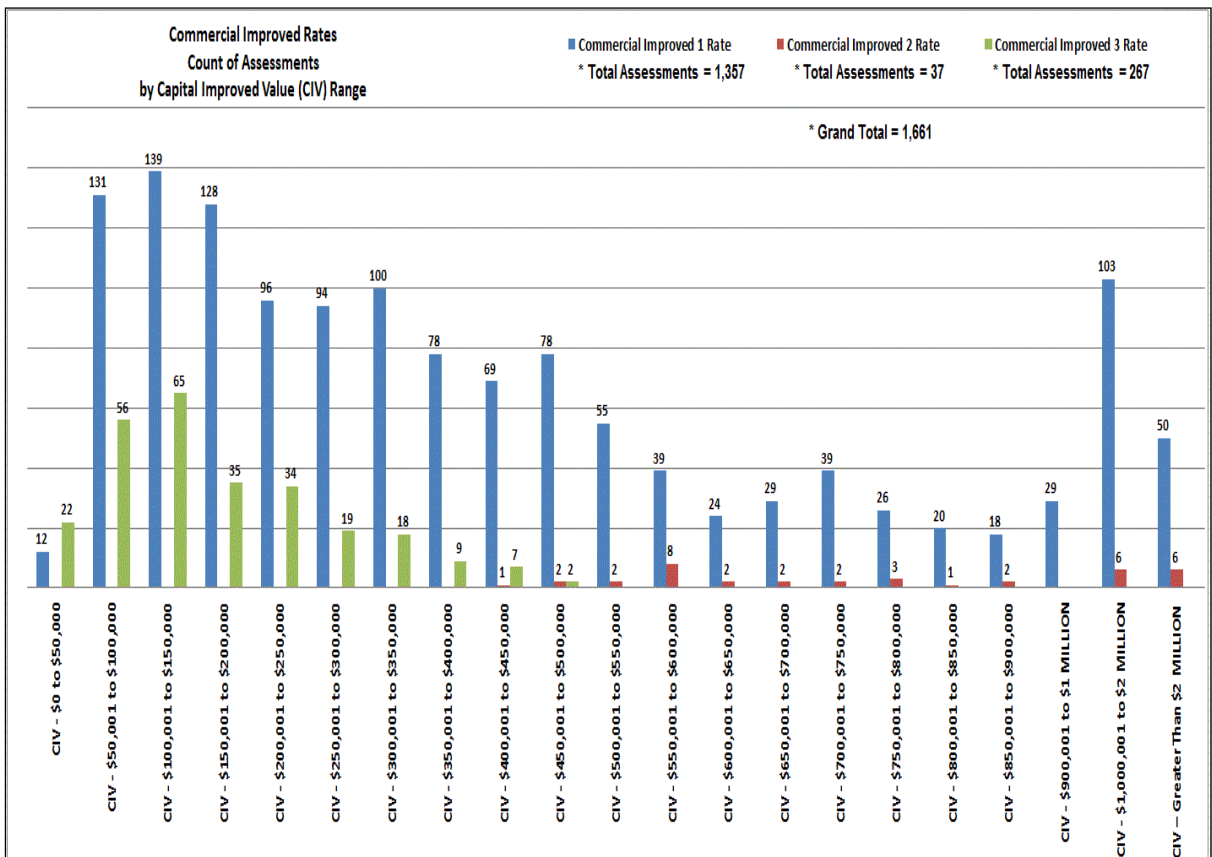
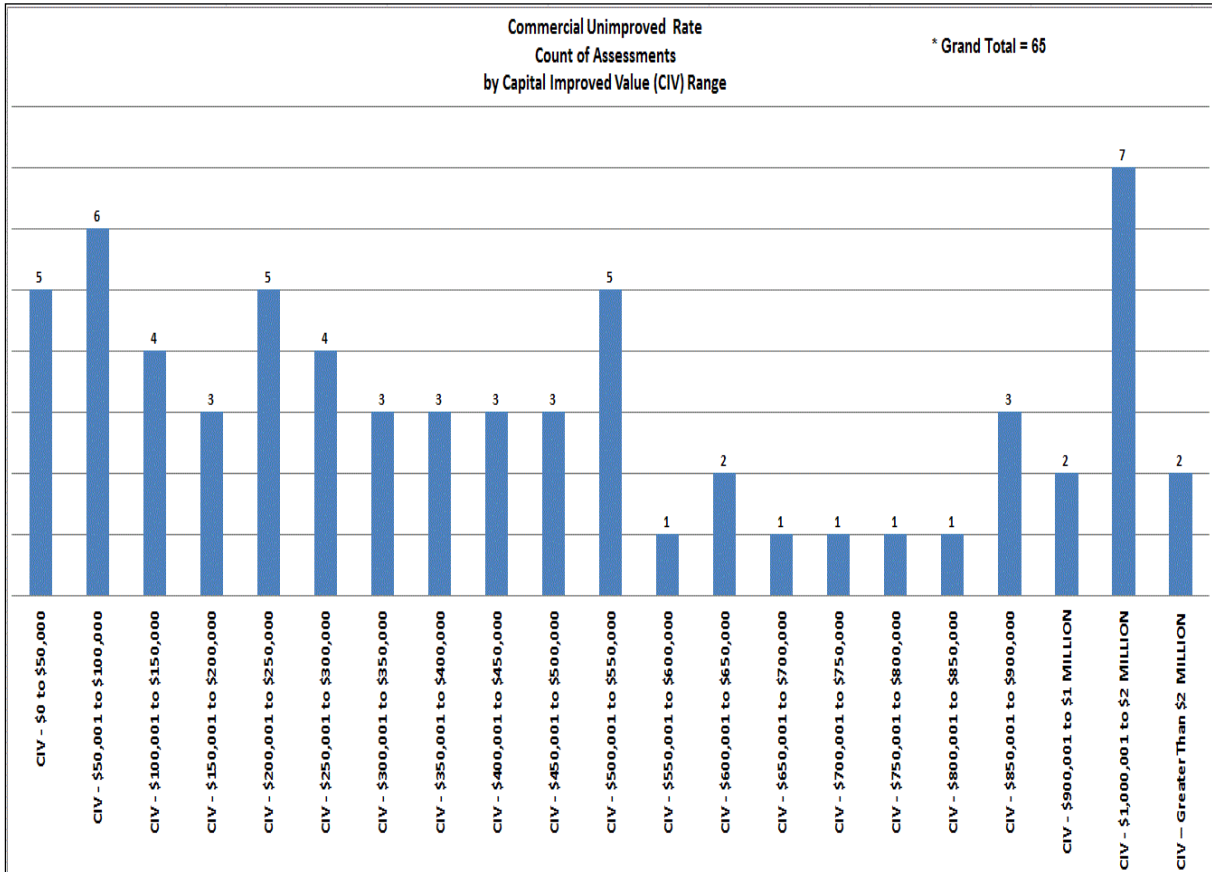
Differential Category*	Assessments 2012-2013	CIV 2012-2013 '000	% of CIV	Differential Revenue 2012-2013 '000	% of Differential Rate Revenue
Residential Improved and Unimproved Land	23,244	\$5,720,780	66%	\$21,987	51%
Farm Land	3,487	\$1,498,713	17%	\$5,754	13%
Commercial Unimproved Land	65	\$36,006	0%	\$194	0%
Commercial Improved 1 Land	1,357	\$780,890	9%	\$9,030	21%
Commercial Improved 2 Land	37	\$50,057	1%	\$585	1%
Commercial Improved 3 Land	267	\$45,245	1%	\$412	1%
Industrial Unimproved Land	80	\$31,967	0%	\$208	0%
Industrial Improved 1 Land	533	\$330,872	4%	\$3,394	8%
Industrial Improved 2 Land	29	\$97,006	1%	\$1,236	3%
Industrial Improved 3 Land	87	\$17,475	0%	\$150	0%
Cultural and Recreational Land	7	\$10,987	0%	\$31	0%
<b>Total</b>	<b>29,193</b>	<b>\$8,619,999</b>	<b>100%</b>	<b>\$42,980</b>	<b>100%</b>

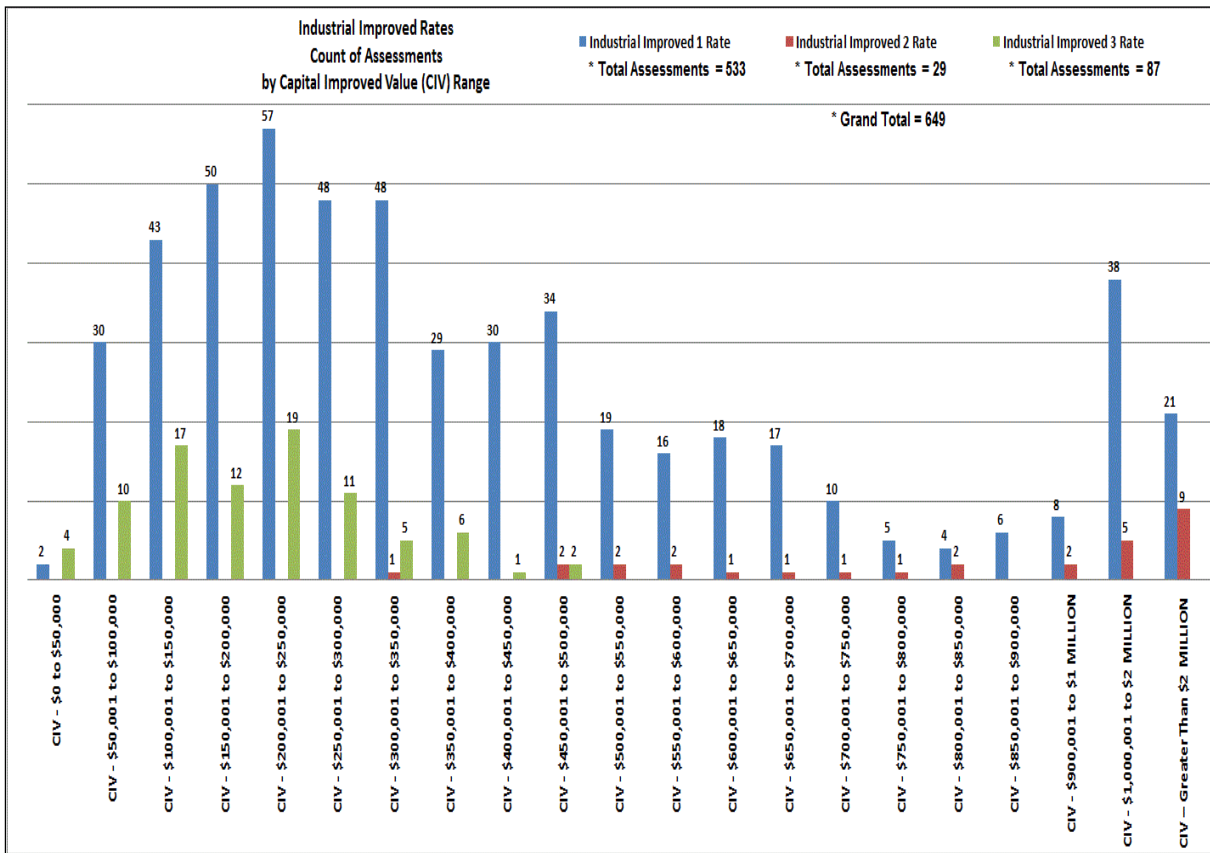
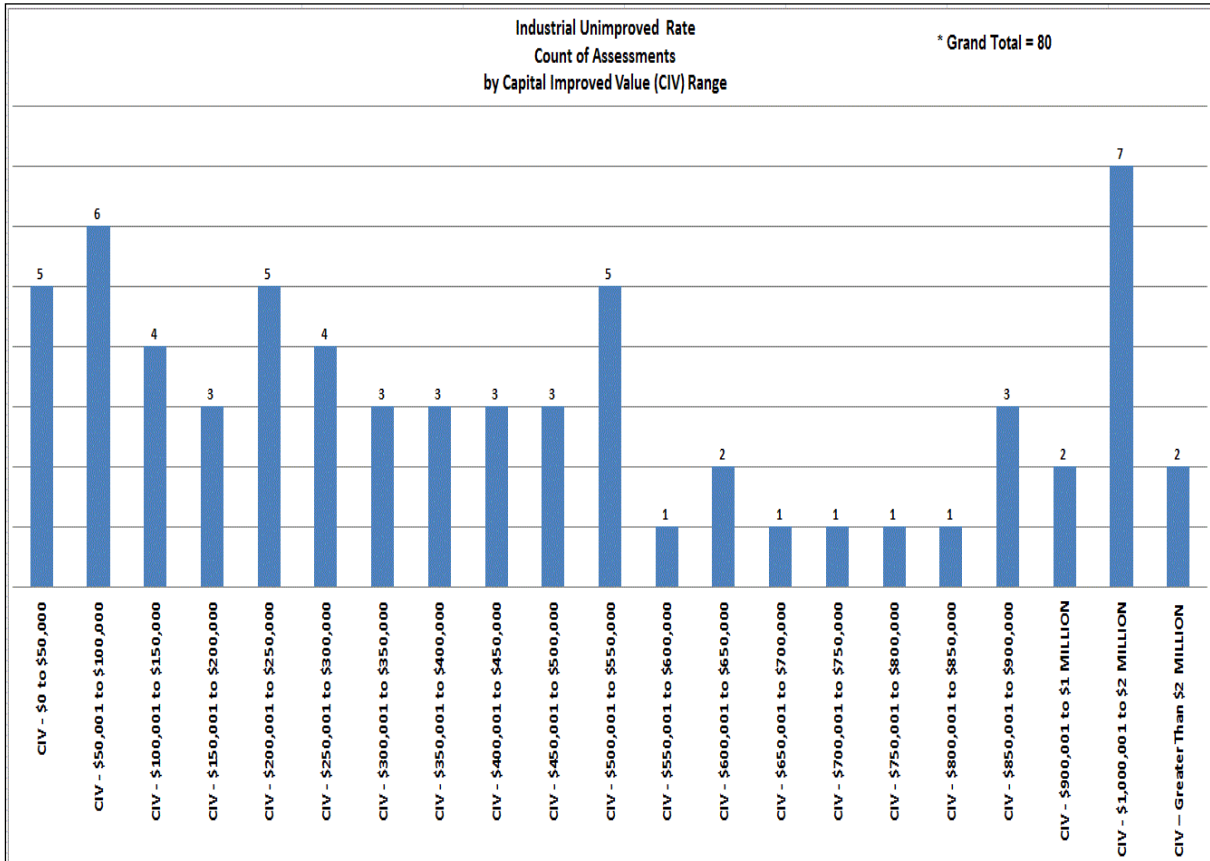


The graphs below provide a snapshot of details for 2012-2013 relating to the number of assessments per Capital Improved Value (CIV) range for each current rating differential:









#### 4.1.3.3 Contributions towards Shepparton Show Me promotions

In December 1997, the Council released a discussion paper for public comment for a proposed Promotion Scheme for the Shepparton Central Business District (CBD). The discussion paper was prepared as a result of the Super Shepparton Committee presenting the Council with a marketing plan for the Shepparton CBD, to be funded by a Special Rate on CBD properties.

In considering the committee's marketing plan, the Council met with a number of groups and individuals who had an interest in the proposal. In addition, the Council received many submissions, including personal representations, detailed letters and a significant number of pro-forma objections. Submissions generally favoured that the promotion should focus on both Shepparton's CBD and the City's overall commercial activities.

By funding the promotions scheme by way of a differential rate, the additional general rate revenue raised would be allocated specifically for this purpose. Using this method of funding, the differential rate would be adopted in conjunction with the Council's budgetary process, at which time formal public submissions on the proposed differential rate can be made.

After investigations, the Council confirmed that the most effective proposal was a promotion plan focusing on and marketing the Shepparton CBD and the retail sector along the main highway approaches to Shepparton from North, South and East.

