5.5. GENERAL RATES REVIEW 2016

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DEPARTMENT: Corporate Services

RECOMMENDATION

That Council resolves to remove the confidentiality status of the General Rates Review Report 2016.

EXECUTIVE SUMMARY

To inform the 2016/17 annual budget deliberations, Council had requested that a review of the general rates be undertaken to ensure the rating regime supported Councils' organisational objectives. As this report was utilised in the 2016/17 annual budget deliberations, it maintained a confidentiality status. Considering the 2016/17 annual budget has been adopted, this report is now presented to Council to remove the confidentiality status.

BACKGROUND

To inform that 2016/17 annual budget process, an initiative was included in the 2015/16 Operational Plan to review Council's General Rating Regime to determine if the spread of general rates was appropriate and it provided equity to ratepayers.

COMMENT

In reviewing Council's general rating regime, the following key aspects were considered:

- Legislation – The requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* and Council's obligation in levying general rates.
- Background – Detailing options available to Council to levy rates, which are a form of tax, in an equitable manner and matters to consider when determining the annual rates to be levied.
- History – Providing a factual account of how general rates were levied in the old Douglas Shire Council up until amalgamation with Cairns City Council in March 2008.
- Current General Rates Regime – Documenting the current rating categories for 2015/16 financial year as adopted by Council at its annual budget meeting.
- Analysis of Current General Rates – Breaking down how rates are spread across categories and property classes, landholders by residency, comparison of rates levied by property class (pre-amalgamation to current), residential rates and valuation by locality and a comparison of general rates with other Queensland coastal councils.
- 2016 Shire Wide Land Revaluation – Analysing the impacts of the property revaluations undertaken by the Department of Natural Resources & Mines and provide a recommendation for the 2016/17 rates to minimise the impacts of the revaluation on rate increases.

The General Rate Review Report 2016 is included as an attachment.

PROPOSAL

As the General Rate Review Report 2016 was utilised for the 2016/17 annual budget deliberations, this report maintained a confidentiality status (as all matters do pertaining to budget deliberations). However, as the 2016/17 annual budget has been adopted it is recommended to Council to lift the confidentiality embargo on this report.

FINANCIAL/RESOURCE IMPLICATIONS

Financial sustainability is an essential consideration for Council and having an appropriate reliance on "own source revenues", which general rates form a part of, will assist Council in achieving this goal. The Queensland Treasury Corporation reported, in its Credit Review of May 2015, that the high level of "own source revenue" was a positive indicator for Council.

RISK MANAGEMENT IMPLICATIONS

Undertaking a comprehensive review of general rates ensuring the rate burden is equitably distributed amongst ratepayers mitigates the risk that a certain locality or class of properties is not unfairly being disadvantaged.

SUSTAINABILITY IMPLICATIONS

Economic: Nil

Environmental: Nil

Social: To ensure ongoing sustainability and longevity of Council and the communities which it serves, it is paramount that an equitable rating regime is established to distribute the rate burden.

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2014-2019 Initiatives:

Theme 5 - Governance

5.1.1 - Establish and develop long term financial, resource and infrastructure planning to ensure ongoing capacity to fund operations and capital works programs.

5.2.1 - Provide Councillors and community with accurate, unbiased and factual reporting to enable accountable and transparent decision-making.

Operational Plan 2015-2016 Actions:

FIT5 - Undertake a review of general rating categories to determine if current rating regime supports organisational objectives.

COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

Regulator Meeting the responsibilities associated with regulating activities through legislation or local law.

CONSULTATION

Internal: Executive Leadership Team, relevant mangers, Finance and Rates staff.

External: General rates data was obtained from relevant Queensland coastal councils' websites.

COMMUNITY ENGAGEMENT

Whilst formal community engagement was not undertaken, representations from various ratepayers were taken into consideration during the 2016/17 annual budget deliberations.

ATTACHMENTS

Attachment 1 - General Rates Review Report 2016

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2016

General Rates Review Report

Darryl Crees
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DOUGLAS SHIRE COUNCIL

11 May 2016

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General Rates Review Report

Executive Summary

Levying general rates in local government is a complex matter considering Council has to balance the services to be delivered to the communities of Douglas and the revenue required to fund these operations, ensuring future financial sustainability.

A key indicator of financial sustainability for Council is to have an appropriate reliance on own-source revenues which encompasses general rates. Additionally, the Queensland Treasury Corporation reported, in its Credit Review of May 2015, that the high level of "own-source revenue" was a positive indicator for Council.

To ensure ongoing sustainability and longevity of Council and the communities which it serves, it is paramount that an equitable rating regime is established to distribute the rate burden. This review has considered a wide variety of rating aspects, including but not limited to:

- The statutory requirements applicable to Queensland local governments to levy general rates
- The options available for consideration in establishing an overall rating regime
- The history of general rates in Douglas Shire Council and the current rating regime.
- A detailed analysis of the current general rating structure including a comparison of rates levied by seventeen (17) other Queensland coastal councils.

After a comprehensive assessment of all available information and data, it is the author's view that the current general rating regime provides an equitable spread of rates across all ratepayers. The commercial and rural productive properties are paying higher rates than residential and building units, which is considered acceptable as these properties do place a higher burden on Council operations. Residential and building unit properties are contributing rates revenue that roughly equals, on a percentage basis, the portion of the rate base that they represent.

Therefore appropriate tools are being utilised (ie. differential general rating and minimum general rates) to ensure that the vast majority of ratepayers are contributing on a fair and reasonable basis to fund Council operations.

Growth in rateable assessments through controlled property development will assist in maintaining high levels of "own-source revenues" and this will be achieved by overall rates yield without extraordinarily increasing rates paid by existing ratepayers.

A further factor incorporated into this review is the impact of the 2016 shire wide revaluation undertaken by the Department Of Natural Resources and Mines which has delivered an overall average increase of 8% in property values (actual range -100% to +260%). Following an analysis of the revaluation and its possible effects on rate increases an amended general rating structure is proposed for Council's consideration.

Purpose of Review

This review has been undertaken in accordance with initiative FIT5 of Council's Operational Plan 2015 – 2016 which detailed the following action:

> *"Undertake a review of general rating categories to determine if current rating regime supports organisational objectives."*

The key performance indicator aligned to this action was:

> *"Outcome of review workshopped with Council and recommended general rating regime adopted for the 2016/17 Annual budget."*

Organisational Objectives

Council has established Corporate Goals and Objectives through its Corporate Plan 2014 – 2019 which identifies key strategic business and service deliverables for the medium term of the organisation. Revenue generated from rates is a significant portion of Council's overall revenue utilised to fund operations and infrastructure requirements for the communities of Douglas.

Financial sustainability is an essential consideration for Council and having an appropriate reliance on "own-source revenues", which general rates form a part of, will assist Council in achieving this goal. **The Queensland Treasury Corporation reported, in its Credit Review of May 2015, that the high level of "own-source revenue" was a positive indicator for Council.**

The Corporate Plan has detailed Councils' obligation to Financial Management as:

> *"Providing a diverse range of services and facilities, including essential utility services and infrastructure is a core operational responsibility. Council has custody of significant infrastructure assets and allocates funds to achieve the maintenance, preservation and renewal of those assets over their respective useful lives. To achieve ongoing financial sustainability Council needs to maintain its working and infrastructure capital over the long term and is establishing an integrated approach to long-term financial forecasts and asset management plans."*

Furthermore under Theme 5 Governance the following goal and action is documented:

Goal 1 *To develop a financially sustainable organisation through sound strategic planning*

Action 5.1.1 *Establish and develop long term financial, resource and infrastructure planning to ensure ongoing capacity to fund operations and capital works programs.*

Scope

In undertaking this review the following matters have been determined to be inside or outside of scope:

Inside scope:

- All aspects of general rates
- Effect of 2016 shire wide property revaluation

- Recommendation for general rating regime for 2016/17 financial year

Outside scope:

- Land exempted from general rates
- Utility service charges, special rates and charges

Methodology

In undertaking this review it was deemed important to cover all aspects of general rating in detail therefore the following key topics have been addressed:

- Legislation – To provide an explanation of the requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* and Council's obligation in levying general rates.
- Background – Detailing the options available to Council to levy rates, which are a form of tax, in an equitable manner and matters to consider when determining the annual rates to be levied.
- History – Providing a factual account of how general rates were levied in the old Douglas Shire Council up until amalgamation with Cairns City Council in March 2008.
- Current General Rates Regime – Documenting the current rating categories for 2015/16 financial year as adopted by Council at its annual budget meeting.
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The Land Revaluation

An additional impact when determining rate increases for the 2016/17 financial year will be the effect of the shire wide property revaluation undertaken by the Department of Natural Resources and Mines. Although the shire wide average increase is 8%, the variance in valuations ranges from approximately -100% to +260%. Also when assessing valuation increases by locality the average varies from 0% to 13.01%.

In an attempt to minimise rate increases resulting from property valuation increases an evaluation of rating categories, minimum general rates and "rate in the dollar" has been undertaken and a recommended structure with proposed rates to be levied is included in this report.

Important point - regardless of different strategies in restructuring the rating categories, it is not possible to nullify all valuation increases and the best option is to maintain as many rating assessments as possible below a percentage determined by Council.

Legislation

The authority for local governments to levy rates and charges is contained within the *Local Government Act 2009* with Section 94 stating:

> ***94 Power to levy rates and charges***
>
> *(1) Each local government—*
>
> *(a) must levy general rates on all rateable land within the local government area; and*
>
> *(b) may levy—*
>
> *(i) special rates and charges; and*
>
> *(ii) utility charges; and*
>
> *(iii) separate rates and charges.*
>
> *(1A) Without limiting subsection (1), a local government may categorise rateable land, and decide differential rates for rateable land, according to whether or not the land is the principal place of residence of the owner.*
>
> *(2) A local government must decide, by resolution at the local government's budget meeting for a financial year, what rates and charges are to be levied for that financial year.*

Extracts from the *Commentary on the Local Government Act* (The Commentary) referring to section 94 follow to assist to further understand the legal intent of this section:

> *"While the making of other rates and charges is a matter for policy decision, every Council must make a general rate. It can be made either as an across the board general rate or as a differential general rate.*
>
> *The purpose of the section is to ensure that all Councils are legally obliged to raise some level of general revenue from all of their ratepayers, on the basis (primarily) of unimproved valuation. That is, local government's own source revenue raising cannot legally be based solely on user pays or fixed charge concepts. Some level of revenue must be pure taxation revenue based on property value (which represents, albeit imperfectly, a measure of capacity to pay).*
>
> *…*
>
> *The effect of subsection (2) is that rates and charges are fixed and unchangeable between budget meetings. They are generally charges for the relevant financial year, except for some utility charges; see notes to s 99 of the Regulation.*
>
> *While there is power under s 170 of the Regulation to adopt an amended budget, that power does not extend to allowing a Council to make alterations to the level or method of calculating rates and charges."*

Section 93 (2) of the *Local Government Act 2009* defines rateable land as:

> ***Rateable land*** *is any land or building unit, in the local government area, that is not exempted from rates.*

Contained within Section 93(3) is a finite list of land that is exempt from rates and these exemptions have not been detailed in this report as non-rateable properties are outside the scope of this review.

In determining the general rates to be levied on rateable properties, local governments have the capacity to apply differential general rates. Section 80 of the *Local Government Regulation 2012* states:

80 Differential general rates

(1) A local government may levy general rates that differ for different categories of rateable land in the local government area.

*(2) These rates are called **differential general rates**.*

(3) For example, a local government may decide the amount of the general rates on a parcel of residential land will be more than the general rates on the same size parcel of rural land.

(4) However, the differential general rates for a category of rateable land may be the same as the differential general rates for another category of rateable land.

(5) If a local government makes and levies a differential general rate for rateable land for a financial year, the local government must not make and levy a general rate for the land for the year.

(6) A differential general rate may be made and levied on a lot under a community titles Act as if it were a parcel of rateable land.

The Commentary informs that under section 80, should Council determine to levy differential general rates then all rateable lands within the local government area must be categorised into 2 or more categories. A rate may be the same for one or more categories however it is pointless to establish categories unless there is at least one category of which the rate levied is different. Subsection (5) prohibits the making of an ordinary general rate where differential general rating is applied therefore, effectively not allowing partial differential general rating.

Legislation also allows local government to apply a minimum general rate to rateable properties and Section 77 of the *Local Government Regulation 2012* states:

77 Minimum general rates for land generally

(1) A local government may fix a minimum amount of general rates.

(2) The local government may identify parcels of rateable land to which a minimum amount of general rates applies in any way the local government considers appropriate.

(3) However, a local government must not levy minimum general rates for a parcel of land if—

(a) the Land Valuation Act, chapter 2, part 2, division 5, subdivision 3, applies to the parcel of land; and

Editor's note—

Land Valuation Act, chapter 2, part 2, division 5, subdivision 3 (Discounting for subdivided land not yet developed (non-Land Act rental))

(b) the discounted valuation period for the parcel of land has not ended under that subdivision.

(4) Generally, the same minimum amount of general rates must apply to all rateable land in the local government area.

(5) However, a local government may fix a different minimum amount of general rates only for—

(a) if there are different rating categories of rateable land for the local government area, each different rating category; or

(b) timeshare property; or

(c) any of the following—

(i) a mining lease granted for mining for minerals over land that is not larger than 2ha;

(ii) a mining lease granted for a purpose that is associated with mining for minerals over land that is not larger than 4ha; or

(d) land that is subject to a mining claim, subject to section 79.

