Rating Strategy 2019 - 2026

1. POLICY STATEMENT

The Rating Strategy has been developed by the Balonne Shire Council to compliment the Revenue Policy and Revenue Statement and aims to achieve best practice and inform decision making when setting rates on an annual basis by adopting a consistent strategic approach to its rating strategy over the long term.

2. PRINCIPLES

Council's Revenue Policy provides the principles for levying rates and charges at 3.0 including observing council's legislative obligations, ensuring a fair and consistent approach and flexibility to take account of changes in the local economy, extraordinary circumstances and impacts that different industries have on Council infrastructure.

Council considered the rates practice principles shown at Figure 1 B provided by the Queensland Audit Office [QAO] when adopting the rating strategy. The long-term rating strategy is also consistent with the recommendations of the QAO shown at Figure 2D. (Queensland Audit Office - Managing local government rates and charges Report 17: 2017–18)

Council's rating strategy will:

- Improve transparency of its rating model
- Assist the community to understand how it has established different categories
- How general rates are determined and why some categories are charged more than others
- Consult with the community on its rating strategy
- Ensure that annual revenue statements on rates and charges support financial sustainability
- Establish the economic and other factors that influence councils' rates decisions

Overall, the rating strategy seeks to simplify Council's rate model structure by:

- Ensuring equity and fairness and minimise the impacts of significant changes in land valuations
- Having no more than 65% of properties on the minimum general rate – noting that recommended best practice is no more than 50% of properties on minimum general rate (QAO Report 2017-18)
- Providing a similar rate revenue base for Council to maintain existing facilities and necessary services
- Focussing on own source revenue from a range of avenues to reduce burden on ratepayers
- Acknowledging land valuations consider the inherent differences and highest and best use of individual properties

3. SCOPE

The rating strategy will be reviewed by Council on an annual basis as part of its decision-making process to adopt an annual budget and to set rates and charges for the financial year. The rating strategy is a strategic document to deliver a consistent approach over the long-term, working towards financial sustainability and promoting transparency with ratepayers.

4. RESPONSIBILITY

Council must calculate the rates for land by using the rateable value of the land.

Council has a responsibility to set the rates and charges each financial year and if the value of the land changes under the Land Valuation Act, Council must adjust the rates so that the rates are calculated on the new value of the land for the period that starts on the day the change takes effect under that Act.

The Director Finance & Corporate Services has a responsibility to implement the strategy, communicate and/or consult with ratepayers and finalise the rate model each financial year with the budget process.

5. DEFINITIONS

- CCI – Council cost index
- CPI – Consumer Price Index
- MGR – Minimum General Rate
- Differential rating categories are defined in Council's Revenue Statement
- 7 year strategy – transitional arrangement towards a single rural rate
- QAO – Queensland Audit Office
- Value of land - the value, of land for a financial year, is its value under the Land Valuation Act when a liability for payment of rates or charges for the land arises for the financial year.

6. STRATEGY

Financial Sustainability

On average rate revenue represents only 30% of the Balonne Shire's revenue, partly due to a declining population and limited economic base. Council acknowledges this is not sufficient revenue to achieve long-term financial sustainability and is an issue that faces many smaller rural and regional local governments. Council recognises that its revenue needs should reflect the full cost of maintaining and replacing council's assets and that rate increases are expected to cover the gap between a Council's forecast revenue from other sources and the forecast revenue needs. This rating strategy aims to balance these requirements with the need to minimise the impact on properties with higher valuation changes and to adopt rate increase that are considered to be fair and reasonable for ratepayers.

Council will continue to work towards operating sustainably over the long term without undue burden on its ratepayers or erosion of its physical asset base by sourcing revenue through alternate means such as:

- Developing a diverse economic base through economic development strategies;
- Achieving and maintaining accreditation to undertake contract works both in and external to the Shire; and
- Actively seeking grant programs to deliver services, maintain, upgrade and renew assets in the Shire.

Council will consider service levels and industry impacts on service levels in developing a fairer and simpler way forward. To this end Council has adopted asset management plans across its major asset classes to inform long term financial plans and annual budgets.

Council's rating strategy will remain flexible to take account of changes in the local economy, extraordinary circumstances and impacts that different industries may have on Council infrastructure. Council will aim to introduce change in increments and slowly to reduce substantial impacts. Limitations will continue to be used to assist a smooth transition to structural reforms to the rate model.

Council will review levels of services and community expectations over the general rating strategy period to enhance appreciation and capability and to address the needs and expectations of the community. Council will continue to be responsive to the changing political, economic and climatic impacts on the community. Community consultation will be undertaken, at least biennially to inform budgets. Council will inform the community of the level of general rate revenue generation requirements, including but not limited to:

- The cost of maintaining facilities and services
- The need for additional facilities and services.

Minimum General Rates

Council is aware that over a period of time a number of non-rural based rating categories have Minimum General Rates (MGRs) set at levels that are not consistent with the intent of the legislation. Many categories have MGRs set that catch greater than 50 % of the category cohort and in some instances substantially more. Further to this benchmarking has also indicated that some MGRs are set at levels, which sit outside reasonable benchmark tolerances. Council will seek to address this situation when considering rates as part of its annual budget cycle.