As a result of the public consultation process, the Council made some adjustments to the preferred option and proposed that the differential rate be raised as part of the budgetary process because: -

- It incorporated all those properties which derived a benefit from the marketing focus of the plan;
- A differential rate would be:
  - Less expensive to administer and implement; and
  - Less complex to amend, adjust or terminate

- It designated six strategic property categories against which to apply liability in accordance with the expenditure and focus delivered to each category from the marketing plan. The categories assigned were:
  - **Primary CBD Retail**
    - All rateable properties with ground level frontage to the Shepparton Mall
  - **Secondary CBD Retail**
    - All rateable properties, excluding those classified as Primary CBD Retail, contained within the CBD precinct of:
      - Welsford Street – between the Queens Gardens and High Street;
      - Wyndham Street – between Nixon Street and Vaughan Street on the west side [excluding properties to the rear of 372-398 Wyndham Street] and between Nixon Street and the south side of 451 Wyndham Street on the east side;
      - Maude Street – between Nixon Street and the south side of 288 Maude Street on the west side between Nixon Street and Vaughan Street on the east side;
      - Corio Street – between Fryers Street and Ashenden Street;
      - Fryers Street – between Welsford Street and east side of 153 Fryers Street on the north side between Welsford Street and Corio Street on the south side;
      - Stewart Street – between the Mall and Corio Street;
      - High Street – between Welsford Street and North Street;
      - Rowe Street – between Maude Street and Corio Street;
      - Vaughan Street – between Wyndham Street and Corio Street;
      - Ashenden Street – north side between Maude Street and Corio Street.
  - **Tertiary CBD Retail**
    - All rateable properties, excluding those classified as Primary and Secondary CBD Retail, contained within the CBD precinct of:
      - Welsford Street – the east side between Knight Street and Fryers Street, the west side between Fryers Street and Vaughan Street, the east side between Vaughan Street and Sobraon Street;
      - Sobraon Street – the north side from Welsford Street to Hoskin Street;
      - Hoskin Street – the east side to High Street;
      - High Street – north and south side east to the railway line;
      - North Street – east side to Fryers Street;
      - Fryers Street – west of Harold Street to the north side, west of No. 210 on the south side;
      - Corio Street – east side, north of Fryers Street to and including No. 105 on the east side [and No. 110 on the west side];
      - Nixon Street – north side between Corio Street and Maude Street;
      - Maude Street – west side between Nixon Street and Knight Street;
      - Knight Street - south side between Maude Street and Welsford Street.



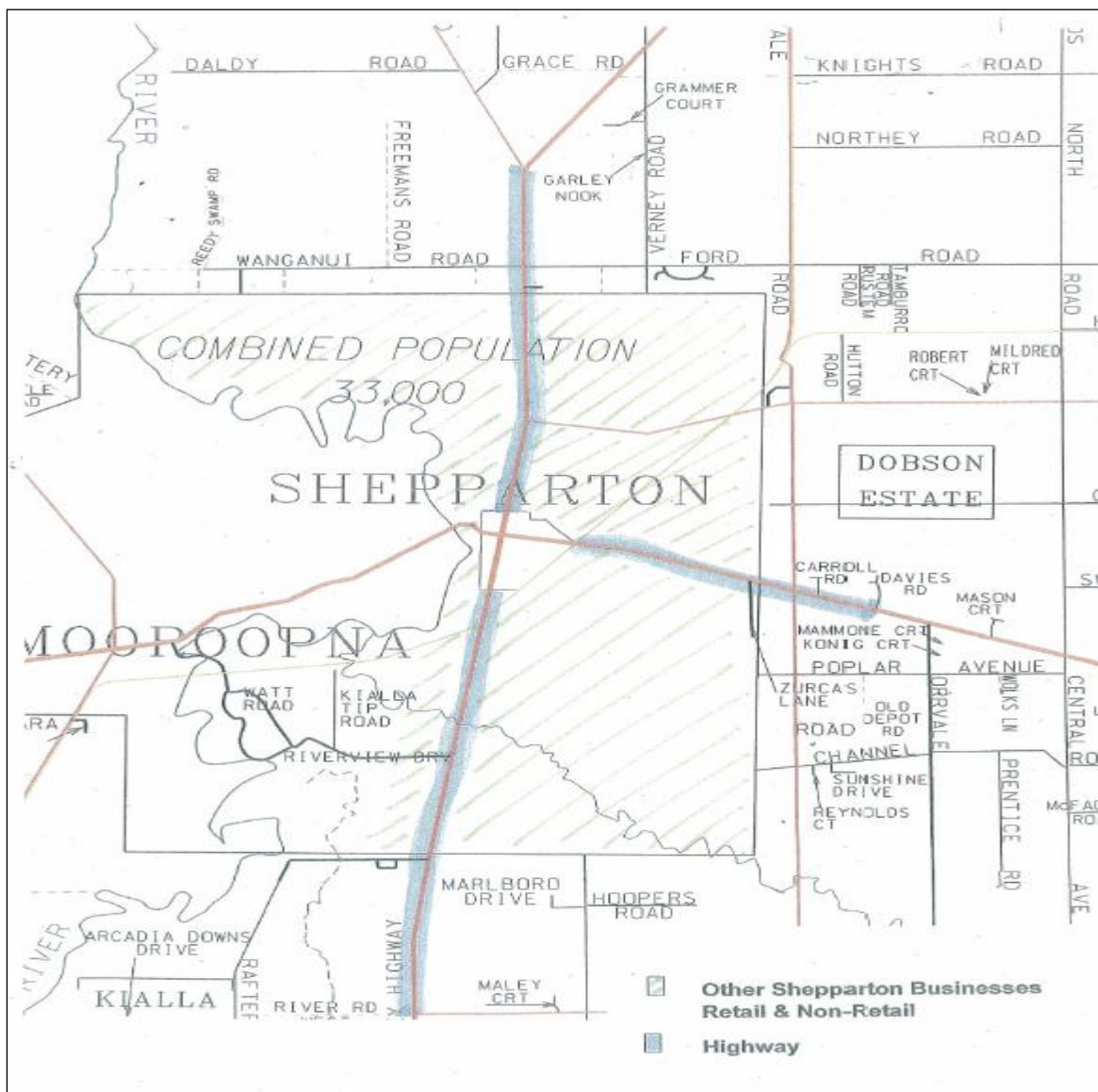
- **CBD Non-Retail**
  - All non-retail rateable properties contained within the Tertiary CBD precinct.
- **Highway Retail**
  - All rateable retail properties which are outside the Tertiary CBD precinct and located on Wyndham Street, Numurkah Road, High Street; and the Goulburn Valley Highway between the Aerodrome in the south and Wanganui Road in the north and Benalla Road between Archer Street and west of Davies Road.
- **Other Shepparton Business – Retail and Non-Retail**
  - All rateable properties which are outside the Tertiary CBD precinct and excluding Highway Retail classified properties located within the boundaries of:
    - The Goulburn River to the west;
    - Wanganui Road and Ford Road to the north, but including the Goulburn Valley Highway to the Shepparton Barmah Road;
    - The Shepparton Heavy Vehicle By-Pass to the east, but including Benalla Road and Davies Road;
    - River Road to the south

**Map – Primary, Secondary and Tertiary CBD Precincts**



- The property type definitions were as follows:
  - **Retail Property**
    - Rateable properties with structural building design characteristics which are used for, or capable of use for, retail purposes. [Retail purposes as defined as the sale of goods or products].
  - **Non-Retail Property**
    - Commercially, Industrially or Professionally zoned or used rateable properties which have structural building design characteristics not used for, or capable of use for, retail purposes, or which are vacant land, excluding properties primarily used for residential purposes.

**Map – Highway and Outside Tertiary CBD Precincts**



Once the statutory requirements were met, the differential rates were formally adopted for the 1998-1999 rating period. The percentage contribution to the total levied for the promotions scheme for each contributing property category is shown in the table below:

**Shepparton Promotion Scheme - Apportionment if rates raised – 1998-1999**

Differential Property Category	Capital Improved Value (CIV)	Contribution (%)	Contribution (\$)	Contribution Rate (cents / \$)
Mall Frontage Retail [Primary CBD Retail]	20,713,000	13%	41,426	0.0020
Inner CBD Retail [Secondary CBD Retail]	105,253,000	47%	147,354	0.0014
Outer CBD Retail [Tertiary CBD Retail]	19,234,700	6%	19,325	0.0010
CBD Non-Retail [CBD Non-Retail]	37,618,200	6%	18,809	0.0005
Vacant Commercial Land CBD [Non-Retail (vacant) within CBD Precinct]	996,900	0.2%	498	0.0005
Vacant Commercial Land outside CBD [Shepparton Business Retail and Non-Retail (vacant) outside CBD Precinct]	5,576,600	0.5%	1,673	0.0003
Highway Retail [Highway Retail]	53,798,800	14%	43,039	0.0008
Other Shepparton Retail [Shepparton Business Retail outside CBD Precinct]	9,886,500	0.9%	2,966	0.0003
Shepparton Non-Retail [Shepparton Business Non-Retail outside CBD Precinct]	40,575,700	4%	12,173	0.0003
Vacant Industrial Land [Within Shepparton Business Precinct (vacant)]	3,932,800	0.4%	1,180	0.0003
Industrial Land <\$500,000 CIV [Within Shepparton Business Precinct with a CIV of less than \$500,000]	52,712,700	5%	15,814	0.0003
Industrial Land >\$500,000 CIV [Within Shepparton Business Precinct with a CIV of \$500,000 or more]	40,924,400	4%	12,277	0.0003
<b>TOTALS</b>	<b>\$391,223,300</b>	<b>100%</b>	<b>\$316,534</b>	

The apportionment of rates raised in 1998-1999 were used to determine contributions in differential property categories in subsequent years.

However, with the introduction of the 2002 Revaluation in the 2002-2003 year, the Council determined that the fairest way to apply the promotion revenue over liable properties was to adopt

the percentage contribution of the total for each contributing property category as determined at the start of the scheme in 1998-1999. In the 2002-2003 year, adjustments were also made to accommodate two new differential rates for late licensed premises, bringing the total number of property categories contributing to the scheme to fourteen and the total number of differential rates being levied to twenty-two.

In the 2007-2008 rating year, the Council decreased the total number of differential rates to eleven to simplify the rating structure.

The total differential rate in the dollar for each category which contributes to Shepparton Show Me (SSM) comprises of a SSM component, along with a general component as detailed in the table below:

Rating Differential Category	Total Differential Rate-in-Dollar (cents / \$)	SSM Contribution (cents / \$)	Balance (cents / \$)
Commercial Improved 1 Land	0.0115631	0.0007502	0.0108129
Industrial Improved 1 Land	0.0102578	0.0001803	0.0100775

A properties individual contribution to SSM is not shown separately on the Council’s rate notice as the amounts are not levied as a separate rate or a separate levy, they are contributions made through Council’s general rates.

The calculation of the SSM contribution is relatively simple and Council rates staff can assist ratepayers to calculate this amount or advise ratepayers what their contribution is.

Examples of how to calculate the SSM contribution for a commercial improved 1 property and an industrial improved 1 property valued at \$330,000 are shown below:

**Commercial Improved 1 Land - General Rate**

Capital Improved Value x Rate-in-Dollar

$$\$330,000 \times 0.01156310 = \mathbf{\$3,815.80}$$

**What is the SSM contribution for this property?**

$$\$330,000 \times 0.0007502 = \mathbf{\$247.55}$$

**Industrial Improved 1 Land - General Rate**

Capital Improved Value x Rate-in-Dollar

$$\$330,000 \times 0.0102578 = \mathbf{\$3,385.05}$$

**What is the SSM contribution for this property?**

$$\$330,000 \times 0.0001803 = \mathbf{\$59.50}$$

As detailed above the Shepparton Show Me contribution made by Commercial Improved 1 Land represents 6.5% of the general rate and the contribution made by Industrial Improved 1 Land represents 1.8% of the general rate.

In previous years, the Council’s Sustainable Development Directorate has trialed sending a separate letter to ratepayers making a contribution to SSM to advise them of their contribution amount.

In the 2012-2013 rating year, Shepparton Show Me contributions have been allocated as detailed below.

Rating Differential Category	No of Assessments	Capital Improved Values	SSM Contribution to Total	SSM Contribution to Total	SSM Contribution to Total
------------------------------	-------------------	-------------------------	---------------------------	---------------------------	---------------------------



		(\$)	Required (%)	Required (\$)	Rate-in-Dollar (cents / \$)
Commercial Improved 1 Land	1,357	780,890,000	90.76	585,827.66	0.0007502
Industrial Improved 1 Land	533	330,872,000	9.24	59,641.34	0.0001803
<b>TOTALS</b>	<b>1,890</b>	<b>\$1,111,762,000</b>	<b>100%</b>	<b>\$645,469</b>	

#### 4.1.4 SERVICE RATES AND CHARGES

Kerbside waste collection services are provided in urban areas and rural areas abutting the sealed road network. The charge for a waste/recyclables service is compulsory for all residential properties in urban areas (whether or not the service is used) and optional in rural areas.

The waste service charges account for the various costs associated with the provision of waste management services; including a recycling service, waste disposal and management, development, rehabilitation and operation of the Council's landfills in accordance with Environment Protection Authority License, waste minimization promotion and education, management and administration of the waste, recycling and green organic collection contracts and the provision of a weekly kerbside waste collection service and fortnightly recyclables and organic waste collection services.

The Council provides residents with a range of bin sizes to encourage waste minimisation and the service charges reflect these options.

The Council incurs the State Government's imposed EPA levy associated with the disposal of waste into landfill. Unfortunately the Council will need to pass these costs onto residents.

Service Charges	2012-2013 Charge	2012-2013 Revenue
240L Waste/Recyclables Service	\$334	\$2,735,460
120L Waste/Recyclables Service	\$202	\$1,482,276
80L Waste/Recyclables Service	\$152	\$1,597,976
120L or 240L Recyclables Only Service	\$71	\$1,109,801
120L or 240L Green Organic Waste Service	\$71	\$13,987
<b>TOTAL</b>		<b>\$6,939,500</b>

#### 4.1.5 SPECIAL RATES AND CHARGES

Council has the power to levy a special rate or special charge, or a 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. Council need not necessarily use property value as the basis for levying a special rate or charge.

Special Rates and/or Special Charges have been used by councils to fund things like:

- The promotion of a retail shopping centre;
- The promotion of a commercial business precinct;
- The construction of a road;
- The construction of a footpath; and
- The provision of drainage infrastructure.

Special rates and charges are specifically designed to address the benefit principle. They are very targeted rating tools 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 narrow group of expenditures. Generally the areas chosen for their use can be seen clearly to benefit some ratepayers.

Council may have several special rates and charges schemes in place at any one time, however, the proliferation of these schemes is not a practical option, particularly given the impact on efficiency as each scheme has to be justified, advertised and managed. The consideration of such schemes should be on a case by case basis as to whether revenue collection issues would be better addressed by general rates or user charges.

Currently there are no special rates or charges are currently in operation within the City of Greater Shepparton.

## 5 PROPOSALS

The following proposals were identified for consideration by the Rating Strategy Reference Group:

1. Property valuation basis
2. Municipal charge; what is an appropriate amount?
3. User benefits; consider user benefits when setting differential rates
4. Capacity to pay; consider capacity to pay when setting differential rates
5. Uniform rate; consider raising general rates by the application of a uniform rate
6. Review the relativity of differential rates to the residential differential rate and document reason for differences with respect to:
  - a. Unimproved land; Differential rate to be higher than improved land to encourage development.
  - b. Rural land; how is farm land not used as farm land i.e. lifestyle properties rated?
  - c. Commercial improved land
  - d. Industrial improved land
7. Vacant commercial properties; higher differential rate to encourage tenancy.
8. Gaming Venues / Late Licence Premises / Late Trading Premises
9. Shepparton Show Me
  - a. Amount contributed by each property be communicated annually.
  - b. Broaden contribution from commercial and industrial properties within Shepparton to all properties within the City of Greater Shepparton.
  - c. Consider collection through a Special Rate or Special Charge
10. Not-for-Profit / Charitable retail and non-retail premises; waiving rates to recognise community service.
11. Heritage incentives;
12. Transforming Shepparton into a walking city; encourage higher density living in central urban areas by increasing the rating effort in outer urban areas.
13. Implementation; to achieve objectives of the Rating Strategy, the impact of changes could be spread over a number of years.
14. Importance of communication to ratepayers and clear explanation of changes and the reason for change
15. Establish a Rating Strategy Advisory Committee to consider rating proposals annually.