(6) For subsection (5)(a), if a local government fixes a different minimum amount of general rates for different rating categories, the same minimum amount of general rates must apply to all rateable land belonging to a particular rating category.

The principal or intent behind Council applying a minimum general rate is to establish a floor so that landowners do not under any circumstances pay less than the fixed amount, regardless of their land valuation. The Commentary also states that the minimum general rate should be viewed only as an “optional add-on” to the valuation based rating system. It can and should be used to ensure that owners of low value properties do not obtain an unfair “free ride”.

Background

As established previously in this report, Council has a statutory obligation to levy general rates to assist in funding operational requirements. Having an adequate reliance on own-source revenues, which general rates forms part of, is a key factor in financial sustainability (as identified in the Financial Management (Sustainability) Guideline issued by the Department of Infrastructure, Local Government and Planning, in accordance with Section 169(5) of the *Local Government Regulation 2012*). Therefore implementing a rating regime which equitably shares the rate burden between ratepayers is paramount in Council remaining financially viable.

Two Options for Levying General Rates

Under current legislation, Council has two options in levying general rates being:

1. a broad general rate across all ratepayers; or
2. applying differential general rating.

The broad general rate would result in all ratepayers paying the same rate in the dollar or minimum general rate regardless of the property class or use. Differential general rating provides Council with the ability to identify and categorise properties of the same class or use together (e.g. residential properties in one category and commercial properties in a separate category). Utilisation of rating categories or differential general rating then allows Council to levy different rates in the dollar and minimums for each property category which, in theory, enables an equitable distribution of the rate burden.

General Rate is a Tax

Regardless of the general rating option implemented by a local government, a general rate is a tax rather than any kind of “user pays” charge. A tax is designed to raise revenue which may be utilised by Council to fund any lawful purpose. Being a tax, general rates are levied by reference to an indicator of “capacity to pay” without reference to how the funds raised from any particular taxpayer (ratepayer) are intended to be expended. Where as, funds raised through a “user pays” charge have to be spent in a way which directly benefits the person/entity paying the charge.

In the general rating context, the statutory indicator of “capacity to pay” is each land valuation supplied by the Department of Natural Resources and Mines (DNRM). These valuations are supplied pursuant to the *Land Valuation Act 2010* and in general terms a shire wide re-valuation is undertaken every two years.

Category Banding by Valuation

Using land valuations as the basis to levy general rates also enables Council to implement valuation bands as a means of categorising properties when applying differential general rates. Quite a number of Queensland Councils are using valuation banding but it generally only makes sense for residential properties. With residential properties it is reasonable to assume that service needs or benefits do not increase in a linear fashion with rateable value. So with residential properties, valuation banding assists in reducing a potentially high rate burden for well located (higher valued) properties.

This principal is not applicable to or logical for rural or commercial properties. It is reasonable that a 400 acre rural property pays twice the rates of a 200 acre property that has the same productive value. Similarly with commercial properties the same rate in the dollar should apply to a CBD property as a smaller suburban property with like values.

Properties with Low Valuations

On the opposite end of the scale are properties with low valuations, which would be placing a similar demand on Council services as higher valued properties. Without the application of a minimum general rate, these properties would be paying far less rates and an inequity would occur as the higher valued properties would be over taxed. Minimum general rates ensure each ratepayer is being levied a fair and reasonable (equitable) contribution towards Council’s operational requirements without over taxing the higher valued properties.

Adopting a rating regime of differential general rating is essential in any rating strategy, as using categorisation, with a minimum general rate, provides increased flexibility to spread the rates levy across ratepayers in an equitable fashion.

Establishing the Quantum of General Rates

The third element that needs to be considered when establishing the general rates to be levied is what actually drives Council costs. Council is basically in the roadworks and construction industry and the costs in these industries have been increasing faster than the Consumer Price Index (CPI) over time. Grants and subsidies have also not kept pace (e.g. Financial Assistance Grants frozen for 3 years) and in some cases are no longer available.

The Local Government Association of Queensland (LGAQ) Council Cost Index provides an aggregated picture of cost movements borne by local government at the State level. However, the mix of construction and non- construction activity will vary from council to council and there will be parts of the State where construction costs have been increasing faster than the State average. Such factors will all be relevant at a local level when determining the level of increase to rates and other charges that will be necessary to provide the community's desired level of service.

Therefore limiting rate increases to CPI is not prudent if Council wants to maintain service levels and remain financially sustainable.

History of General Rates in Douglas Shire Council

Up until the 30 June 1989 the former Douglas Shire Council did not categorise rateable properties and all properties in the local government area attracted the same “rate in the dollar” and minimum general rate. This was regardless of valuation or prescribed occupation/use of the property or demand on Council services. Therefore a residential property was being levied the same quantum of rates as an equivalent valued commercial property or agricultural property.

In the 1989/90 financial year, a differential general rates regime was introduced and the following table provides details of the different rating categories and the financial years in which these categories were expanded.

Rating Category	89/90	90/91	93/94	98/99	00/01
Category 1: All other lands	X	X	X	X	X
Category 2: Sugar cane lands	X	X	X	X	X
Category 3: Large residential properties north of the Daintree River	X	X	X	X	X
Category 4: Marinas	X	X	X	X	X
Category 5: Grazing Land		X	X	X	X
Category 6: Major shopping developments			X	X	X
Category 7: Large residential properties south of the Daintree River				X	X
Category 8: Shopping centres					X

In early 2005, Council received the shire wide revaluation from the Department of Natural Resources & Mines and this revaluation had an average land valuation increase of approximately 110%. The highest increase in valuation was in excess of 700% and some classes of properties had no change in valuation. To alleviate the impact of this significant valuation increase, Council investigated options with its general rating regime and the following differential rating categories were introduced effective for the 2005/06 financial year.

Rating Category	Criteria
Category 1	Residential – Valuation between $0 to $150,000
Category 2	Residential – Valuation between $150,001 to $300,000
Category 3	Residential – Valuation between $300,001 to $500,000
Category 4	Residential – Valuation between $500,001 to $1,400,000
Category 5	Residential Valuation $1,400,001 and above
Category 6	Major Shopping Developments
Category 7	Marinas
Category 8	Shopping Centres
Category 9	Commercial, Industrial and All Other Lands
Category 10	Rural and Agricultural
Category 11	Building Units – Residential Owner Occupier and Long Term Residential Accommodation
Category 12	Building Units – Short Term Accommodation
Category 13	Large Residential Properties – Valuation between $0 to $150,000
Category 14	Large Residential Properties – Valuation between $150,001 to $300,000
Category 15	Large Residential Properties – Valuation between $300,001 to $500,000
Category 16	Large Residential Properties – Valuation between $500,001 to $1,400,000
Category 17	Large Residential Properties – Valuation $1,400,001 and above

With the introduction of the 17 rating categories, as opposed to the previous 8, greater equity was provided to ratepayers. Prior to the 2005/06 financial year any properties that did not fall into categories 2 to 8 were rated within category 1. This resulted in residential, agricultural (excluding cane farming and grazing), commercial, industrial and building units all paying the same rate in the dollar/minimum general rate, however the different property classes placed differing demands on Council services.

Also the introduction of valuation banding, enabled Council to reduce financial impacts on higher valued residential properties and those residential properties that received significant increase in property valuations.

These changes to the rating regime allowed Council to address some of the inconsistencies in the revaluation, such as different percentage increases in different localities and within property classes across the shire. As a result, Council was able to adopt an annual budget for the 2005/06 financial year that delivered a rate increase of 10% or less to over 80% of ratepayers, even with the substantial increase in property valuations.

This general rating regime was maintained until amalgamations in March 2008 and at that time Douglas properties were absorbed into the rating categories utilised by Cairns Regional Council.

Current General Rates Regime in Douglas Shire Council

Following de-amalgamation in January 2014, Council continued with the same general rating regime as established by Cairns Regional Council and adopted general rating categories that were applicable to properties located within the Douglas Shire. In the 2015/16 financial year a further category was added “All Other Land” and the following table depicts all rating categories currently adopted by Council.

Rating Category	Criteria
Category Residential A	Residential - Valuation from $1 to $490,000
Category Residential B	Residential – Valuation from $490,001 to $735,000
Category Residential C	Residential – Valuation from $735,001 to $975,000
Category Residential D	Residential – Valuation from $975,001 to $1,220,000
Category Residential E	Residential - Valuation from $1,220,001 to $1,465,000
Category Residential F	Residential – Valuation from $1,465,001 to $1,710,000
Category Residential G	Residential - Valuation from $1,710,001 to $1,955,000
Category Residential H	Residential – Valuation from $1,955,001 to $2,200,000
Category Residential I	Residential - Valuation greater than $2,200,000
Category Residential J	Residential properties (excluding those in categories A to I) where that land’s Planning Area is included in the Douglas Shire Planning Scheme 2008 or the Integrated Resort Development Act 1987 (Mirage Port Douglas Scheme) as Low Density with a total land area over 10 Hectares or Residential 1 with a total land area over 0.5 Hectares or Residential 2 with a total land area over 3.5 Hectares or Residential 3 with a total land area over 0.5 Hectares or Tourist and Residential with a total land area over 0.5 Hectares or Community Facilities with a total land area over 1 Hectare.
Category Residential K	Residential – Part of a Community Title Scheme
Category Residential L	Residential – Multi residential (flats)
Category Residential M	Residential – Comply with s50 of the *Land Valuation Act 2010*
Category Residential Q	Residential – Permit to Occupy situated Daintree River

Rating Category	Criteria
Category Commercial E	Commercial – Commercial/Industrial purposes excluding those in Commercial Categories F and H.
Category Commercial F	Commercial – Not for Profit Recreation, Sporting and Community Groups that are eligible for Rates Based Financial Assistance.
Category Commercial H	Commercial – Shopping Centre with a secondary land use of Marina
Rural Productive	Properties which are used predominately for Primary Production
All Other Land	All land which is not otherwise categorised

Analysis of Current General Rates in Douglas Shire Council

The following analysis is based on data utilised for the rates modelling undertaken in formulating the 2015/16 annual budget. At that time there were 9,116 rateable assessments levied general rates and whilst there would be some increase in rateable properties since then, this would have negligible impact on the analysis contained within this report.

Rating Categories and Minimum General Rates

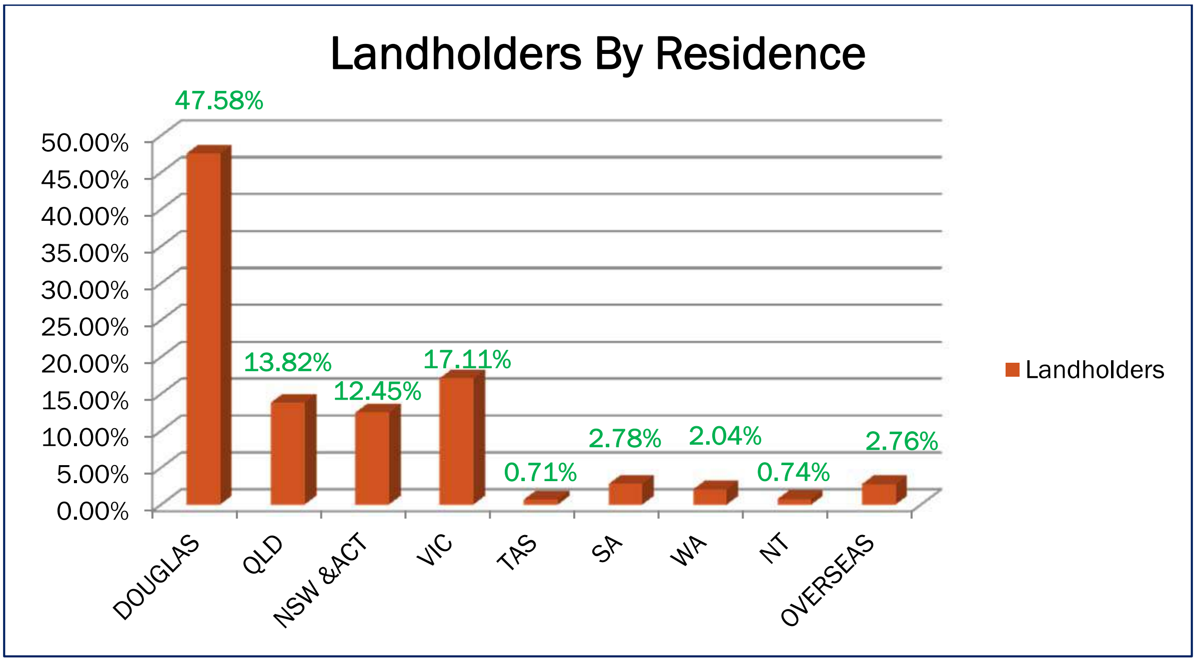
The following table depicts the number of assessments in each general rating category, the number in each category that attract the minimum general rate and the percentage in each category that attract the minimum general rate.

