CIRCULAR HEAD COUNCIL

RATING STRATEGY

A sustainable, fair and transparent approach to rating our community



- FAIR AND EQUITABLE
- SUSTAINABLE FUTURE
- TRANSPARENT AND ACCOUNTABLE
- STRONGER TOGETHER

A community *moving forward*

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1. INTRODUCTION

The Circular Head Council was established on 27 August 1907. Under the *Local Government Act 1993* (the Act), the purpose of the Council is to:

- provide for health, safety, and welfare of the community,
- represent and promote the interests of the community; and
- provide for the peace, order, and good government in the municipality.

To provide for the above, Council requires a certain level of income. This can be sourced through various means, including rates.

In local government, rating is governed by a legislative framework which includes The Act and the *Valuation of Land Act 2001 (Tas)*. The Council has approved a Rates and Charges Policy, which is available from its website and has adopted various rating policies, procedures, and processes.

A rating strategy is important to both Council and its community because rates and charges are the main revenue source for local government, comprising approximately 50% of the Council's annual ordinary income. In setting rates, Council considers its strategic directions, budget considerations, the current economic climate, other external factors and likely impacts upon the community.

In setting its rates and charges Council has the challenge of balancing the need to fund existing services, the continual demand for increased services, the need to maintain and renew essential infrastructure required of a regional Council and the desire to keep increases to rates and charges to a minimum.

A rating strategy is also important to ensure the Council's future financial, services and infrastructure sustainability. It's important that revenue decisions support the Council's financial strategies for the delivery of future infrastructure and services identified in the Long-term Financial Management Plan and Strategic Asset Management Plan.

All councils are different and have characteristics specific to locality. As a result, it is dependent upon the individual council to determine the most appropriate rating strategy for its own municipal area.

2. PURPOSE

The purpose of the Strategy is to determine how the Council will raise rate revenue from properties within the municipal area using the rating options available to it under The Act.

The Strategy does not influence the amount of money to be raised by Council, which is considered in the Long-Term Financial Plan and annual budget. It instead determines how rates and charges will be equitably distributed amongst ratepayers and what portion of rates different types of properties should pay. The Strategy a council adopts impacts the share of total rates revenue contributions received from each ratepayer.

Through Council's rating strategy, Council aims to:

- Be clear and transparent in how rates are set and what portion of the rates different property types pay,
- Enhance ratepayer understanding of Council's rating system,
- Support those ratepayers with least capacity to pay with their rate payment obligations,
- Be sustainable and produce the required revenue to ensure that programs, services, and infrastructure needs of the community are met now but also into the future,
- Avoid burdening future generations of ratepayers with large rate increases,
- Ensure the Council has stable and predictable rate increases for all ratepayers including local businesses.

3. RATING OUTCOMES

The outcomes the Council wants to achieve through the adoption of this strategy are:

- A sustainable rating system that ensures programs, services and infrastructure needs of the community are met now and in the future,
- A rating framework that is easy to understand,
- A differential rating system to provide a more fair and equitable distribution of the rate burden, and to smooth out volatile rates valuations,
- An equitable rating system focused on capacity to pay,
- A rating system that encourages the development of vacant residential land stocks,
- A rating system that that businesses whose activities impact the local environment provide fair and reasonable compensation to the municipality to address the costs associated with those impacts,
- Confirm Council's Valuation basis as the Assessed Annual Value (AAV),
- Waste collection and stormwater removal services funded on a full cost recovery basis,
- Infrastructure, services, or programs that provide a special benefit for a specific group of ratepayers funded using separate rates or charges where required and only following consultation with the affected ratepayers,

- To support those ratepayers with least capacity to pay rates through various options.

4. RATING STRATEGY RELATED TO CIRCULAR HEAD VISION 2050

The strategy aligns to and supports Council's strategic priorities. Rating is an important role to both Council and its community to ensure the municipalities' future financial, service and infrastructure sustainability and the funding of strategic priorities.

This Rating Strategy is a key enabling document for Vision 2050. While Vision 2050 sets the long-term aspirations and strategic direction for Circular Head, the Rating Strategy provides the practical financial mechanism that allows Council to fund and deliver those aspirations.