## 5.1 PROPERTY VALUATION BASIS

Council has adopted the Capital Improved Value (CIV) as the value to which the rate in the dollar will be assessed. Being a measure of the realisable value of the property, the CIV most closely reflects wealth and affordability and this 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. 73 of 79 Victorian councils use CIV and the remaining 6 councils use Net Annual Value.

### ***Recommendation 1***

***That the basis of valuation for rating purposes be Capital Improved Value.***

## 5.2 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.

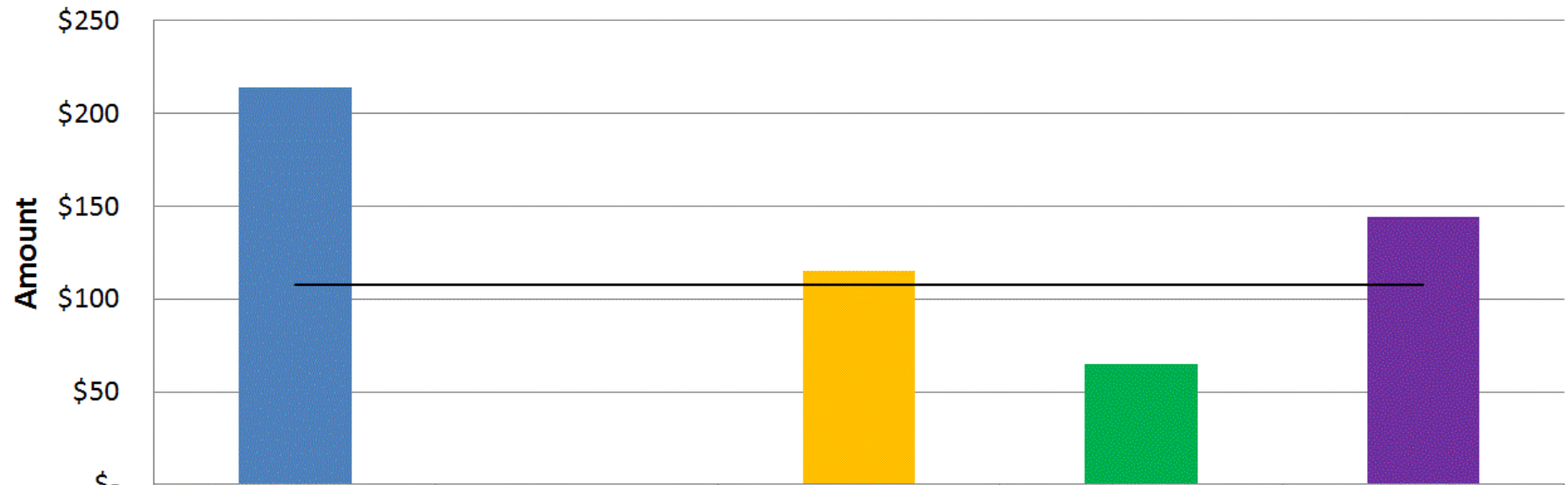
The municipal charge is a flat, identical charge that can be used to offset some of the “administrative costs” of the Council. The legislation is not definitive on what comprises “administrative costs”. The maximum municipal charge that can be levied equals 20 per cent of the revenue raised from rates 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 valued properties. Through its effect of providing a reduction in the amount paid by higher value properties, the municipal charge may be seen to assist certain classes of property. There is a tendency in rural municipalities for farms, as a class, to generally benefit from its application. The effect for residential, commercial and industrial properties is not as general as there is usually greater diversity in the range of property values. It can be argued, however, that overall the municipal charge has an individualised impact for properties within a property class.

The municipal charge is not a targeted rating instrument like a differential rate and the use of differential rates is considered to be a more transparent and accurate means of achieving rate outcomes for certain classes of property.

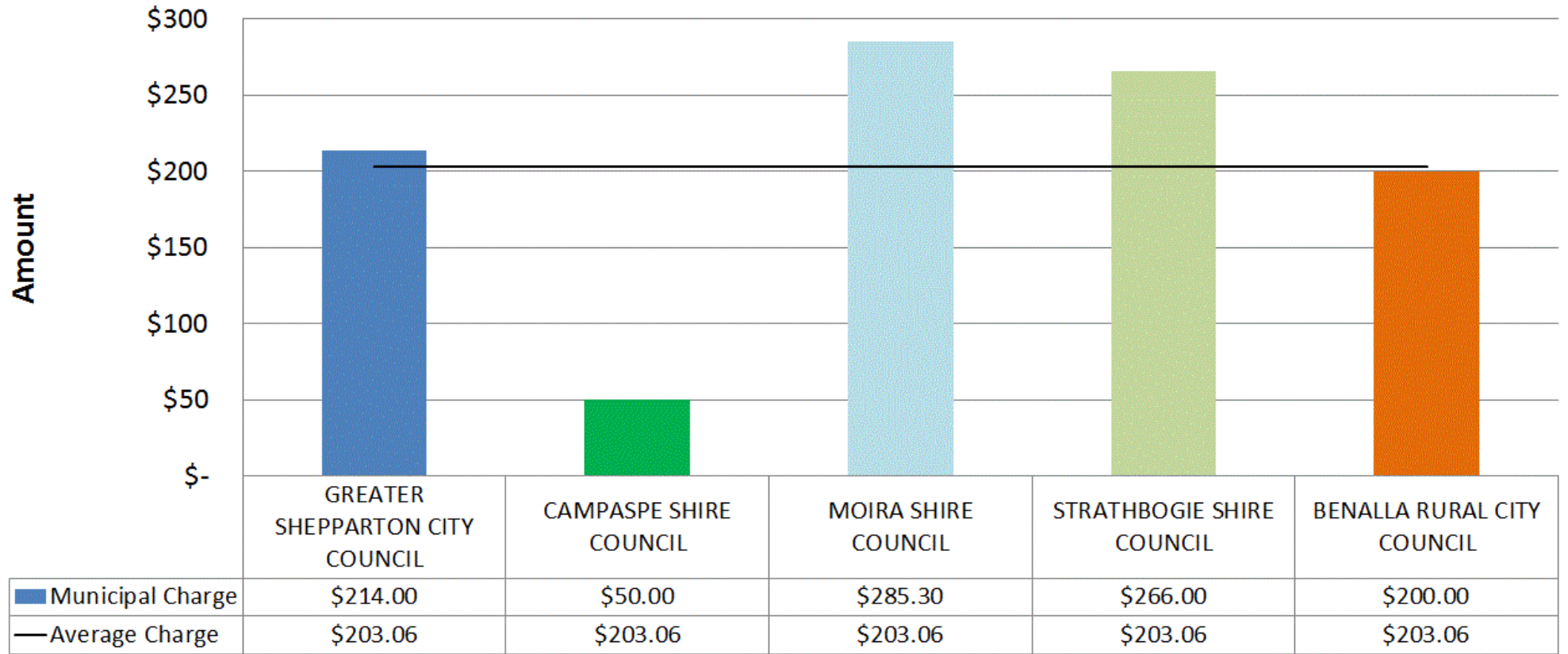
## Benchmarking Data

### REGIONAL COUNCILS Municipal Charge

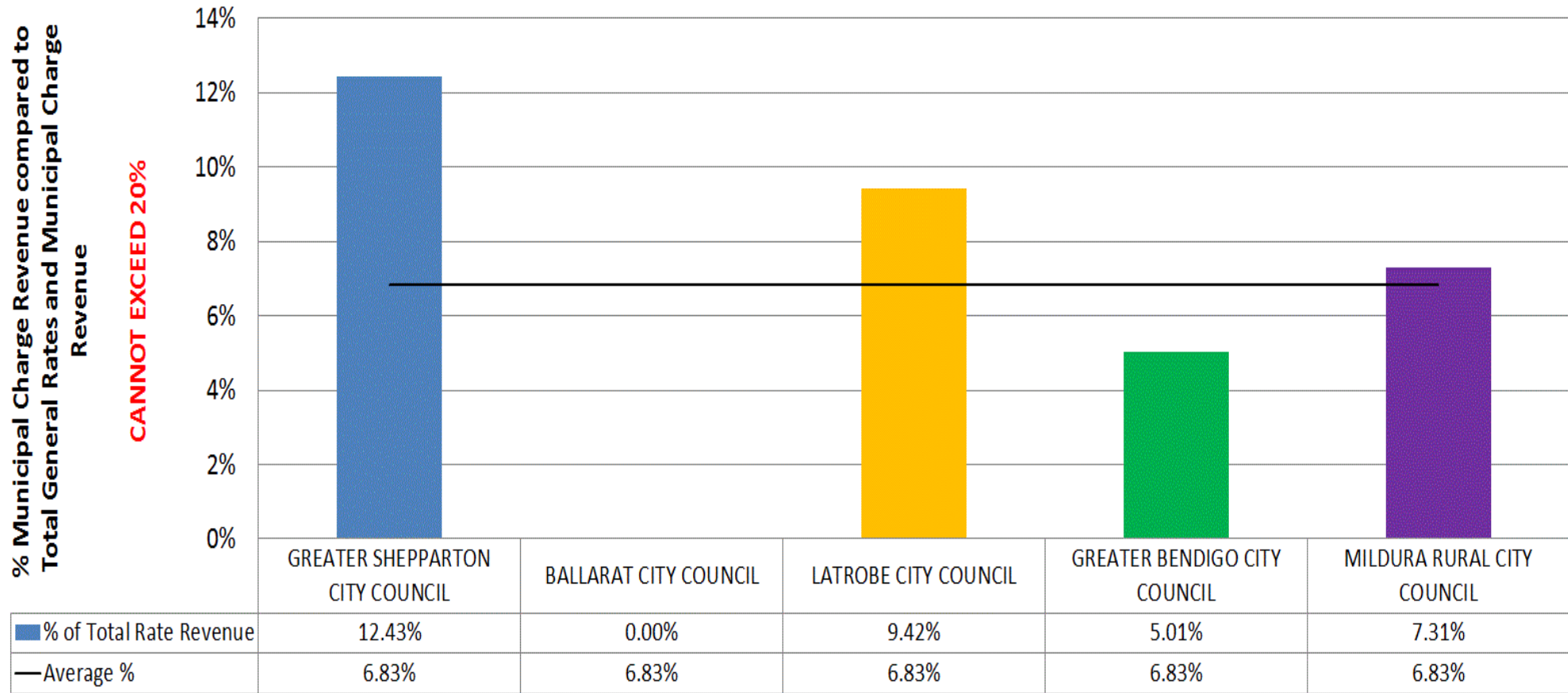


	GREATER SHEPPARTON CITY COUNCIL	BALLARAT CITY COUNCIL	LATROBE CITY COUNCIL	GREATER BENDIGO CITY COUNCIL	MILDURA RURAL CITY COUNCIL
Municipal Charge	\$214.00	\$-	\$115.00	\$64.80	\$144.00
Average Charge	\$107.56	\$107.56	\$107.56	\$107.56	\$107.56

### NEIGHBOURING COUNCILS Municipal Charge



### REGIONAL COUNCILS Municipal Charge

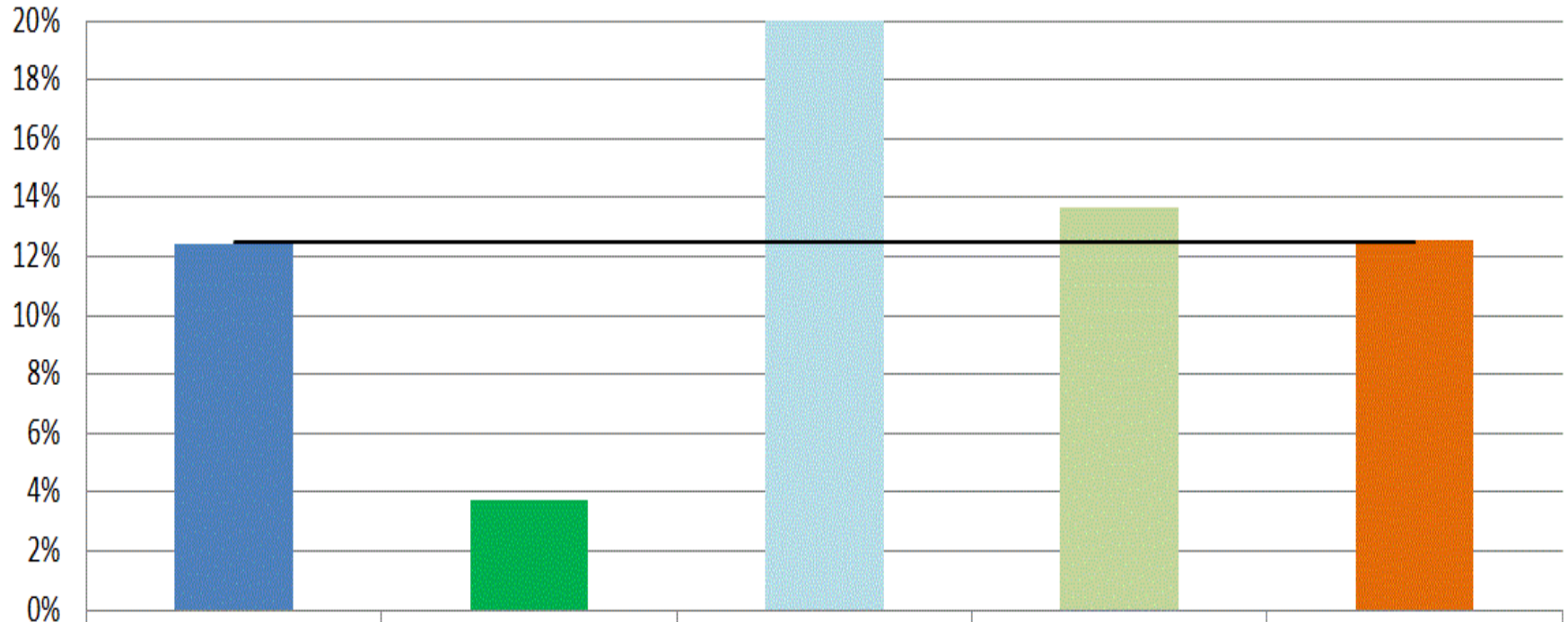




## NEIGHBOURING COUNCILS Municipal Charge

**% Municipal Charge Revenue compared to  
Total General Rates and Municipal Charge  
Revenue**

CANNOT EXCEED 20%



	GREATER SHEPPARTON CITY COUNCIL	CAMPASPE SHIRE COUNCIL	MOIRA SHIRE COUNCIL	STRATHBOGIE SHIRE COUNCIL	BENALLA RURAL CITY COUNCIL
<span style="color: blue;">■</span> % of Total Rate Revenue	12.43%	3.72%	20.00%	13.70%	12.56%
— Average %	12.48%	12.48%	12.48%	12.48%	12.48%



The municipal charge enables all properties make a standard contribution to some of the administration costs of the Council. In relation to the 2012-2013 Budget, total revenue from the Municipal Charge was \$6,099,000. The Municipal Charge of \$214 during the 2012-2013 financial year part funded administrative costs for the areas of Corporate Performance, Communications and Marketing, Information Technology, Citizen Service, Finance and Rates and Human Resources of \$17,620,029.

It is proposed that the recovery of Council's administration costs be allocated by property valuation rather than as a flat fee. The municipal charge is a regressive tax and has a greater impact upon lower valued properties, which have a lower capacity to pay. There are 7,334 residential assessments with a valuation below \$200,000 which is equal to 25% of the total number of assessments. Removing the requirement for a municipal charge also simplifies the Council's rating system.

Detailed modelling is contained within section 6.2 which shows the impacts of the recommendations of the Rating Strategy Reference Group, if implemented.

***Recommendation 2***

***That there be no Municipal Charge.***

## 5.3 USER BENEFITS

### 5.3.1 USER BENEFITS

Historically, property value has been accepted as the most equitable rating base for Local Government, on the basis that it best represents the property owner's ability or capacity to pay.