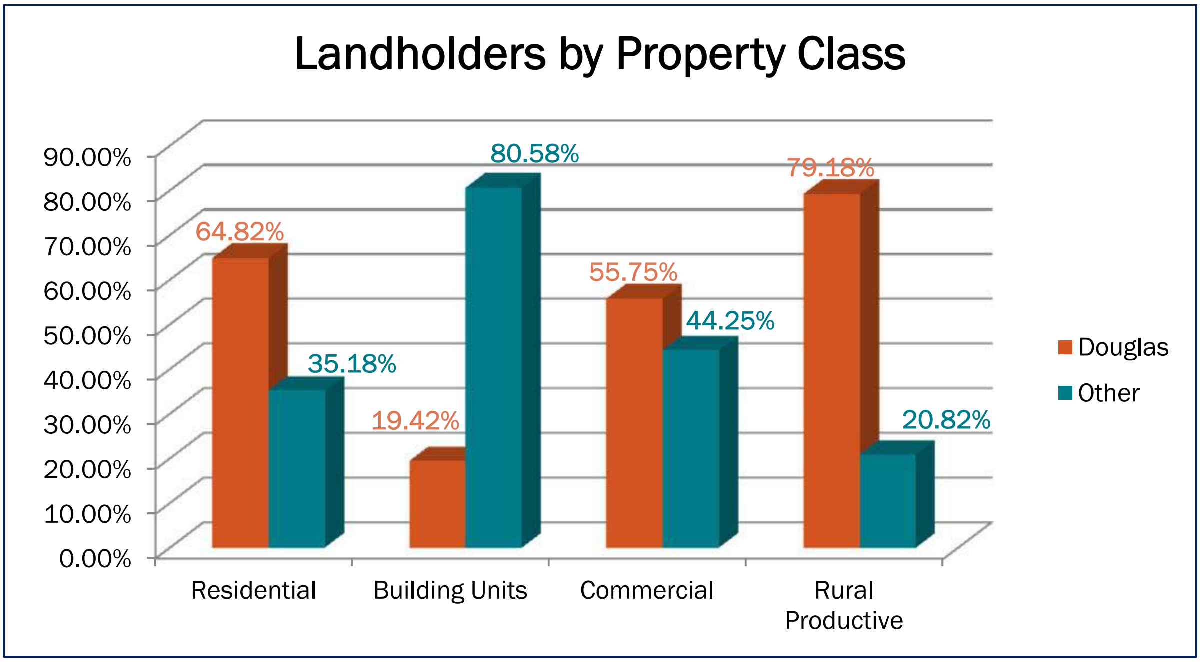
Rate Category	Number	Number on Minimum Rate	% on Minimum Rate
Residential A	4,418	2,245	51%
Residential B	86	25	29%
Residential C	38	2	5%
Residential D	8	3	38%
Residential E	4	4	100%
Residential F	2	1	50%
Residential G	3	2	67%
Residential H	5	5	100%
Residential I	6	0	0%
Residential J	5	0	0%
Residential K	3,436	2,401	70%
Residential L	113	62	55%
Residential M	39	0	0%
Residential Q	17	17	100%
Commercial E	594	236	40%
Commercial F	27	10	37%
Commercial H	1	0	0%
Rural Productive	270	6	2%
All Other Land	44	44	100%
Total	**9116**	**5,063**	**56%**

Overall, properties attracting the minimum general rate constitute 56% of all rateable assessments which is a fair distribution and confirms that Council is not utilising a minimum general rate as a flat charge to avoid the effect of land valuations for rating purposes.

Ratepayers in Douglas Shire Council

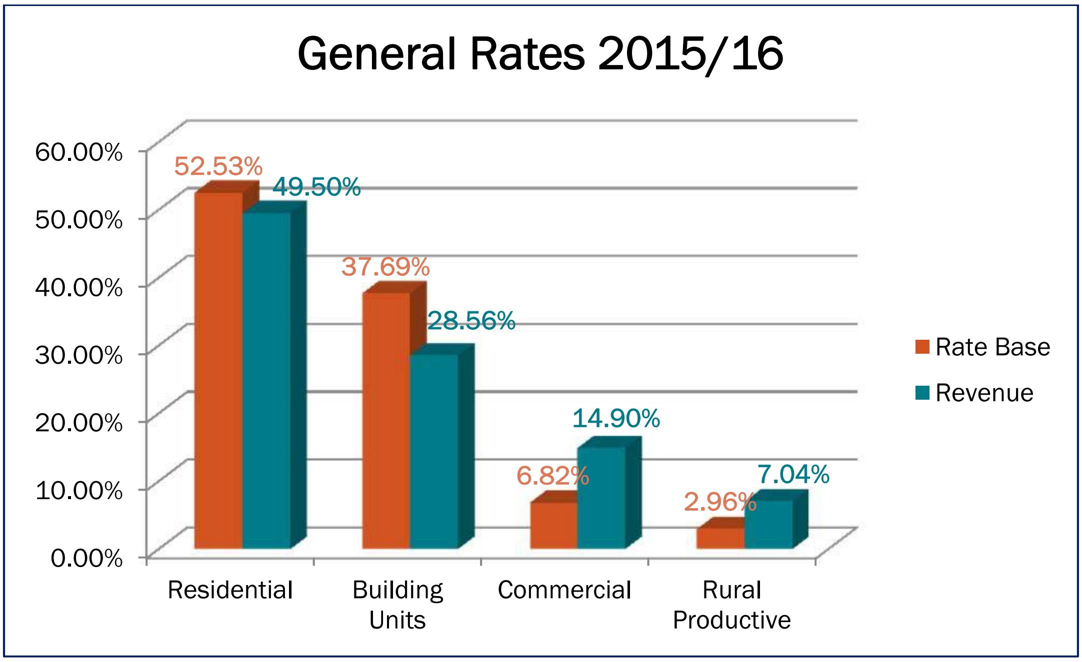
The following graphs depict landowners who live in the local government area as opposed to those who reside outside of the shire boundaries and this establishes that 52.42% of landowners are absentee landowners.

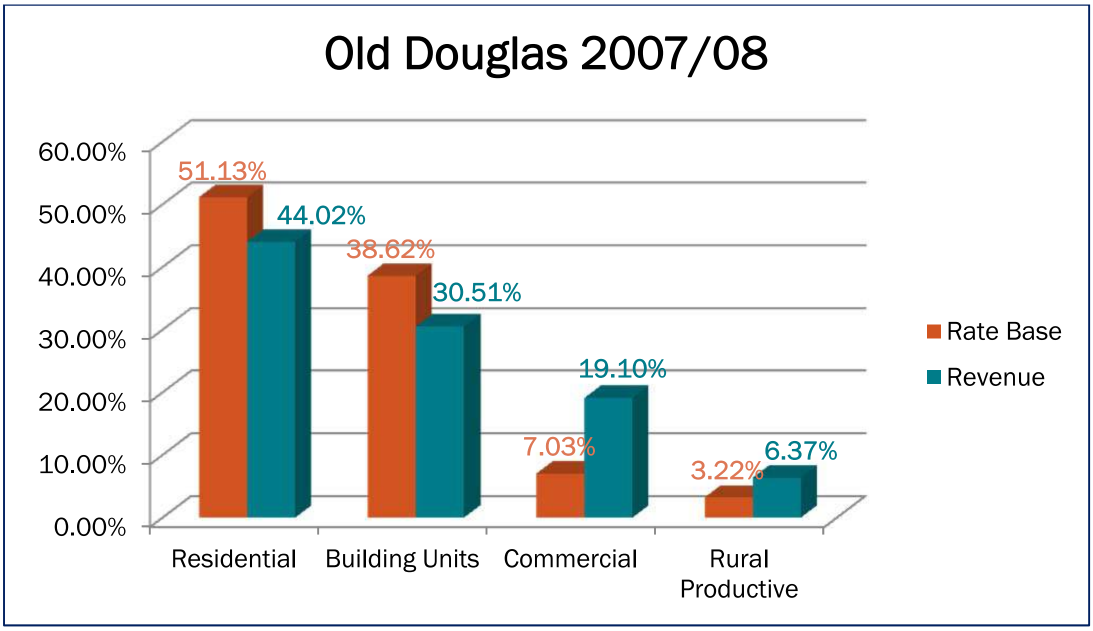




Comparison General Rates by Class – Pre-amalgamation and Current

To obtain an understanding of Council's rate base, all rating assessments have been identified into four classes – Residential, Building Units, Commercial and Rural Productive. The following graphs depict the percentage of rate base and revenue raised for each class and also provide a comparison between the 2015/16 financial year and the Old Douglas in 2007/08.

