



Draft Outcomes Report

Facilitated Workshops and Report: Rates Review

City of Palmerston

Contents

1	Executive summary	3
2	Background	4
	2.1 City of Palmerston's Current Rate System	5
3	Workshop Outcomes	8
	3.1 General Overview	8
	3.2 Rating methodology	9
	3.3 Rating differentials	10
	3.4 Concession policy	10
	3.5 Financial hardship	10
	3.6 Debt recovery	11
	3.7 Payment methods, incentives and channels	11
	3.8 Legislative requirements and restrictions	11
	3.9 Other considerations	12
4	Recommendation	13
5	Appendix A	14

1 Executive summary

In September and October 2018, Deloitte facilitated three workshops with a group of selected Palmerston ratepayers. There was a representation of ratepayers from across Palmerston's residential, commercial and industrial zones and this group is referred to as the Community Reference Group (CRG) throughout this report. The process and content of the workshops is explained in more detail in the Background (pp 5 – 9).

The purpose of this Outcomes Report is to help inform Council in the development of a new 10-Year Rating Strategy. The content of the document includes input from a small group of Palmerston ratepayers, material prepared by Deloitte to inform the group conversations, summary documents from three workshops and copies of other documents tabled at the workshops.

As a general observation:

- The CRG as a group improved their understanding of the legislation, principles and methodologies that are utilised in the Northern Territory or by the City of Palmerston.
- A number of the CRG members expressed concern about decisions made by previous Councils that resulted in the current Unimproved Capital Value (UCV) methodology of assessment rates being adopted.
- There was not an agreed upon or consistent view coming from the CRG about a preferred and/or fairer method of raising rates.

It is our recommendation that Council consider undertaking a broader community consultation across the municipality. Council may wish to include this document as part of the consultation process to help inform discussion and debate.

In terms of next steps, this draft Outcomes Report will be presented to the CRG for endorsement on 6th December 2018.

2 Background

The City of Palmerston Council, as part of its 2018/19 Budget, committed to preparing a 10-Year Rating Strategy. Council has articulated a strong commitment to community consultation and as a first step, it invited a number of ratepayers to participate in a Community Reference Group (CRG).

The CRG was established to provide feedback, ideas and insights to Council which in turn would inform the preparation of the proposed Rating Strategy.

Twenty-two ratepayers expressed an interest in attending the workshops. Attendance numbers varied between thirteen and nineteen attendees at each workshop. The CRG consisted of various types of rate-payers (residential, commercial and industrial).

The purpose of the City of Palmerston Rating Strategy is to:

- Determine a fair method of raising revenue from rates;
- Ensure that the money raised through rating property owners, in conjunction with other income sources, will guarantee the long term financial sustainability of the Council; and
- Ensure Council has sufficient measures in place to support community groups, pensioners and those suffering from hardship.

Deloitte were engaged to facilitate four workshops with the CRG and to develop an Outcomes Report which presented the views of the CRG which were documented during the first three workshops. The final workshop was designed to present the Outcomes Report to the CRG.

The four workshops were scheduled between September and December 2018 and Workshops 1-3 have been completed:

- **Workshop 1: Introduction and Basics of Rating – Thursday 20 September**
- **Workshop 2: Facilitated discussion – Thursday 27 September**
- **Workshop 3: Facilitated discussion – Wednesday 17 October**
- **Workshop 4: Review and feedback on the draft 10 Year Rating Strategy – Thursday 6 December**

Update: Given the CRG did not come to a consensus on a preferred rating model, it has now been recommended that Council consider the matters the CRG raised, including alternative rating methodologies, and also undertake further consultation.

Workshop 1 was held in Council Chambers on Thursday 20 September 2018. The workshop included introductions of the Deloitte team, the nineteen CRG members, and the Mayor, Council staff and Alderman who attended as observers.

Each CRG member was invited to discuss their reasons for attending the workshops and what they hoped to gain from them.