A user category pays analysis was first conducted on the 1997-1998 Budget. The user benefits analysis detailed below is based the usage patterns which were introduced as part of Council's 2004-2005 Rating Strategy.

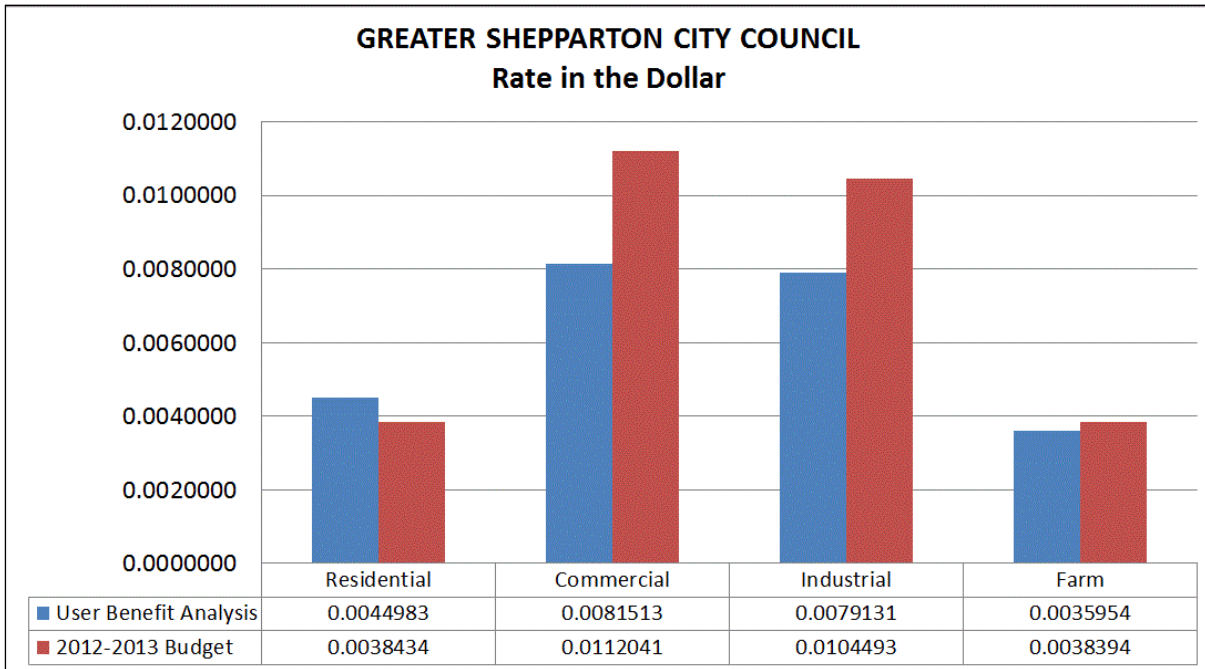
A user benefits analysis, based on the expenditure categories used by the Victoria Grants Commission for the 2011-2012 financial year, assessing the usage and benefits of each major property category has been utilised by Council to aid with the user benefits analysis. In each area the major property category that used and/or benefited from those services was allocated a value of 1.

User Benefits	Residential	Commercial	Industrial	Farm
Governance	0.75	1.00	1.00	0.75
Family and Community Services	1.00	0.00	0.00	0.25
Aged and Disability Services	1.00	0.00	0.00	0.00
Recreation and Culture	1.00	0.25	0.00	0.25
Traffic and Street Management	0.50	1.00	0.75	0.00
Other Infrastructure Services	0.75	1.00	1.00	1.00
Business and Economic Services	0.00	1.00	1.00	0.25
Local Roads and Bridges	0.25	0.75	1.00	0.50

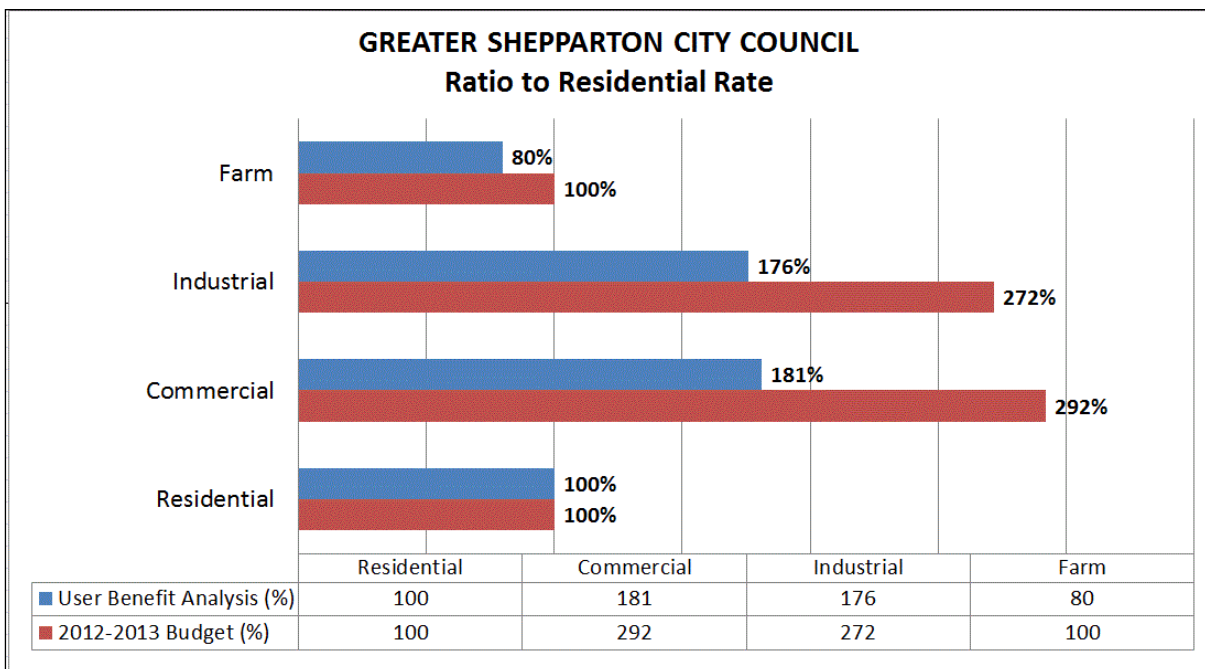
Expressed as a percentage of valuation and assuming the municipal charge is maintained at its existing amount the user benefit share is reflected as follows.

User Benefits Analysis	Residential	Commercial	Industrial	Farm	Total	000's
<b>2012-2013 Valuation Share</b>	<b>66%</b>	<b>11%</b>	<b>6%</b>	<b>17%</b>	<b>100%</b>	
<b>User Benefit Share</b>						
Governance	63%	13%	7%	17%	100%	\$1,571
Family and Community Services	94%	0%	0%	6%	100%	\$4,101
Aged and Disability Services	100%	0%	0%	0%	100%	\$1,798
Recreation and Culture	90%	4%	0%	6%	100%	\$13,531
Traffic and Street Management	69%	22%	9%	0%	100%	\$2,452
Environment	60%	13%	7%	21%	100%	\$4,499
Business and Economic Services	0%	52%	27%	21%	100%	\$8,566
Local Roads and Bridges	43%	20%	14%	22%	100%	\$5,940
<b>User Benefit Share</b>	<b>61%</b>	<b>18%</b>	<b>9%</b>	<b>13%</b>	<b>100%</b>	<b>\$42,458</b>
<b>2012-2013 Budget</b>	<b>52%</b>	<b>23%</b>	<b>12%</b>	<b>14%</b>	<b>100%</b>	
<b>Differential Ratio</b>						
<b>User Benefits Analysis</b>	100%	181%	176%	80%		
<b>2012-2013 Budget</b>	100%	292%	272%	100%		
<b>Rate in the dollar</b>						
<b>User Benefits Analysis</b>	0.0044983	0.0081513	0.0079131	0.0035954		
<b>2012-2013 Budget</b>	0.0038434	0.0112041	0.0104493	0.0038394		
<b>Change</b>	17%	(23%)	(23%)	(6%)		

Based on the user benefits analysis, the relative rate in the dollar for Commercial, Industrial and Farm properties is less than what was adopted in the Council’s 2012-2013 Budget.



The user benefits analysis undertaken estimated that the relative rate in the dollar when compared to residential land should be commercial 181% (2012-2013 Budget 292%), industrial 176% (2012-2013 Budget 272%) and farm land 80% (2012-2013 Budget 100%).



**Recommendation 3**  
***That user benefits be taken into consideration when setting differential rates.***

## 5.4 CAPACITY TO PAY

Ratepayers with higher value properties generally have a higher wealth and a greater capacity to pay. However, as rates are levied on unrealised wealth in the form of real property, their nexus with ratepayers' capacity to pay may be more tenuous. Ratepayers may be asset rich but cash poor.

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.

Rating instruments such as differential rates are available to reflect the differing capacity of classes to pay. For example, higher differential rates may reflect the ability of a class of property to obtain concessions from the tax deductibility of rates or the income producing capacity of the class of property.

### The taxation effect on rates

Ratepayers in the farm, commercial and industrial differential rating categories are all businesses, and can therefore claim Council rates as an income tax deduction – that is, they pay their rates in pre-tax dollars. However the majority of ratepayers in the general differential rating category are not businesses and cannot claim Council rates as an income tax deduction and therefore pay their rates in after-tax dollars.

As detailed below at least 70% of residential properties are not able to claim their rates as a tax deduction.

Greater Shepparton Tenure Type	%
Fully owned	32
Mortgaged	33
Social housing	5
<b>Subtotal</b>	<b>70%</b>
Renting	22
Other	1
Not stated	7
<b>TOTAL HOUSEHOLDS</b>	<b>31%</b>

To recognise the greater capacity to pay, the pre-tax differential could be increased to reflect the tax deductibility of businesses in the farm, commercial and industrial differential rating categories as detailed below.

Differential Rate in the Dollar	User benefits pre-tax rate in the dollar	User benefits after-tax rate in the dollar	Change %
Residential	0.0032546	0.0044893	(-28)
Farm	0.0051362	0.0035954	43
Commercial	0.0116448	0.0081513	43
Industrial	0.0113045	0.0079131	43

As shown in the table above recognising a tax rate of 30% increases the rate in the dollar by 43%. To achieve the same amount of total revenue the residential rate would decrease by 28%. The changes in rate in the dollar increases the relative rate in dollar compared to residential rates by 98%.

Comparison to Residential Differential Rate	User benefits pre-tax differential rate ratio %	User benefits after-tax differential rate ratio %	Change %
Residential	100	100	0
Farm	158	80	98
Commercial	358	181	98
Industrial	347	176	97

A comparison of the pre-tax differential user benefit differential compared to existing differentials is as follows:

Comparison to Residential Differential Rate	User benefits pre-tax differential rate ratio %	2012-2013 Budget differential rate ratio %	Change %
Residential	100	100	0
Farm	158	100	58
Commercial	358	292	66
Industrial	347	272	75

The combined impact of taking user benefits and capacity to pay results in a higher rate burden for the Farm, Commercial and Industrial differential rating categories than the level of rating adopted in the Council's 2012-2013 Budget.

The Rating Strategy Reference Group agree that the capacity to pay should also be taken into consideration when setting differential rates. However the majority of the Rating Strategy Reference Group did not support the proposal that the tax deductibility of rates also be taken into account when setting differential rates.

Rating instruments such as differential rates are available to reflect the differing capacity of classes to pay. For example, higher differential rates may reflect the income producing capacity of one class of property compared to another.

**Recommendation 4**

***That capacity to pay also be taken into consideration when setting differential rates.***

5.5 UNIFORM RATE

If a uniform rate was applied to simplify the rating system rather than applying the existing differential residential and farm differential rate would increase by 48% and the commercial and industrial differential rates would decrease by 49% and 45% respectively.

Comparison to Residential Differential Rate	User benefits pre-tax rate in the dollar	2012-2013 Budget rate in the dollar	Change %
Residential	0.0056973	0.0038434	48
Farm	0.0056973	0.0038394	48
Commercial	0.0056973	0.0112041	(-49)
Industrial	0.0056973	0.0104493	(-45)