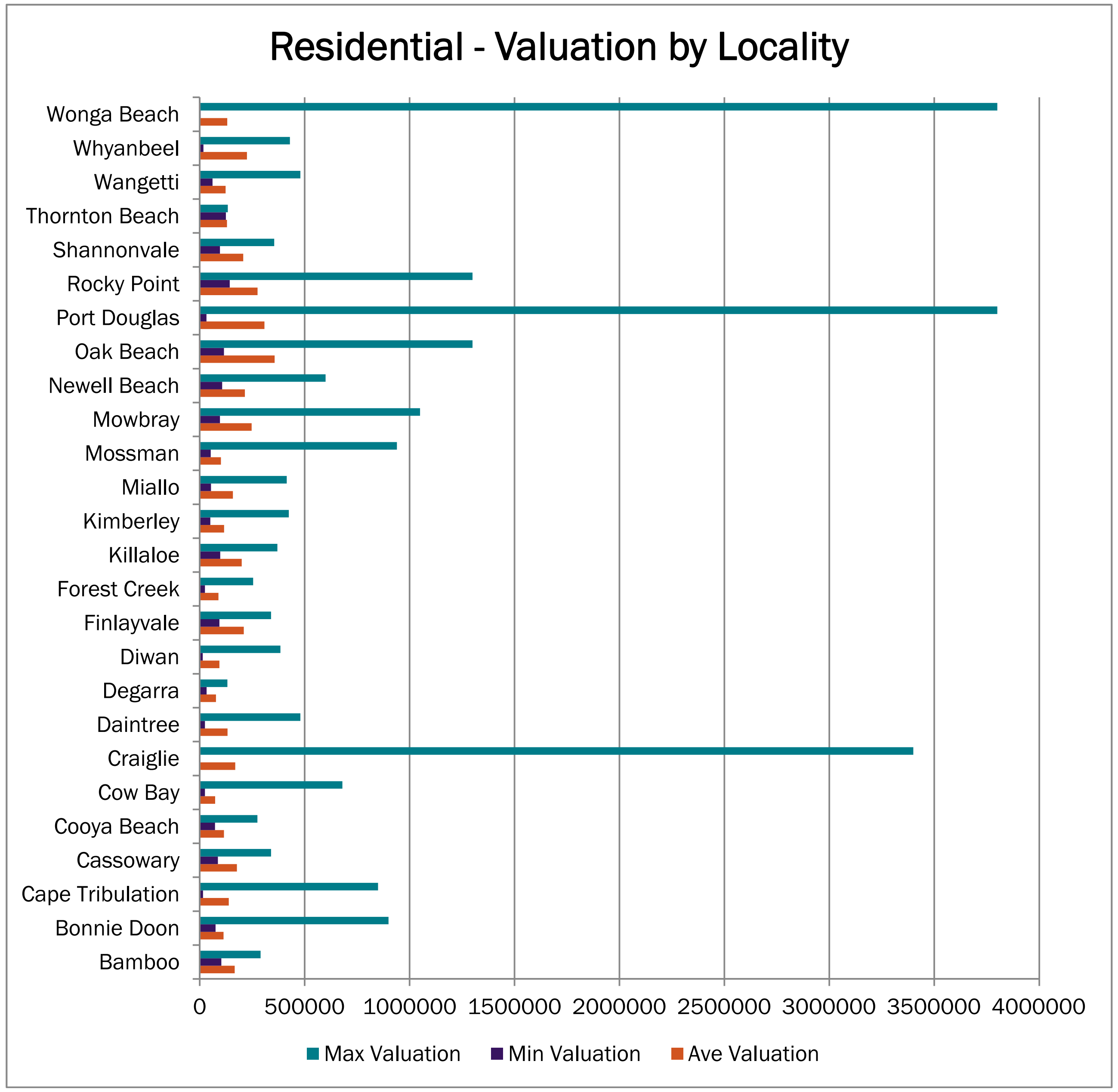


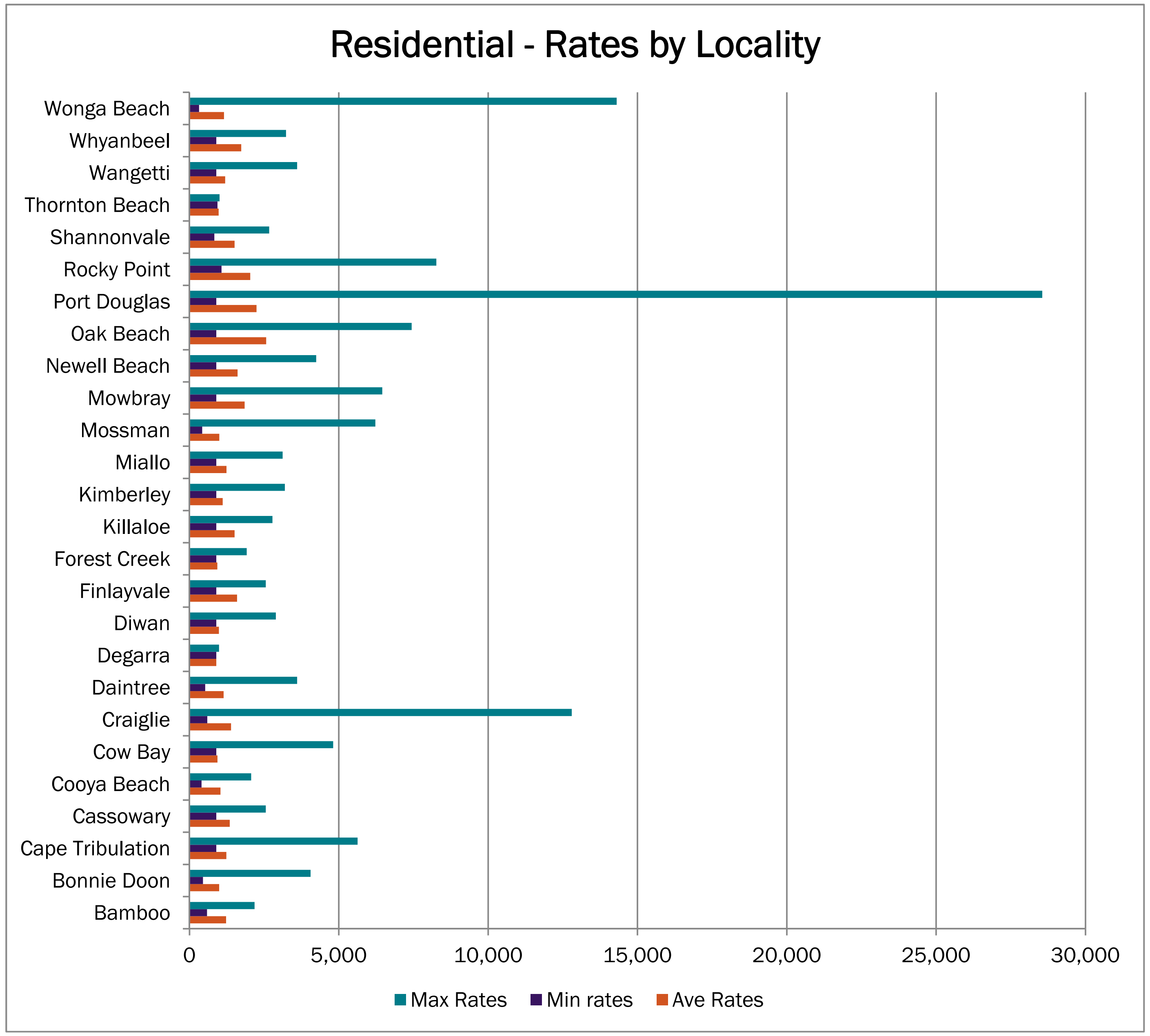


From these graphs it is established that the Residential class has had a slight increase in the rates base and at the same time the revenue has increased by over 5% whilst both the Building Units and Commercial classes have had a reduction in revenue contribution. There has also been a slight increase in revenue in the rural productive area.

Residential General Rates and Valuation by Locality

The following graphs depict Residential properties by locality. The left hand graph records the valuation by locality and the right hand graph records the rates paid by locality.





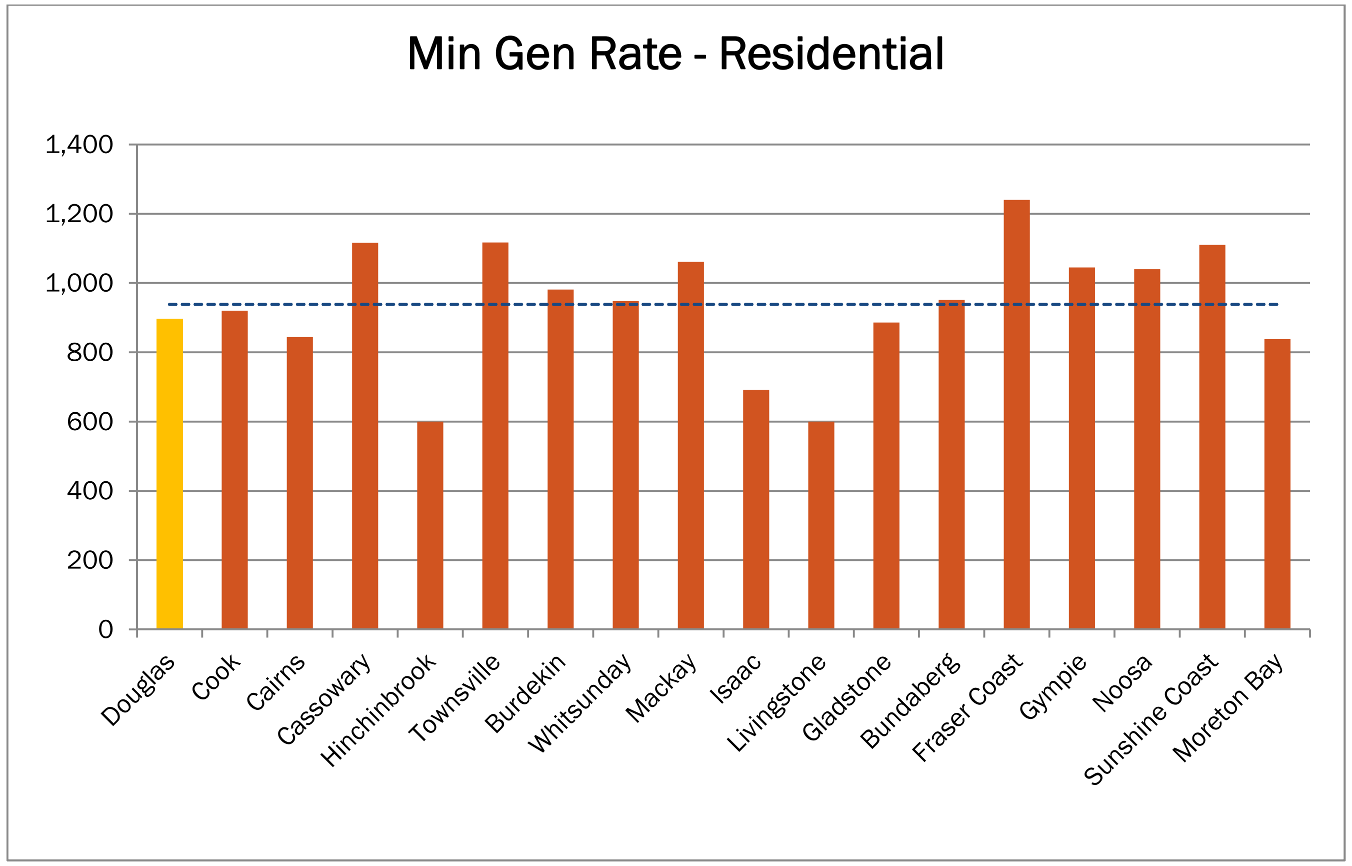
These graphs confirm that there is a consistency across the shire with valuations to rates paid on Residential properties. Wonga, Craiglie and Bonnie Doon localities have maximum valuations which do not seem to match maximum rates paid however this is due to the properties with the high valuations receiving discounted rates due to Section 50 of the *Land Valuation Act 2010* for subdivided/developed properties. So on the basis of the above there appears to be equity in rates paid by Residential properties across the shire.

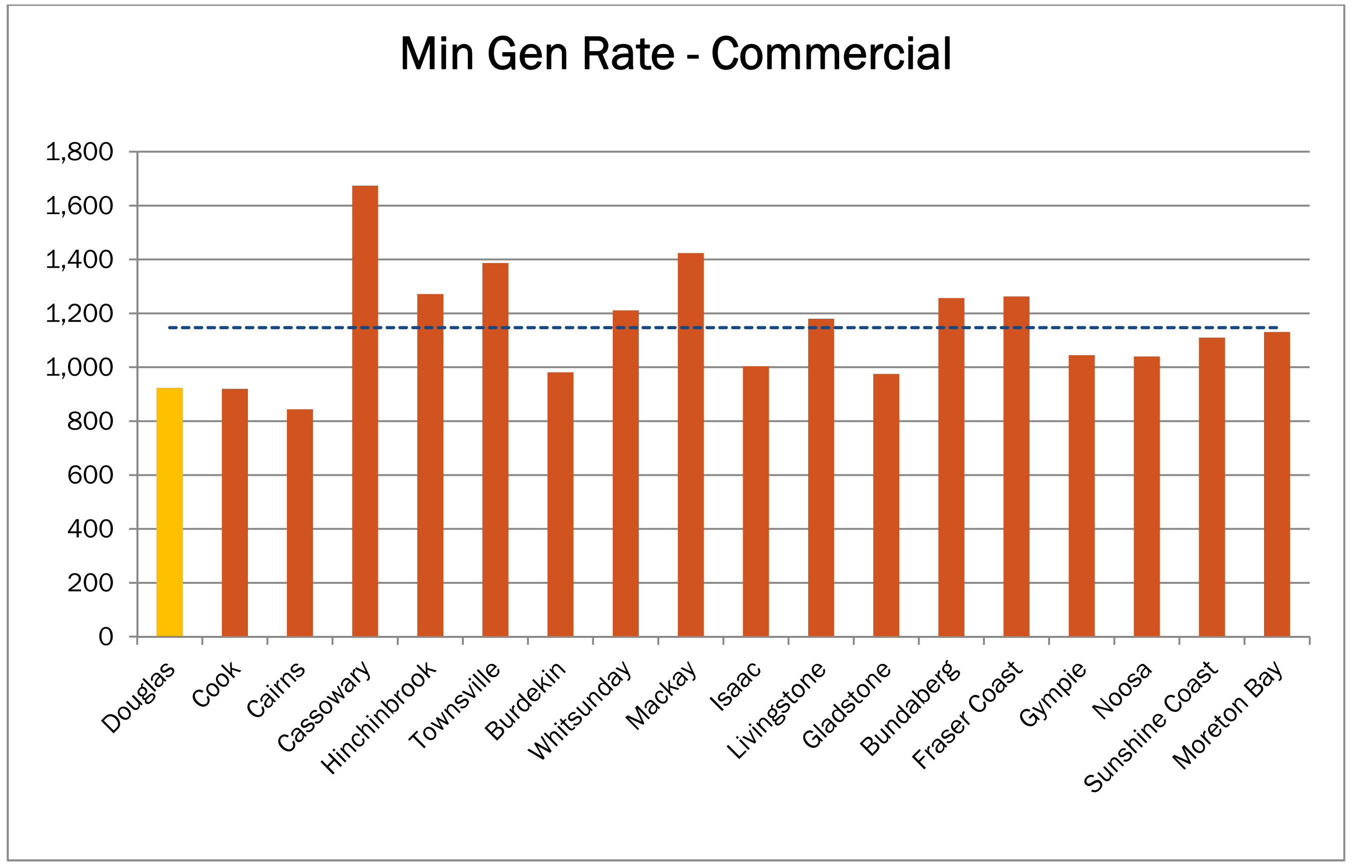
Comparison of General Rates with Councils on Queensland East Coast

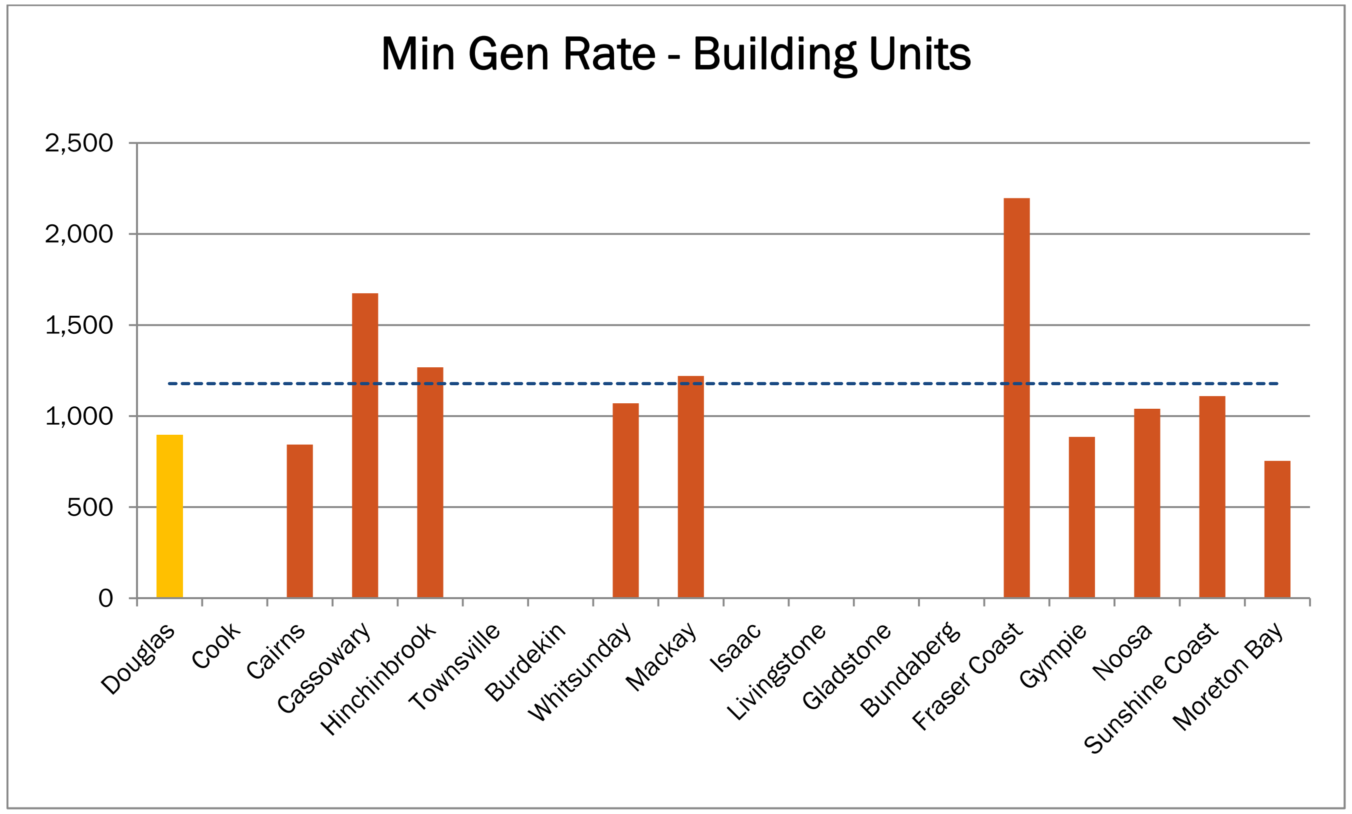
To undertake a comparison of Douglas general rates against other councils, data has been gathered on general rates levied for the 2015/16 financial year by 18 councils along the East Coast of Queensland from Cook Shire Council to Moreton Bay Regional Council.