The Deloitte team presented an introduction to the project and to the basics of rating, including: how rates are calculated, an overview of the rating process including legislative requirements, and a snapshot of Palmerston rates across residential, commercial, and industrial zones. Deloitte also invited the CRG to nominate what information they would like covered in the next workshop.

Workshop 2 was held on Thursday 27 September 2018 and was attended by sixteen CRG members. Workshop 2 included a brief recap from Workshop 1, followed by the provision of information that the CRG had requested at Workshop 1.

After the recap, the main focus of Workshop 2 was a facilitated discussion in which Deloitte asked the CRG a series of rate-related questions and gathered feedback.

Workshop 3 was held on Wednesday 17 October 2018 and was attended by thirteen CRG members. Workshop 3 included a brief recap of the previous two workshops, followed by a facilitated discussion in which Deloitte again asked the CRG a series of rate-related questions and gathered feedback.

This Outcomes Report reflects the matters discussed in the first three workshops and informed the development of a Draft Rating Strategy.

Workshop 4, to be held on 6 December 2018, will enable the draft Outcomes Report to be endorsed the CRG prior to being presented to Council. Council has indicated the strategy is anticipated to be finalised and adopted by April 2019.

The matters discussed in workshops 1 - 3 are noted in section, and a collated summary of the feedback recorded during the workshops is at Appendix A.

2.1 City of Palmerston's Current Rate System

Rates are effectively a tax and are the major source of funding for the provision of services, programs and facilities and fund the maintenance, refurbishment, renewal and construction of assets. These can include stormwater drainage, city parking, recreation and leisure activities, community development, economic development, and many more.

Council is authorised to collect revenue through rates under the *Local Government Act* (see Section 3.2 following) and uses Unimproved Capital Value (UCV) as the basis for assessing rates.

Each property has an assigned Unimproved Capital Value (UCV). This value is assigned by the Northern Territory Valuer-General, a government official that is independent of Council, i.e. Council does not undertake the valuations and has no ability to influence them. The Valuer-General values all properties every three years and bases the UCV on the value of the land only and not the value of any capital improvements such as buildings located on it. Improved Capital Value data, is not available in the Northern Territory.

The City of Palmerston currently uses a differential valuation-based charge and uses the Unimproved Capital Value as the assessed value to calculate rates.

To calculate rates, the following steps are taken:

- Council determines the amount of rate revenue required (this is determined in the Municipal Plan and budget)
- The total amount of Rate Revenue is then divided by the total assessed value of all rateable properties in Palmerston. This gives a value called Rate in the Dollar (RID)
 - $\text{Rate Revenue} \div \text{Total UCV} = \text{RID}$
- For each property, the Rate in the Dollar is then multiplied by the assessed value of the property to determine Rates Payable
 - $\text{RID} \times \text{UCV} = \text{Rates Payable}$
- Council may elect to have a minimum rate, i.e. if a property's UCV is below a certain value, the property owner pays the minimum rate, rather than the value calculated with the Rate in the Dollar.

- Council may adjust the Rate in the Dollar so different classes of properties have different RIDs, e.g. commercial, industrial, residential, to ensure reasonable contribution. Adjustments may also be made based on locality, e.g. Marlow Lagoon. This is known as a differential rating.

Step 1. Council determines the amount of rates it needs to raise

In this example, the Council has determined that it needs to raise \$20 million in rates. The total rateable UCV of all properties in the jurisdiction is \$4,200 million

Step 2. Calculate the Rate in the Dollar (RID)

$$\$20 \text{ million (Rate Revenue \$)} \div \$4,200 \text{ million (UCV)} = 0.0048$$

The RID is 0.0048

Step 3. Calculate the rates for each property

Let's look at a few properties with different UCV's...

