

# REVENUE AND RATING PLAN FACT SHEET

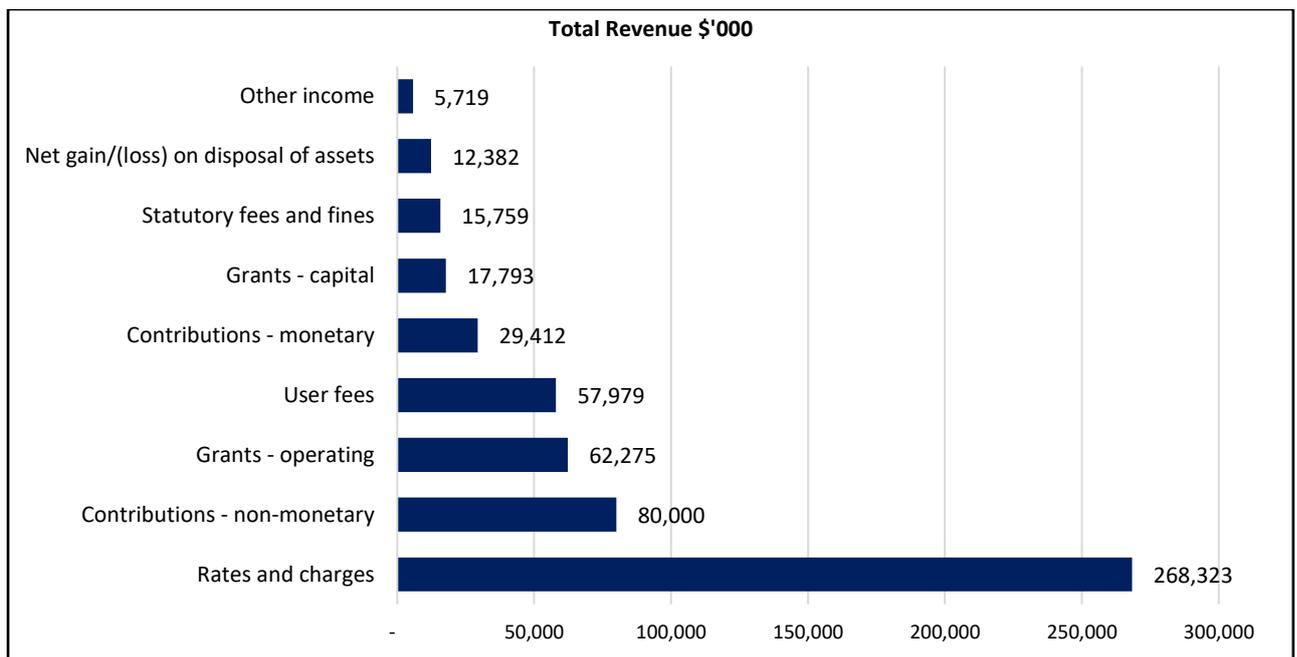
This fact sheet has been designed to be read in conjunction with the Revenue and Rating Plan survey: <https://survey.alchemer.com/s3/6439800/Revenue-and-Rating>