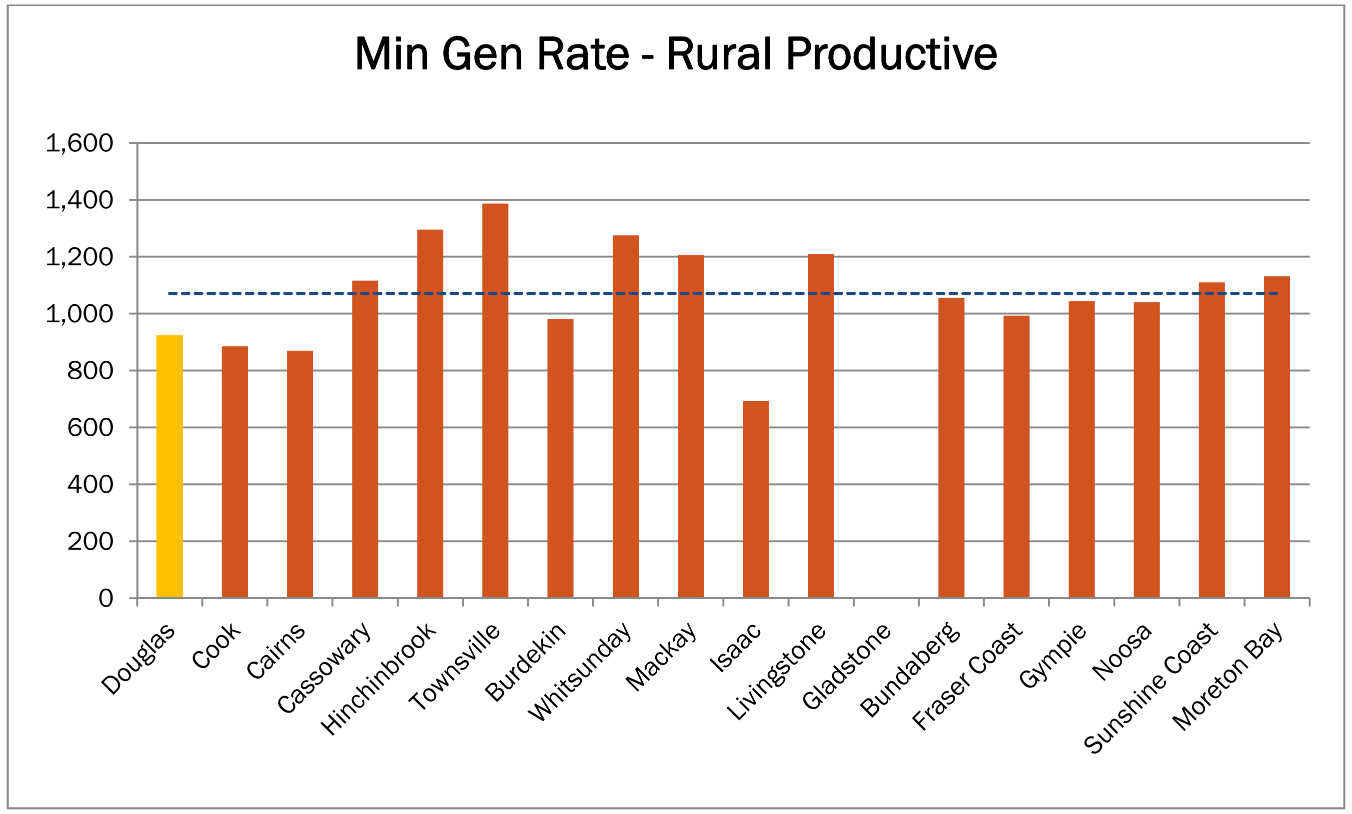
Whilst all councils utilise differential general rating there are differences in the number of categories, the description of categories within the classes of residential, building units, commercial and rural productive and the minimum general rates and rates in the dollar applied. At all times “like for like” has been used on the best interpretation of the category descriptions located on relevant council’s websites.

The following 4 graphs illustrate the minimum general rate applied in residential, building units, commercial and rural productive. Where there are a number of categories in each class, the lowest minimum has been recorded. If a council does not have a category in a particular class, it is included as blank. The dotted blue line appearing in the graph is the average of the minimum general rates for that particular class.



