






CENTRAL DESERT SHIRE

two ways :: one outcome

Rating Review Discussion Paper

December 2010

Central Desert Shire Council

phone 1300 360 605

08 89589500

email info@centraldesert.nt.gov.au

location 1Bagot Street Alice Springs NT 0870

post PO Box 2257 Alice Springs NT 0871

web www.centraldesert.nt.gov.au

Release Notice

File name:	Draft_Rating_Review_V1
Author:	Cathryn Hutton – Director Corporate Services
Reason for release:	The following document has been produced to provide background information of the Central Desert Shire Council's rating review 2011.
Contact information:	For further information please contact:

Cathryn Hutton
Director Corporate Services

Central Desert Shire Council
PO Box 2257, Alice Springs, NT 0871
1 Bagot Street, Alice Springs, NT, 0870
Tel/Direct: (08) 8958 9530 | Fax: (08) 8958 2502
Mobile: 0407 606 582
cathryn.hutton@centraldesert.nt.gov.au

Table of Contents

1 Executive Summary

This document reviews the Central Desert Shire Council's rating policy in light of the cessation of the rate schedules established by Gazette No. S8 dated 25 February 2009.

The discussion paper is intended to:

- Provide a background to the Shire's current rating practices;
- Assist the community to develop an understanding of rating and its connection to the Council's overall financial sustainability;
- Provide alternative rating options for consideration by the community and the Council; and
- Provide opportunities to make comment and provide feedback to further inform future rating proposals by the Council.

Section 1 provides a brief introduction into the why councils collect rates and discusses the principles of taxation that should be applied to any taxation. The section also discusses how the Central Desert Shire applies its current rates.

In Section 2 the rate revenue of the Shire is analysed. Rate revenue is considered as a percentage of total revenue and the revenue trends of the Shire are considered. As part of this review it has been identified that rates make up approximately 2% of the total revenue received by the Shire with direct grants and operating revenue from grants making up approximately 96% of the Shire's total revenue.

This dependence on grant revenue is contrasted with the local government sustainability ratios in particular the "rates coverage" ratio which in metropolitan councils approaches 50%. The Shire's long term financial sustainability is reviewed and for a number of reasons suggests that the Shire is unsustainable currently and will remain so in the foreseeable future.

It is suggested that the rates base will remain a small component of the overall revenue for the Shire. This component is however important as it provides the Shire with is discretionary budget. On this basis the Council is encouraged to continue to increase its rates revenue by increasing the various rate charges and rate minimums.

A number of factors and issues are reviewed, in particular:

- the use of Unimproved Capital Values,
- the imposition of rates on leases; and
- the socio-economic circumstances of the Shire;

This report also discusses what indexing should be used on rates and determines that the CPI index is inappropriate and understates inflationary impacts on the Shire.

The following is a summary of the recommendations contained within the report:

Recommendation 1: Rates continue to be charged on conditionally rateable properties, i.e. pastoral and mining leases.

Recommendation 2: The Council will need to increase rates beyond CPI to partially compensate for an anticipated reduction in grant revenue.

Recommendation 3: Rates are increased by more than CPI to adjust for the understatement of the CPI to the cost increases experienced by the Shire.

Recommendation 4: Given the inability of the Australian Valuation Office to determine the Annual Value for residential properties in remote areas, a fixed rate continues to apply to residential properties within the Central Desert Shire district.

Recommendation 5: The current structure of minimum rates continues to be applied with appropriate indexing.

Recommendation 6: The Shire continues to use the Unimproved Capital Value as its basis of the assessed value of allotments within the shire area.

Recommendation 7: The Council considers between the CPI and 10% indexing for rates in 2011/12

2 What is a Rates Review

Under the Local Government Act 2008 (Chapter 11), land within a local government area is divided into three basic categories:

- Rateable land
- Conditionally rateable land; and
- Exempt land

Conditionally rateable land is generally either a pastoral lease or mining tenement. Rateable land comprises all land that is not conditionally rateable or exempt.

From the inception of the Shires in 2008 until the 2011/12 financial year, the Shire has been guided in its rating practices by the guidelines established by the Minister for Local Government (the Minister) in 2008/2009. These guidelines and the Gazette notice are reproduced in Appendix A for reference.

In 2011/12 the limitations imposed on the Shire Councils as a result of Gazette No. S8 dated 25 February 2009, expire. This will allow the Shire to review their rating policy and modify, if required, the rates applied to rateable land within the Shire.

According to the Ministerial guidelines, a Council is required to advise the Minister of its rating proposal in relation to conditionally rateable land no later than February. The Council may thus make one of two choices in relation to conditionally rateable land. They may either:

a) Continue to rate rateable and conditionally rateable land in accordance with the above guidelines, or

b) Make application to the Minister to change the way rates are applied.

Should the Council request to change the way conditionally rateable land is rated, the Council is required to provide a range of information to the Minister including:

- Services provided to the residents of the Shire
- A comparative analysis of the contribution to the Council revenue; and
- A report on the impact of the Minister's approval or otherwise of the rating proposal.

3 Rating Background

3.1 Why Councils collect rates

Councils are responsible for the delivery of a broad range of services to the community. These services are listed in Appendix B.

To support the provision of services and to improve the quality of life for all ratepayers, and residents, the Council is required to provide significant levels of infrastructure including roads, drainage, buildings, parks, and community and recreation facilities. This infrastructure needs to be maintained and replaced.

Each Council provides a unique mix of services and facilities for its community. It is clear that different communities, as well as different land use groups such as pastoralists and mining tenements, have different expectations and priorities. This provides Council with the challenge to:

- Establish a level of services and infrastructure appropriate for the community or resident;
- Equitably distribute revenue raising measures sufficient for the purposes of a Council providing an appropriate rate burden across a community and taking into consideration the general rating principles.

3.2 Principles of Rating

There are some general principles that any rating system should abide by. These include:

- **Equity** – this includes both the concepts of horizontal and vertical equity. Horizontal equity requires that taxpayers with the same income should pay the same tax. Vertical equity suggests that those who are better off should pay more than those worse off. Equity is a highly subjective issue and there are a number of issues which may impact on the application of the equity principle. These include:
  - The *benefit* or *user pays* principle – this is a recognition that some groups have more access to, or benefit more from, specific council services;
  - The *capacity to pay* principle – some ratepayers have more ability to pay rates that do others with similarly valued properties; and
  - The *incentive* or *encouragement* principle – some ratepayers may be doing more towards achieving the council's goals than others (for example environmental protection).
- **Efficiency and effectiveness** – efficiency refers to the ability to produce a desired effect, product, etc. with a minimum of effort, expense, or waste. From a taxation perspective, a tax is considered efficient if it does not distort production and consumption decisions.
- **Simplicity** – this refers to both the ability of the ratepayer to understand how the various rates have been calculated and also to the ease in which the rate is administered. In general, local government taxes can be considered to meet the criteria of certainty, transparency and simplicity. Local government taxes are:
  - Unavoidable
  - Levied on a consistent and regular basis
  - Open to public scrutiny

- o Collected at specific intervals.

3.3 Rating Methods

Under the Local Government Act 2008, rates may comprise of a fixed amount of each property (allotment), an amount calculated on the assessed value of the allotment or a combination of both.

The following provides a brief explanation of how each of these can be applied.

Fixed Amount

A fixed amount is a dollar amount applied to each and every rateable property.

Land Valuation (or valuation based charge)

Under the Act a council may adopt unimproved capital value, improved capital value or annual value as the basis of the assessed value of the rateable properties.

Unimproved capital value (UCV) is defined by the *Valuation of Land Act 2007:*

1) For the purposes of this Act, the unimproved capital value of land (other than a stratum) is:

    (a) the capital sum which the fee simple of the land might be expected to realize if offered for sale on such reasonable terms and conditions as a seller in good faith would require, assuming that any improvements, other than site improvements, on or appertaining to the land had not been made; or

    (b) the sum which would be obtained by deducting the value of any improvements, other than site improvements on or appertaining to the land, from the improved capital value of the land,

    whichever is the greater.

(2) Notwithstanding anything in subsection (1), in determining the unimproved capital value of any land under that subsection it shall be assumed that:

    (a) the land may be used or continued to be used for any purpose for which it was being used or could be used at the date to which the valuation relates; and

    (b) such improvements on or appertaining to the land are made or continued as are necessary to enable the land to be or continue to be so used,

    but nothing in this subsection prevents regard being had in determining that value to any other purpose for which the land may be used on the assumption that the improvements, other than site improvements, on or appertaining to the land had not been made.