## OVERVIEW AND PURPOSE

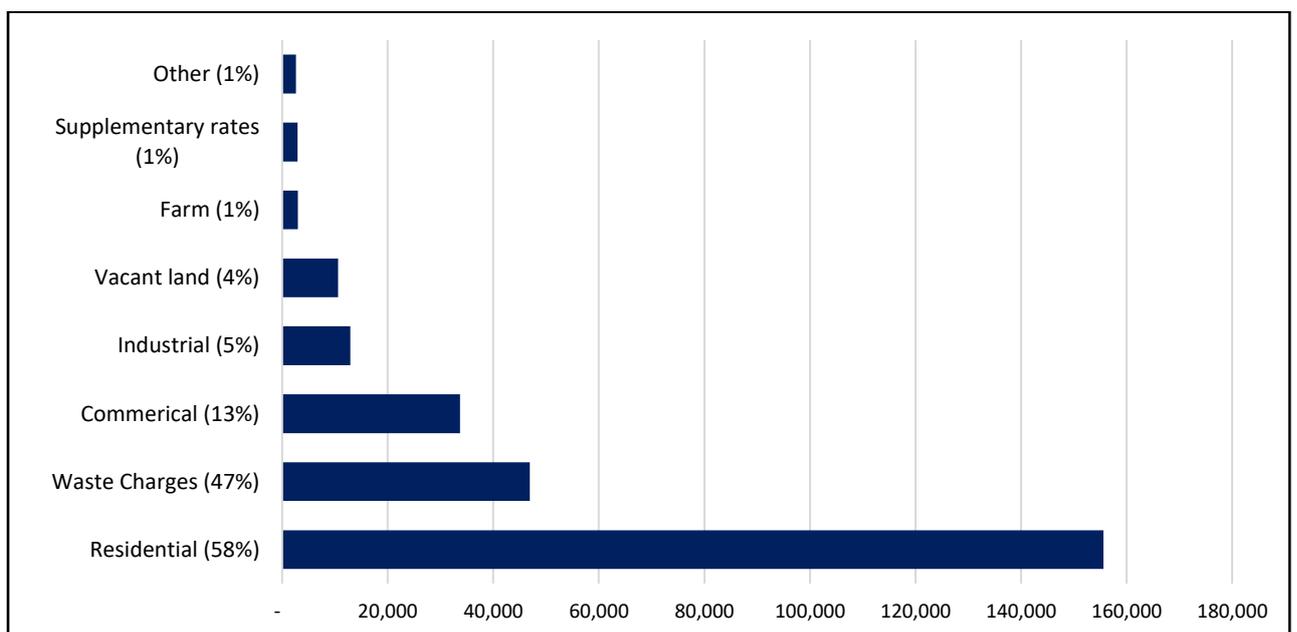
The purpose of the Revenue and Rating Plan is to determine the most appropriate and affordable revenue and rating approach for City of Greater Geelong (the Council) in conjunction with other income sources will adequately finance the objectives and actions of Our Community Plan.

The Plan sets out the system of, rates and charges adopted by the Council for the purposes of allocating the required rates contribution across the municipality on the most appropriate and affordable basis.

The City’s 2021-22 annual budget assumes income of over \$268m from rates and charges.



Current distribution of rates, for 2021-22 Residential will contribute 58% towards rates and charges.



## QUESTION 2 & 3

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Rating strategy decisions are underpinned by the following;

- Accountability, transparency and simplicity;
- Efficiency, effectiveness and timeliness;
- Equitable distribution of the rate contribution across the community according to assessment of property values for like uses (Horizontal equity further defined below) and capacity to pay (Vertical equity further defined below) based on different uses.;
- A “safety net” approach to assist eligible ratepayers significantly affected by increasing rates; and
- Compliance with relevant legislation.
- Where feasible, services should be funded on a user pays system.
- Where specified, local objectives can be achieved using differential rates.
- Residual service costs should be apportioned on the basis of property valuation.

In addition to the decisions above, public finance theory sets three major criteria for successful taxation policy:

- Equity
  - Horizontal equity means ratepayers in similar situations should pay similar amounts.
  - Vertical equity means those who are better off should pay more than those worse off the rationale applies for the use of progressive and proportional income taxation. It implies a “relativity” dimension to the fairness of the tax burden.
- Efficiency - Has two meanings first that in a technical sense the tax should not unduly interfere with the efficient operation of the economy and secondly is related to the cost of administering the collection of rates.
- Simplicity - for both administrative ease (and therefore lower cost) and to ensure that the tax is understood by taxpayers. The latter ensures that the tax system is transparent and capable of being questioned and challenged by ratepayers.

## Question 4 & 5

In 2021-22 Council proposes as part of the 2021-22 to 2024-25 Budget to:

- Increase general rates by a total of 1.5%, this is in line with the State Government rate cap.
- Hold the average commercial rates payable for 2021-22 at the same level as 2020-21.
- Increase residential rates by an average of 1.7% to offset the hold on the average commercial rate increase.
- Reduce the gap between the commercial and industrial rate from 9.3% in 2020-21 to 6.4% in 2021-22 in line with previous Council rating strategies.
- Align the petroleum differential rate to the industrial rate in the dollar.
- Set the farm rebate at 18.6% to maintain an average rate increase consistent with the residential rate increase.