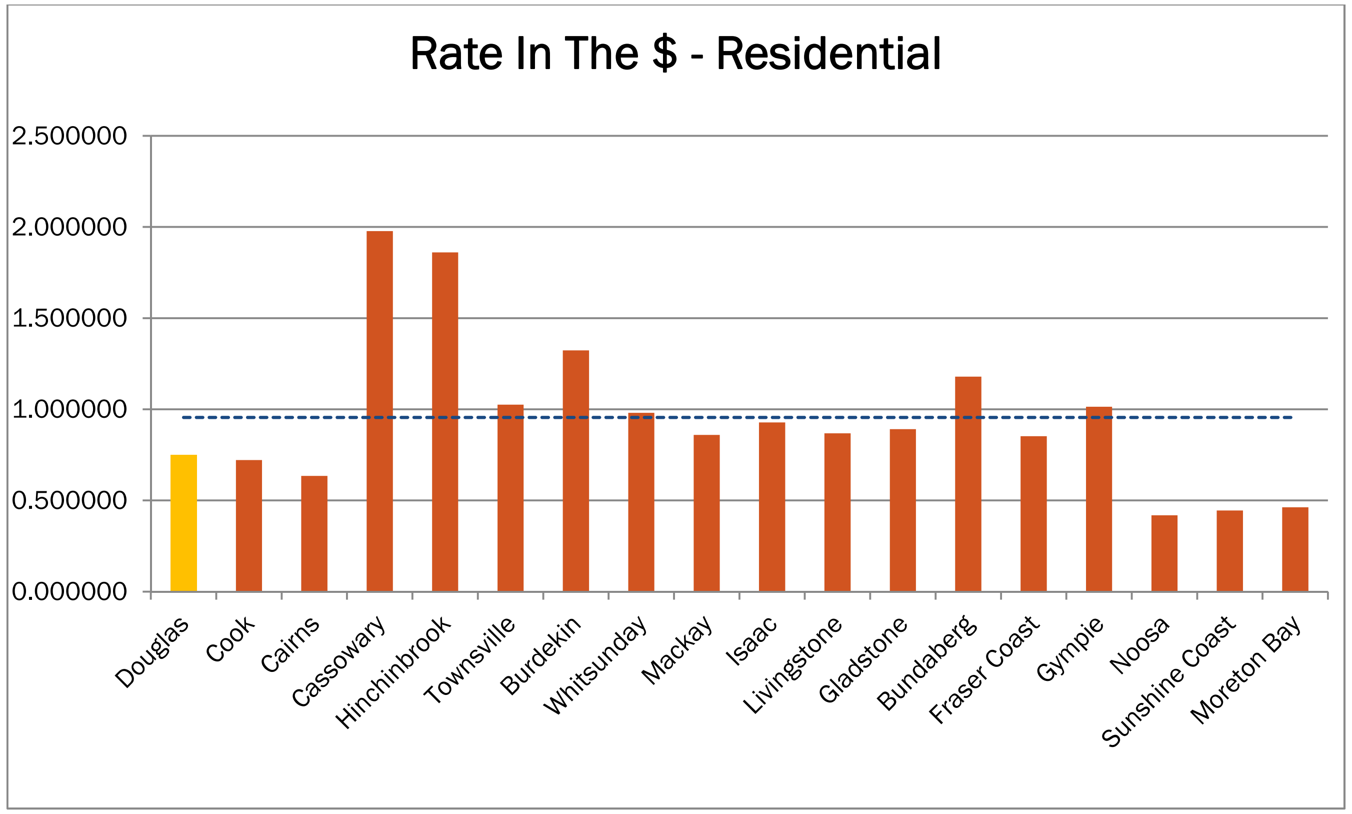


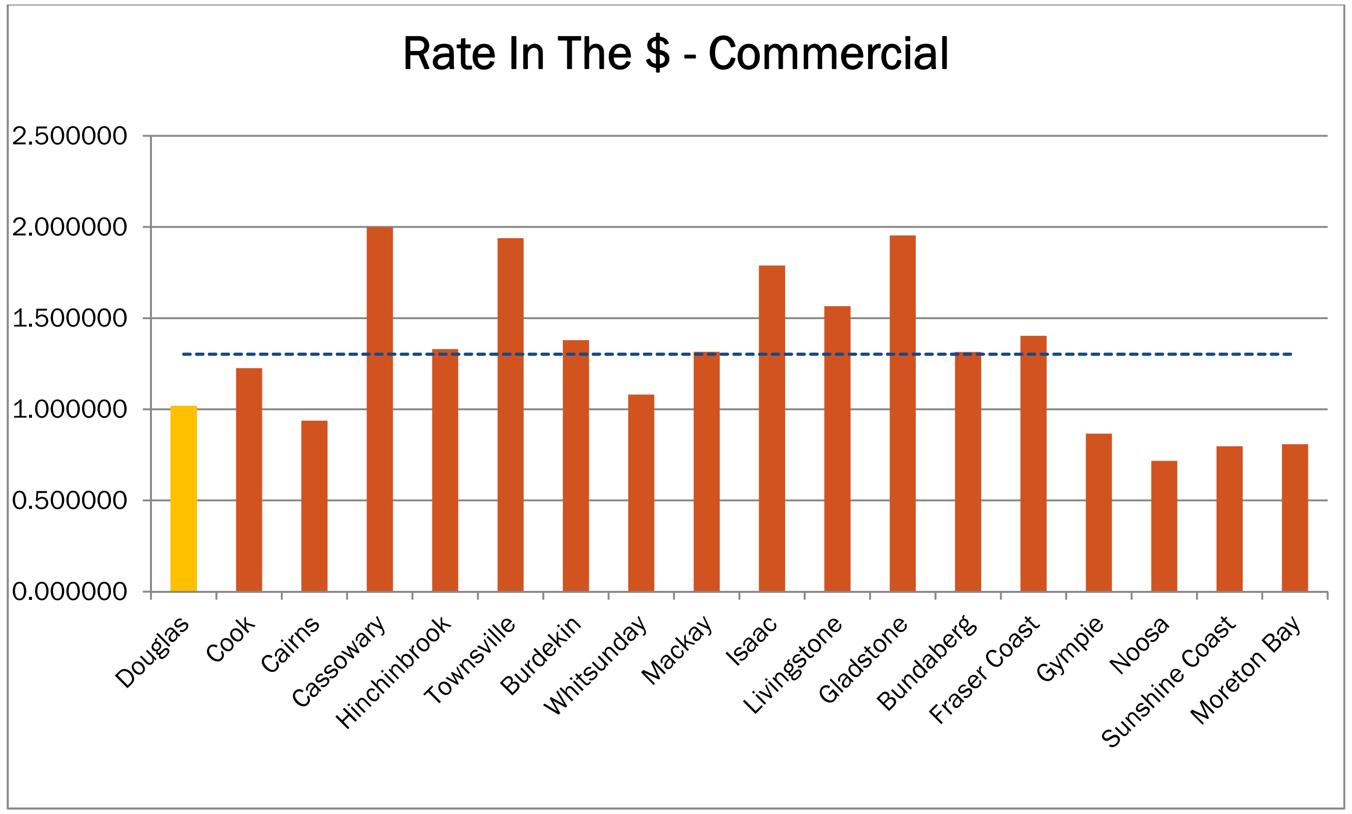


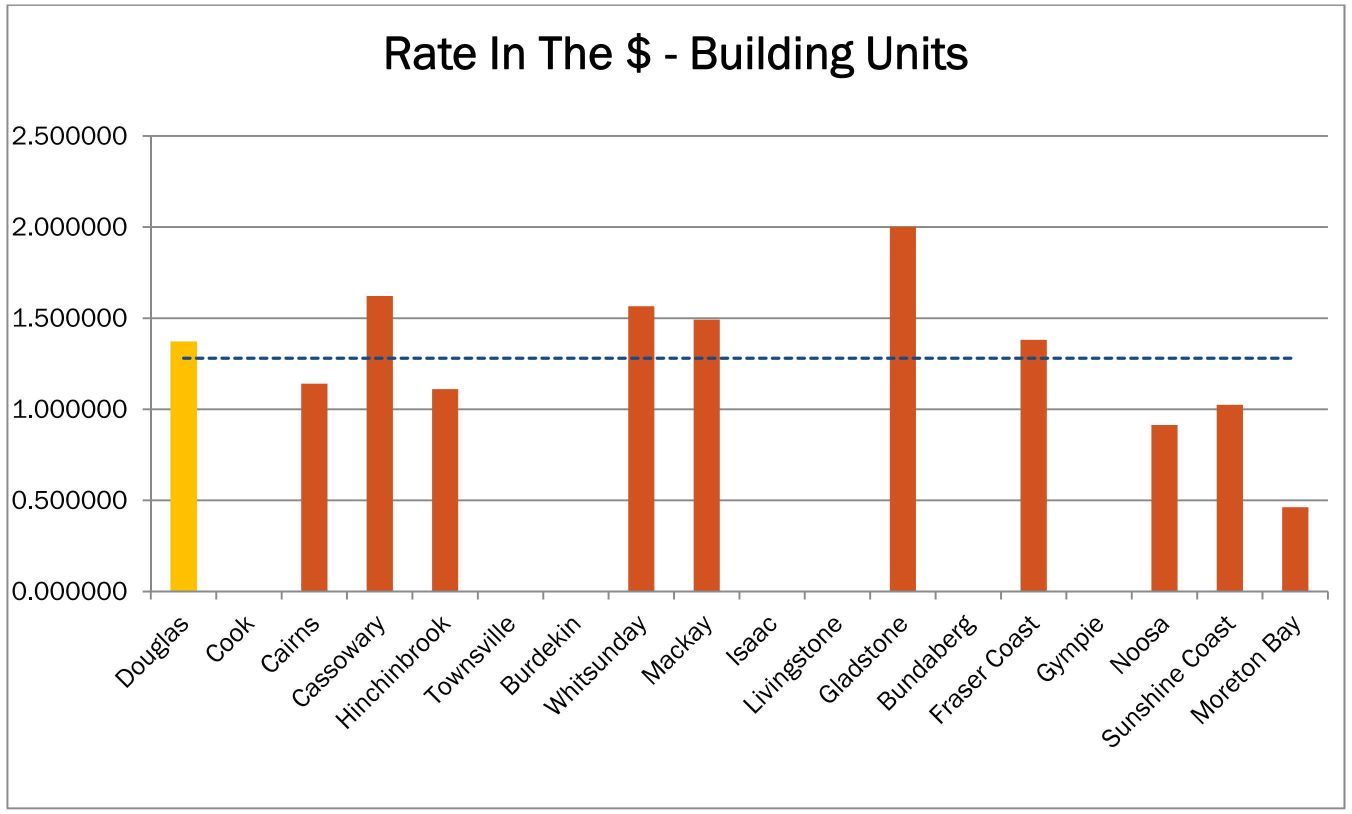


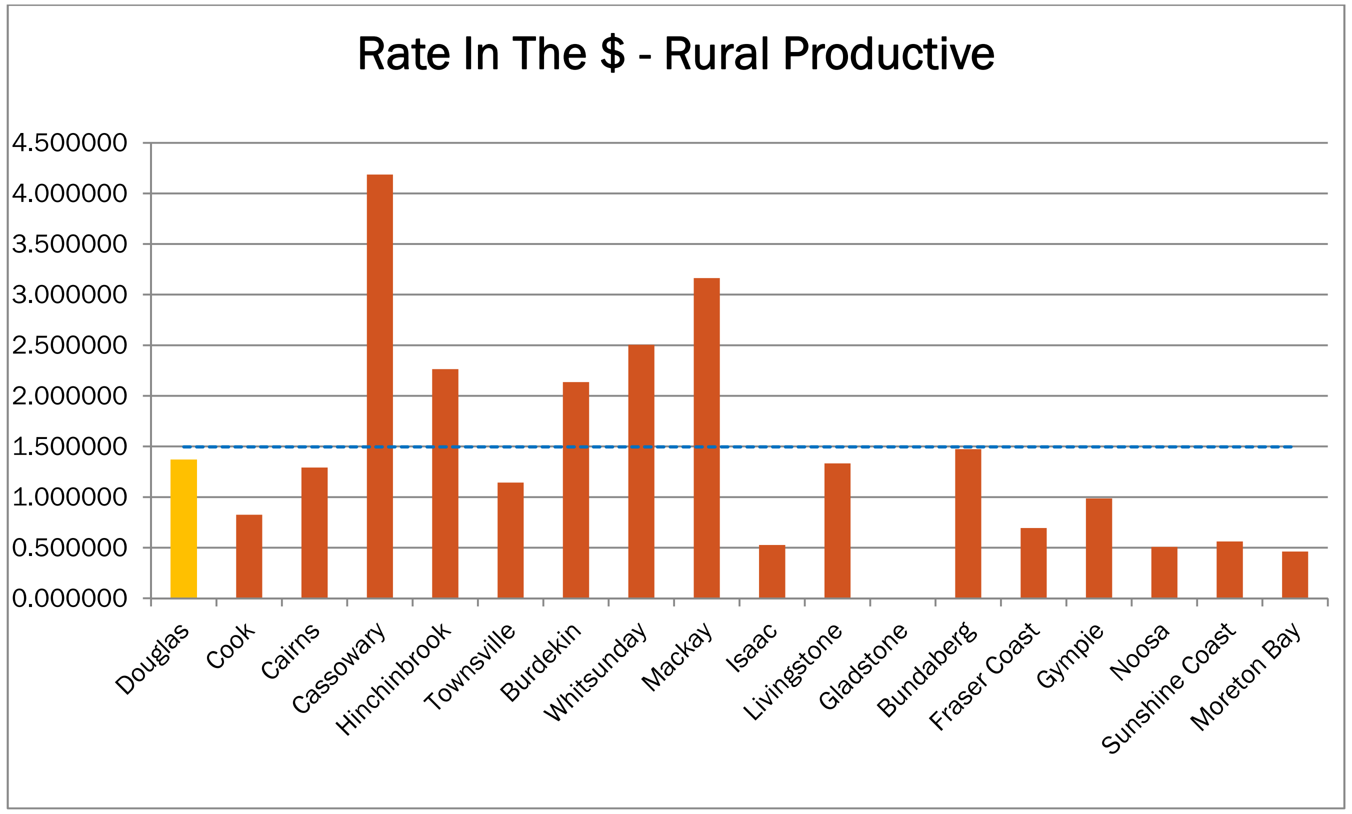
In all four classes (i.e. residential, building units, commercial and rural productive) the minimum general rates levied by Douglas Shire Council are less than the average of the 18 Councils used in this comparison.

The following 4 graphs illustrate the rates in the dollar applied in residential, building units, commercial and rural productive. Where there are a number of categories in each class, the lowest rate in the dollar has been recorded. If a council does not have a category in a particular class, it is included as blank. The dotted blue line appearing in the graph is the average of the rate in the dollar for that particular class.









In three of the four classes (i.e. residential, commercial and rural productive) the rates in the dollar levied by Douglas Shire Council are less than the average of the 18 councils used in this comparison. The rate in the dollar for building units is higher than the average however of the 11 Councils that have a building unit category, Douglas Shire Council is mid range (i.e. 5 councils have higher rates and 5 councils have lower rates).

Conclusion – Equity of Douglas Shire Council's General Rating Regime

After taking into account all factors of general rating within Douglas Shire Council and comparisons with other coastal councils, it would appear that the current general rating regime provides an equitable spread of rates across all ratepayers. The commercial and rural productive properties are paying higher rates (per property) than residential and building units, which is considered acceptable as these properties do place a higher burden on Council operations. Residential and building unit properties are contributing rates revenue that roughly equals, on a percentage basis, the portion of the rate base that they represent.

Therefore appropriate tools are being utilised (ie. differential general rating and minimum general rates) to ensure that the vast majority of ratepayers are contributing on a fair and reasonable basis to fund Council operations.

Financial sustainability is an essential consideration for Council and having an appropriate reliance on "own-source revenues", which general rates form a part of, will assist Council in achieving this goal. **The Queensland Treasury Corporation reported, in its Credit Review of May 2015, that the high level of "own-source revenue" was a positive indicator for Council.**

Growth in rateable assessments through controlled property development will assist in maintaining high levels of "own-source revenues" and this will be achieved by overall rates yield without extraordinarily increasing rates paid by existing ratepayers.

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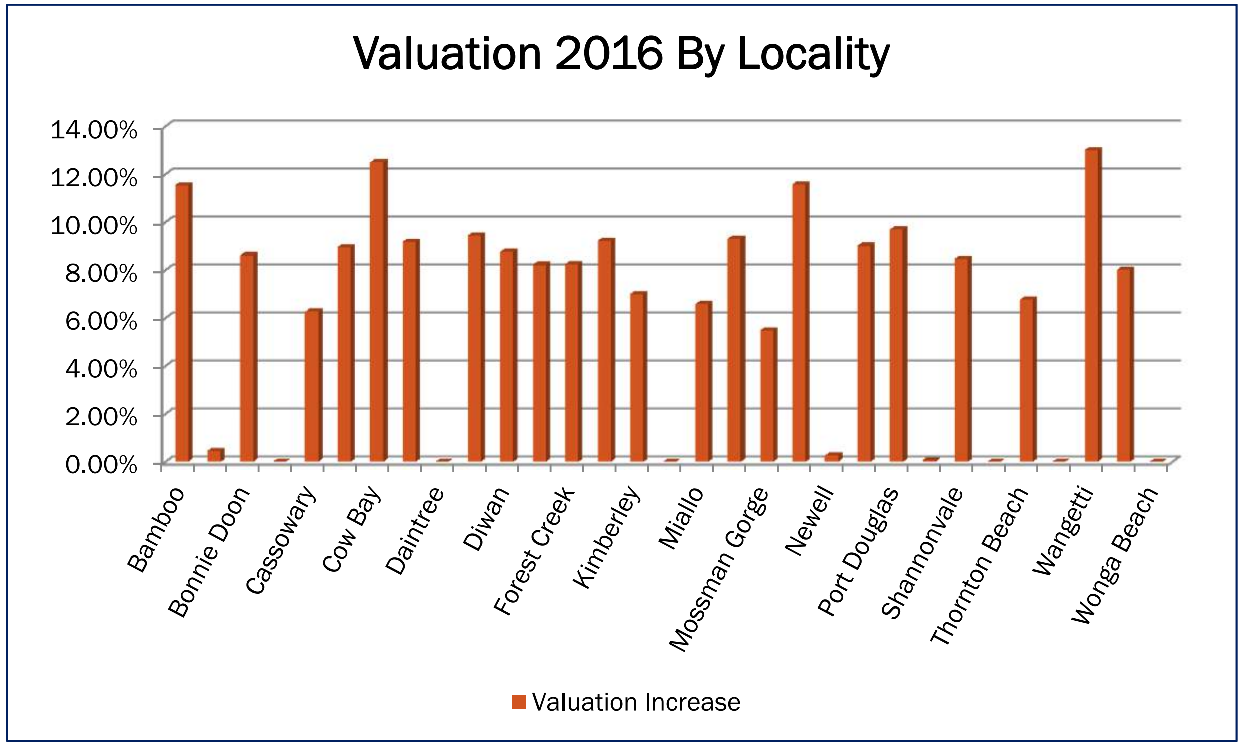
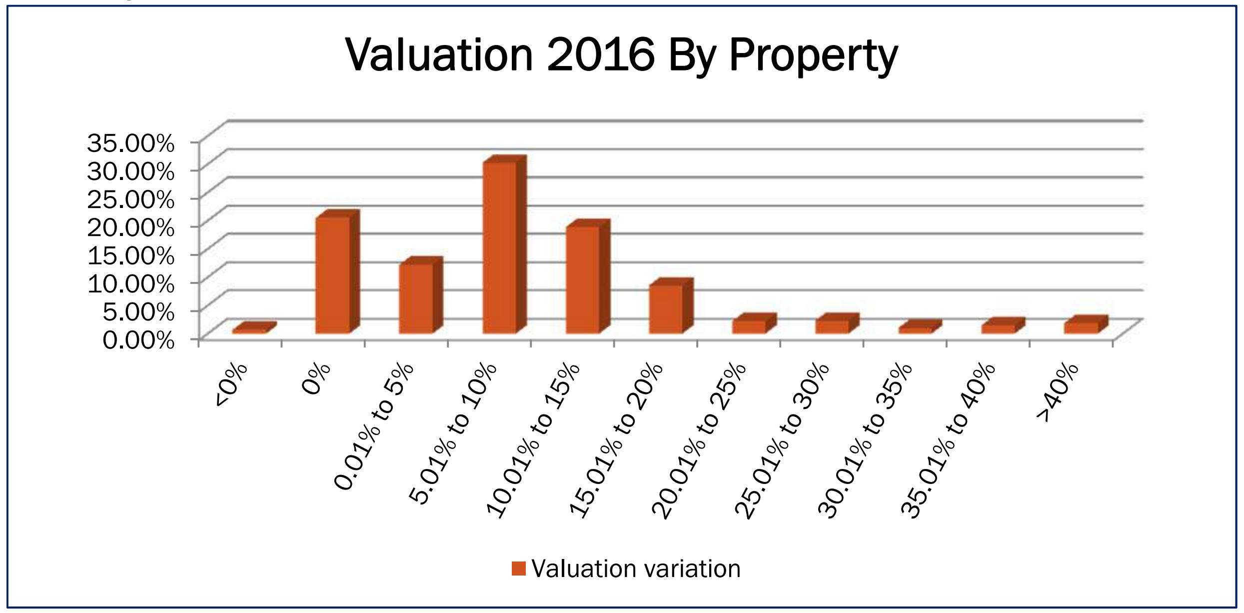
Rating Valuations 2016

The Department of Natural Resources and Mines (DNRM) have recently released the new valuation of properties within Douglas Shire Council and these valuations are to take effect as at 30 June 2016. From a shire wide perspective total valuations have increased from $1,275,288,900 to $1,377,272,400 which equates to an 8% increase. As expected this increase is not consistent across all localities within the shire nor individual properties or classes of properties. The following graphs depict the effects of the new valuation.