(3) For the purposes of this section, the value of improvements on or appertaining to land is the added value which the improvements, other than site improvements, give to the land, irrespective of the cost of the improvements, including in such added value the value of any licence granted and in force under the Liquor Act , the value of which has been included in the improved capital value of the land.

Improved capital value (ICV) is defined by the *valuation of Land Act 2007 as:*

(1) For the purposes of this Act, the improved capital value of land (other than a stratum) is the sum which the fee simple of the land might be expected to realize if offered for sale on such reasonable terms and conditions as a seller in good faith would require.

(2) In determining the improved capital value of land under subsection (1) which are premises occupied for trade, business or manufacturing purposes, such value shall not include the value of plant, machines, tools or other appliances which are not fixed to the premises or which are only so fixed that they may be removed without causing structural damage to the premises.

The **annual value** of land is defined as:

(1) For the purposes of this Act, the annual value of land (other than a stratum) is:

(a) the gross annual rental of the property; or

(b) 5% of the improved capital value of the land,

whichever is the greater.

(2) In determining the annual value of land under subsection (1) which are premises occupied for trade, business or manufacturing purposes, such value shall not include the value of plant, machines, tools or other appliances which are not fixed to the premises or which are only so fixed that they may be removed without causing structural damage to the premises.

(3) In determining the annual value of land under subsection (1) it shall be assumed that the land with the improvements, if any thereon, is not subject to a determination in relation to rent under section 43 of the Residential Tenancies Act .

4 Analysis of Current Rating Practice

It is important to understand the general financial situation of the Shire when undertaking a review of the rating and rating structure of the Central Desert Shire. In the following sections the impact of the rate revenue is considered in relation to the overall revenue for the Shire.

4.1 Relationship between Council's Budget and Rates

In the 2009/10 financial statements, the Central Desert Shire raised $463,277 in rates and charges. This represented 1.56% of the total operating revenue of $29,695,451. The following chart indicates the main sources of revenue for the Shire.

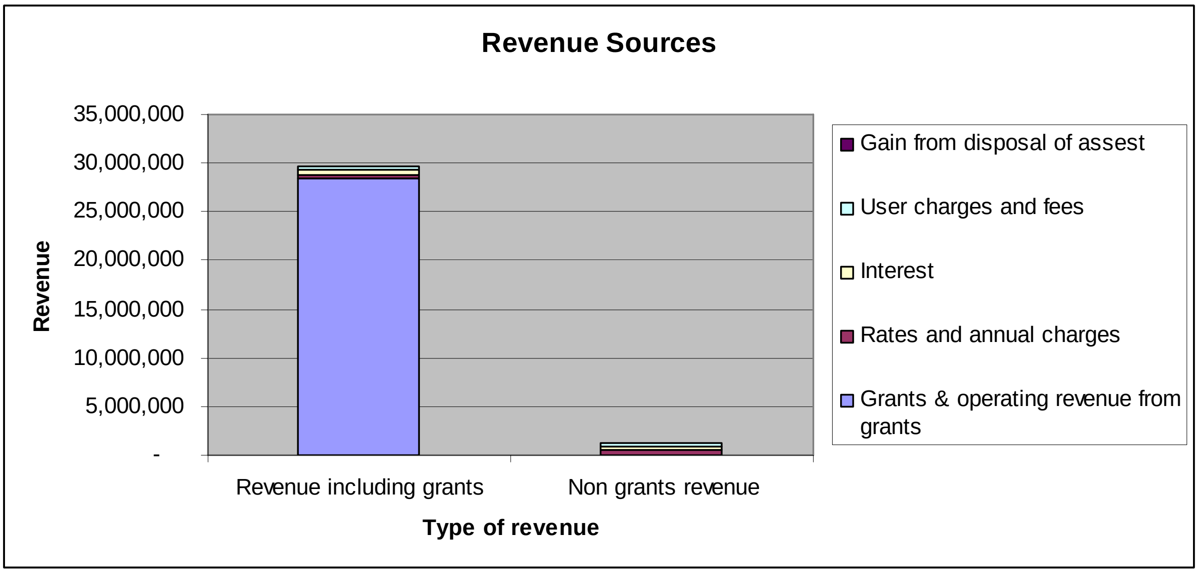

Figure 1: Revenue Sources

Rates represent a minor source of income for the Shire with approximately 86% of its revenue being sourced from Grants.

The rates received were sourced from the following rating categories:

Rating Category	Total Revenue
Residential	339,089
Farmland	17,890
Business	21,601
Waste Management Charges	84,697
	463,277

As is evidenced from the above analysis, the Shire is heavily dependent upon grant funding. Grant funding might vary from one year to another depending on execution of funding agreements and amount Commonwealth and Territory Govt. have budgeted for different programs for a specific financial year. Revenue from grants is typically tied, either to specific program delivery or to specific capital projects, and thus does not form part of the Shire's untied or discretionary revenue.

4.2 Rates and Charges Revenue

The following chart illustrates how the various rate categories and charges contribute to the overall rates revenue.

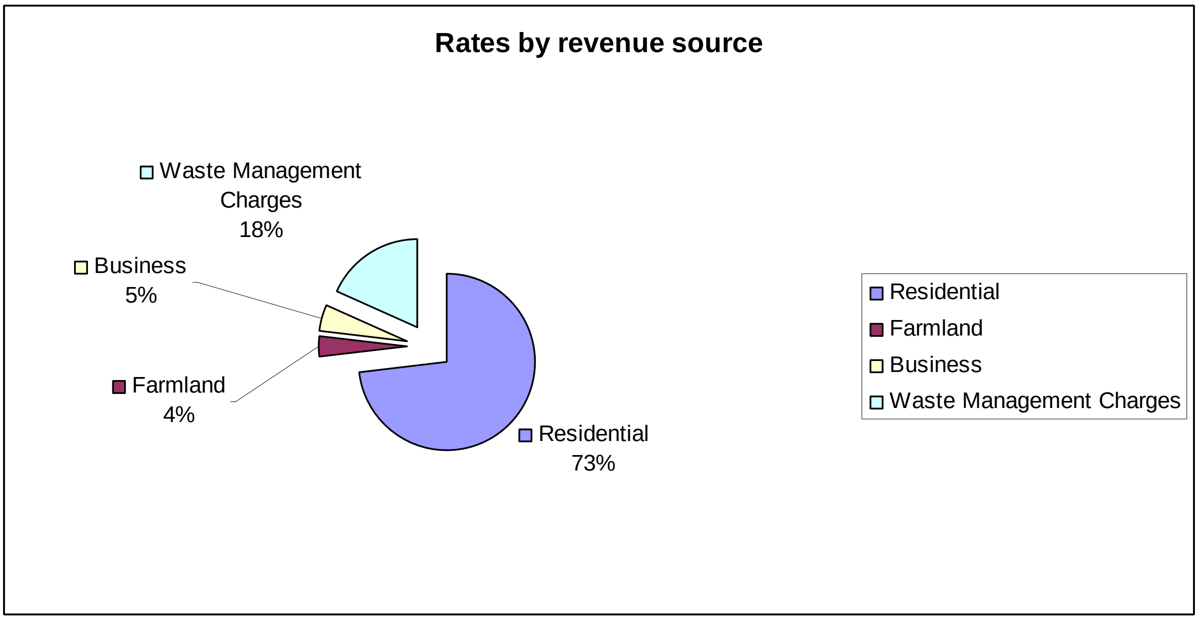

Figure 2: Rates revenue by rating category

As illustrated above, 73% of the Shire's rates revenue is collected from the domestic or residential rating category.

The following provides for a snapshot of the Shire's rates distribution in accordance with the 2009/10 rating period:

Rating Category	*# Properties*	*Average UCV*	*Average rates per rateable property*
Agricultural	15	26,066	311.10
Business	5	26,750	736.27
Pastoral Leases*	29	675,705	455.63
Mining Leases*	15	293,705	1,243.74
Residential	545	NA	622.20

*Currently subject to conditional rating.

Due to the current land values within the Shire a significant number of properties are currently rated in accordance with the minimum established rate.