The following rate in the dollars will apply to property valuations for the 2021-22 financial year.

	Cents/\$CIV	Relativity to Residential	Rates Payables for valuations of \$1,000,000
<b>Residential</b>	<b>0.00228877</b>	<b>1.00</b>	<b>\$2,289</b>
Vacant Land	0.00320293	1.40 x	\$3,203
Commercial	0.00546839	2.39 x	\$5,468
Industrial	0.00581831	2.54 x	\$5,818
Mixed Use	0.00331171	1.45 x	\$3,312
Farm	0.00145458	0.64 x	\$1,455
Cultural & Recreation	0.00171658	0.75 x	\$1,717
Petroleum	0.00581831	2.54 x	\$5,818

Commercial rate payers will pay 2.39 x more than a residential rate payer with the same property valuation

Farms will currently pay less than a residential rate payer with the same property value, as they have a reduced cents/\$

**Uniform Rate:** All the above rate types would have the same cents/\$CIV. Only differences in property valuations would lead to different rates being paid. For example; if a residential and commercial property was valued at \$1,000,000 both rate payers would pay the same level of rates

	Residential	Vacant Land	Commercial	Industrial	Farm
Property Value	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Cents/ \$CIV	0.00331171	0.00331171	0.00331171	0.00331171	0.00331171
<b>Rates Payable</b>	<b>\$3,312</b>	<b>\$3,312</b>	<b>\$3,312</b>	<b>\$3,312</b>	<b>\$3,312</b>

**Current Strategy:** apply minor changes to the cents/\$ based on approved increases and changes in property values. The relativity to residential rates would largely remain unchanged.

**Moving a greater portion of the distribution to residential payers:** Commercial/Industrial will see a reduction in the cents/\$ to become closer to residential. To maintain overall revenue levels residential and other property types will need to contribute more.

**Moving a greater portion of the distribution to commercial/industrial:** Commercial/Industrial will see an increase in the cents/\$ so they contribute more towards the total rates and charges income. This will see residential and other property types contribute less.

## Question 6

It is the intention of Council's medium term (2021-22 to 2024-25) and long-term (to 2031-32) rating strategy to:

- Maintain rate increases in alignment with State Government rate cap, unless significant circumstances warrant a request for a variation to the rate cap.
- Continue to align commercial, industrial and petroleum rate differentials over the medium term under the horizontal equity principle (refer above).
- Reduce the commercial, industrial and petroleum differentials relative to the residential differentials over the medium and long term as opportunities arise in the setting of the annual rate cap and valuation changes allow. The target state to be set in the range between 1.5 and 1.8 times the residential differential by 2031-32.
- Residential rates will, depending on the movement in valuations, need to increase at amounts higher than the rate cap over the medium and long term in order to reduce the relativity of the commercial and industrial rating differentials.
- The current Farm rebate is transitioned out over the medium term to allow all differential rates to be managed solely within the 4 times rule.
- The Farm rate differential to be set at 75% of the residential rates over the medium to long term.
- All rating differentials including vacant land, mixed use and other land use types will continue to be reviewed on an annual basis.

The Council's current strategy is to redistribute rate contributions between residential and commercial/industrial properties. Over a period of time approximately **\$15-20m** of rate revenue will be redistributed from commercial/industrial and largely to residential

**Gradually change over 10 years:** where valuations allow, residential properties will likely see marginal cent/\$ increase each year above the rate cap. Commercial and industrial rate payers will see a marginal reduction in the cent/\$.

**Faster over 4 years:** where valuations allow, residential properties will likely see moderate cent/\$ increase each year above the rate cap. Commercial and industrial rate payers will see a moderate reduction in the cent/\$.

**Immediate change over 1 year:** where valuations allow, residential properties will likely see a significant increase cent/\$ increase in the year the strategy is applied. Commercial and industrial rate payers will see a significant reduction in the cent/\$.

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