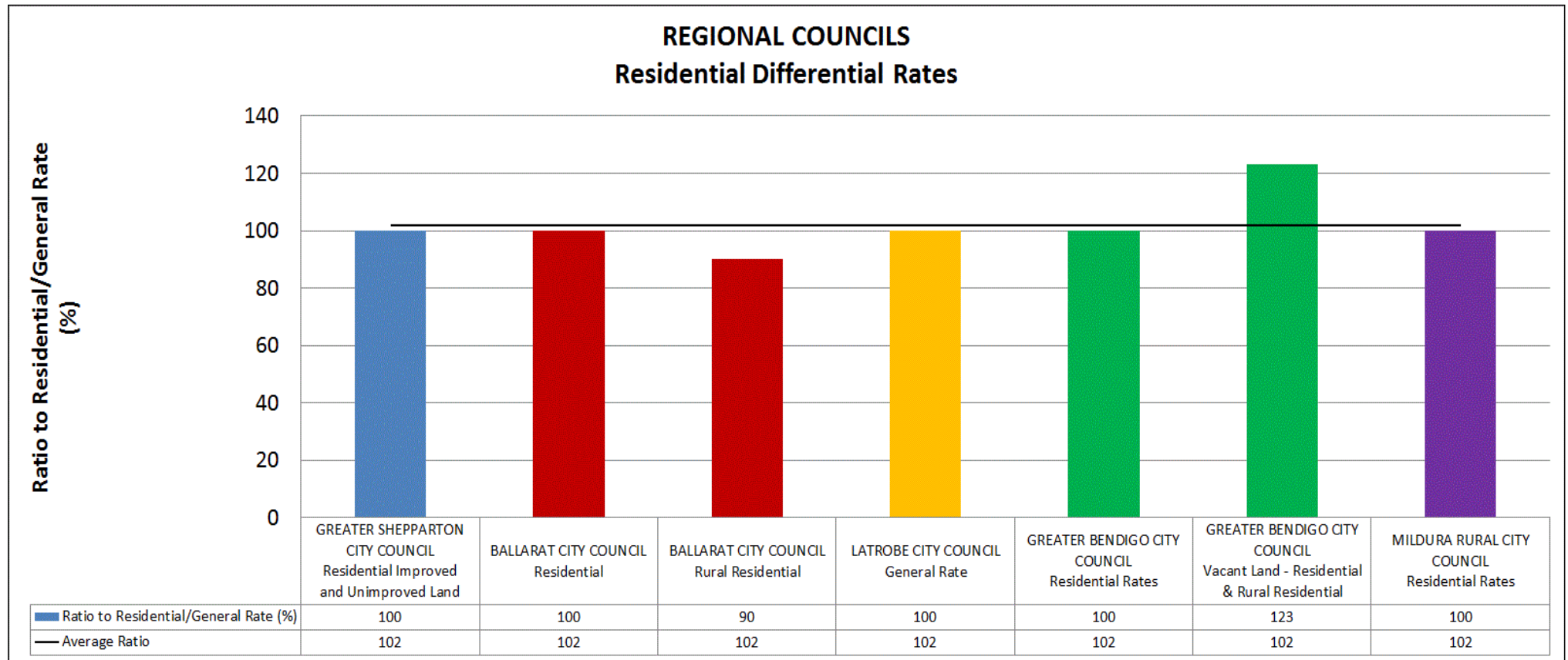
**Recommendation 5**

***That Greater Shepparton City Council continue to apply differential rating as its rating system.***

## 5.6 DIFFERENTIAL RATES

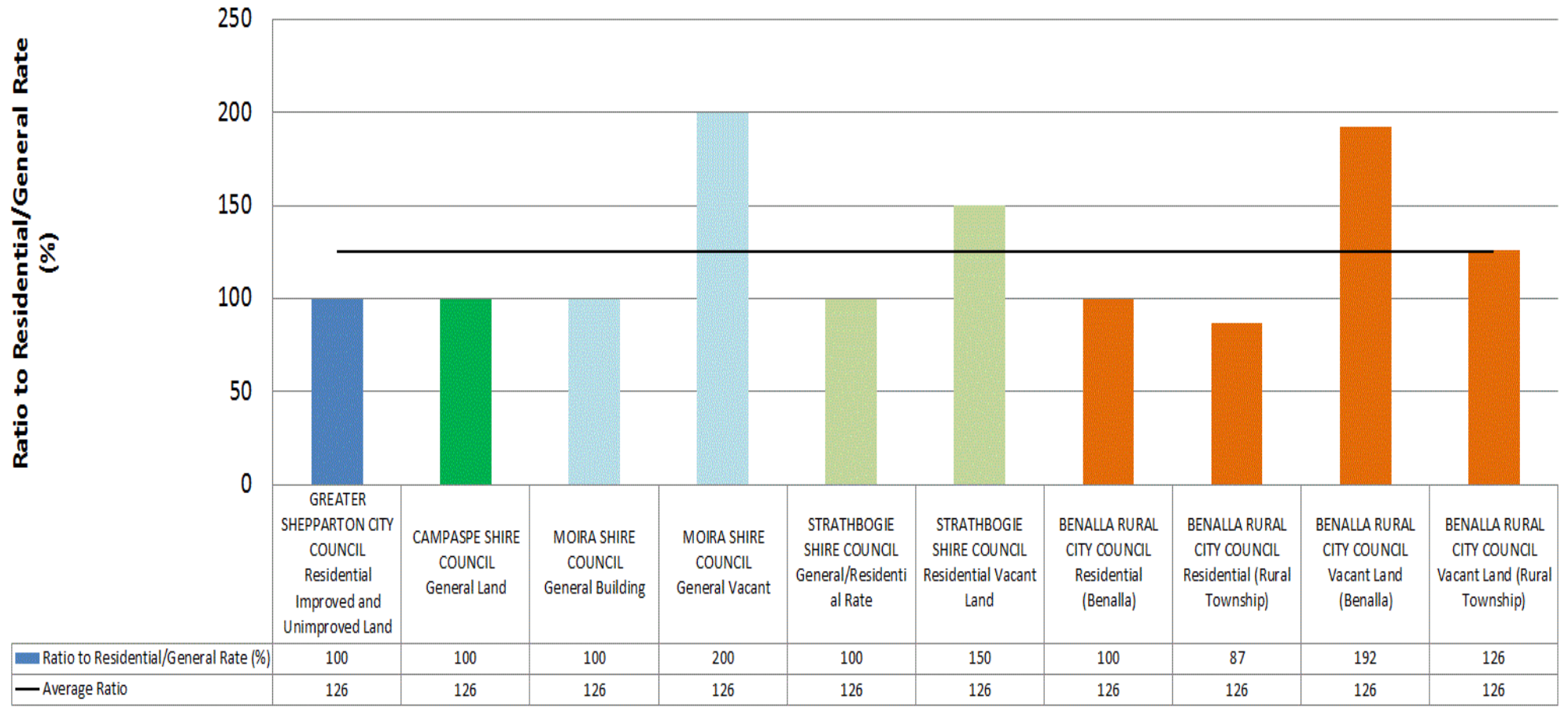
### 5.6.1 RESIDENTIAL RATES

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





## NEIGHBOURING COUNCILS Residential Differential Rates



### 5.6.2 UNIMPROVED LAND

Greater Shepparton currently has 1,161 unimproved properties (vacant land) across residential, commercial and industrial sectors.

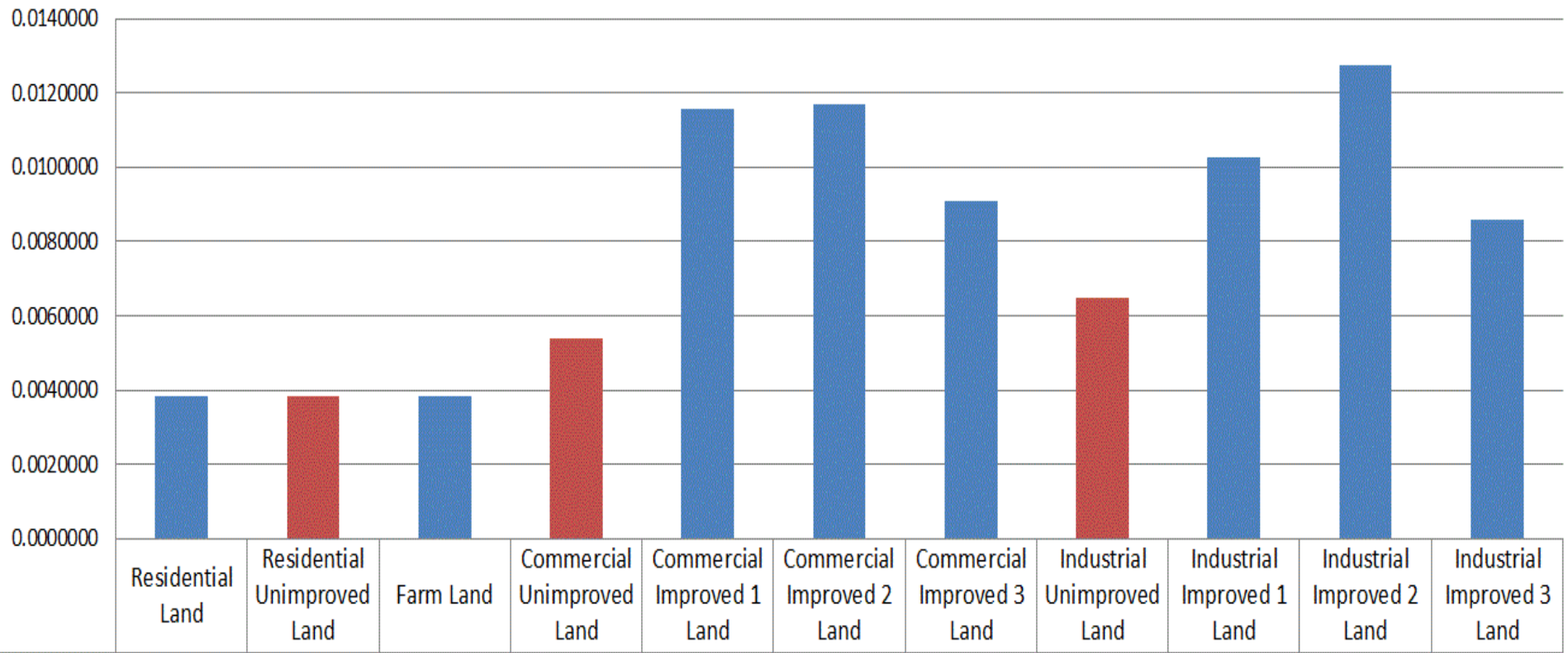
The table below identifies the number of improved and unimproved assessments for each major property category and also shows the percentage make up within each separate category.

MAJOR PROPERTY CATEGORY	RESIDENTIAL		FARM	COMMERCIAL				INDUSTRIAL				
	Residential Land	Residential Unimproved Land		Farm Land	Commercial Unimproved Land	Commercial Improved 1 Land	Commercial Improved 2 Land	Commercial Improved 3 Land	Industrial Unimproved Land	Industrial Improved 1 Land	Industrial Improved 2 Land	Industrial Improved 3 Land
<b>Differential Rate Description</b>												
<b>Number of Assessments</b>	22,228	1,016	3,487	65	1,357	37	267	80	533	29	87	
<b>% of Major Property Category</b>	96%	4%	100%	4%	79%	2%	15%	11%	73%	4%	12%	

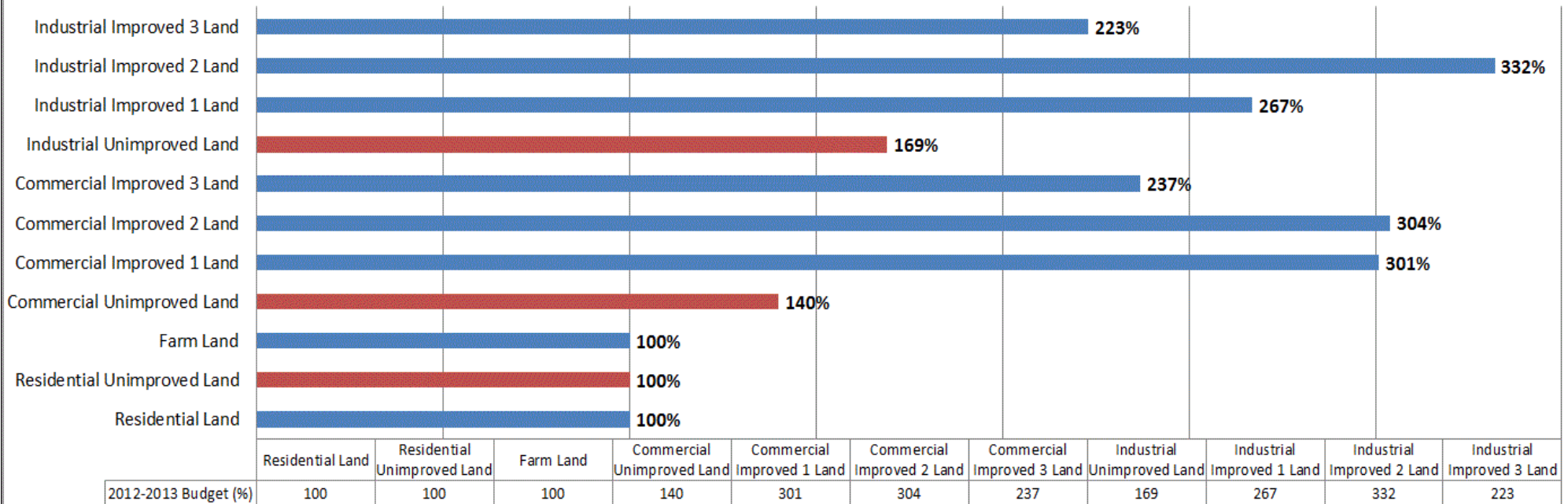
Council holds a view that the vacant land differential should be higher than the general/residential rate to encourage the development of land and ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council.

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

### GREATER SHEPPARTON CITY COUNCIL Rate in the Dollar 2012-2013



### GREATER SHEPPARTON CITY COUNCIL Ratio to Residential Rate 2012-2013



**Recommendation 6**

*That the unimproved residential, commercial and industrial land differential rates be set greater than improved residential, commercial and industrial land to encourage development.*

5.6.3 RURAL RATES

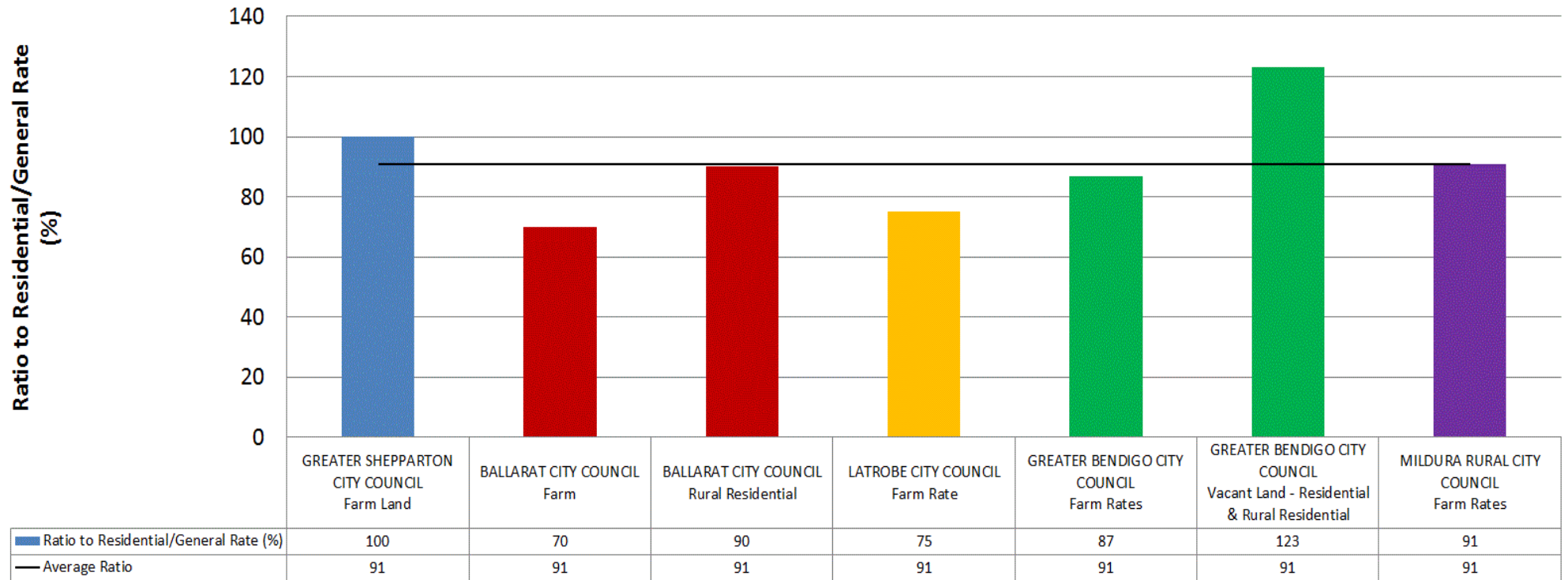
Currently residential rural lifestyle properties are included in the farm land differential rating category.

5.6.3.1

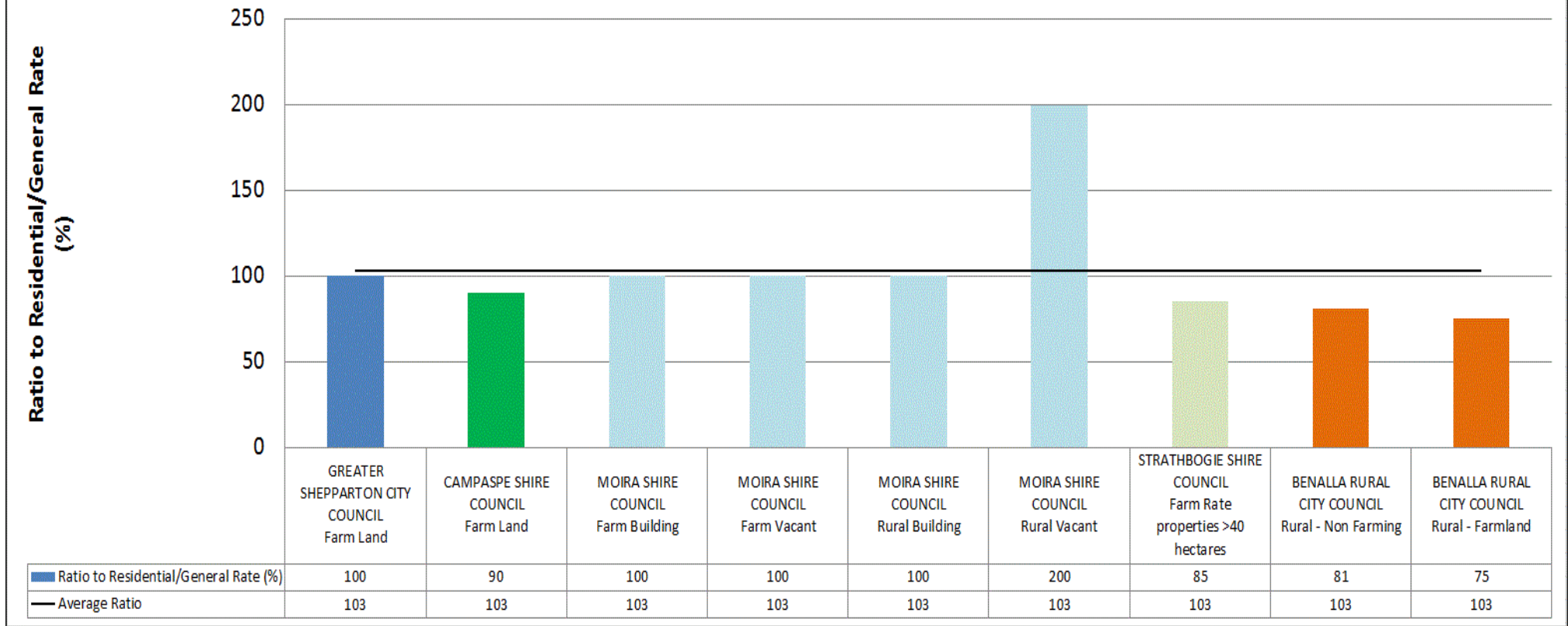
FARM RATES

Land that is Farmland as defined in the *Valuation of Land Act 1960*.