4.3 How Council Currently Determines Rates

The Central Desert Shire, in accordance with the Ministers guidelines has applied a combination of differential rating based on *unimproved capital value* and fixed charges. These rates have been applied to a property categories based on the use of the property. The categories are detailed below:

- *Pastoral Leases and Commercial Agricultural Properties* - Pastoral leases are determined as those subject to leases under the Pastoral Land Act.

- *Active Mining, Extractive and Petroleum Leases* – is defined by the Local Government Act as "means a statutory lease or authority authorising the commercial production of minerals, petroleum or natural gas from land (but if some further statutory authorisation or approval is necessary for the commercial production of minerals, petroleum or natural gas from the land, such a lease or authority is not to be considered a mining tenement unless the further statutory authorisation or approval exists).
- *Residential properties* – residential properties are used a domestic dwelling.

The following table is a simplified representation of the 2010/11 rating regime within the Shire:

Differential rating category	***Applied to***	***Percentage rate***	***Minimum per allotment***
Commercial or business	Unimproved capital value	.30334%	$758.36
Pastoral Leases and Commercial Agricultural Properties	Unimproved capital value	.06409%	$320.43
Active Mining, Extractive and Petroleum Leases	Unimproved capital value	.30334%	$758.36
General rating	FIXED	FIXED	$640.87

4.4 Sustainability of Current Rating Regime

The sustainability of the current rating regime needs to be examined in relation to the overall sustainability of the Central Desert Shire Council as a whole. While there are many definitions of financial sustainability, it is generally considered to be:

> *"…a government's ability to manage its finances so it can meet its spending commitments, both now and in the future. It ensures future generations of taxpayers do not face an unmanageable bill for government services provided to the current generation."*

'Financial sustainability' therefore can be taken to address whether we can sustain our current practices in financial or economic terms. For the Central Desert Shire Council this essentially asks whether we can continue the sort of revenue and expenditure patterns of recent years while maintaining the levels of service expected by the community.

For community members, financial sustainability is probably thought of as whether they can afford their current lifestyle - whether they can pay for rent, food and other expenses with the income they receive each year. For community members that own homes, farms or businesses, it has longer terms implications as they also need to determine whether they will be in a position to repay debts in the long term. For Local Governments, the concepts are the same although the timeframe is much longer. Councils provide the legal framework by which communities own infrastructure and assets for the community as a whole and for perpetuity. Much Local Government infrastructure has a life of 30, 50 or in some cases well over 100 years. These assets need to be maintained and renewed so that the state of the infrastructure available to future generations is equal to or better than it is currently.

When considering financial sustainability there are two key concepts that need to be considered.

The **Rates Coverage Ratio** which is the percentage of the Shire's expenditure that is covered by rates; and

The **Asset Sustainability Ratio** which is the extent to which assets are being replaced at the rate they are wearing out. This ratio indicates whether a Council is renewing or replacing existing non-financial assets at the same rate that its overall stock of assets is wearing out.

The Rates Coverage ratio is calculated as the rates as a percentage of the total expenses for the Shire. Using the 2009/10 financial figure the Rates Coverage ratio for the Central Desert Shire is 1.7%.

The following is the historical figures for the Shire and the predicted rate coverage ratios in accordance with the 2010/11 budget:

Financial Year					
2008/09	***2009/10***	***2010/2011***	***2011/2012***	***2012/13***	***2013/2014***
2.29%	1.92%	1.67%	2.09%	2.11%	2.13%

In 2006 report National Financial Sustainability Study of Local Government commissioned by the Australian Local Government Association, these financial sustainability ratios were benchmarked (along with many others). The following indicates the national averages as at November 2006:

Financial Sustainability Summary KPIs ***DOTARS category***	***Median Operating Surplus as a % of Total Revenue***	***% Councils with Deficit greater than 10% of Total Revenue***	***Median rates coverage (%)(rates as a % of total expenses)***	***% of councils with rates coverage <0.4***
Urban capital city	5.0	28.6	55.8	0.0
Urban regional	4.2	16.7	66.5	16.7
Urban fringe	14.1	12.5	62.5	0.0
Urban development	7.6	8.3	65.2	0.0
Rural remote	**10.3**	**18.8**	**25.4**	**87.5**
Rural agricultural	11.7	15.9	42.4	54.5
Rural significant growth	-8.0	n/a	47.5	n/a
Average	10.0	16.0	47.9	40.4

The table above is extracted from National Financial Sustainability Study of Local Government; November 2006 pg 9

Historical figures for the Northern Territory are difficult to determine as, prior to the formation of the local governments in 2008, rates were not charged for Community Governments or Incorporated Associations.

Asset Sustainability Ratio

This ratio indicates whether a Council is renewing or replacing existing non-financial assets at the same rate that its overall stock of assets is wearing out. It is calculated by measuring capital expenditure on renewal or replacement of assets relative to the recorded rate of depreciation of assets for the same period.

If capital expenditure on renewing or replacing existing assets is at least equal to depreciation on average over time then a Council is ensuring the value of its existing stock of physical assets is maintained. If capital expenditure on existing assets is less than depreciation then, unless a Council's overall asset stock is relatively new, it is likely that it is underspending on renewal and replacement. This will progressively undermine its financial sustainability as it is likely that additional maintenance costs associated with assets that have exceeded their economic life will be in excess of costs associated with renewal or replacement. Eventually the Council will be confronted with failed assets, and significant renewal and replacement expenditure needs that cannot be accommodated without sudden large rate increases.

As part of the formation of the Central Desert Shire in 2008 a large number of community assets were transferred to the local government. According to the current financial statement the asset value for property, plant and equipment is $18 million. Currently it is not possible to determine the condition of the current asset portfolio and thus any assessment of the amount of money required to keep the current assets maintained is premature. It is however possible to calculate the asset sustainability ratio for and for the Central Desert Shire for 2009-10, the ratio is 157.92%.

Based on the above rudimentary review of the current financial position of the Central Desert Shire it is evident that the Shire is not sustainable based on normal financial ratios. Any review of the overall rating regime must therefore be mindful of the heavy reliance of the Shire on grant funding and the limited ability of the Shire is increase its current rate base.

4.5 Issues Identified with Current Rating Practices

4.5.1 The use of Unimproved Capital Values for Assessing Rates

There has been some concern over the use of Unimproved Capital Values for the calculation of the rates. This concern arises from the highly illiquid nature of land within remote NT. Some particularly remote properties within the Central Desert Shire are effectively "value less" due to the inability of the present owners to sell the property. On this basis the UCV approaches zero.

In these cases the Shire's established minimum charge is applied.

Recent advice from the Office of the Valuer-General has indicated that the 1997 unimproved capital value (UCV) was undertaken for the purposes of the Commonwealth Grants Commission and thus not in accordance with the Valuation of Land Act 2007. The Valuer-General is currently undertaking a valuation exercise that will provide unimproved capital values as at 1st July 2010.

While the Shire can utilise the Improved Capital Value (ICV), Unimproved Capital Value (UCV) or the Annual Value (AV) as the assessed value, in practice the Shire is constrained by the availability of these figures. To date, local governments are required to utilise land valuation provided by the Australian Valuation Office (AVO). At this point the AVO is unable to provide either the ICV or AV for properties within the Shire's boundaries.

4.5.2 The imposition of rates on properties already paying "levies" to the Government

There has been some concern over the imposition of rates on entities that already paying levies to other government agencies. This is particularly an issue in regards to the pastoralists and mining leases.

It is noted that as part of the 2004 review of the Pastoral Land Act, there was some opposition to the imposition of rates on pastoral leases. The opposition was related to the limited services provided to pastoral properties under the previous community councils. As part of the formation of the new Shires in 2008 the Minister established a conditional rating category that allowed rates to be charged to these properties. Whilst it is noted that services to the pastoralists remain minimal, the taxes currently applied to the pastoralists remain low and reflect the services provided to these properties.

After reviewing the principles of taxation, the Central Desert Shire Council believes that on the principles of equity and simplicity, rates should be charged on all properties within the Central Desert Shire including pastoral and mining leases.

Recommendation 1: Rates continue to be charged on conditionally rateable properties, i.e. pastoral and mining leases.

5 Building a Sustainable Future

In organizations that have a more normal rating situation, the process for determining the rate in the dollar is a straight forward one. Typically, Councils would determine the amount of rate revenue required through its budgeting and strategic planning process. This income is then divided by the values of the rateable properties to give a simple rate in the dollar.