- Wallaby's Place has a UCV of \$270,000, so the rates are:

$$0.0048 \times 270,000 = \$1,296$$

- Dingo's Place has a UCV of \$325,000, so the rates are:

$$0.0048 \times 325,000 = \$1,560$$

- Mudcrab's Place has a UCV of \$500,000, so the rates are:

$$0.0048 \times 500,000 = \$2,400$$

- Barramundi's Place has a UCV of \$750,000, so the rates are:

$$0.0048 \times 750,000 = \$3,600$$

- Crocodile's Place has a UCV of \$100,000 and Council has a minimum rate of \$1,000, so the rates are:

$$0.0048 \times \$100,000 = \$480, \text{ and the minimum rate applies so rates are } \$1,000.$$

The table below shows a comparison of rating systems used other councils in the Northern Territory. It shows that all five jurisdictions use valuation-based charges and have a differential, and most also have a minimum rate in place.

Council has both a differential and a minimum rate in place.

Table: 2018/19 Inter-council comparative rating information

Council	Basis of Rating	Residential Min. Rate	Fixed charge	Diff. Rates	Residential Rate in \$
Palmerston	UCV	\$1,197		Yes	0.0046355 & 0.0036152
Alice Springs	UCV	\$1,287.70		Yes	0.00776184
Darwin	UCV	\$1,124 & \$1,181		Yes	0.00467242
Katherine	UCV	\$1,130		Yes	0.01373522
Litchfield	UCV		\$803 & \$1,215	Yes (for non-residential)	N/A

Council currently uses 4 different RIDs for the zones: Residential & Vacant, Residential Marlow Lagoon, Commercial, and Industrial. The minimum rate for Vacant, Residential, and Residential Marlow Lagoon is set at \$1,197 and both Commercial and Industrial have a minimum rate of \$1,200. The following table shows the Rate in the Dollar for each of the different zones.

Table: 2018/19 City of Palmerston Rates

Rateable Land Class	Rate in \$	Minimum Rate	Waste Management Charge
Residential Marlow Lagoon	0.0040000	\$1,197	\$510
Residential	0.0051200	\$1,197	\$510
Commercial	0.0074500	\$1,200	
Industrial	0.0043000	\$1,200	
Vacant	0.0051200	\$1,197	

3 Workshop Outcomes

As outlined in the background, during September and October 2018 Deloitte facilitated a series of workshops for selected members of the Palmerston community.

Workshop 1 provided attendees with an overview of the Northern Territory legislation and rates methodologies.

Workshops 2 and 3, as outlined earlier, posed a series of questions to attendees and explored their views on:

- determining the fairest method of raising rates
- ensuring that the money raised through rating property owners, in conjunction with other income sources, will guarantee the long term financial sustainability of the Council
- ensuring that Council has sufficient measures in place to support community groups, pensioners and those suffering from hardship.

The workshop discussions considered:

- rating methodologies
- rating differentials (what contributions different types of properties make)
- concession policy
- financial hardship
- debt recovery
- payment methods and incentives
- payment channels
- legislative requirements and restrictions.

Other matters considered by the group included:

- The overall objective of a rating strategy
- Principles of a rating strategy

3.1 General Overview

A view expressed by a number of CRG members was that there is currently inequity in how rates are levied, however there was not consensus across the entire group.

While the group was asked to focus on a future rating strategy, a number of participants continued to express concern about previous Councils' decisions on rates.

As a group, participation was positive and while divergent views emerged, the facilitated discussion enabled respectful engagement and an environment where various views were able to be tabled and explained.

Suggestions and comments that emerged from the CRG that are not related to the purpose of the workshops have not been included in this report, however they were noted by Council Elected Members and employees who observed the workshops.

The following section documents the views and opinions expressed across the group based upon the considerations mentioned above (methodologies, differentials, concessions, financial hardship, debt recovery, payment methods, payment channels, legislation).

Deloitte has not made any assumptions about the accuracy or viability of any of the suggestions made during the workshops. Furthermore, even though a number of suggestions are not possible due to legislative restrictions, they have been included for completeness and to inform future reviews of legislation.

3.2 Rating methodology

Basis for assessment of rates (sect 11.2 Local Government Act)

Rates may consist of:

- . a fixed amount (a **fixed charge**) for each allotment
- . an amount (a **valuation-based charge**) calculated as a proportion of the **assessed value** of each allotment; or
- . a combination of:
 - fixed charges (for different purposes); or
 - a fixed charge (or fixed charges) and a valuation-based charge.