**REGIONAL COUNCILS  
Rural Differential Rates**



### NEIGHBOURING COUNCILS Rural Differential Rates



**Recommendation 7A**

*That the farm land differential rate be set in the range of 85% to 95% in comparison to the residential rate.*

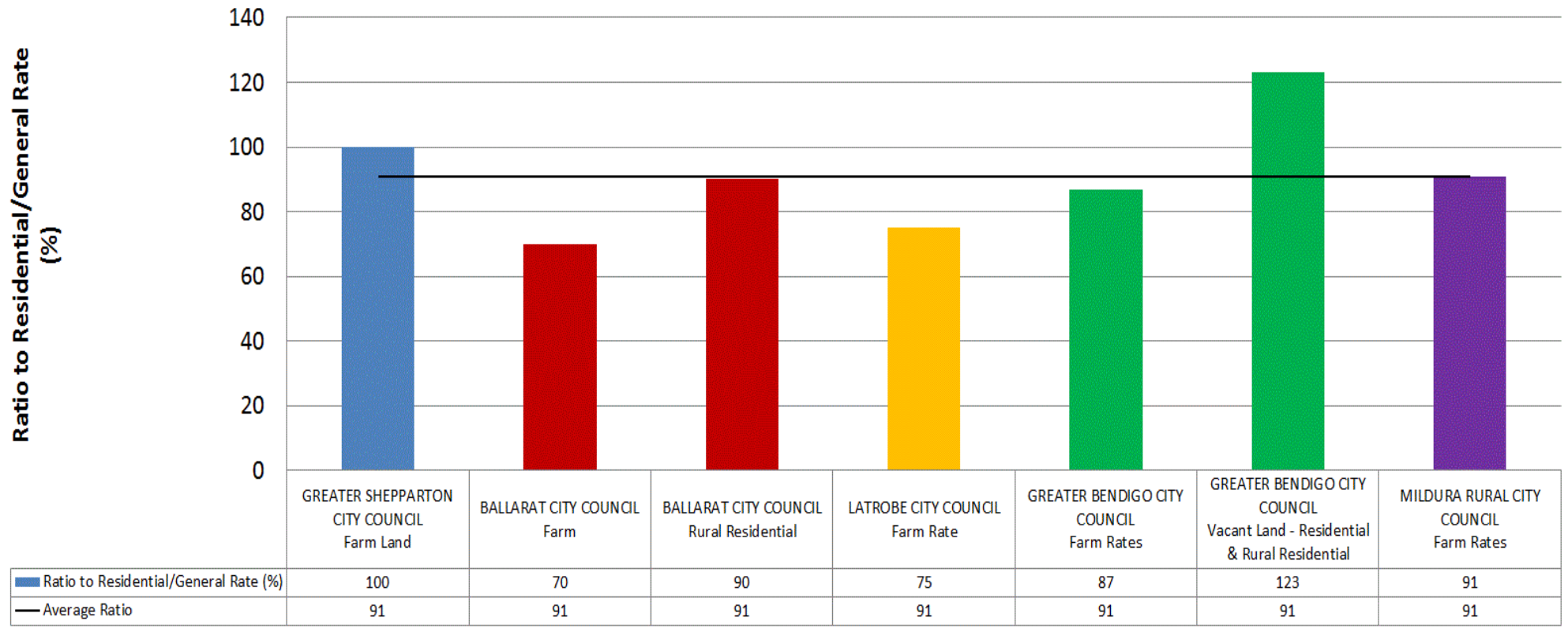


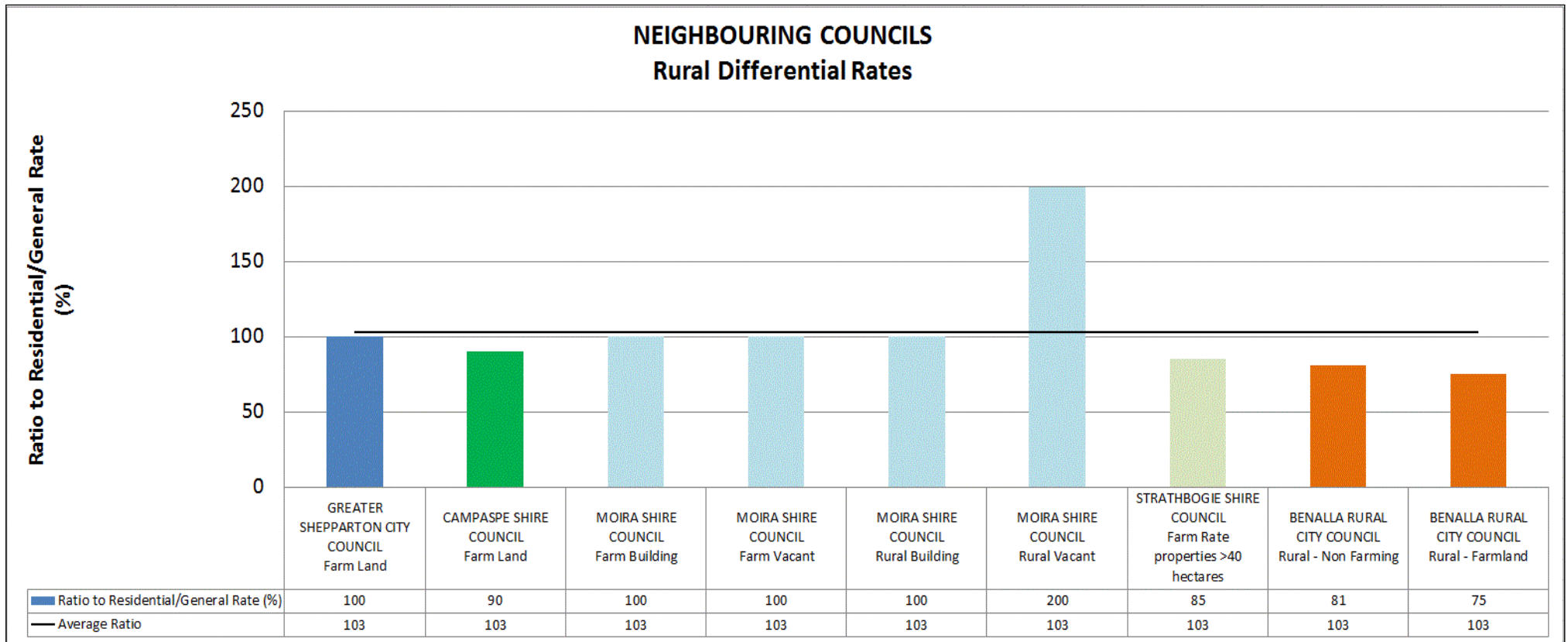
5.6.3.2

RURAL LIFESTYLE RATES

A single residential dwelling on an allotment between .04 and 20 hectares in size in a rural, semi-rural or bushland setting. Primary production uses and associated improvements are secondary to the value of the residential home site use and associated residential improvements.

**REGIONAL COUNCILS  
Rural Differential Rates**





After considering the relative user benefit, capacity to pay and comparative rates of other councils the Rating Strategy Reference Group made the following recommendation.

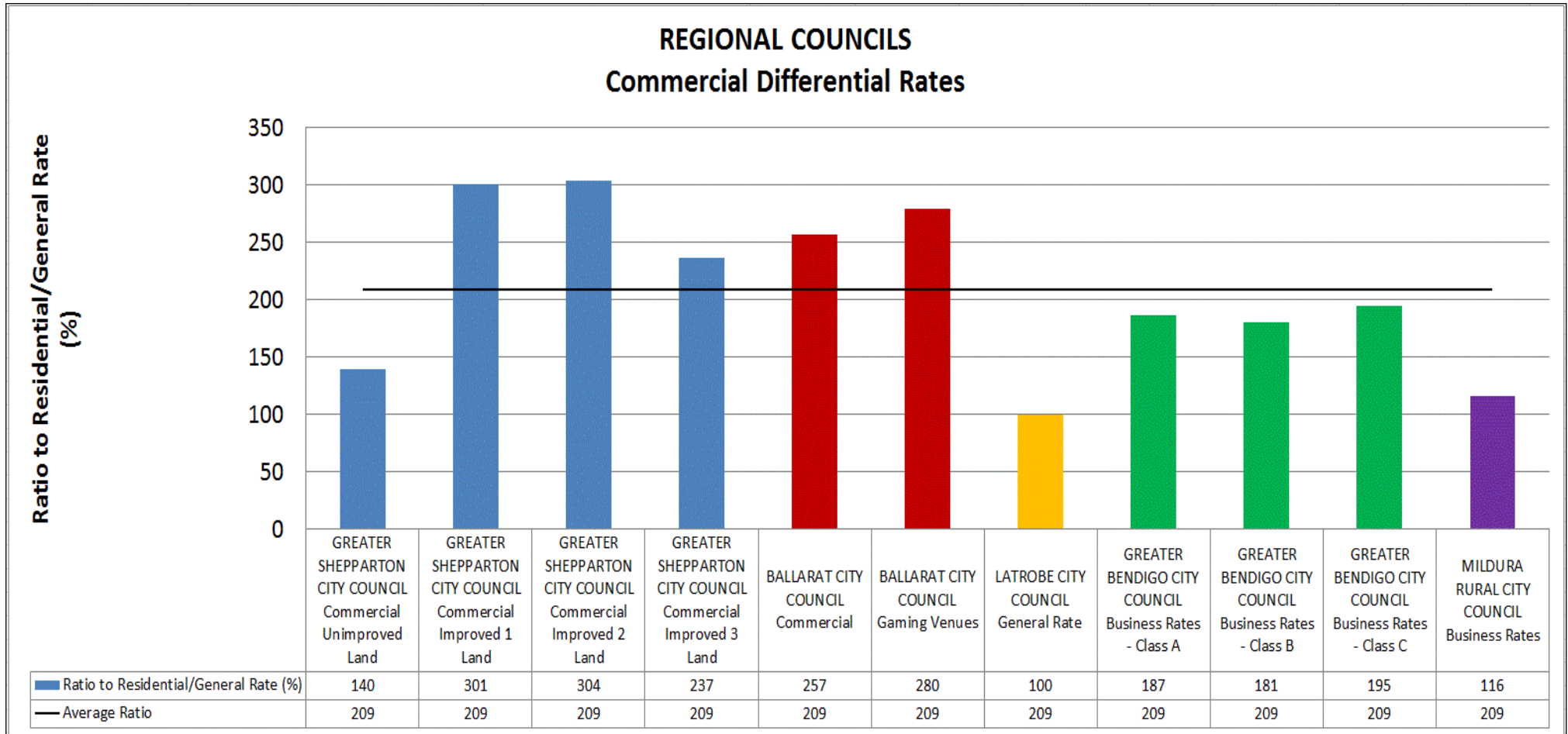
**Recommendation 7B**

***That a residential rural lifestyle differential rate be introduced for properties with a single residential dwelling on an allotment of land sized between 0.4 and 20 hectares in rural, semi-rural or bushland setting and the differential rate be set at the same rate as residential properties.***

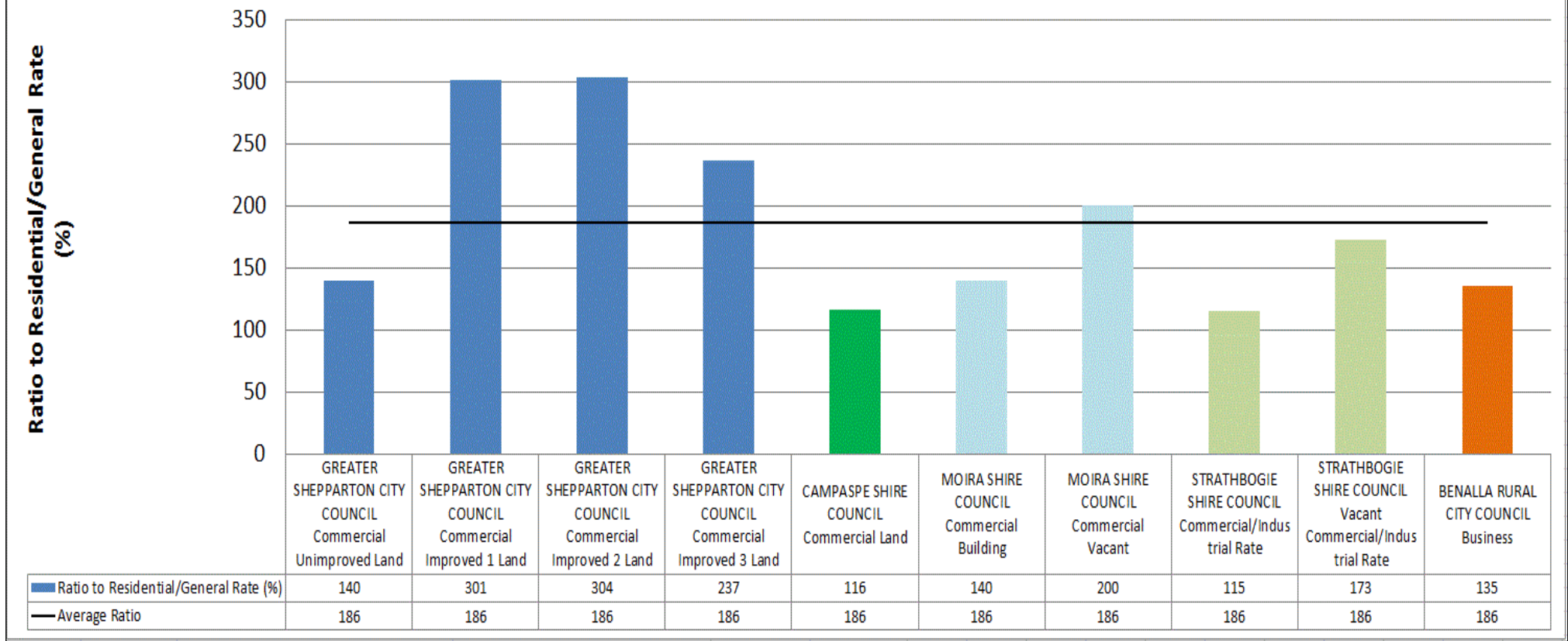


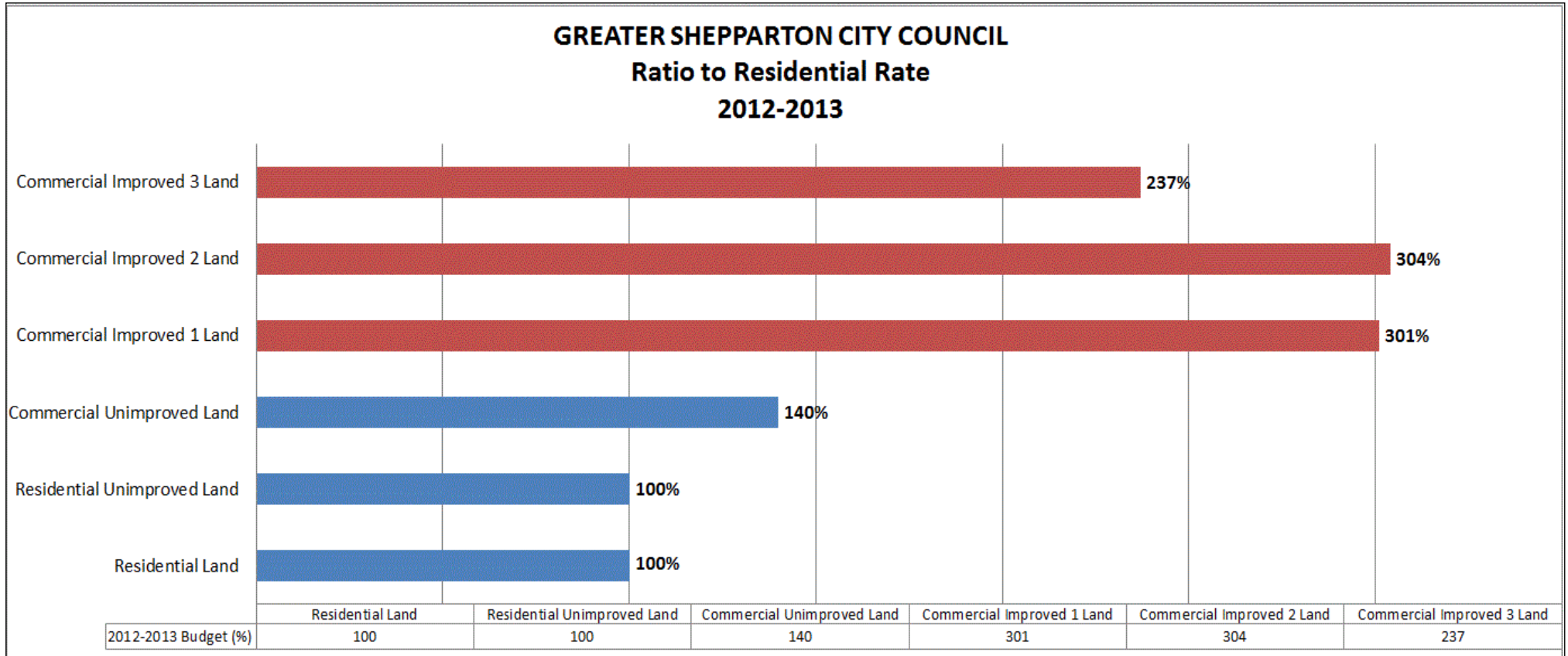
5.6.4 COMMERCIAL RATES

Land with buildings, that is used primarily for, or is capable of use primarily for commercial purposes.