Balancing adjustments can then be applied to spread the rates burden more equitably between rural, commercial and residential properties.

This process is more complicated for the Central Desert Shire as the revenue requirements of the Shire greatly exceed any possible rate revenue. Thus the Shire must assume that the grants revenue for the Shire remains relatively stable. This assumption is required for any practical determination of the budget and works in general terms despite no grants being dependable and guaranteed.

Based on the last two years of financial information and the budget predictions included in the 2009/10 budget papers, the income and expenditure for the Shire has been predicted as:

INCOME AND EXPENDITURE STATEMENT	***10/11 Estimate***	***11/12 Estimate***	***12/13 Estimate***	***13/14 Estimate***
EXPENSES				
Employee Costs	19,262,060	16,127,375	15,994,345	16,015,262
Materials, Contracts, Services & Other Costs	13,613,664	13,518,660	13,415,961	13,310,181
Interest	68,769	67,991	66,654	65,988
TOTAL EXPENDITURE	**32,944,493**	**29,714,026**	**29,476,960**	**29,391,431**
REVENUES				
Rates & Charges Raised	-550,794	-601,129	-604,321	-607,609
Housing Rent	-36,000	-37,080	-37,080	-37,080
Dividends	-	-	-	-
Administration Charges	-	-	-	-
Contribution - Ratepayers	-	-	-	-
User Fees & Charges-Service Charges	-230,000	-236,900	-236,900	-236,900
Operating Grants - Australian Govt.	-13,660,273	-10,663,997	-10,663,997	-10,663,997
Operating Grants - NT Govt.	-6,328,067	-6,157,578	-6,081,867	-6,013,727
Capital Grants - Australian Govt.	-3,891,870	-2,360,149	-2,360,149	-2,360,149
Capital Grants - NT Govt.	-165,455	-170,419	-170,419	-170,419
Grants - Other	-639,632	-625,010	-625,010	-625,010
Interest	-180,000	-150,000	-150,000	-150,000
Contract and Commercial Income	-4,745,095	-4,887,448	-4,887,448	-4,887,448
Other Income	-4,707,364	-4,669,482	-4,534,482	-4,534,482
Grants - Establishment Costs	-	-	-	-
TOTAL REVENUE	**-35,134,550**	**-30,559,192**	**-30,351,673**	**-30,286,821**
Change in net Assets Resulting from Operations	**-2,190,057**	**-845,165**	**-874,713**	**-895,390**

These estimates have been calculated by applying CPI (estimated at 3%) to the current rate revenue. It should be noted that based on these operating revenue sources, the overall operating revenue is predicted to reduce from $35 million to $30 million over the 2010 to 2014 period. This reduction in the operating revenue is attributable to the reduction in the CDEP funding which is anticipated to substantially reduce in 2011.

Although this reduction in operating revenue has been largely offset by a reduction in the predicted operating expenditure, an overall reduction of approximately $1.3 million dollars in the operating surplus has been identified.

As discussed in section 3.4 above, the operating surplus represents the amount that is available to the Shire to divert to asset management activities and other discretionary spending items.

It is highly desirable to maximize the surplus figures and should the aspiration of the Shire be to maintain the existing 2009/10 surplus ratio an additional $1.3 million dollars would be required in additional revenue. If this revenue were sourced from rates a 400% increase in rate revenue would be required to maintain the existing service levels. Given the current environment such an increase is totally unreasonable however a rates increase beyond the anticipated CPI can be justified.

It should be noted that a reduction in the service levels experienced in the Shire's communities is inevitable.

Recommendation 2: The Council will need to increase rates beyond CPI to partially compensate for an anticipated reduction in grant revenue.

6 Considerations for Possible Future Rate Policy

6.1 Socio Economic Considerations

The Central Desert Shire is a geographically large and remote shire. The Shire's population is largely indigenous with a relatively high unemployment rate of 17% (Territory average 3.7%). The average annual income for the residents of the shire is approximately $37,000.

There is limited private home ownership within the Shire. With a few exceptions, housing stock within the Central Desert Shire is managed by Territory Housing.

6.2 Changes in Service Delivery

Since its formation in 2008, the Central Desert Shire Council has undertaken the delivery of a wide range of services to its constituent population. As the major service provider, and often the only service provider, located within the remote and regional communities that constitute the Shire's population, it is generally seen as the Shire's role to provide services to the community that are required but would otherwise be unavailable. These services extend well beyond the gambit of normal council services to include a number of community based activities such as aged and child care, provision of basic services such as Centerlink and Australia Post agency. Also included are bus services, internet cafes and other facilities normally taken for granted by more urban populations and provided by private operators because they are more commercially viable. The provision of these services places ongoing financial demands on the local government.

As indicated previously, a number of the agency services are funded through grant funding. While this funding is intended to provide for the immediate operating expenses incurred for the provision of these services, the grant funding is insufficient to fund the broader operational costs of the Shire including provisioning for asset depreciation. Furthermore, many of the current grant opportunities are geared towards capital improvements; the long term impact of successfully applying for these capital grants is an increasing burden on operational expenses which are not grant funded.

The continued expansion of the services provided by the Shire continues to stretch the resources of the Shire. When considering the appropriate rating regime to implement the Shire must be mindful of its desire to maintain existing service levels or potentially expand the services provided to the communities. Any increase in service provision, particularly one that is not provided for under specific grant funding, will have a disproportionate impact on the Shire's finances due to the extremely limited pool of untied or discretionary funding available to the Shire.

6.3 Linking Rates Increases to CPI

In accordance with Ministerial guidelines, since 2008 the Shire's rating has increased based on Darwin CPI. When considering whether to continue this practice two questions need to asked:

- Is CPI appropriate; and
- Is CPI sufficient

Unlike most households, the Shire spends a large proportion of its budgets on construction type projects, for example road construction. The prices of these items move in different ways to how average household prices move and this impacts on the Shire's budget.

Many local governments have expressed concern over the use of the CPI as it not truly reflective of the true cost increases to local governments. In an attempt to develop a more meaningful indicator of cost increases, the South Australian Local Government Financial Management Group in conjunction with the Australian Bureau of Statistics (ABS) developed a Local Government Price Index (LGPI).

The index is similar in nature to the Consumer Price Index (CPI), however it represents the movements of prices associated with the goods and services consumed by local government in South Australia as opposed to the basket of goods and services consumed by the 'average metropolitan household'.

The following table shows the LGPI relative to the relevant CPI over the past 10 years:

Local Government Price Index, Annual Series

	Local Government Price Index		*Adelaide Consumer Price index*	
Year	***Index***	***% change from previous year***	***Index***	***% change from previous year***
2000/01	100.0	Na	100.0	na
2001/02	102.7	2.7	102.8	2.8
2002/03	106.9	4.1	106.9	4.0
2003/04	111.2	4.1	110.1	3.0
2004/05	114.9	3.4	112.7	2.3
2005/06	119.1	3.6	116.2	3.2
2006/07	123.8	3.9	119.3	2.6
2007/08	128.6	3.9	123.2	3.3
2008/09	134.3	4.4	127.1	3.2
2009/10*	138.1	2.8	129.9	2.2

Source is The University of Adelaide – Flinders University (http://www.adelaide.edu.au/saces/economy/lgpi/)

This table is provided only to illustrate the consistent under estimation of cost impacts on local governments by utilizing the CPI.

As discussed previously, the Central Desert Shire does not have a rate coverage ratio suitable for long term sustainability. Tying or capping any future rate increases to the CPI further weakens the Shire's long term sustainability by discounting the Shire's only long term untied revenue source against the true costs experienced by the local government.

Recommendation 3: Rates are increased by more than CPI to adjust for the understatement of the CPI to the cost increases experienced by the Shire.

6.4 Rates Concessions

Under Part 11.8 of the Local Government Act, a Shire may apply rates concessions based on financial hardship or there is demonstrative public benefit considerations.

In many Councils rates concessions are available to low or fixed income earners to assist with the "capacity to pay" principle of taxation. Within the Northern Territory pensioner rebates are available under the NT Pensioner and Carer Concession Scheme managed by the Department of Health and Families.