The Strategy supports Vision 2050 by:

- ensuring long-term financial sustainability,
- funding essential infrastructure and services,
- promoting fairness and equity,
- supporting environmental and economic resilience,
- enabling transparent and accountable governance,
- ensuring Council can continue delivering community outcomes now and into the future.

VISION 2050 THEME AND DESCRIPTION	KEY AREAS
THEME 1: ENVIRONMENT Protecting and enhancing our natural landscapes, rivers, coasts, and ecosystems is vital for the health and future of our region. We want to be leaders in climate resilience, land stewardship and environmental restoration.	• Household waste/recycling • Municipal cleaning • Public waste bin collection
THEME 2: COMMUNITY Our people are our strength. We want Circular Head to be a place where everyone belongs, has access to opportunity, and feels safe and supported. This includes celebrating diversity, supporting youth, and ensuring equity in access to services.	• Roads, bridges, and footpaths • Walking tracks • Parks and reserves • Sporting facilities • Public toilets and amenities • SWIRL aquatic centre • Stormwater
THEME 3: ECONOMY We value a strong and resilient local economy — from agriculture and aquaculture to innovation, entrepreneurship, and tourism. We want to ensure future jobs are secure, inclusive, and forward-thinking.	• Tourism services • Economic Development

VISION 2050 THEME AND DESCRIPTION	KEY AREAS
THEME 4: PLACE Circular Head celebrates its natural beauty, rich heritage, and rural lifestyle. We want our built and natural environments to reflect who we are—through inclusive planning, improved access, vibrant town centres, and sustainable infrastructure that enhances quality of life.	• Community events • CHArts • Community grants • Youth activities and programs • Advocating for lifelong learning • Health and wellbeing initiatives
THEME 5: LEADERSHIP Vision 2050 is a call for shared responsibility. Strong governance, partnerships, and transparent decision-making are essential to achieving our goals. We want to build trust, listen to community voices, and act with purpose.	• Community engagement • Advocacy and lobbying • Emergency management • Road safety
THEME 6: GOVERNANCE Effective governance and efficient operations ensure transparent decision making, responsible financial management, and quality service delivery. We aim to be a high-performing, innovative Council that is accountable, efficient, and responsive to community needs.	• Information technology • Work health and safety • Human resources • Customer service • Finance • Information Management • Governance, including risk management and policies

5. COUNCIL RATES

Council rates are a form of property tax rather than a fee for service, with the amount each ratepayer pays based on the value of the property they own. Councils collect rates from property owners to fund programs, services and infrastructure that benefit the whole community. Property values are not calculated by Council; they are provided to Council by the Office of the Valuer-General.

Using property values as the basis for calculating how much each property owner pays in rates, achieves the following outcomes:

- Similar types of ratepayers with similar property values are treated similarly, and
- Ratepayers who own higher valued properties pay relatively more in rates that ratepayers who own lower valued properties.

How rates are calculated

The dollar amount of rates to be collected each year is calculated during the budget process. After identifying how much it needs to collect in rates and charges in its budget, Council calculates the total amount required to fund waste management services, waste collection services, stormwater removal services and the State Government fire levy leaving the balance required from General Rates.

Generally, the rate in the dollar is calculated by dividing the total amount of money Council needs to raise from each land use to provide infrastructure, programs, and services by the total AAV of all rateable properties in the municipal area by land use.

The rate in the dollar for each land use is then multiplied by the value of a property, using the assessed annual value, to establish the amount to be paid by each property.

6. LEGISLATIVE RATING FRAMEWORK

Local Government Act 1993

The legislative framework for the setting of rates and charges is set out in the Act. Part 9 of the Act gives councils choices for how rates can be distributed amongst ratepayers. The legislative framework provides a range of rating tools and approaches that provide councils with the flexibility to develop a rating strategy that is tailored to the needs of their municipal area while promoting key taxation (rating) principles.

6.1 Rates as a property tax

As set out above, the Act says that council rates are a form of taxation rather than a fee for service. Section 86A of the Act states that:

> (a) rates constitute taxation for the purposes of local government, rather than a fee for a service; and
>
> (b) the value of rateable land is an indicator of the capacity of the ratepayer...to pay rates.