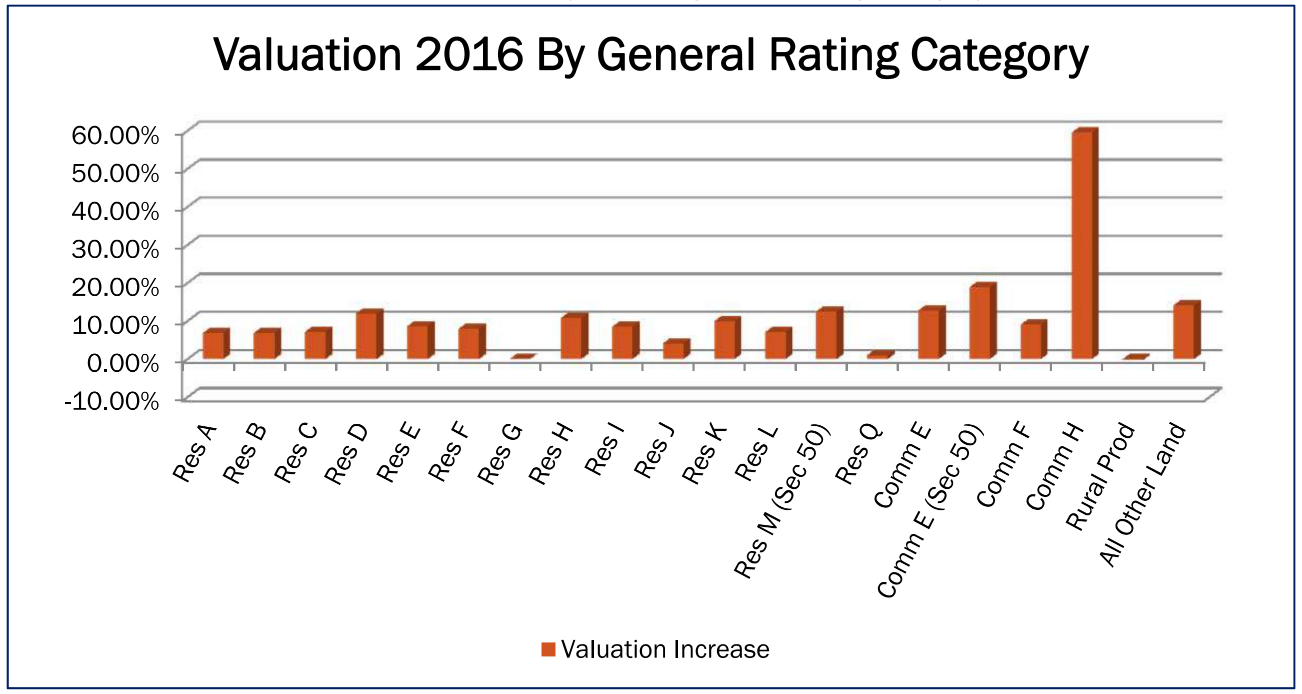
Graph 1 provides the valuation increase by locality throughout the shire. These valuation increases range from 0% in Cape Tribulation, Daintree, Lower Daintree, Stewart Creek Valley, Upper Daintree and Wonga Beach to the highest increase of 13.01% at Wangetti



Graph 2 provides the percentage of individual properties that have increased by the valuation percentage bands indicated in the horizontal axis.

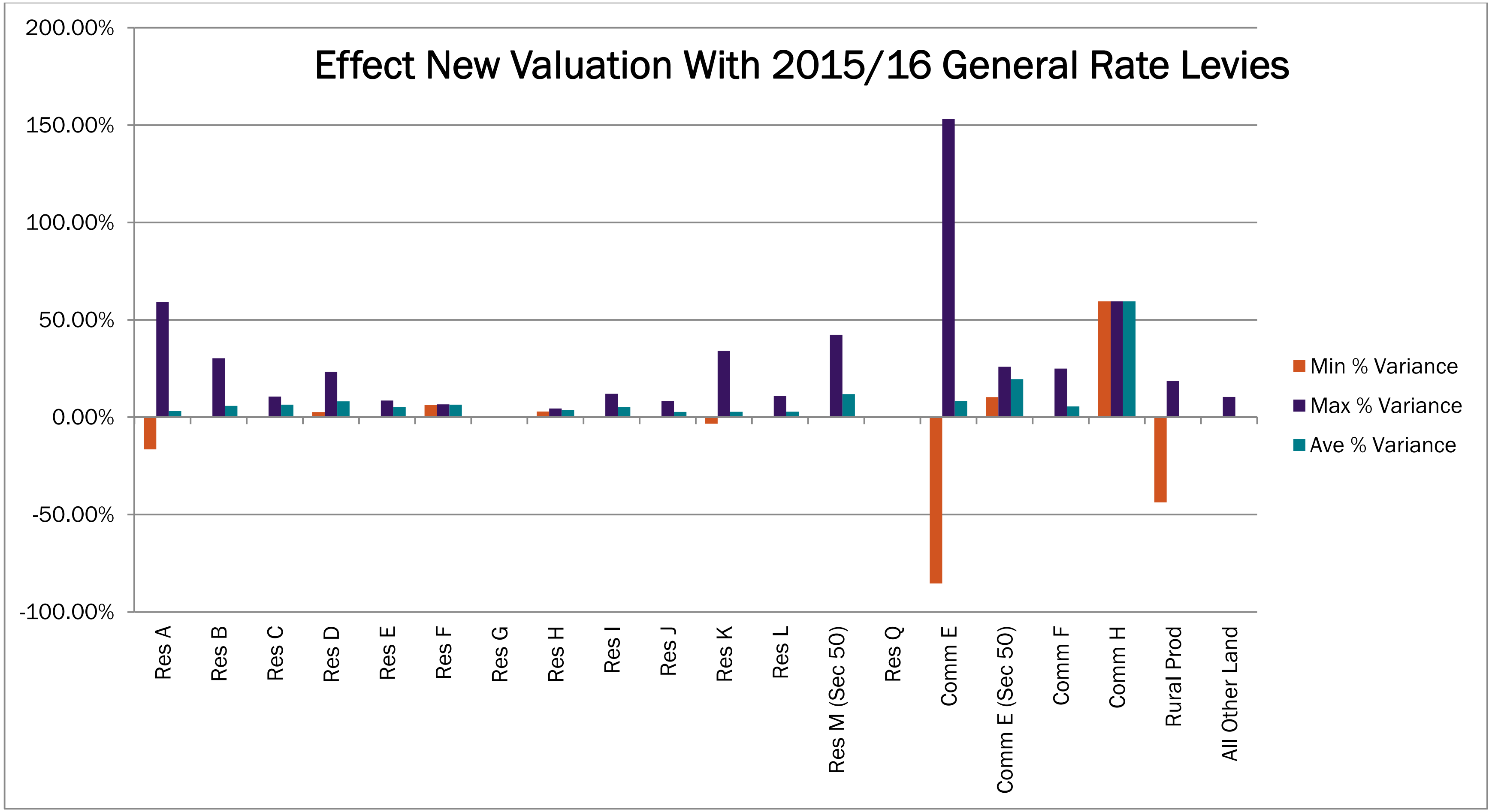


Graph 3 details the effect of the valuation by current general rating category.



Although the average valuation increase is 8% across the shire, the preceding three graphs illustrate the complexities that are being encountered with this year's valuation. To further demonstrate these complexities an exercise has been undertaken to demonstrate the effect of applying the 2015/16 general rates against the valuations that will be effective on 30 June 2016. Essentially this provides an insight into the effect the new valuations would have on ratepayer levies if there was no change in the rate in the dollar for each category and no change to the minimum general rate for the 2016/17 financial year.

The following graph provides details by each general rate category of the minimum general rates variance, the maximum general rates variance and the average general rates variance. As can be seen the results vary from general rate categories that have variances which would result in a reduction in rates paid to substantial increases in rates paid. When these significant variances occur in single categories it can prove extremely difficult to smooth rate increases as a result of valuation increases.



This table is more detailed and provides a breakdown of the number of assessments and the rate variance influenced by the 2016 valuation.

Rate Diff	Category	<0%	0% - 5%	5.01% - 8%	8.01% - 10%	10.01% - 15%	15.01% - 20%	20.01% - 25%	25.01% - 30%	30.01% - 35%	35.01% - 40%	>40%	Total Number
20	**General Res A ($1 - $490,000)**	7	2,781	765	52	743	16	29	11	1	2	16	4,423
21	**General Res B ($490,001 - $735,000)**	0	26	15	4	25	0	1	0	1	0	0	72
22	**General Res C ($735,001 - $975,000)**	0	8	16	2	11	17	0	0	0	0	0	54
23	**General Res D ($975,001 - $1,220,000)**	0	2	1	4	3	0	1	0	0	0	0	11
24	**General Res E ($1,220,001 - $1,465,000)**	0	4	1	0	2	0	0	0	0	0	0	7
25	**General Res F ($1,465,001 - $1,710,000)**	0	1	1	0	0	0	0	0	0	0	0	2
5.2	**General Res G ($1,710,001 - $1,955,000)**	0	1	0	0	0	0	0	0	0	0	0	1
27	**General Res H ($1,955,001 - $2,200,000)**	0	0	1	1	0	0	0	0	0	0	0	2
28	**General Res I (> $2,200,000)**	0	1	6	0	4	0	0	0	0	0	0	11
29	**General Res J (NSTB)**	0	3	1	1	0	0	0	0	0	0	0	5
31	**General Res K (Building Units)**	79	2,583	276	153	192	149	6	3	4	0	0	3,445
32	**General Res L (Flats)**	0	69	23	4	16	0	0	0	0	0	0	112
11	**General Res M (Sec 50)**	1	1	10	13	19	1	3	1	0	0	2	51
84	**General Res Q (Fishing Huts)**	0	16	0	0	0	0	0	0	0	0	0	16
6	**General Commercial E - Suburban**	3	273	58	12	125	33	50	24	11	4	9	602
16	**General Commercial E - Suburban (Sec 50)**	0	0	0	0	2	0	1	2	0	0	0	5
8	**General Commercial F - NFP Groups**	3	12	0	6	4	1	1	0	0	0	0	27
56	**General Commercial H - Shopping/Marina**	0	1	0	0	0	0	0	0	0	0	0	1
7	**General Rural Productive**	3	262	0	0	1	1	0	0	0	0	0	267
33	**All Other Land**	0	66	0	0	0	0	0	0	0	0	0	66
	Total Number	**96**	**6,110**	**1,174**	**252**	**1,147**	**218**	**92**	**41**	**17**	**6**	**27**	**9,180**
	Percentage	1.05%	66.56%	12.79%	2.75%	12.49%	2.37%	1.00%	0.45%	0.19%	0.07%	0.29%	

On this basis 6,206 assessments or 67.61% of the rate base would have an increase of 5% or less, which leaves 32.39% of the rate base having rate increases in excess of 5%.

When dissecting this information further, the effect on the different classes is:

- Residential – 66.97% or 3,237 assessments have an increase of 5% or less leaving 33.03% or 1,596 assessments having an increase in excess of 5%.
- Building Units – 77.27% or 2,662 assessments have an increase of 5% or less leaving 22.73% or 783 assessments having an increase in excess of 5%.
- Commercial – 50.55% or 321 assessments have an increase of 5% or less leaving 49.45% or 314 assessments having an increase in excess of 5%.
- Rural Productive - 99.25% or 265 assessments have an increase of 5% or less leaving 0.75% or 2 assessments having an increase in excess of 5%.

Description		<0%	0% - 5%	5.01% - 8%	8.01% - 10%	10.01% - 15%	15.01% - 20%	20.01% - 25%	25.01% - 30%	30.01% - 35%	35.01% - 40%	>40%	Total Number
Residential	Number	381	2,856	636	501	379	32	16	10	2	2	18	4,833
	Percentage	7.88%	59.09%	13.16%	10.37%	7.84%	0.66%	0.33%	0.21%	0.04%	0.04%	0.37%	
Buidling Units	Number	84	2,578	276	153	192	149	6	3	4	0	0	3,445
	Percentage	2.44%	74.83%	8.01%	4.44%	5.57%	4.33%	0.17%	0.09%	0.12%	0.00%	0.00%	
Commercial	Number	40	281	35	71	74	44	49	19	11	1	10	635
	Percentage	6.30%	44.25%	5.51%	11.18%	11.65%	6.93%	7.72%	2.99%	1.73%	0.16%	1.57%	
Rural Productive	Number	225	40	0	0	1	1	0	0	0	0	0	267
	Percentage	84.27%	14.98%	0.00%	0.00%	0.37%	0.37%	0.00%	0.00%	0.00%	0.00%	0.00%	
													9,180

From analysis of this data it would be reasonable to state that little work is required in the Building Units and Rural Productive categories as the 2016 valuation has not resulted in a significant impact on rates to be paid. Some further refinement can be achieved in the Building Unit category by altering the rate in the dollar. However it is evident that reappraisal of the Residential and Commercial categories is required to reduce the impact the 2016 valuation has caused to rates being paid.

For the Residential categories the larger increases in rates to be paid are in the categories that are differentiated by valuation banding and the focus will be on realigning the valuation bands to reduce the potential impact on future rates to be paid. From the debriefing provided by the Department of Natural Resources & Mines there is a distinct difference in Commercial valuations between Port Douglas and Mossman.