The use of rates concessions can also be applied if the Council wishes to promote some public benefit (for example to provide rates concessions to promote commercial activity). It should be noted that these types of rates concessions must be supported by a rates policy that is formally adopted by the Council and that outlines the specific conditions and limitations of the concession (Refer to Section 167 (2)).

An example of such a rates concession policy is included in Appendix C.

7 Alternative Rate Calculation Methods

The Local Government Act provides for a number of mechanisms for calculating rates. Currently the Central Desert Shire Council applies rates based on a combination of fixed charge and rate in the dollar applied to unimproved capital value. The later incurring a minimum charge.

The Shire may use alternative methods of applying rates. These include a simple fixed charge for all categories, or use of improved capital value or annual value. The following discussion provides some examples of alternative method of calculating rates based on equivalent rates revenue.

7.1 Minimum versus Fixed Charges for Residential Properties

From 1 July 2008, Territory Housing assumed direct responsibility for tenancy management of housing stock in most indigenous communities. The Australian Government and Territory Government agreed tenancy arrangements will include the payment of a 'rate equivalent' per dwelling, replicating the current payment of rates to municipal councils in respect of public housing in major centres such as Darwin or Alice Springs. The responsibility for payment of the rate equivalent will rest with the management authority.

Due to current non-applicability of unimproved capital values on inalienable indigenous land, the 'rate equivalent' has been calculated as a fixed charge.

When establishing the new Shire's the Government resolved to apply a 'rate equivalent' or flat charge of $600 per dwelling for houses managed by Central Desert Shire. This figure has been increased by CPI since 2008 giving the 2010 equivalent figure of $640.87.

Currently the Australian Valuations Office is unable to provide Unimproved Capital Values in respect of properties on remote communities and thus it is not possible to use UCV rating calculations for this category of property.

Recommendation 4: Given the inability of the Australian Valuation Office to determine the Annual Value for residential properties in remote areas, a fixed rate continues to apply to residential properties within the Central Desert Shire district.

7.2 The Use of Minimum Charges

Under the current rating regime a minimum charge can be applied to all rating categories with the exception of residential. Minimum charges establish a base level rate charged to properties irrespective of the UCV.

For example:

For commercial properties the differential rate is .30334% of UCV or $758.36 whichever is the higher. The follow diagram illustrates how this is applied to various UCVs.

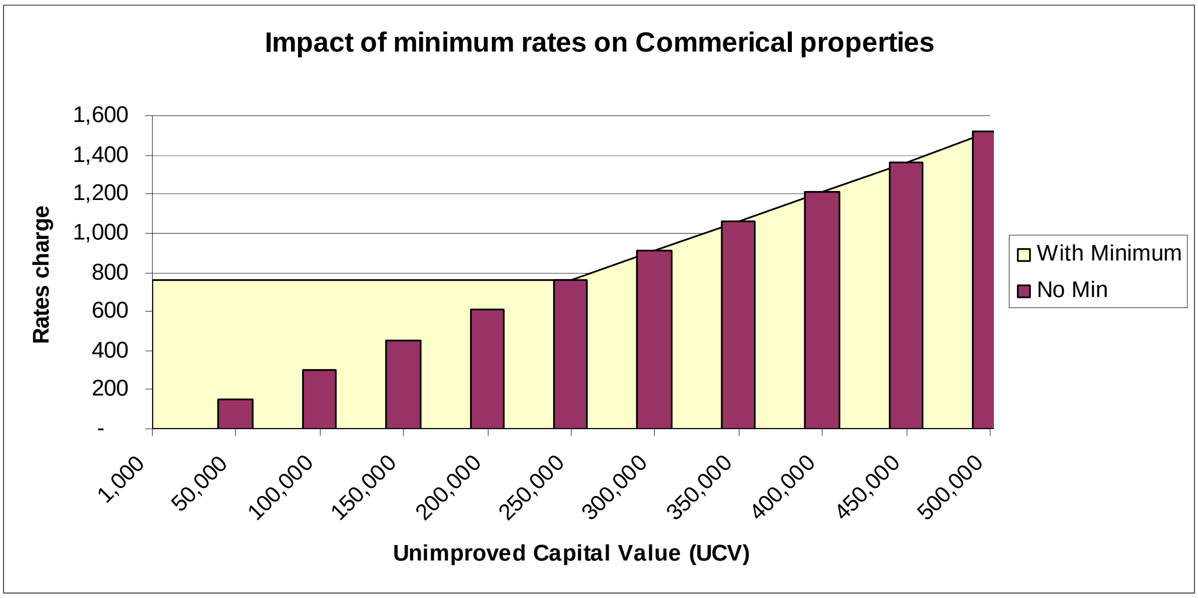

Figure 3: Impact of minimum rates on commercial properties

Within the Shire a large number of properties have the minimum rates charged. The following table provides a summary of the number of properties currently charged minimum rates in the various rating categories.

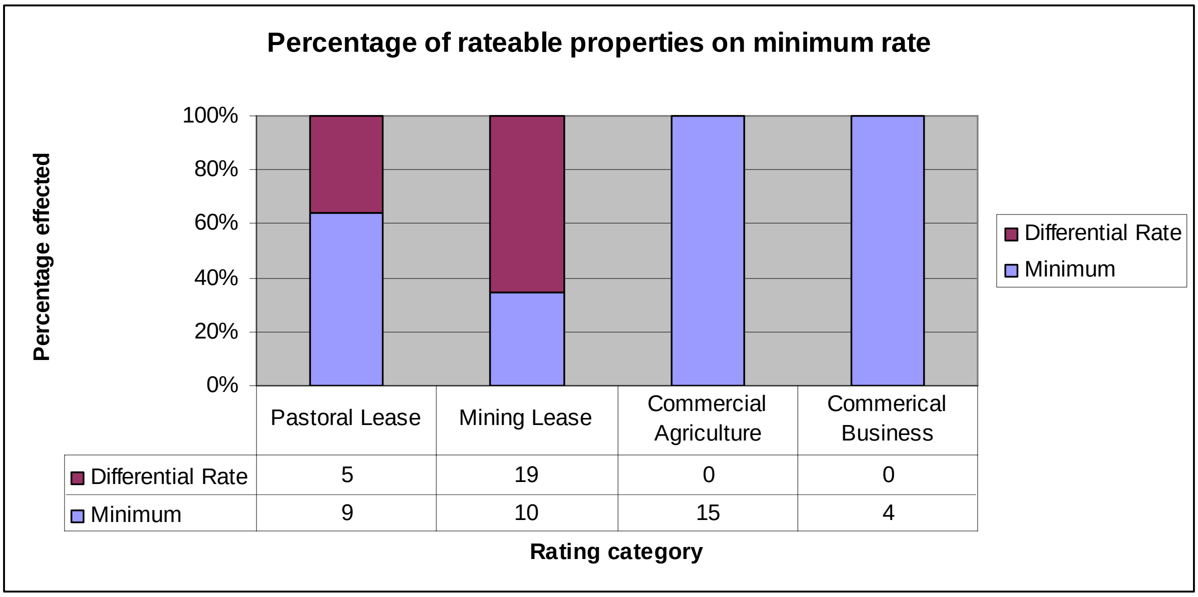

Figure 4: Percentage of rateable properties which have the minimum rate charged

The current minimum rates were established when the Shires were formed in 2008. The following table shows at which UCV the differential rate comes into effect.

Differential rating category	***Rate in the dollar***	***Minimum per allotment***	***UCV above which rate applies***	***Average UCV***
Commercial or business	.30334%	$758.36	250,000	26,750
Pastoral Leases	.06409%	$320.43	500,000	675,626

Commercial Agricultural Properties	.30334%	$758.36	500,000	26,066
Active Mining, Extractive and Petroleum Leases	.00294508	$736.27	250,000	293,705
General rating	FIXED	$622.20	NA	NA

As indicated previously, the Australian Valuations Office is currently undertaking a revaluation of properties within the Shire. While this process will allow more accurate assessment of the UCV for rateable properties. Properties currently rated as commercial or business are unlikely to be significantly impacted due to the significant difference between the current average UCV and the threshold for differential rates application.

Recommendation 5: The current structure of minimum rates continues to be applied with appropriate indexing.

7.3 Alternative Assessed Values

A number of rating methods are used across Australia. In the majority of local governments rates for agricultural land is calculated on the land value. In some instances the Unimproved Capital Value is used and in some instances the Improved Capital Value is used. Residential properties are often assessed using the Annual Value which equates to an annual rental value.