Generally, the Act expects that the higher the value of the property the higher the rates to be paid.

6.2 Rating Principles

As council rates are a form of taxation, the Strategy is aligned with the following principles of taxation:

PRINCIPLE	DESCRIPTION
Equity	The rating system creates a fair and equitable distribution of rates. There are several different aspects to rating equity, including the following considerations: - where appropriate, rates levied should reflect the benefits ratepayers receive. - ratepayers with similar property values should be treated similarly. - ratepayers with a higher 'ability to pay' (based on property values) should contribute relatively more rates. - ratepayers who are financially disadvantaged should be supported.
Wealth Tax	The "wealth tax" principle implies that the rates paid are dependent upon the value of a ratepayer's property and have no correlation to the individual ratepayer's consumption of services or the perceived benefits derived by individual ratepayers from the expenditures funded from rates.
Benefit	This Strategy recognises that Council services benefit the community as a whole.
Simplicity	The rating system is as simple, practical, and cost effective to administer as practicable. This can often be difficult given the legislative framework council's work within and the fact that equitable and efficient rating outcomes can conflict with simplicity outcomes.
Sustainability	The rating system supports the Council's financial strategies for the delivery of infrastructure, programs and services in Council's Long-term Financial Plan and Vision 2050.
Efficiency	The Strategy supports the financial, social, economic, and environmental, and other strategic objectives outlined in Council's Corporate Strategic Plan 2022.
Transparency	The Council is open in the processes involved in the making of rates and charges as set out in this Strategy and the Council's Rates and Charges Policy is available on the website.
Timeliness	All ratepayers are given adequate notice of their liability to pay rates and charges.
Compliance	By complying with the requirements and intent of relevant legislation. This Strategy has been based on the rating requirements in The Act.
Capacity to pay	As rates are levied on the value of their property, ratepayers may be asset rich but cash poor or vice versa. This Strategy includes mechanisms to support those with least capacity to

PRINCIPLE	DESCRIPTION
	pay including pensioner discounts and its approach to debt management.

How the rating principles apply are discussed further in the following sections.

7. VALUATION BASE

- AAV
- Capital value
- Land value

Council is required to use the valuation of a property to raise rates, which is determined by the Office of the Valuer-General and provided to Council for the purpose of calculating rates. Under section 89A of the Act Council has the choice of three bases of value of land:

Land Value (LV) – the value of the property excluding all visible improvements such as buildings, structure, fixtures, roads, etc.

Capital Value (CV) - the total value of the property, excluding plant and machinery and includes the land value; or

Assessed Annual Value (AAV) - the estimated yearly rental value of the property, excluding GST, council rates and land tax, but is not to be less than 4% of the capital value of the property.

Council will use AAV as the basis for calculating rates.

The AAV seems to better reflect the capacity to pay rather than the other two bases as it has a closer connection to income-producing capacity i.e., the total value and the potential income that could be derived from renting/leasing or otherwise utilising the property and moderates' volatility in rapid property markets. This therefore more closely aligns with the wealth tax principle in determining the distribution of rates.

The Council will raise rates using the (AAV) of properties in the municipal area and use the rating system to manage the outcomes where there are significant anomalies.

Property Valuations

The Valuer-General determines the land value, capital value and assessed annual value of each property in the municipal area and provide this information to Council for rating. Council adopts the valuations made by the Valuer-General as provided to the Council and uses the valuation of each property as the basis for calculating the rates on that property.

Properties are revalued every six-years by the Valuer-General. When this happens the value of individual properties change and sometimes not uniformly causing what's known as a shift in the rate burden.

Property values are indexed [1]every two years according to adjustment factors published by the Valuer-General to smooth large property increases that can occur with six-yearly municipal property revaluations. This can also cause a shift in the rate burden.

There is a common misconception that as property values increase, Council receives a "windfall gain" of additional rates revenue. This is not the case as the revaluation process results in a redistribution of the rate burden across all properties in the municipal area, depending on each property's change in valuation. Total income from rates is determined by the Council during the budget process. In simple terms, as property values increase, to generate the same amount of rate revenue, the rate in the dollar is decreased.