### NEIGHBOURING COUNCILS Commercial Differential Rates



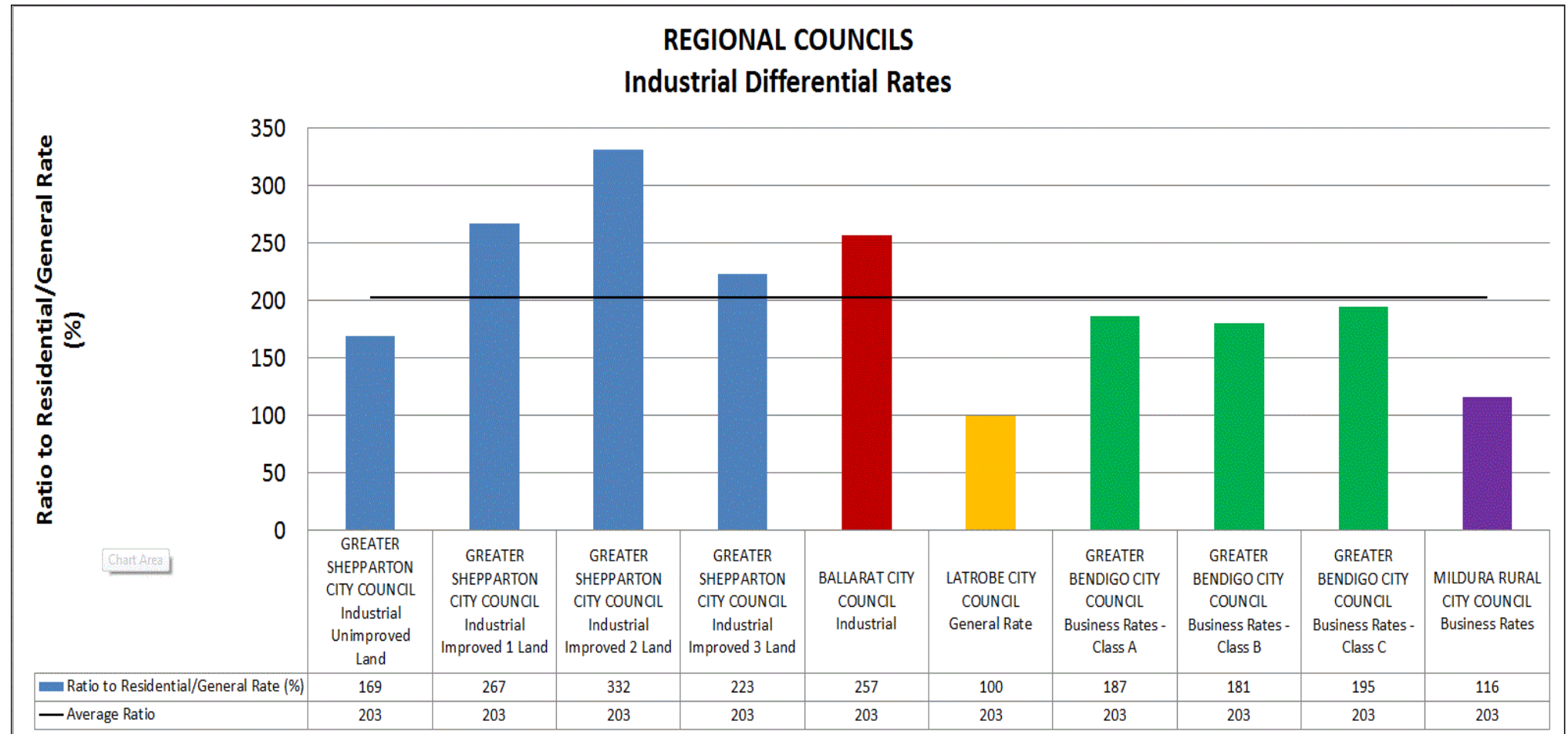


After considering the relative user benefit, capacity to pay and comparative rates of other councils for improved commercial land and to simplify the existing rating system the Rating Strategy Reference Group made the following recommendation.

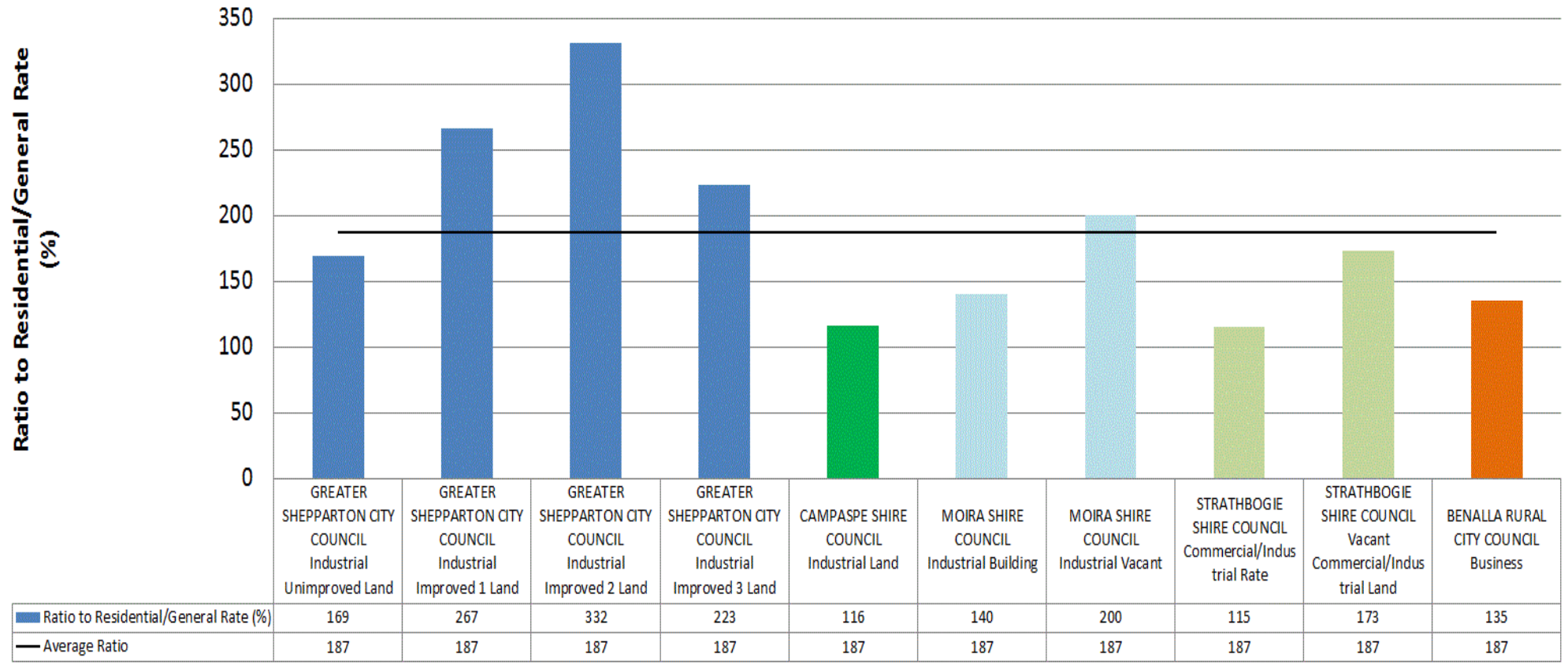
**Recommendation 8**  
***That the existing three commercial improved differential rates be combined into one category.***  
***That the commercial improved differential rate be set at 200% in comparison to the residential rate.***

5.6.5 INDUSTRIAL RATES

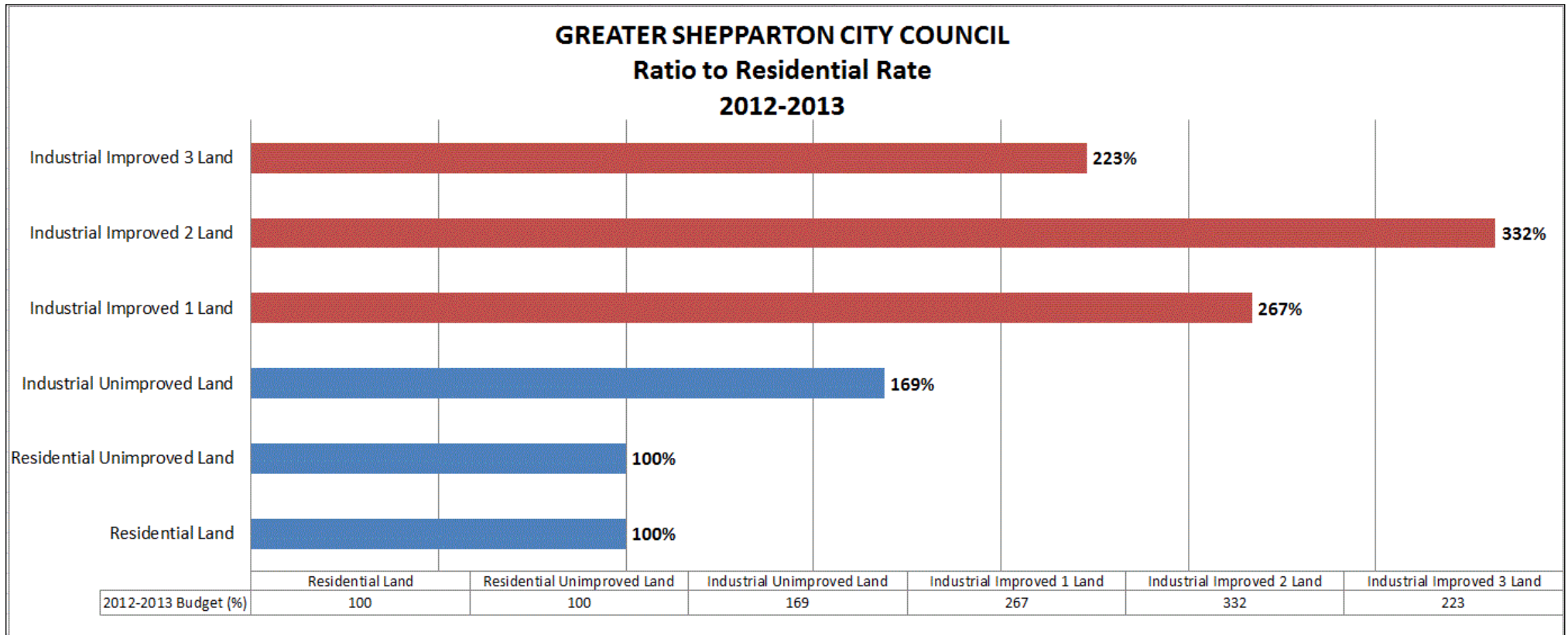
Land with buildings, that is used primarily for, or is capable of use primarily for industrial purposes.



### NEIGHBOURING COUNCILS Industrial Differential Rates







After considering the relative user benefit, capacity to pay and comparative rates of other councils for improved industrial land and to simplify the existing rating system the Rating Strategy Reference Group made the following recommendation.

**Recommendation 9**  
**That the existing three industrial improved differential rate categories be combined into one category.**  
**That the industrial improved differential rate be set at 200% in comparison to the residential rate.**

## 5.7 VACANT COMMERCIAL PROPERTIES

Should a differential rate be introduced to encourage increased tenancy of vacant commercial shops? Properties would include land with buildings that are unoccupied and are capable of use primarily for commercial purposes. Due to work required to monitor which commercial premises were vacant the cost and difficulty in administering this type of differential rate the costs may outweigh the benefits.

### **Recommendation 10**

***That a vacant commercial differential rate not be introduced due to the difficulty of administration.***

## 5.8 GAMING VENUES / LATE LICENCE PREMISES / LATE TRADING PREMISES

Draft Ministerial Guidelines for Differential Rates have been released which specifies the types and classes of land appropriate for differential rating. Where differential rates are found to be inconsistent with the guidelines the Minister can seek an Order in Council to prohibit councils from applying such non-compliant differential rates.

Councils must determine, as per section 161(2)(a)(ii) of the Act, the types or classes of land in respect of:

- uses
- geographic location;
- planning scheme zoning; and
- the types of building on the land and:
- any other criteria relevant to the rate.

For the purpose of the guidelines, councils must define the types or classes of land in accordance with:

a) classes of land specified in s.161A of the Act, being:

- farm land;
- urban farm land;
- residential use land; and

b) classes of land specified at the tertiary level under the Australian Valuation Property Classification Codes, being:

- Residential land;
- Primary Production land;
- Commercial land;
- Community Services land;
- Sport, Heritage and Cultural land;
- Industrial land;
- Extractive industries land;
- Infrastructure and Utilities land;

c) Vacant land; and

d) Retirement village land as defined in the Retirement Villages Act 1986.

Subject to the finalisation of Ministerial Guidelines for Differential Rates additional revenue could be raised through the rating system with respect to gaming venues, late licence premises or late trading premises. Additional revenue could be raised through the rating system to fund projects, for example:

- to mitigate the impacts of problem gambling, through primary prevention, community awareness and support initiatives.
- offset the costs (direct and indirect) of vandalism, litter collection, street sweeping and cleaning in central Shepparton resulting from the operation of late licence premises and late trading premises.

The level of the differential rates would be the level which the Council considers is necessary to achieve the objectives specified above.

***Recommendation 11***

***That in the future separate differential rates be introduced for properties defined as Gaming Venues, Late Licence Premises and Late Trading Premises.***

## 5.9 SHEPPARTON SHOW ME

### 5.9.1 COMMUNICATING AMOUNT CONTRIBUTED

***Recommendation 12***

***Should the existing rating system of Shepparton commercial and industrial properties contributing to Shepparton Show Me remain, that the amount contributed by each property be communicated annually.***

### 5.9.2 CONTRIBUTING PROPERTIES

***Recommendation 13***

***The promotion of Greater Shepparton is supported; however the existing rating system of Shepparton commercial and industrial properties contributing to Shepparton Show Me should be removed and the Council should investigate other methods of collection for a promotional fund.***



## 5.10 NOT-FOR-PROFIT / CHARITABLE PREMISES

The Council has received requests to waive commercial rates under the provisions of section 171 of the Act for local charitable organisations that own land used for the retail sale of goods as part of a charitable enterprise

From 1 July 2010, the Council began a review of retail operations of charitable organisations to ensure that these premises were listed as rateable in accordance with section 154(4)(c) of the Act due to the retail nature of the business. This resulted in the assessment being rated as Commercial Improved 1 Land in accordance with Council's differential rating system. The non-retail operation of charitable organisations retained its non-rateable status.