Council will continue to enhance and develop insight into the cost drivers that influence the cost to the community for the provision of facilities and services and work with the community via enhanced community consultation to maintain service relevance and standards. These assessments will drive the funding required and flow into decisions regarding the level of funding to be secured via general rating.

Single Rural Rate

Council's rating strategy aims at administering a simple and inexpensive rating regime. Over recent years Council has invested in external support to analyse and model general rating for the Shire. The complexity of previous models is noteworthy. Council must ensure equity through the fair and consistent application of lawful rating and charging principles, without bias, and taking into account the differences and highest and best use of the land within the local government area. Council has been considering options for some time to address the impact of previous rating decisions and the recent revaluation impacts (especially on rural categories).

The rating strategy proposes the implementation of a single rural rate to significantly simplify the processes required to raise the general component of rates and charges, maintain the financial aspects of the property database and provide a simpler base to forecast going into the future. In 2019/20 Council consolidated the rural Categories 60, 61, 62, 63, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74 and 75 into four rating categories being 100, 200, 300 and 500. The transition to a single rural rate commenced as part of the 2019/20-budget cycle with a completion date of no later than 2025/26 (i.e. over 7 years). Council at its 2019/20 and 2020/21 budgets adopted a rate in the dollar consistent with a seven-year strategy that was communicated with all rural landholders. The seven-year strategy to transition to a single rural rate is subject to percentage increases/decreases in CCI* or CPI* and valuation variations from year to year. Annually, Council will consider recalibration of this segment of the strategy to ensure the outcome remains consistent with the impact of subsequent revaluations, assessed required level of services and consumer price and council cost indexes.

Council reviewed the service levels across rural categories and determined that, in general, they receive the same level and/or access of service. A rate model of a single rural rate across rural categories aims to remove issues of fairness and equity and allow the valuations solely to take into account the inherent differences in country type and highest and best use.

7. LEGAL PARAMETERS

Local Government Act 2009

Local Government Regulation 2012

8. ASSOCIATED DOCUMENTS

Revenue Policy 2021/22

Revenue Statement 2021/22

Figure 1B
Rates practice principles

Principle	Interpretation	Mechanisms
Fairness	There should be flexibility to deliver fair and equitable outcomes through rates practices.	Establishing an appropriate number of differential rates categories and setting an appropriate level of rates for each category. Allowing discounts or concessions based on ratepayer circumstances—balanced against overall fairness across the community.
Equity	Parcels of similarly valued land, which are used for the same or similar purposes, and receive similar services, should be levied similar general rates.	Establishing an appropriate number of differential rates categories and setting an appropriate level of rates for each category. Maintaining a connection between property valuations and general rates charged.
Meaningful contribution	There should be recognition of the characteristics which necessitate differences in services or facilities, e.g. land use, to ensure revenue contribution is meaningful across the community. Where land valuations are so low that revenue generation from the community becomes too disparate, there should be provision to support a base level contribution.	Establishing an appropriate number of differential rates categories and setting an appropriate level of rates for each category. Setting minimum general rates when property valuations in a rates category are so low that the cents in the dollar rate does not raise a sufficient level of rates.
Predictability	There should be a reasonable level of predictability in the amount of rates levied on parcels of land.	Describing rates categories and their rates and charges in sufficient detail and explaining why some categories are charged higher levels of rates than others. Averaging land valuations and/or applying a rates cap to smooth the rates levied from year to year when valuations increase significantly.
User pays	Where it is possible to tie a specific council-provided service to a user of that service, council should levy rates, fees, or charges directly on those users.	Using special and separate rates and charges and utility charges as appropriate to compensate for cost of service delivery.

Source: Queensland Audit Office adapted from the department's June 2017 Guideline on equity and fairness in rating for Queensland local governments.

Figure 2D
Components of a good practice rates strategy

Component	Description
General rates	What general rates are used for and how they differ to other types of rates and charges.
Economic and environmental drivers	The economic factors influencing the council's rates decisions over the next 10 years, such as: • the local economy • environmental conditions • asset management requirements • sustainability objectives.
Rates property mix	The nature of the rateable properties in the council's area and the impact they have on the council's services and facilities, revenue, and costs. The extent to which the council relies on rates revenue may also be relevant.
Mechanisms used	How council has decided to use each of the rates mechanisms available in the Regulation, and why. Why council has established its suite of rates categories and how properties are allocated to them. How and when council may change the suite of rates categories and why. How council will communicate those changes. How council has considered and balanced each of the local government (and other) principles in applying the mechanisms.
Link between property valuations and rates	How the council's use of the rates mechanisms maintains the connection between land valuations and general rates.
Subject to change	The factors or events that may cause the council to review and change the rates strategy over the next 10 years, and how council will communicate those changes.

Source: Queensland Audit Office.