Supplementary valuations

Supplementary rates are typically charged when a property owner undertakes a significant improvement or development on their land, such as building a new structure or subdividing the land. They can also be levied when the valuation of property changes due to a change of use of the land, objection to a property valuation or an error in the previous valuation. Council receives supplementary property valuations from the Valuer-General to calculate supplementary rates. Growth in the rate base arising from developments will be captured in the budget and used to fund programs, services, and infrastructure.

8. SHARING THE RATE BURDEN EQUITABLY

There are alternative rating options available under the Act for Tasmanian councils including a differential rate, fixed charge, separate rates and charges, and minimum rates. All rating options provide different ways to distribute the cost of providing Council programs and services among ratepayers. As all municipal areas are different, individual councils need to determine the method that distributes the rates tax burden in the most appropriate way for their community. In distributing the rating burden across the different categories of ratepayers in the municipal area, Council is looking to achieve the following objectives:

- Having a rating structure that provides fairness and equity,
- Having a rating structure that is sustainable for Council and affordable for the community,

[1] Indexation is a process used by the Office of the Valuer-General to adjust property values between full revaluations to reflect market movements and reduce sudden valuation changes. It does not automatically increase the total amount of rates collected by Council.

- Having a rating structure that supports ratepayers' capacity to pay,
- Having a rating structure that is simple to understand and easy/cost effective to administer.

9. RATING SYSTEM

Council has considered whether it should use a uniform or a differential rating system. A uniform rating system means using the same rate in the dollar that all properties pay. A differential rating system is where the general rate, service rates or service charges are varied under Section 107 of the Act based on the use or predominant use of the land, the non-use of the land, the locality of the land, any planning zone or type of property. Council will apply a differential rating system as it believes that it contributes to the equitable distribution of the rates burden amongst property owners.

Differential rates

Differential rates and other rating tools allow councils to address strategic objectives for funding and service delivery and provide flexibility for local rating issues, as well as manage property value fluctuations between different categories of land. A differential rate is generally levied where a council determines it would be inequitable and unfair to levy a single general rate on all land in a council's area.

Differential rating allows Council to shift part of the rate burden from some groups of ratepayers to others, through different "rates in the dollar" for each class of property. Council has chosen to distribute the rate burden through a differential rating system for the following reasons:

- To ensure all ratepayers make a fair contribution towards the ongoing maintenance and provision of services, programs, and facilities throughout the municipal area, irrespective of property value,
- Provides financial flexibility and revenue stability,
- Supports strategic land use and economic objectives, and
- Helps to manage the impacts of revaluations.

Differential rating categories

Council has several differential rating categories under the provisions of s107 of the Act. Details of the definition, types/classes of land, objectives, and the level of rate applicable to each differential is set out in this section. The differential rates have been designed to meet the rating principles. The differentials will be set as part of the annual budget process each year

and included in the rating resolution. Council has made this decision to ensure predictability and stability in rate increases.

Council has considered infrastructure impacts, service demands, economic activity, strategic objectives and capacity-to-pay considerations when determining differential rate relativities.

Vacant land – residential

Applies to all rateable residential vacant land properties in the municipal area with a land use code of V1.

The objective: is to encourage development of vacant land for housing and other purposes, promote the development of all properties to their full potential thereby stimulating economic growth and development in all areas of the municipal area; to discourage the holding of land particularly where there are housing shortages; and to ensure vacant landowners contribute an equitable share of the rate burden compared to other types of landowners. This is outlined in Council's Vision 2050 plan.

In addition to this, additional economic activity would assist in the recovery of costs of providing services and infrastructure to residents.

The differential rate is set at 300%.

Manufacturing – mining

Applies to all rateable land that is used predominately for manufacturing non-food processing, with a land use code of I11.

The objective: is to ensure that businesses whose activities impact the local environment provide fair and reasonable compensation to the municipality to address the effects associated with those impacts.

In addition to this, manufacturing industries derive greater commercial benefit from municipal infrastructure and services and have a larger economic capacity to pay.

