



Rating Policy Review Position Paper

**LITCHFIELD
COUNCIL**



Community effort is essential

Letter from the Mayor

I am writing to the Litchfield community to tell you about Council's review of the way property rates are distributed across the municipality. This document explains the proposals, please take the time to read through it.

In 1985, when the municipality was established, there were only a small number of residents, few sealed roads and little in the way of public facilities. Now:

626.76kms
SEALED ROADS 

POPULATION
25,000+ 

 RECREATION
RESERVES **7**

Council takes a long-term view when planning for the future and has developed a Strategic Plan to set priorities and a Long Term Financial Plan to guide expenditure. Council also constantly reviews its policies to ensure they are 'fit for the future'. In 2016, Council resolved to review how rates are collected (our Rating Policy) to ensure the system is right for Litchfield now and sustainable in future. An independent expert review was conducted in 2017. Following on, Council established a Community Reference Group in 2018 to consider improvements. The Reference Group made recommendations to Council and now Council wants to hear your views.

The possibilities being considered are:

1

The introduction of two new categories of rates – a horticulture/ agriculture category and a rural category to better reflect the types of properties we have in Litchfield.

2

The introduction of a new way of calculating rates to take into account the value of a property.

3

The introduction of an additional charge on properties where there is more than one dwelling.

Some topics of the rating system will stay the same including the waste management charge, concessions for pensioners, deferral of rates for those in financial hardship, and the use of special rates for some projects. It is Council's intention that there be minimal impact to ratepayers by the proposals in this paper.

I would like to thank the eleven members of the Community Reference Group who met over five months to consider improvements to the rating policy and make their recommendations to Council. They have made a valuable contribution to the review.

Please talk to your Ward Councillor if you have questions. Keep an eye out for Council's community information sessions and, if you would like to know more, come and talk to one of our staff members. Tell us what you think. Your views are important.

At the end of this document there is information on how you can provide your feedback. I look forward to receiving your input.

Mayor

Maree Bredhauer

What are Rates?

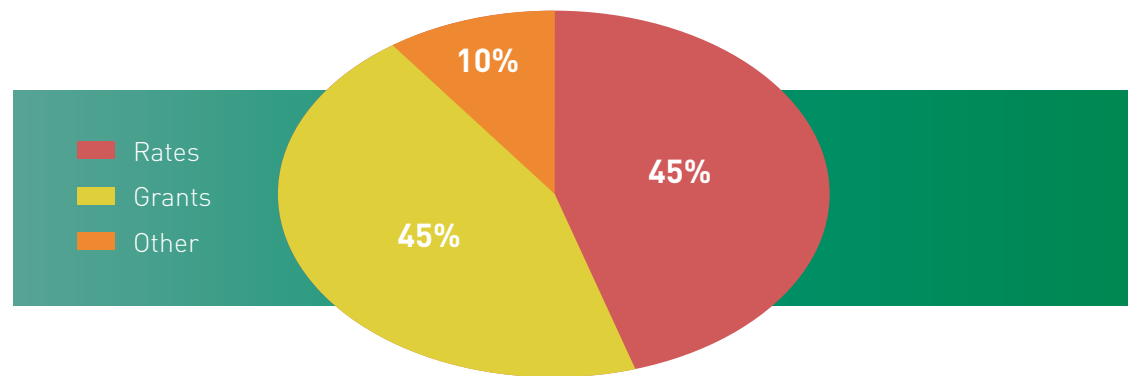
Council raises revenue from landholders in the municipality by levying a charge, known as rates, to meet the costs of running the municipality.

Council also has other sources of revenue. These include:

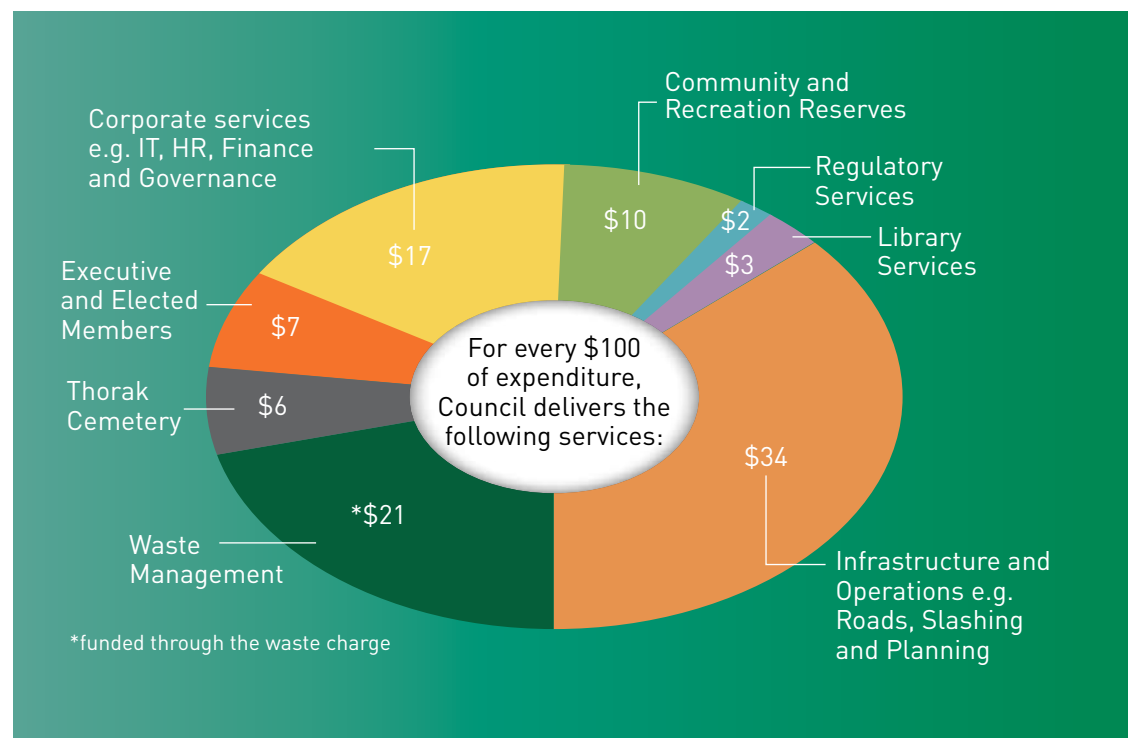
- Charges for specific purposes e.g. waste management
- User charges e.g. hiring fees for community assets
- Grants from government e.g. Black Spot Funding
- Income from investment e.g. interest on term deposits

Rates are an important source of income for Council. Grants are received from both the Commonwealth and Territory governments, through Council's strong advocacy. But these grants vary from year to year making budgeting a balancing act.

Income Sources 2019-20 Budget

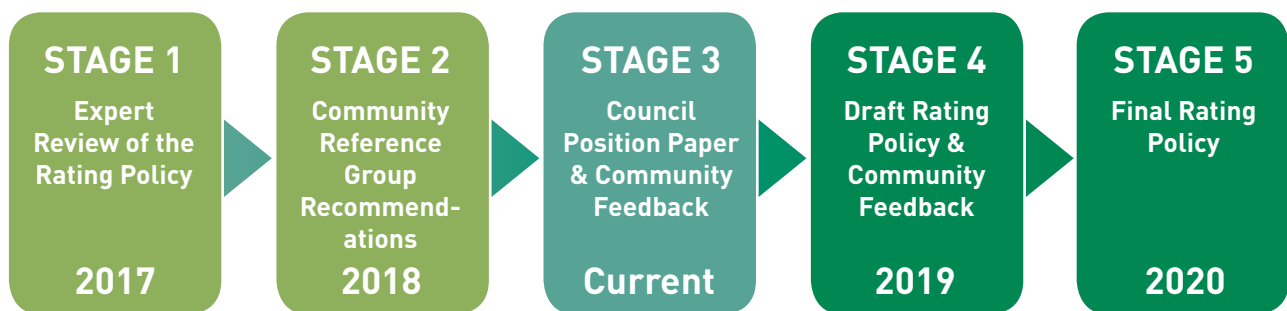


Where do my rates go?



Process of the Review

Since 1985, there have been some small changes made to the basis of rating at Litchfield Council. In 2016, Council resolved to review the way rates are distributed and charged. After a review was undertaken by a consultant in 2017¹, Council committed to a comprehensive review process over two years, knowing how important this topic is for our community.



In late 2018, Council established a group of ratepayers, known as the Community Reference Group, through an Expressions of Interest process. Eleven members were appointed to review Council's rating policy under the guidance of an independent chair and a facilitator.

The Community Reference Group met on eight occasions and made recommendations for improvements to the way Council distributes rates across the municipality. Councillors have considered this report and have formed a view on some of the recommendations but not yet on all.

This Position Paper has been prepared to explain the improvements recommended by the Community Reference Group and to provide you with the opportunity to have a say and contribute to Council's decision-making process².