There are some relevant concerns regarding the use of land valuations as a basis for rates calculation and they include:

Land values are not a measure of the ability of the ratepayer to pay – this is particularly relevant for fixed income ratepayers that are living in properties that are appreciating in value.

Land values are not relevant in remote areas – this issue is particularly relevant to properties in isolated or remote areas that are not 'in demand' within the property market. In these cases the value of the property is difficult to determine because there is little expectation of selling the property on the open market.

These arguments are valid but can also be equally applied to any of the alternative calculated rates methods available to the Central Desert Shire under the Local Government Act.

It should be noted that whilst the Local Government Act allows the Shire to utilise Improved Capital Value (ICV) and Annual Value (AV) as the basis for its rates calculation, in practice the Shire is constrained by the availability of these figures. To date, local governments are required to utilise land valuation provided by the Australian Valuation Office (AVO). At this point the AVO is unable to provide either the ICV or AV for properties within the Shire's boundaries.

Recommendation 6: The Shire continues to use the Unimproved Capital Value as its basis of the assessed value of allotments within the shire area.

7.4 Impact of Taxation on Rates

Ratepayers that are considered farms, commercial or industrial, as well as conditionally rateable ratepayers classified as pastoralists and mining tenements, are businesses. As such they are able to claim council rates as a tax deduction – that is they pay their rates out of pre-tax dollars. Ratepayers in the general rating category are not business and thus can't claim tax deductions.

Using the current company tax income rate of 30% the after tax differential rating relativity is as follows:

Differential rating category	***Pre-tax differential % rate***	***Tax deductibility***	***After tax differential % rate***
Commercial agricultural	.30334	30%	0.2123
Commercial or business	.06409	30%	0.0449
General	FIXED	0%	FIXED

7.5 Other Revenue Sources

Under the Local Government Act the Shire may also apply fees and charges in relation to work or services for the benefit of land, or the occupiers of land (Section 157). Under this section of the Act, the amount of the charge need not be limited to the cost of providing the service.

This section of the Act allows the Council to establish discretionary charges. These charges could, for example, be used to supplement an existing service (for example dog control) or to provide for future services (for example a major road upgrade). Typically charges are fixed rather than based on land value and are applied differently to the various property categories (for example residential properties have a different rate to commercial).

Given the difficulty in securing ongoing funding for some highly desirable services such as dog management, the Council may consider establishing charges for these services. For example, the current dog management program has an annual budget of $150,000. If this were to be fully recouped through charges to the ratepayers in the communities, the Council could choose to raise a $275 charge per residential property.

8 Rating Scenarios

As discussed previously the Shire has an unsustainable rates base. To maintain the 2010/11 total revenue take in the light of anticipated reduction in grant funding associated with the CDEP grant finishing will require a rate increase in excess of 400%. Given the socio-economic conditions in the region this rate increase is unrealistic. Thus a more realistic increase in rates much be considered.

As illustrated in section 6.3 the existing rate capping disadvantages the Shire by somewhere between 0.5 – 2% based on Local Government Price Index developed for South Australia. It is reasonable to suggest that the should a Local Government Price Index be developed for the Northern Territory this index would match or exceed the South Australian calculations.

This when considering rate increases, it is suggested that the Council considers a minimum rate increase of 5%. Given the socio-economic factors facing the Shire, is in considered that a rate increase in excess of 10% would place unnecessary hardship on the ratepayer community.

Recommendation 7: The Council considers between the CPI and 10% indexing for rates in 2011/12

The following diagram provides three scenarios for indexed based rate increases. The rate increases have been based on the existing rating structure and would impose indexation on both minimum and rate in the dollar rates calculations.

Option 1: Current rating scenario based on an anticipated 3% CPI based indexing[1]

Option 2: Rates indexed at 5%

Option 3: Rates indexed at 10%

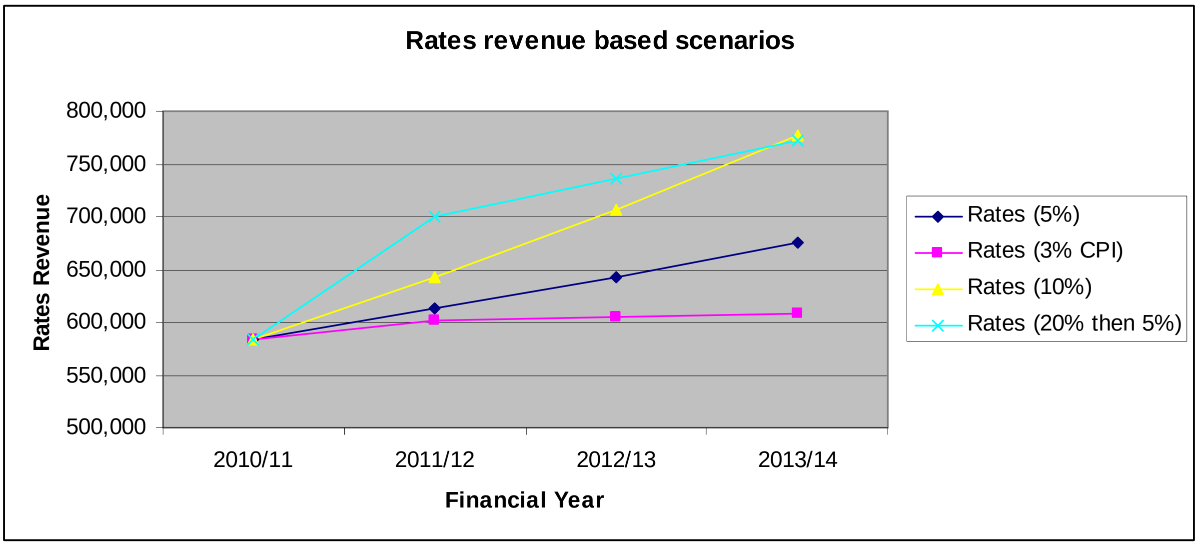

Figure 5: Predicted rates revenue based on four example scenarios

[1] December CPI for Darwin is not available at time of writing.

As indicated from the above, the three indexing rates make a progressively more profound impact on the rate revenue. Over the three years the three scenarios provide the following predicted rates revenue:

Predicted rate revenue based on various rating scenarios

	2010/11	2011/12	2012/13	2013/14
Rates (3% CPI)	583,620	601,129	604,321	607,609
Rates (5%)	583,620	612,801	643,441	675,613
Rates (10%)	583,620	641,982	706,180	776,798
Rates (20% then 5%)	583,620	700,344	735,361	772,129

It should be noted that due to the reduction in funding anticipated in 2011, all of the above rating scenarios fall short of maintaining the 2010/11 total revenue take. This is best demonstrated by the following diagram. In the diagram below the three rating scenarios are presented as columns, the total 2010/11 revenue level is shown as the solid red line.

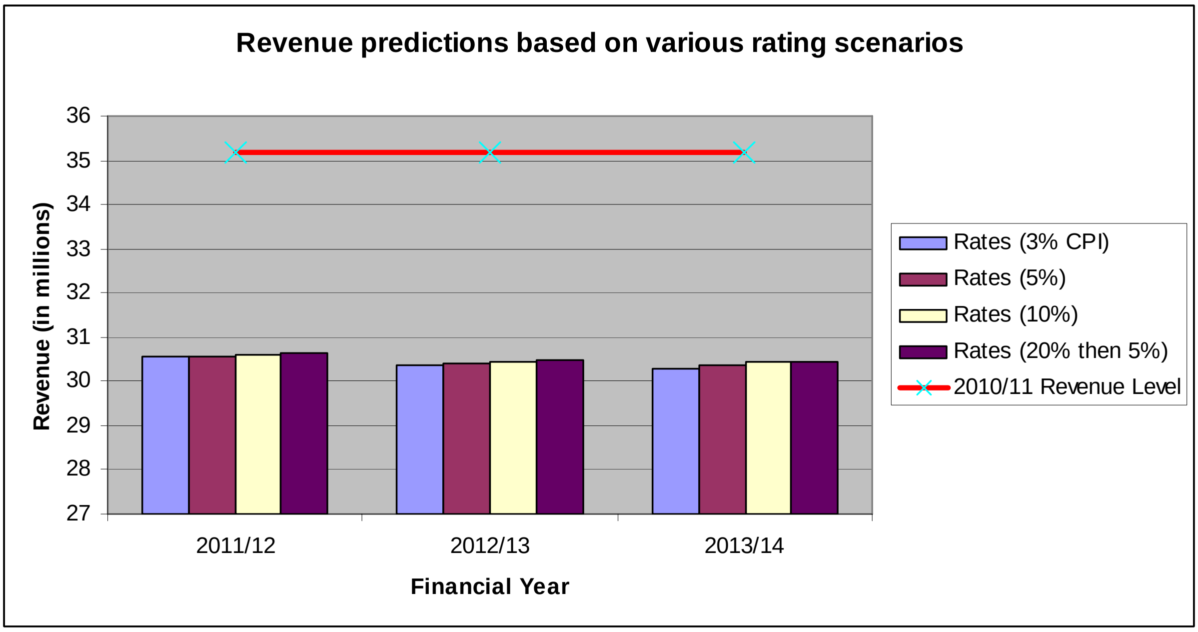

Figure 6: Total revenue take based on various scenarios - indicates reduction in revenue from 2010/11 base figure