The differential rate is set at 300%.

Manufacturing – food processing

Applies to all rateable land that is used predominately for the processing of food products, with a land use code of I110.

The objective: is to ensure that businesses are responsible for contributing to the costs associated with the maintenance and rehabilitation of Council assets, including the road network, resulting from manufacturing operations.

In addition to this, manufacturing industries derive greater commercial benefit from municipal infrastructure and services and have a larger economic capacity to pay.

The minimum is set during the budget each year.

Forestry

Applies to all land that is used predominately for Forestry purposes, with a land use code of L3, L31, L33, L311, L312, L331 and L332.

The objective: is to ensure forestry operators are responsible for contributing to the costs associated with the maintenance and rehabilitation of Council assets, including the road network, resulting from forestry operations.

The differential rate is set at 200%.

Quarries

Applies to all land that is used predominately for quarrying purposes, with a land use code of Q2.

The objective: is to ensure that quarry operators are responsible for contributing to the costs associated with the maintenance and rehabilitation of Council assets, including the road network, resulting from quarrying operations.

In addition to this, quarrying industries derive greater commercial benefit from municipal infrastructure and services and have a larger economic capacity to pay.

The differential rate is set at 300%.

Minimum rates

Council sets a minimum rate per property to ensure that every rateable property makes at least a basic contribution toward the cost of providing its services.

Council can also apply different minimum amounts to classes of land. Council applies the following:

Timber mills

Applies to all land that is used predominately for timber milling purposes, with a land use code of I13.

The objective: is to ensure operators are responsible for contributing to the costs associated with the maintenance and rehabilitation of Council assets, including the road network, resulting from milling operations.

In addition to this, timber mills derive greater commercial benefit from municipal infrastructure and services and have a larger economic capacity to pay.

The minimum is set during the budget each year.

10. SERVICE CHARGES

Council will continue to apply a Waste Management Service Charge, Food Organics Garden Organics (FOGO) Collection Service Charge and Stormwater Removal Service Rate as part of its Strategy based on full cost recovery of the waste collection and disposal, FOGO collection and stormwater removal functions rather than combining the revenue required for these services into the General Rate.

A service rate is valuation based. The Council calculates a rate in the dollar and the amount of rates paid by a property is calculated by multiplying the rate in the dollar by a properties property value. A service charge is a fixed dollar charge that all properties pay.

As outlined in the Act, waste management and stormwater removal are considered discreet services that can be funded using a service charge or a service rate as part of a council's rating system. It is more transparent to have a service charge / rate for these services rather than fund these services from the General Rate. It also allows Council to implement its rates remissions policy for service rates / charges to ensure that only those properties that are capable of receiving the service from Council pays for it.

The advantage of the service charge for waste, recycling and FOGO is that it is transparent, simple, easy to understand, doesn't fluctuate when property values change and is accepted by ratepayers as a fee for a direct service that they receive. It provides equity in the rating system in that all ratepayers who receive the same service level pay an equivalent amount.

Separate service charges will be made for stormwater services.

Stormwater Removal Service Rate

Pursuant to section 93 of the Act, Council will apply a Stormwater Removal Service Rate on all rateable properties within the municipal area that receive or can receive a stormwater removal service from Council. It provides revenue that covers the following:

- the operation and maintenance of the piped and non-piped stormwater systems and the waterways, which includes major rivulets and a host of minor watercourses.
- Council's flood management activities and provides for the replacement of elements of the stormwater and waterways asset base. This includes the kerb and guttering and underground stormwater pipes along roads and the general maintenance of the municipalities' rivulets and their tributaries. As such these services have a public and community-wide benefit.
- contributes towards stormwater works in all roads, which allows residents to travel along those roads safely during rainfall.
- litter traps within stormwater systems and waterways to limit the amount of pollution entering waterways.

Council will apply a stormwater removal service rate as part of its Strategy based on full cost recovery of the stormwater removal function.

The direct benefit to the ratepayer from stormwater removal services is largely invisible unlike the waste service, which is a tangible service provided to all ratepayers in the same way.