Basis of Assessed Value (Sect 11.2 Local Government Act)

Unimproved Capital Value (UCV) - the value of the land only

Improved Capital Value (ICV) – the value of the land with improvements

Annual Value (AV) – the gross annual rental of the property or 5% of the improved capital value, whichever is the greater.

Valuations (NT Valuation of Land Act)

- . Councils do not undertake valuations. They are an independent process undertaken by the Valuer-General.
- . The Valuer-General must revalue land every 3 years.

When discussing rating methodologies, different views were expressed by the CRG, and included:

- **A flat rate system** similar to that used pre-2015 should be used; tiered for residential, industrial, and commercial.
- **A flat rate system** with across-the-board increases for all ratepayers could be introduced noting the advantages and disadvantages:
 - Advantages: There is no difference in rates among the same type of ratepayer, improving equality. The valuation-based charge using UCV does not take into consideration capacity to pay; this flat rate system is perceived as more transparent and fair.
 - Disadvantages: More people would have to pay higher rates.
- **A valuation-based charge with a UCV cap** that is not based on locality, noting the advantages and disadvantages:
 - Advantages: This is more considerate of capacity to pay. The rate cap will ease pressure on those with higher UCVs, which seems more equitable.
 - Disadvantages: This system is more complex to manage, and the minimum rate will increase to account for decreasing rates for those with higher UCVs.
 - This system is not possible under current legislation, but has been included for completeness.
- **Valuation-based rating system that includes multiple differentials for zones.** This proposed system includes multiple differentials, rather than just residential, residential Marlow Lagoon, commercial and industrial. The multiple differentials are based upon the current zoning which includes SD – Single Dwelling, MD – Multiple Dwelling, CB – Central Business, C – Commercial, RR – Rural Residential, and many more.

- After calculating its budget, Council will set a rate with a differential based on zone, meaning that each zone will pay a different amount, but all rate-payers within the same zone will pay the same amount.
- To determine the rate for each zone, Council will first take into consideration the total Unimproved Capital Value (UCV) of all the properties within each zone (See example B).
- Advantages: Ratepayers would know the rate they are expected to pay based on their zone. Prospective property owners would have this information before buying.
- Disadvantages: Different RID by zone might be perceived as inequitable.

3.3 Rating differentials

When discussing rating differentials, various views were expressed by individual members of the CRG, and included:

- In general, differential rating is fair. It makes sense that residential ratepayers pay a different Rate in the Dollar than industrial/commercial ratepayers, however, the current system is unfair.
- Industrial and commercial properties should have the same Rate in the Dollar, but should not have to pay a minimum rate. It seems that many of the industrial properties are small holdings, such as a small business or a small storage shed, and the minimum rate for these types of properties is too high.
- There should be a lower rate for vacant lots.
- A system should be considered where, instead of the current Residential, Residential Marlow Lagoon, Industrial and Commercial, there should be more zones. For example, Residential should be split further to include categories for single-dwelling residential lots, multi-dwelling residential lots, etc. and each should have a different Rate in the Dollar.
- There should be a flat rate for commercial and industrial ratepayers, rather than the current valuation-based charge.

3.4 Concession policy

When discussing rating concessions, various views were expressed by individual members of the CRG, and included:

- Rate concessions should be offered for vacant land or tenancy. For example, if a ratepayer's property is unoccupied for a certain period of time, a concession should be applied.
- Council's current policy on concessions is adequate. Council should ensure that all waiver applications are thoroughly investigated.
- Concessions should be offered to those with disabilities, aged, and pensioners.
- Rather than a set concession for everyone in a category such as 'pensioners', set a policy where the individual is expected to pay rates, but can apply for a concession if they choose to. For example, pensioners are expected to pay rates unless they apply for a pensioner concession.
- For commercial ratepayers, Council should offer concession incentives such as a 5-year rate exception for new businesses to encourage new businesses to come to Palmerston.