The current wording of the Act means that land used for retail sales is always rateable, so that rates must be waived on the grounds of financial hardship.

Council has not adopted a formal Hardship Policy and currently assesses any individual requests in accordance with the provisions of section 171 of the Act on a case by case basis. The Municipal Association of Victoria has just released a draft Local Government Hardship Code of Practice relating to financial hardship requests.

In accordance with the provisions of section 171(1)(b) of the Act, the Council may waive the whole or part of any rate or charge in relation to – “any class of persons determined by the Council for the purpose of waiving rates or charges on the grounds of financial hardship”. The Act requires a resolution of the Council to be made which includes the objectives to be achieved by the waiver.

The potential loss of rates and charges revenue if the whole commercial rates and municipal charge were waived for 13 retail premises currently being used by charitable organisations is equal to \$66,529.

A request, based on the premise that the properties are not operated on commercial terms and are actually loss making businesses could have wider implications for additional requests from other commercial enterprises in similar situations.

Adopting a waiver of rates and charges would provide recognition that charitable organisations are operating substantially for the benefit of the local community.

### ***Recommendation 14***

***That the Council develop a policy to enable it to consider waiving rates or providing rebates or concessions by application for not-for-profit and/or charitable residential or retail premises in accordance with the Act, where the organisation is not making a profit from those property uses.***

## 5.11 HERITAGE INCENTIVES

### **Recommendation 15**

***That heritage rating incentives be investigated with the assistance of the Council's Heritage Advisory Committee, that are consistent with the heritage objectives of the Council, for consideration in the future.***

## 5.12 SHEPPARTON - A WALKING CITY

### 5.12.1 THE CONCEPT OF A WALKING CITY

The difficulty of embracing a new idea is only surpassed by the intellectual struggles we encounter when trying to free ourselves of the existing paradigm – everyone, from the Rating Strategy Reference Group through to the Greater Shepparton ratepayers and, importantly, the Council itself has some serious thinking to do in considering how rates are best apportioned.

It is acknowledged that Greater Shepparton itself cannot change or dramatically alter what is happening in the world – energy scarcity, a rapidly changing climate driven by an atmosphere humans have damaged and a burgeoning population – but what it can do is prepare itself to be strongly positioned to address these inevitable changes.

Evidence from all around the world illustrates that those communities that best endure difficulties and challenges, and so are the most resilient, are those which are more closely settled, designed and built with people in mind, rather than machines (cars). These communities are truly walkable and are a part of a wider public transport infrastructure.

First and foremost (and we should start with Shepparton), we need to clearly define the city's urban boundary and from a pre-determined mid-point, we have a series of concentric circles with the first being 500 metres around that central point (a kilometre across) being the absolute lowest rate, regardless of use, and then the rate increasing every 500 metres we travel out from that centre point.

The Kialla Lake shops are about 5km from the Council Offices (Eastbank) and so the city boundary should be no more than 6km distant from the centre, that 6km point, or at least the last 500 metres leading up to that point, being that at which the Council rates would be clearly at their most expensive.

Beyond that point we encounter the "farm rate" and should anyone choose to build there and not be able to unambiguously illustrate that their property was their primary source of income, then they should pay the top urban rate, plus two-and-a-half per cent.

Shepparton's inner city area is alive with sites simply begging for "in-fill" development on which residences could easily be created by innovative designers bringing hundreds, if not thousands, of people back to live in the inner city making it a genuinely walkable or at least a city which could be easily traversed by bicycle.

The "sprawl" of the city fits comfortably with the Australian psyche that calls for space – that is a detached house on an individual block – evolved when energy was not an issue, when the oil supply seemed endless (oil supply is now more than half gone), if we needed a little more electricity we

simply burnt a little more coal (the absolute villain in terms of the atmosphere damaging carbon dioxide), and water supplies were bountiful (they are not and although we will still see massive downpours and floods they will come at inappropriate times) and the seasons we have understood for centuries are quickly vanishing.

Why is any of this important to the Council's rating structure?

It is a little like the Wild West image of "circling the wagons" for when trouble arose they stood close together as they had found that survival was most enhanced when they stood as one against their adversary.

The Shepparton of tomorrow, which we can shape today through a whole new rating structure needs to be tight knit, fine grained, multi-use (that's a mixture of residential/commercial/light industrial) and laced with walking, cycling and public transit infrastructure.

World-wide evidence, again, illustrates that those towns and cities developed to reflect those attributes and so allow for and encourage the chance face-to-face meetings as the go about the normal day to day affairs are socially and economically far richer places to be.

Evidence has also shown that where walking is made feasible, and so possible, the value of properties increase markedly.

Communities in which walking is noticeably increased, also have a noticeable and measurable increase in public safety – for example, if people live above and behind shops in the Maude St Mall, their "passive" eyes and their simple coming and going, fulfilling their usual daily routines, would resolve much of present security issues that dog the mall. CCTV cameras would be unnecessary and "they" would exist through the eyes and memories of those who lived there.

## 5.12.2 RATE MODELLING THE CONCEPT OF A WALKING CITY

### 5.12.2.1

### ASSUMPTIONS - GEOGRAPHIC AREAS AND PROPERTY TYPES

To model this proposal, differential rate categories were assigned based on the following geographic areas and property types.

- **Primary CBD Area**
  - All rateable properties with ground level frontage to the Shepparton Mall
- **Secondary CBD Area**
  - All rateable properties, excluding those classified as Primary CBD Area Rates, contained within the CBD precinct of:
    - Welsford Street – between the Queens Gardens and High Street;
    - Wyndham Street – between Nixon Street and Vaughan Street on the west side [excluding properties to the rear of 372-398 Wyndham Street] and between Nixon Street and the south side of 451 Wyndham Street on the east side;
    - Maude Street – between Nixon Street and the south side of 288 Maude Street on the west side between Nixon Street and Vaughan Street on the east side;
    - Corio Street – between Fryers Street and Ashenden Street;
    - Fryers Street – between Welsford Street and east side of 153 Fryers Street on the north side between Welsford Street and Corio Street on the south side;
    - Stewart Street – between the Mall and Corio Street;
    - High Street – between Welsford Street and North Street;
    - Rowe Street – between Maude Street and Corio Street;
    - Vaughan Street – between Wyndham Street and Corio Street;
    - Ashenden Street – north side between Maude Street and Corio Street.
- **Tertiary CBD Area**
  - All rateable properties, excluding those classified as Primary and Secondary CBD Area Rates, contained within the CBD precinct of:
    - Welsford Street – the east side between Knight Street and Fryers Street, the west side between Fryers Street and Vaughan Street, the east side between Vaughan Street and Sobraon Street;
    - Sobraon Street – the north side from Welsford Street to Hoskin Street;
    - Hoskin Street – the east side to High Street;
    - High Street – north and south side east to the railway line;
    - North Street – east side to Fryers Street;
    - Fryers Street – west of Harold Street to the north side, west of No. 210 on the south side;

- Corio Street – east side, north of Fryers Street to and including No. 105 on the east side [and No. 110 on the west side];
  - Nixon Street – north side between Corio Street and Maude Street;
  - Maude Street – west side between Nixon Street and Knight Street;
  - Knight Street - south side between Maude Street and Welsford Street.
- **Outside CBD but within the Shepparton Urban Area**
    - All rateable properties, excluding those classified as Farm Land, Primary, Secondary or Tertiary CBD Area Rates, located outside the CBD precinct but contained within the Shepparton Urban Area
  - **Outside Shepparton Urban Area**
    - All rateable properties located outside the Shepparton Urban Area
  - **Farm Land**
    - Land that is not less than 2 hectares in area; and
    - That is used primarily for grazing (including agistment), dairying, pig-farming, poultry-farming, fish-farming, tree-farming, bee-keeping, viticulture, fruit-growing or the growing of crops of any kind or for any combination of those activities; and
    - That is used by a business –
      - That has significant and substantial commercial purpose or character; and
      - That seeks to make a profit on a continued basis from its activities on the land; and
      - That is making a profit from its activities on the land, or has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way it is operating.



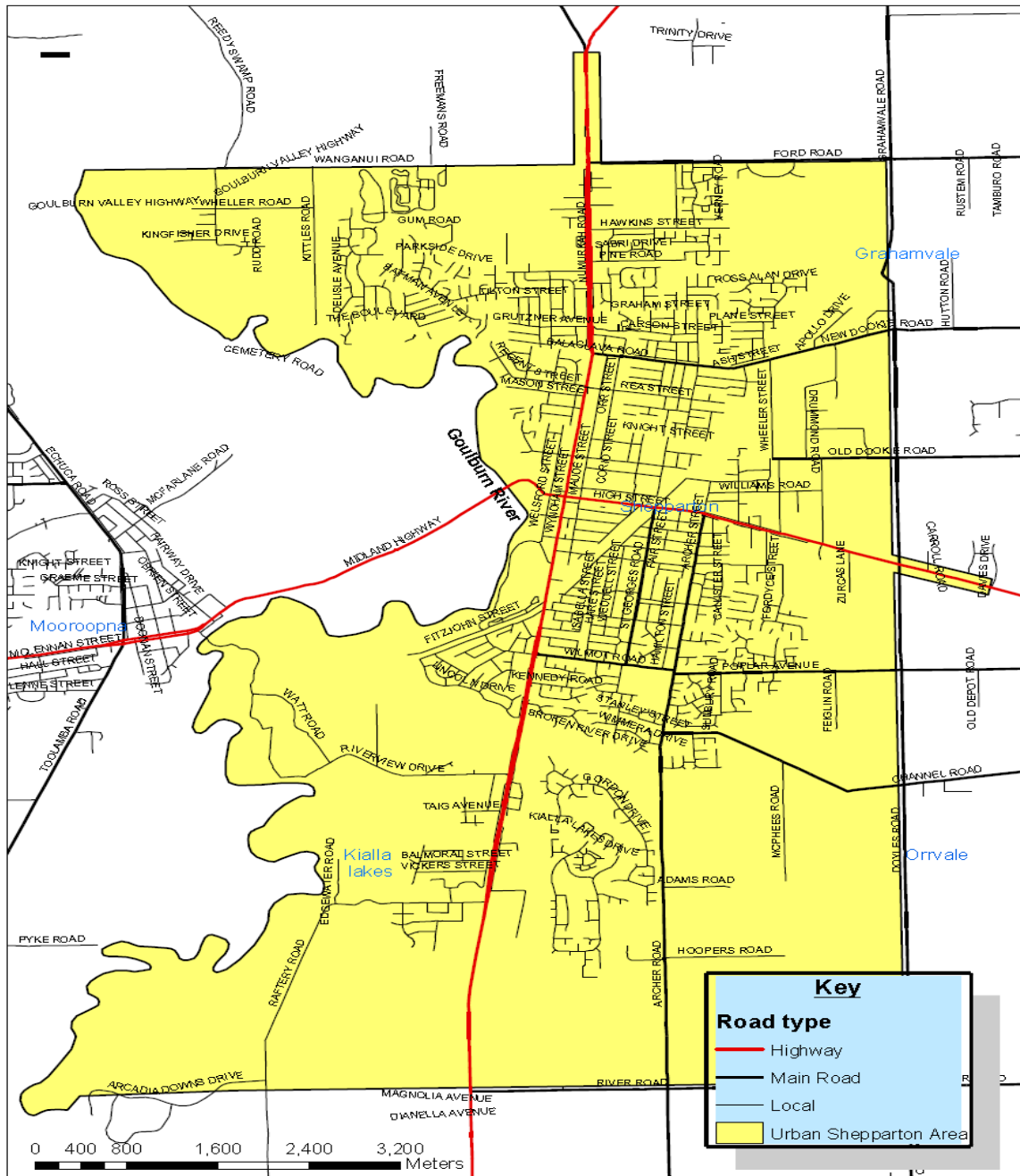
**Map – Primary, Secondary and Tertiary CBD Precincts**



The Urban Shepparton Area is bound by:

- The Goulburn River to the west
- Wanganui Road and Ford Road to the north, but including the Goulburn Valley Highway to the Barmah-Shepparton Road
- The Shepparton Heavy vehicle By-Pass to the east, but including Benalla Road to Davies Drive
- River Road to the south

**Map of Shepparton Urban Area**



5.12.2.2

ASSUMPTIONS - RATES AND CHARGES

Differential Rate Type	Assessment Nos.	CIV 2012-2013		A Walking City Proposed Rate in the Dollar	Ratio to Base Rate %
		\$ '000	% of CIV		
Primary CBD Area Rate	83	48,128	0.56	0.0046255	80
Secondary CBD Area Rate	411	210,121	2.44	0.0049146	85
Tertiary CBD Area Rate	57	13,317,000	0.15	0.0052037	90
Outside CBD but within Shepparton Urban Area Rate* [*Base Rate]	16,571	4,702,858	54.56	0.0057819	100
Outside Shepparton Urban Area Rate	8,577	2,135,875	24.78	0.0063601	110
Farm Rate	3,487	1,498,713	17.39	0.0046255	80
Cultural and Recreational Rate	7	10,987	0.13	0.00421210	73
<b>TOTALS</b>	<b>29,193</b>	<b>\$8,619,999</b>	<b>100%</b>		

No municipal charge was levied in this model and contributions towards the Shepparton Show Me promotions are being made by all rateable assessments.

### 5.12.2.3

### CONSOLIDATED RATES REVENUE

Consolidated rates revenue includes general rates and any municipal charges but excludes waste service charges as these were not considered by the Rating Strategy Reference Group.

A summary of proposal and its comparison to 2012-2013 Budget results is detailed below:

Differential Rate Type	2012-2013 Budget \$	A Walking City Proposal \$	Change \$	Change %
Primary CBD Area Rate	574,270	222,616	(-351,654)	(-61.23)
Secondary CBD Area Rate	2,471,947	1,032,661	(-1,439,286)	(-58.22)
Tertiary CBD Area Rate	63,381	69,298	5,917	9.34
Outside CBD but within Shepparton Urban Area Rate* [*Base Rate]	27,949,281	27,191,624	(-757,657)	(-2.71)
Outside Shepparton Urban Area Rate	11,635,944	13,584,384	1,948,440	16.75
Farm Rate	6,352,076	6,932,299	580,223	9.13
Cultural and Recreational Rate	32,261	46,278	14,017	43.45
<b>TOTALS</b>	<b>\$49,079,160</b>	<b>\$49,079,160</b>	<b>\$0</b>	<b>0%</b>

#### **Recommendation 16**

***Greater centralisation of the population through increased accommodation density to the centre of urban areas is supported. However the proposal to use the rating system to encourage centralisation is not recommended for implementation at this point in time, as this proposal requires further investigation, development, understanding and assessment.***



### 5.13 IMPLEMENTATION

To spread the impact of recommendations of the Rating Strategy Reference Group the implementation of the new Rating Strategy can be phased over the period 2013-2017.

#### ***Recommendation 17***

***To provide a reasonable degree of stability in the level of the rates burden, implementation of the Rating Strategy can be phased over a number of years.***

### 5.14 COMMUNICATION AND EXPLANATION

Council rates are based on principles, however understanding how the rating system is applied and the impact on individual ratepayers can be complex.

#### ***Recommendation 18***

***That the Council considers methods and opportunities for the community to better understand the rating system.***

### 5.15 RATING STRATEGY ADVISORY COMMITTEE

The establishment of an ongoing advisory committee would assist Council in the regular review of its Rating Strategy including monitoring the changing nature of its rating base and the elements of its rating structure. Further reviews of the Rating Strategy may include the structure of waste charges and consideration of other special rates, charges or levies.

#### ***Recommendation 19***

***That the Council establishes an ongoing Rating Strategy Advisory Committee to assist in the further development and implementation of its Rating Strategy.***