Combining the revenue required for stormwater removal services into the General Rate, will in the same way as for waste services, mean that funding for stormwater removal services will be less transparent and those properties who don't receive a stormwater removal service from Council would ultimately pay for it through their General Rates.

State Government Levies

Council is required to collect on behalf of the State Government, the following levies:

State-wide waste levy

The State Government has introduced a state-wide landfill levy pursuant to the *Waste and Resource Recovery Act 2022* on waste disposed to landfill both as a disincentive to landfilling and as a mechanism to fund strategic investment into Tasmania's waste and resource recovery sectors. The Council is required to collect this levy and pass it onto the State Government.

Fire service rate

Pursuant to the *Fire Services Act 1979*, local government acts as a collection agent for this State Government tax, which is paid directly to the State Fire Commission.

Council has no control over the level of the Fire Service Rate. It is required to collect this revenue on behalf of the State Government which is then passed onto the Tasmanian Fire Service.

The State Fire Commission identifies 2 districts for the Circular Head municipality, being:

- Smithton and Stanley volunteer brigade rating district,
- General land.

There is a different fire service rate for each district and a minimum fire service contribution.

Rates rebates

Under section 87 of the Act, certain land is exempt from the General Rate (and Separate Rates and Averaged Area Rates) where they are held or owned for specific purposes outlined in the Act e.g.: charitable purposes, Aboriginal land, certain land owned by the Crown, council owned, etc.

Non-rateable properties including charities will continue to be required to contribute to services provided by the Council through the payment of service rates and charges at full cost.

Charitable rate exemption

Council will continue to provide a charitable rates exemption for General Rates to those properties that meet the eligibility requirements set out in section 87(1)(d) of the Act as outlined in the Council's Policy, Rates, and service charge remissions policy.

11. SUPPORT FOR RATEPAYERS

Pension rate discounts

Council will provide a discount to eligible pensioner concession card holders for their principal place of residence as follows:

- 30% of rates and charges (maximum limits apply, which are indexed each year).

This rebate is available only to individuals whose eligibility is confirmed by Centrelink and is subject to all applicable Centrelink rules and conditions.

Financial Hardship Assistance

Council may provide assistance to community members who are suffering financial hardship by providing an appropriate level of relief from rates. This will include:

- Payment arrangements.
- Remission of rates (under S.129 of the Act).

12. RATE PAYMENT OPTIONS

Council will continue to encourage paperless receipt of rate notices to reduce the Council's impact on the environment, offering receipt of rate notices via email or BPAY View. Print notices will remain an option for those preferring to receive their rate notices via Australia Post.

Payment due dates

Acknowledging cost of living pressures, Council will continue to offer payment by instalment spread throughout the year closely to the dates identified below:

- 31 August
- 30 November
- 28 February

Keeping the due dates the same reinforces the Council's commitment to stable and predictable rating.

Rate payments options

The Council will continue to offer a range of convenient and flexible payment options for the payment of rates, including but not limited to BPAY and Direct Debits. The Council will investigate new and emerging payment methods to ensure ratepayers continue to have access to a range of flexible and convenient payment options.

Discount for Early Payment of Rates

Council will not offer a discount for paying rates early or in full by the first instalment as Council considers this to only benefit the financially advantaged and not meet the fairness, equity, and capacity to pay principles of taxation. If Council did adopt a discount system, the estimated discount amount would need to be included in the budget to ensure that the Council collected the right amount of rates to meet what is required in its budget. This would need to be funded from General Rates meaning that those ratepayers who don't have capacity to pay their rates in full by the first instalment due date would effectively be subsidising those that can.

It is therefore considered that offering a discount for those that can afford to pay their rates in full is contrary to the capacity to pay and equity taxation principles and Council should not offer a discount as part of its rating strategy.

Late payment fees

Council will apply a late payment penalty on the instalment amount. The late payment penalty is set at the budget time each financial year to recover Council's costs of rates debt management.

13. REVIEW

Council will review the Rating Strategy on an annual basis, or earlier where there is a significant legislative change, municipal revaluation, change in strategic direction, or material shift in the distribution of the rate burden.