APPENDIX A: Gazette No. S8 dated 25 February 2009

NORTHERN TERRITORY OF AUSTRALIA

Government Gazette

ISSN-1038-233X

No. S8 **DARWIN** *25 February 2009*

Local Government Act 2008

LIMITS ON CERTAIN RATES

I, DANIEL ROBERT KNIGHT, the Minister for Local Government:

(a) under section 268 of the *Local Government Act* and with reference to section 43 of the *Interpretation Act*, revoke the limits on rates for the 2009/2010 and 2010/2011 financial years imposed by instrument dated 27 June 2008 and published in *Gazette* S30 of 30 June 2008; and

(b) under section 268 of the *Local Government Act*, impose limits on rates for the 2009/2010 and 2010/2011 financial years as set out in the Schedule,

Dated 23rd February, 2009

D. R. KNIGHT
Minister for Local Government

SCHEDULE RATE LIMITS

Part 1 Preliminary matters

1 Definitions

In this Schedule:

base figure means the amount expressed to be the base figure for a particular rate, which is used to calculate the CPI amount for the rate for that year for a given property.

CPI amount means an amount equal to the base figure for a particular rate, multiplied by the annual change (expressed as a percentage) in the Darwin CPI as at the end of the December quarter of the year preceding the year in which the rate is to be imposed.

Part 2 Residential properties

Division 1 Residential properties within certain towns

2 Application of Division

The rate limits specified in this Division apply to residential properties within the town boundaries of the following towns:

(a) Tennant Creek;
(b) Elliot;
(c) Borroloola;
(d) Mataranka;
(e) Timber Creek;
(f) Pine Creek;
(g) Jabiru.

3 Rate limits - 2009/2010 and 2010/2011 financial years

Rates for the 2009/2010 and 2010/2011 financial years are limited to the extent that the rate revenue receivable by each relevant shire council from each property in a relevant financial year does not increase from the maximum limit of rate revenue from that property in the previous financial year (the base figure) by more than the CPI amount, with no significant change to the system of calculating the rate payable.

Division 2 Other residential properties

4 Application of Division

The rate limits specified in this Division apply to residential properties within the areas of the following shire councils:

(a) Barkly Shire Council, but not including residential properties within the town boundaries of Tennant Creek and Elliot;
(b) Central Desert Shire Council;
(c) East Arnhem Shire Council;
(d) MacDonnell Shire Council;
(e) Roper-Gulf Shire Council, but not including residential properties within the town boundaries of Borroloola and Mataranka;
(f) Tiwi Islands Shire Council;
(g) Victoria-Daly Shire Council, but not including residential properties within the town boundaries of Timber Creek and Pine Creek;
(h) West Arnhem Shire Council, but not including residential properties within the town boundaries of Jabiru.

5 Rate limits - 2009/2010 financial year

Rates for the 2009/2010 financial year are limited to a flat rate of $600 per dwelling (the base figure) plus the CPI amount.

6 Rate limits - 2010/2011 financial year

Rates for the 2010/2011 financial year are limited to the extent that the rate revenue receivable by each relevant shire council from each property does not increase from the maximum limit of rate revenue from that property in the 2009/2010 financial year (the base figure) by more than the CPI amount, with no significant change to the system of calculating the rate payable.

Part 3 Commercial properties

Division 1 Commercial Properties within certain towns

7 Application of Division

The rate limits specified in this Division apply to commercial properties within the town boundaries of the following towns:

(a) Tennant Creek;
(b) Elliot;
(c) Borroloola;
(d) Mataranka;
(e) Timber Creek;
(f) Pine Creek;
(g) Jabiru.

8 Rate limits - 2009/2010 and 2010/2011 financial years

Rates for the 2009/2010 and 2010/2011 financial years are limited to the extent that the rate revenue receivable by each relevant shire council from each property in a relevant financial year does not increase from the maximum limit of rate revenue from that property in the previous financial year (the base figure) by more than the CPI amount, with no significant change to the system of calculating the rate payable.

Division 2 Other commercial properties

9 Application of Division

The rate limits specified in this Division apply to commercial properties within the areas of the following shire councils:

(a) Barkly Shire Council, but not including commercial properties within the town boundaries of Tennant Creek and Elliot;

(b) Central Desert Shire Council;

(c) East Amhem Shire Council;

(d) MacDonnell Shire Council;

(e) Roper-Gulf Shire Council, but not including commercial properties within the town boundaries of Borroloola and Mataranka;

(f) Tiwi Islands Shire Council;

(g) Victoria-Daly Shire Council, but not including properties within the town boundaries of Timber Creek and Pine Creek;

(h) West Arnhem Shire Council, but not including commercial properties within the town boundaries of Jabiru.

10 Rate limits - 2009/2010 financial year

Rates for the 2009/2010 financial year are limited to the extent that the rate revenue receivable by each relevant shire council from each property in a relevant financial year does not exceed the greater of the following alternatives:

(a) the assessed value multiplied by no more than 0.00284 (the base figure) plus the CPI amount;

(b) if a minimum rate applies, a minimum rate no more than $710 (the base figure) plus the CPI amount;

(c) if rating is on the basis of a fixed rate, no more than $710 (the base figure) plus the CPI amount.

11 Rate limits - 2010/2011 financial year

Rates for the 2010/2011 financial year are limited to the extent that the rate revenue receivable by each relevant shire council from each property in the financial year does not increase from the maximum limit of rate for the 2009/2010 financial year (the base figure) plus the CPI amount, with no significant change to the system of calculating the rate payable.

Part 4 Conditionally rated land

Division 1 Mining tenements

12 Application of Division

This rate limits specified in this Division apply to conditionally rated land, being mining tenements within the meaning of the *Local Government Act*.

13 Rate limits - 2009/2010 financial year

(1) Rates for the 2009/10 financial year are limited to the greater of the following alternatives:

(a) the assessed value multiplied by no more than 0.00284 (the base figure) plus the CPI amount;

(b) a minimum rate, no greater than $710 (the base figure), plus the CPI amount.

(2) For this clause, contiguous leases and/or rateably adjacent leases, held by the same person, are to be rated as if they were a single lease.

(3) If the owner of the mining tenement is also the owner of the land tenure underlying the mining tenement, and is liable for rates for the underlying tenure, the rates payable are limited to either the rates payable for the underlying tenure or the rates payable for the mining tenement, whichever is the highest.

(4) This clause does not prevent the holder of a mining interest and a council reaching agreement on financial contributions or service delivery arrangements in addition to rates.

14 Rate limits - 2010/2011 financial year

Rates for the 2010/2011 financial year are limited to the extent that the rate revenue receivable by each relevant shire council from each property in the financial year does not increase from the maximum limit of rate for the 2009/2010 financial year (the base figure) plus the CPI amount, with no significant change to the system of calculating the rate payable.

Division 2 Pastoral leases

15 Application of Division

(1) The rate limits specified in this Division apply to land held under a pastoral lease (within the meaning of the *Pastoral Land Act*), within the areas of the following shire councils:

(a) Barkly Shire Council;

(b) Central Desert Shire Council;

(c) East Arnhem Shire Council;

(d) MacDonnell Shire Council;

(e) Roper-Gulf Shire Council;

(f) Tiwi Islands Shire Council;

(g) Victoria-Daly Shire Council;

(h) West Arnhem Shire Council.

