

**COMMUNITY DISCUSSION PAPER RE FURTHER CHANGES TO COUNCIL'S RATING
POLICY & RATING STRATEGY
FOLLOWING THE COUNCIL MEETING OF 25 MARCH 2019**

Purpose

This report has been prepared to explain the changes that occurred with Council's draft Rating Policy and draft Rating Strategy following the Council meeting on the 25 March 2019.

Council at the meeting resolved to make a number of changes to the strategy and policy, which will impact materially on the way the rates contributions are shared across the classes and type of ratepayers

Council is now seeking further comments/submissions from the community by Friday, 12 April 2019. These can be made:

1. Via an on-line form on Council's "Have Your Say" page on the HRCC Website
2. In writing addressed to the CEO Horsham Rural City Council 18 Roberts Avenue Horsham 3400
3. Via e-mail to Council@hrcc.vic.gov.au
4. In person – forms available at reception at the Civic Centre 18 Roberts Avenue Horsham

Council will consider submissions received and hear from submitters if they so wish on Monday the 15th of April 2019. The final documents will then be presented to Council at its Ordinary Council Meeting on 23 April 2019.

Summary

The following items from the Draft Rating Strategy & Policy were adopted unchanged:

1. The Farm Differential was reduced from 80% to 67%
2. A Commercial Differential was introduced of 95% of the general rate
3. An Industrial Differential was introduced of 95% of the general rate
4. A \$30 additional rebate per property will be paid to eligible pensioners
5. No differential was introduced for retirement villages
6. No new rate category was introduced for rural lifestyle farms

The following additional resolutions were made that may/will impact on the distribution of rates:

1. That Council acknowledge and address the key findings out of the rate review process in its strategy document. The current rating system is broken. Farms carry an excessive rate burden that is recommended to be reduced at every general revaluation to achieve a more fair and equitable distribution of the rate burden.

2. That the Municipal Charge is reduced by the State Government Rate Cap set annually rounded to \$280, and that Council reduce its budget and administrative costs to match its reduced rate revenue in the 2020-2021 budget.

(In the Draft Rating Strategy the municipal charge was being reduced from \$287 to \$200. With this resolution the charge for 2019-20 will be \$280)

3. Adopt the Rating Policy including a trigger point for the purposes of deciding when a review of a differential will occur, as follows: The difference in the valuation change (increase or decrease) between the general differential rate category and another differential rate category exceeds 3.5% following a general revaluation of properties.

(This was 5% in the Draft policy)

Background

Council previously had the draft Rating Strategy & Rating Policy out for community comment and submissions from 25 January until 8 March 2019. Because these changes materially change the way that rate contributions are shared between ratepayers, Council is now providing the community with another opportunity to comment on these changes.

The Municipal Charge is a fixed charge per assessment and some farm assessments are exempt. The impact of the charge is that the higher the municipal charge, more Rates are paid by lower valued properties and the lower the charge, more Rates are paid by higher valued properties.

Essentially however, a fixed component of the rating structure is provided as recognition of the fact that all rateable properties have an obligation to contribute to the basic operations of Council. The Municipal Charge is explained more fully in council’s Rating Policy Section 4.6.

The Draft Strategy included reducing the Municipal Charge to \$200 as that would be approximately 10% of Council’s total rate revenue and this was a proposal within the draft changes to the Local Government Act. These changes are yet to be implemented and it is unclear when the new Local Government Act would go before Council or if this particular aspect would remain. The current Act allows up to 20% and at \$280, it is approximately 13%.

Summary of the Change across Classes of Land

A summary of the approximate impacts of the change of the Municipal Charge from \$200 to \$280 across the various classes of land are as follows:.

Classes of Land	\$ Change	% Change
Residential	\$185,250	1.26%
Commercial	-\$32,168	-1.78%
Industrial	-\$5,036	-0.53%
Farm	-\$147,343	-2.50%
Cult & Rec (50%)	-\$702	-4.12%
Cult & Rec (0%)	\$0	0.00%
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Total Rates	0	0.00%
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Note: The amounts have been calculated based on the 2018-19 budget figures and do not factor in any forecast changes in valuations. The % Change is from the Draft Strategy not last year’s budget so reflects only this change.

Summary of the Change across Valuation Groups & Classes of Land

The impact is more pronounced between various levels of property valuations. Essentially property values approximately below the following levels for each of the classes will have increased rates, and property values above the following levels will have decreased rates as a result of the change to the municipal charge from \$200 to \$280.

Residential	\$350,000
Commercial	\$370,000
Industrial	\$370,000
Farms	\$530,000

The number of properties and approximate rate shifts in dollar values and percentage terms by class of land, are shown in the following table:

Classes of Land	Property Values up to \$400,000			Property Values \$400,000 to \$1.5m			Property Values over \$1.5m		
	No.	\$	%	No.	\$	%	No.	\$	%
Residential	7,838	243,960	2.3	1,341	-42,219	-1.1	7	-2,121	-3.2
Commercial	288	8,638	2.2	170	-8,024	-1.5	64	-29,977	-3.5
Industrial	295	12,615	3.9	98	-4,142	-1.3	28	-10,841	-3.4
Farms	766	1,739	0.2	914	-58,424	-2.6	478	-101,398	-3.5
Total	9,187	266,952	2.2	2,523	-112,808	-1.6	577	-144,338	-3.5
% Overall Properties	74.8%			20.5%			4.7%		

Note: The amounts have been calculated based on the 2018-19 budget figures and do not factor in any forecast changes in valuations. The % Change is from the Draft Strategy not last year's budget so reflects only this change.

Conclusion

The Draft Rating Strategy and Draft Rating Policy documents as displayed on the website now reflect the council resolutions of 25 March 2019. These documents will be presented to Council at its Ordinary Meeting on 23 April 2019 together with any feedback or submissions from the above information.

Graeme Harrison
Director Corporate Services
28 March 2019