Therefore in the Commercial category consideration will be given to creating two Commercial categories determined by location. Professional advice will be sought to confirm the legality of this should Council agree with the change.

On that basis a comparison of 2015/16 general rating categories and the proposed general rating category structure for 2016/17 would be -

2015/16 Financial Year		2016/17 Financial Year	
Category	**Number**	**Category**	**Number**
General Res A ($1 - $490,000)	4,423	Cat 1 (Res $1 - $250,000)	3,804
General Res B ($490,001 - $735,000)	72	Cat 2 (Res $250,001 - $500,000)	638
General Res C ($735,001 - $975,000)	54	Cat 3 (Res $500,001 - $1,000,000)	126
General Res D ($975,001 - $1,220,000)	11	Cat 4 (Res 1,000,001 - $1,300,000)	12
General Res E ($1,220,001 - $1,465,000)	7	Cat 5 (Res $1,300,001 - $2,000,000)	6
General Res F ($1,465,001 - $1,710,000)	2	Cat 6 (Res >$2,000,000)	13
General Res G ($1,710,001 - $1,955,000)	1		
General Res H ($1,955,001 - $2,200,000)	2		
General Res I (>$2,200,000)	11		
General Res J (NSTB)	5	Cat 7 (Res NSTB)	5
General Res K (Building Units)	3,445	Cat 8 (Res Building Units)	3,445
General Res L (Flats)	112	Cat 9 (Res Flats)	112
General Res M (Sec 50)	51	Cat 10 (Res Sec 50)	51
General Res Q (Fishing Huts)	16		
General Commercial E Suburban	602	Cat 11 Commercial (North of McClelland Rd)	212
		Cat 12 Commercial (South of McClelland Rd)	390
General Commercial E Suburban (Sec 50)	5	Cat 13 Commercial (Sec 50)	5
General Commercial F – NFP Groups	27	Cat 14 NFP Groups	27
General Commercial H – Shopping Marina	1	Cat 15 Shopping/Marina	1
General Rural Productive	267	Cat 16 Rural Productive	267
All Other Land	66	Cat 17 All Other Land	66

Without pre-empting any future decision of Council but to be able to visualise the benefits of the proposed general rating structure for the 2016/17 financial year, the minimum general rates and rate in the dollar have been varied as follows:

Minimum General Rate

- The minimum general rates for categories 1, 7, 8, 9, 11, 12, 14, 15, 16 and 17 have been increased by 3.90%.
- New categories 2, 3, 4, 5, and 6 have new minimum general rates to reflect the new category.

Rate In Dollar

- The rates in the dollar for all categories, except 3, 9 and 16, has been reduced.
- The rates in the dollar for categories 3 and 9 have remained the same as the 2015/16 financial year.
- The rate in the dollar for category 16 has been increased by 3.90% as the valuations in the Rural Productive sector have reduced overall by 0.28%

When calculating potential future rates for the 2016/17 financial year, as described above, the effect on the proposed rate categories is as detailed in the following table.

Category	Description	<0%	0% - 1%	1.01% - 2%	2.01% - 3%	3.01% - 3.90%	3.91% - 5%	5.01% - 8%	8.01% - 10%	10.01% - 15%	15.01% - 20%	20.01% - 25%	25.01% - 30%	30.01% - 35%	35.01% - 40%	>40%	Total Number
1	Cat 1 (Res $1 - $250,000)	404	16	33	78	2,548	104	167	399	8	21	10	0	1	4	11	3,804
2	Cat 2 (Res $250,001 - $500,000)	123	159	95	2	3	62	161	9	16	4	1	0	1	0	2	638
3	Cat 3 (Res $500,001 - $1,000,000)	41	11	2	13	28	14	5	3	8	0	1	0	0	0	0	126
4	Cat 4 (Res $1,000,001 - $1,300,000)	0	0	0	1	1	1	8	0	0	0	1	0	0	0	0	12
5	Cat 5 (Res $1,300,001 - $2,000,000)	0	0	0	0	1	3	2	0	0	0	0	0	0	0	0	6
6	Cat 6 (Res >$2,000,000)	1	0	0	0	1	0	0	4	5	2	0	0	0	0	0	13
7	Cat 7 (Res NSTB)	3	0	0	0	1	0	1	0	0	0	0	0	0	0	0	5
8	Cat 8 (Res Building Units)	102	53	106	141	2,382	101	206	65	231	45	8	4	1	0	0	3,445
9	Cat 9 (Res Flats)	0	0	0	7	60	1	20	5	19	0	0	0	0	0	0	112
10	Cat 10 (Res Sec 50)	2	0	0	0	0	0	13	28	1	2	3	0	0	0	2	51
11	Cat 11 Commercial (North of McClelland Rd)	41	0	0	3	61	18	16	72	0	0	0	0	0	0	1	212
12	Cat 12 Commercial (South of McClelland Rd)	100	3	17	9	206	10	20	5	11	4	3	0	0	0	2	390
13	Cat 13 (Comm Sec 50)	0	0	0	0	0	0	0	1	1	0	3	0	0	0	0	5
14	Cat 14 NFP Groups	3	0	1	0	11	0	4	5	2	0	1	0	0	0	0	27
15	Cat 15 Shopping/Marina	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1
16	Cat 16 Rural Productive	3	0	0	0	262	0	0	0	1	0	1	0	0	0	0	267
17	Cat 17 All Other Land	0	0	0	0	63	0	2	1	0	0	0	0	0	0	0	66
	Total Number	823	242	254	254	5,629	314	625	597	303	78	32	4	3	4	18	9,180
	Percentage	8.97%	2.64%	2.77%	2.77%	61.32%	3.42%	6.81%	6.50%	3.30%	0.85%	0.35%	0.04%	0.03%	0.04%	0.20%	

Using the proposed 2016/17 general rate structure 7,202 assessments or 78.45% of the rates base would have increased by 3.90% or less.

When dissecting this information further, the proposed general rating structure for 2016/17 provides the following:

- Residential – 76.50% or 3,697 assessments have an increase of 3.90% or less. (80.32% or 3,882 assessments have an increase of 5% or less)

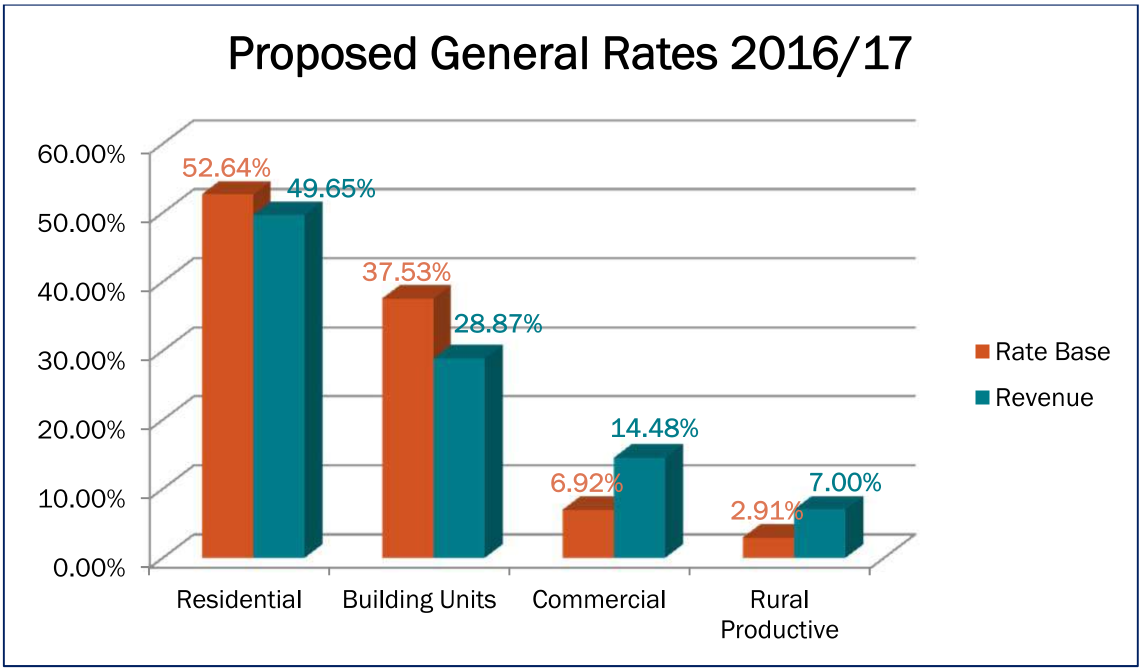
- Building Units – 80.81% or 2,784 assessments have an increase of 3.90% or less. (83.74% or 2,885 assessments have an increase of 5% or less)
- Commercial – 71.81% or 456 assessments have an increase of 3.90% or less. (76.22% or 484 assessments have an increase of 5% or less)
- Rural Productive - 99.25% or 265 assessments having an increase of 3.90% or less.

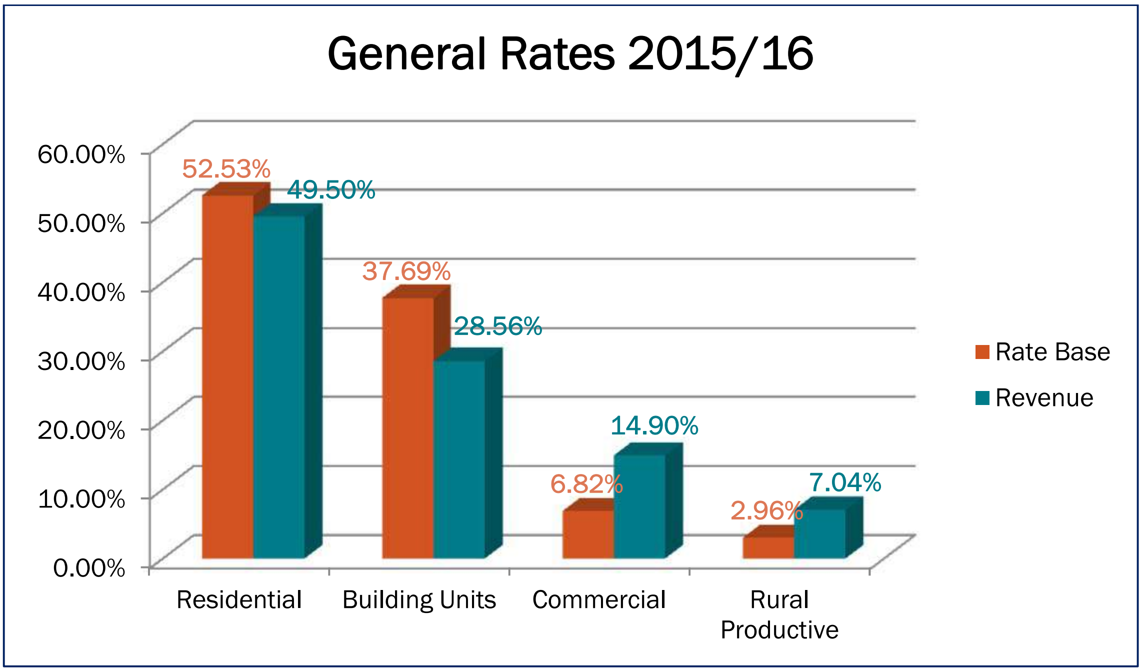
The following table provides full data on these classes and rates variances compared with the 2015/16 financial year.

Description		<0%	0% - 1%	1.01% - 2%	2.01% - 3%	3.01% - 3.90%	3.91% - 5%	5.01% - 8%	8.01% - 10%	10.01% - 15%	15.01% - 20%	20.01% - 25%	25.01% - 30%	30.01% - 35%	35.01% - 40%	>40%	Total Number
Residential	Number	574	186	130	101	2,706	185	379	449	57	29	16	0	2	4	15	4,833
	Percentage	11.88%	3.85%	2.69%	2.09%	55.99%	3.83%	7.84%	9.29%	1.18%	0.60%	0.33%	0.00%	0.04%	0.08%	0.31%	
Buidling Units	Number	102	53	106	141	2,382	101	206	65	231	45	8	4	1	0	0	3,445
	Percentage	2.96%	1.54%	3.08%	4.09%	69.14%	2.93%	5.98%	1.89%	6.71%	1.31%	0.23%	0.12%	0.03%	0.00%	0.00%	
Commercial	Number	144	3	18	12	279	28	40	83	14	4	7	0	0	0	3	635
	Percentage	22.68%	0.47%	2.83%	1.89%	43.94%	4.41%	6.30%	13.07%	2.20%	0.63%	1.10%	0.00%	0.00%	0.00%	0.47%	
Rural Productive	Number	3	0	0	0	262	0	0	0	1	0	1	0	0	0	0	267
	Percentage	1.12%	0.00%	0.00%	0.00%	98.13%	0.00%	0.00%	0.00%	0.37%	0.00%	0.37%	0.00%	0.00%	0.00%	0.00%	
																	9,180

The actual increase in rates for the 2016/17 financial year is a decision of Council however it is impossible to nullify the full impact of the 2016 revaluation.

For additional comparison the effects of the proposed general rating structure for the 2016/17 financial year have been charted and the distribution of the rates burden is very similar to the 2015/16 financial year.





Conclusion and Recommendations – Rating Valuations 2016

It is recommended that Council supports the revised general rating structure for 2016/17, as detailed in this report, with the determination of the actual rates to be applied to be a decision of Council in conjunction with the adoption of the 2016/17 annual budget.