(2) The rate limits also apply in relation to land held under a pastoral lease within the area of a council not listed in subclause (1) if that council has a category of rating specifically relating to land held under a pastoral lease, but not otherwise.

Example

If a council includes land held under a pastoral lease in a general category (such as "agricultural land", also including freehold land used for pastoral purposes), the rate limits specified by this Division do not apply.

16 Rate limits - 2009/2010 financial year

(1) Rates for the 2009/10 financial year are limited to the unimproved capital value ("***UCV***") multiplied by no more than 0.00060 (the base figure) plus the CPI amount.

(2) However, if a minimum rate applies, the minimum rate is to be no greater than $300 (the base figure) plus the CPI amount.

(3) If the UCV of a property is not readily ascertainable, a flat rate of $300 (the base figure) plus the CPI amount may be applied.

(4) This clause does not prevent the holder of a pastoral lease and a council reaching agreement on financial contributions or service delivery arrangements in addition to rates.

17 Rate limits - 2010/2011 financial year

Rates for the 2010/2011 financial year are limited to the extent that the rate revenue receivable by each relevant shire council from each property in the financial year does not increase from the maximum limit of rate for the 2009/2010 financial year (the base figure) plus the CPI amount, with no significant change to the system of calculating the rate payable.

APPENDIX B: Services Provided by the Council

Community and Support Services

Aged and Disabled Care (Agency)
Arts and Culture (Agency)
Centrelink (Agency)
Children Services (Agency)
Community Media (Agency)
Community Management
Domestic Violence and Mediation
Library and Cultural Heritage (Core)
Life Skills Program - Environmental Health (Agency)
Night Patrol (Agency)
Post Office Agency (Agency)
School Nutrition
Sport and Recreation (Agency)
Vacation and After School Care Services
Youth (Agency)

Governance Support

Council and Councillor Support (Core)
Administration of Local Boards, Economic Development Advisory Board (EDAB) and Finance Committee (Core)
Civic and Community Events (Core)
Administration of Local Laws (Core)
Governance Administration and Management (Core)

Corporate Services

Corporate Management
Customer Relationship Management (Core)
Financial Management (Core)
Human Resource Management (Core)
Income Management and Centrepay
Management Information Services
Records Management (Core)
Public and Corporate Relations (Core)
Revenue Growth (Core)
Risk Management (Core)
Staff Training and Development

Infrastructure Services

Asset Management (Core)
Fleet and Plant Management (Core)
Contracted Road Works (Commercial)
Coordination of CDEP Program
Housing Repairs and Maintenance (Commercial)
Infrastructure Project Management
Infrastructure Services Management
Local Road Network Upgrade and Construction (Core)
Outstation Services Management

Power, Water and Sewerage (Commercial)
Community Swimming Pools (Other)
Shire Services Delivery Leadership
Weed and Fire Hazard Reduction (Core)

Economic Development and Regional Advocacy

Advocacy and Representation on Local and Regional Issues (Core)
Council Planning and Reporting (Core)
Economic Development Advisory Board

Service Centre Services

Airstrips (Commercial)
Animal Welfare and Control (Core)
Cemetery Management (Core)
Internal Road Maintenance (Core)
Local Emergency Services (Core)
Maintenance Parks and Open Spaces (Core)
Maintenance of Council Controlled Facilities (Core)
Shire Service Management (Core)
Street Lighting (Core)
Traffic Management on Local Roads (Core)
Visitors Accommodation (Commercial)
Waste Management (Core)

APPENDIX C: Example Rates Hardship Policy

DRAFT Rates Hardship Policy

REFERENCE NUMBER:
ORGANISATIONAL UNIT: Financial Services
RESPONSIBLE POSITION: Director Corporate Services
RELEVANT DELEGATIONS:
DATE ADOPTED:
REVIEW DATE: Every two years

Legislation and Reference:

NT Local Government Act 2008 and
NT Local Government (Accounting Regulations)
Code of Conduct

Policy Objectives

- To assist it is the decision making functions relative to the operation of the rate rebate provisions contained in the Act.
- To provide guidance to the community as to the grounds upon which a person or body is, or may be entitled to receive a rebate of rates and the matters that the council will take into account in deciding an application for a rebate.

Background:

The Local Government Act 2008 (“the Act”) Part 11.8 sets out at those provisions applicable to the Council granting a rebate of rates to persons or bodies. It also provides the authority for rate remissions to be granted.

This policy will assist the Council it in its decision making functions relative to the operation of the rate rebate and remission provisions contained in the Act. This policy is intended to provide guidance to the community as to the grounds upon which a person or body is or may be entitled to receive a rebate or remission of rates, and the matters that the Council will take into account in deciding an application.

In accordance with the rebate provisions contained in the Act, this policy sets out the type of use in respect of land for which the Council must grant a rebate of rates and the amount that rebate must be, and, those types of land use or situations where the Council has a discretion to grant a rebate or remission of rates.

Scope:

This Policy applies to those Ratepayers who are suffering financial hardship or would suffer financial hardship if they paid the full amount of rates and charges for which they are liable. This Policy applies to those Ratepayers who make an application for a deferment of payment or the waiver of rates, charges and/or interest in accordance with this policy and Section 165 and 167 of the Local Government Act.

Definitions:

Rebate is a reduction in the amount of rates payable on a rateable property.

Remission refers to the waiving of payment conditions or late payment fees (such as interest).

Policy:

A rebate of rates in respect of any rateable land in the Council area will be available only when the applicant satisfies the requirements under the Local Government Act and, where appropriate, the requirements of this policy.

The Council may in its absolute discretion grant a rebate of rates or service charges in any of the following cases pursuant to Section 165 and Section 167 of the Act:

(a) To alleviate financial hardship;

(b) securing the proper development of its area;

(c) preserving buildings or places of historical interest;

(d) protecting the environment;

(e) encouraging cultural activities;

(f) promoting community health or welfare;

(g) encouraging agriculture;

(h) providing recreation or amusement for the public.

The Council has an absolute discretion:

- To grant a rebate of rates or service charges in the above cases; and
- To determine the amount of any such rebate.

Persons who or bodies which seek a discretionary rate rebate will be required to submit an application to the Council and provide sufficient information to substantiate hardship and the need for a remission to be granted. The application must also specify the amount of the remission being sought.

The Council will take into account:

- The nature and extent of Council services provided in respect of the land for which the rebate is sought in comparison to similar services provided elsewhere in the Council's area;
- The community need that is being met by activities carried out on the land for which the rebate is sought; and
- The extent to which activities carried out on the land for which the rebate is sought provides assistance or relief to disadvantaged persons.

The Council may take into account other matters considered relevant by the Council including, but not limited to, the following:

- The capacity of the ratepayer/customer to pay based upon declared income and expenditure;
- The capacity of the ratepayer/customer to pay based upon their other assets;
- The capacity of the ratepayer/customer to borrow the funds required to pay the rates or charges based upon their assets, liabilities and income

- Providing equity to all other ratepayers;
- The level of rebate (percentage and dollar amount) being sought and why it is appropriate.

All applications for rebates will be considered on their merits.

Options available to Council to grant to a ratepayer are:

- Interest not being charged on arrears for a set period of time.
- Write-off interest on rates and charges already incurred either in full or part.
- An arrangement for payment of outstanding rates and/or charges;
- A rate rebate; or
- Any combination of the above.

The Council will consider applications at the next full Council meeting provided that applications are received not less than three weeks prior to that Council meeting being scheduled. Council will advise the applicant in writing of its determination of the application within twenty (20) business days of the Council decision date. The advice will state:

- if the application has been granted, the amount of the rebate and the conditions of the rebate or remission; or
- if the application has not been granted, the reasons why

<u>Continuing Financial Hardship</u>

If the ratepayer continues to experience hardship after the period approved by Council has expired, a new application must be made by the ratepayer with new supporting documentation required as outlined above.

<u>Cancellation of Financial Hardship Arrangement</u>

The financial hardship arrangement may be cancelled as a result of the following:

- Defaulting on a payment arrangement.
- The ratepayer no longer owns the land.
- The ratepayer advises Council that financial hardship no longer applies.
- Council receives information that the financial hardship no longer exists.

Such cancellation will be at the discretion of the Chief Executive Officer.