All feedback will be considered in the preparation of a draft Rating Policy. There will be a further opportunity for the community to comment prior to Council adopting a new Rating Policy in early 2020.

The process was actually quite fun and engaging. We were given access to a lot of information and were responsible for making all key decisions regarding the process. I think it helped us feel empowered to make decisions on what is a complex topic.

Community Reference Group Member

¹ Litchfield Council – Review of its Basis of Rating, 2017, 2 Community Reference Group report.

^{1,2} Documents can be found at www.yoursay.litchfield.nt.gov.au/ratingpolicyreview

Principles of Rating

The consultant's review of Council's basis of rating identified three principles against which a rating system should be evaluated. Council was advised that these principles are commonly applied around Australia. The Community Reference Group discussed these principles and considered them important in establishing a modern rating system.

The three principles identified in the consultant review are:

- **Administrative simplicity** – Under this principle, the cost of implementing the system should be as low as possible and the charge should be difficult to avoid
- **Economic efficiency** – Under this principle, a charge is assessed as efficient if it does not result in a change in people's behaviour. Sometimes, however, governments apply a charge to drive a change in people's behaviour e.g. in tobacco taxes
- **Equity** – This principle has two components which are not complementary and the importance of each needs to be considered:
 - All things being equal, a person who receives more benefits should pay more
 - A person who has greater capacity to pay should pay a higher share of the charge

The Community Reference Group used a fourth principle in its deliberations, that of **policy consistency**. This principle holds that policies should be clear, consistent and transparent.



Council wants to hear your view about the principles of rating? Should Council use them in planning the rating system?

Rating Categories

Council can differentiate properties by different characteristics for rating purposes, such as, use of the property. Planning Zones are the best approach to rate properties when the use of every property is not known to Council. Planning Zones are determined by the Northern Territory Planning Scheme.

Our Current Rating Categories

Under the current rating scheme, there are three main rating categories. These are:

- **Urban Residential** all residential zones only in the location of Coolalinga
- **Rural Residential** all residential, rural and some recreation and other zones
- **Commercial/Industrial** all commercial and industrial zones

Community Reference Group Recommendations

The Community Reference Group considered various ways to differentiate rates for different types of properties. It recommended that Planning Zones should form the basis of rating, grouping zones into categories based on the allowable land uses in each zone and taking the rating principles into account.

The Community Reference Group also proposed some improvements to better align rating categories with planning zones. For the great majority of properties, this will mean no change.

Council's Position

The two main proposed improvements Council is considering are:

- The introduction of two new rating categories, **Horticulture/Agriculture** and **Rural**
- A change in the **Urban Residential** category removing location (Coolalinga) as a differentiator

7,864 
RATEABLE PROPERTIES



Proposed changes in rating category would apply to approximately one quarter of properties, mostly those in rural zoning.



Council is proposing to use the new categories of **Horticulture/Agriculture** and **Rural** to create better alignment between our rating categories and the planning zones.

The table below shows that Council is proposing to use the same rating category of **Urban Residential** for all properties in urban settings. This will create greater consistency across the municipality. This will mean the built-up areas in Humpty Doo, Howard Springs, Coolalinga or future developments will be rated the same.

The Community Reference Group recommended that Coolalinga should be rated separately by location, but Council does not agree with this recommendation. Council believes it is fairer to rate properties in similar areas in a similar manner.

Current Zones	Current Rating Category	Proposed Rating Category	Properties within the category change
Horticulture	Rural residential	Horticulture/ agriculture	2%
Agriculture	Rural residential	Horticulture/ agriculture	Less than 1%
Rural	Rural residential	Rural	20%
Single dwelling, multiple-dwelling, medium density & specific use (where applicable)	A mix of Urban Residential (Coolalinga) and Rural Residential	Urban Residential	2%



It is important to remember that a change in rating category does not, in itself, mean there will be a change in the amount of rates to be paid.



What do you think of the new rating categories of Horticulture/Agriculture and Rural?
 What is your view about rating all properties in urban settings in the same way?

Calculating Rates

Under the *Northern Territory Local Government Act 2008*, rates must be calculated in one of three ways as follows:

- A fixed charge for each property (currently applied to Rural and Urban Residential)
- A valuation-based charge calculated as a proportion of the value of the property (otherwise known as a rate in the dollar); there can be an option of a minimum rate (currently applied to commercial/Industrial)
- A combination of a fixed charge and a valuation-based charge

A fixed rate is a flat amount that every ratepayer pays. It means that everyone contributes an equal amount to the cost of running Council, regardless of property value.

A valuation-based charge is determined on the basis of the value of the property. This means that those with a property of higher value will pay a higher rate.

Litchfield can only use the Unimproved Capital Value (UCV) of properties (that is, the value of the land) for determining rates as it is the only valuation available. The Valuer General sets UCVs in the Territory once every three years.

Community Reference Group Recommendations

The Community Reference Group recommended that Council adopt a **combination of a fixed charge and a valuation-based charge** for three rating categories:

- Urban residential
- Rural residential, and
- Rural

The Community Reference Group also recommended a **valuation-based charge (with a minimum)** for the Horticulture/Agriculture category.

Rating Category	Combination of a Fixed Rate & Valuation-Based Charge	Valuation-Based Rate
Urban Residential	✓	
Rural Residential	✓	
Horticulture/Agriculture		✓ (with a minimum)
Rural	✓	
Commercial/Industrial		✓ (with a minimum)
Gas Plant		✓

Another proposal from the Community Reference Group is, that any valuation-based charge for residential and rural properties should comprise only a very small proportion of the overall rate for each property.

In thinking about valuation-based charges, the Community Reference Group discussed the following:

- Those with higher valued properties would pay a little more than those with lower valued properties in the same zone
- It takes in more account of people's capacity to pay - on the assumption those with lower valued properties have less capacity to pay
- It would bring Litchfield into line with other Council's in the Northern Territory

Modelling undertaken in 2016/17 of the introduction of valuation-based charges showed that lower valued properties would have a rate decrease and highly valued properties would have a rate increase³.

In thinking about a flat rate, the Community Reference Group discussed the following:

- All residents have access to the same facilities and services and should therefore pay the same
- It is administratively more efficient for Council to implement
- It is simpler for the community to understand
- The system was introduced when Litchfield was founded and should remain the same



The introduction of a valuation-based rate or a combination rate does not, in itself, mean there will be a change in the amount of rates to be paid.



Council wants to hear your view about calculating rates using a combination of a flat rate and a small valuation-based charge?

³ For full figures refer to John Comrie's report.

³ Document can be found at www.yoursay.litchfield.nt.gov.au/ratingpolicyreview

Multiple-Dwelling Properties

Some properties in Litchfield have more than one dwelling, potentially earning an income, and are currently rated the same as properties with only one household. In other local government areas, properties with multiple-dwellings pay additional rates, to cover the extra load on Council assets e.g. more cars on roads.

The Community Reference Group discussed this issue at length and agreed in principle that multiple-dwellings should pay an additional charge, yet the members thought it would be too difficult to implement and recommended that Council did not proceed with any change to the rating of multiple-dwelling properties.

In thinking about rating multiple-dwelling properties, the Community Reference Group discussed the following:

- Households that are using Council facilities and services should pay a fair share of the cost for those facilities and services
- It is fairer if every household contributes to the cost of running the municipality
- Multiple-dwellings can reduce rural amenity. An extra charge may deter additional dwellings being built
- It may deter the construction of illegal dwellings
- The additional dwellings were developed when there was no additional charge, so it is not fair to apply a charge now
- Some of the additional dwellings may not be used or might only be used for part of the year
- The cost to administer an additional charge may outweigh the contribution from the charges.

Your

View

Council wants to hear your view about rating multiple-dwelling properties?

Modelling and Timing of any Changes

Prior to finalising the Rating Policy Review, Council will undertake a full modelling exercise to show how any proposed changes may impact ratepayers. The modelling would, for example, show:

- Whether any property owners in Agriculture and Horticulture zones may pay more or less under the proposed changes to rating categories
- Whether any property owners in Residential zones may pay more or less under the proposed changes to rating categories

This information will be publicly available, and the community will have the opportunity to comment before Council makes any final decisions.

The Community Reference Group recommended that, if Council proceeds with any change to the rating system, such changes should be introduced over time. Council supports this view and is not planning to introduce any change in any one year that may have an impact on any property owner.

How You can Contribute

The review of the Rating Policy is an important issue for the whole community as Council believes rates should be distributed as fair as possible.

Litchfield Council is committed to making sure our residents' views are heard and considered in decision-making.

There are multiple ways to provide your feedback:



You can respond to our online questionnaire at yoursay.litchfield.nt.gov.au



You can email us at council@litchfield.nt.gov.au



You can write to us at PO Box 446, Humpty Doo NT 0836



You can speak to your ward Councillor



You can attend one of our community information walk-in sessions which will be advertised on yoursay.litchfield.nt.gov.au, [Facebook](#) and [the website](#)

Council looks forward to your contribution in this decision making process.



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