3.5 Financial hardship

When discussing financial hardship, various views were expressed by individual members of the CRG, and included:

- More flexible payment plans should be offered, such as monthly or fortnightly. Many small payments rather than one or several large payments may alleviate the pressure that some feel in paying rates.
- Deferment of rates should be offered to those who are suffering temporary financial hardship, such as those who are temporarily unemployed.

- Financial counselling should be available and/or mandatory for those who apply for financial hardship concessions. Support should be readily available to help those suffering financial hardship to budget and determine whether they will be able to pay rates, and if they are able, an adequate and fair payment plan that is agreed to by both the ratepayer and Council should be created.
- Interest is too high; lowering it to a more manageable rate would help those who are struggling to pay on time. Support should be offered to those trying to come out of debt. In addition to waiving or decreasing interest, concessions should be made.
- Sale of land should only occur after ten years of missed payments rather than two years.

3.6 Debt recovery

When discussing debt recovery, various views were expressed by individual members of the CRG, and included:

- As mentioned above, financial counselling could help ratepayers who owe money to create a personal budget and figure out ways to pay Council back.
- Support should be offered to ratepayers up front before rates are due. If early support is offered to those who believe they will be unable to pay, Council will end up having less debts to collect. That support can be provided in financial counselling, budgeting, creating flexible payment plans, etc.
- Council should waive interest for those who are in debt but making continuous payments. If a ratepayer is attempting to pay and is making progress toward full payment, waiving interest would alleviate the pressure on them.

3.7 Payment methods, incentives and channels

When discussing payment methods and incentives, various views were expressed by individual members of the CRG, and included:

- There should be various discounts offered, e.g. a discount for paying upfront rather than in separate payments or a discount for those who own multiple dwellings.
 - Advantages: The discount could help alleviate rate payment for some ratepayers.
 - Disadvantages: Many people cannot afford to pay upfront; on the other hand, if too many people take advantage of this discount, Council would have to make up the difference elsewhere.
- Various payment plans should be offered. Four equally-spaced payments might be easier on ratepayers than the current payment system, which includes four equal but not equally-spaced payments in September, November, January and March.
- A direct debit system should be offered and more widely advertised. Although there is currently a direct debit option, some people feel they do not know how to set this up. Further, a direct debit option that automatically makes payments weekly, fortnightly, etc. would be widely used.
- In addition to the current options, a credit system should be offered where Council is paid directly and the ratepayer pays back a third party. For example, Afterpay or Zippay are ways that Council could get paid immediately and then the ratepayer is responsible for paying back those companies.

3.8 Legislative requirements and restrictions

When discussing legislative requirements and restrictions, various views were expressed by individual members of the CRG, and included:

- The *Local Government Act* should be strengthened to ensure appropriate governance of Councils to ensure that Councils are smart with their money and choices, and that financial crises won't happen in the future. Council should be

held accountable to ensure ratepayers aren't unpleasantly surprised in the future with huge rate hikes.

- The *Local Government Act* should be re-evaluated to determine if certain properties that receive concessions now should actually pay rates, such as churches.

3.9 Other considerations

Other considerations were also raised by individual members of the CRG:

3.9.1 Rating strategy objective:

- The objective should be to ensure sufficient funding to cover services required and expected by rate-payers and to make allowances for future capital works and infrastructure projects.
- The objective should be to provide a fair, equitable system across all types of rate-payers.
- The objective should be to provide a system that is easy to understand, promotes the community as a desirable place to live, and won't bankrupt or surprise any rate-payer.

3.9.2 Rating strategy principles:

CRG members also made some suggestions in relation to rating strategy principles:

- Economic efficiency (to promote living and working in Palmerston and to ensure the sustainability of the Council)
- Equity (to promote unity throughout the community so there is no "us vs. them" mentality)
- Administrative simplicity and transparency
- Equality
- Capacity to pay
- Community involvement (to keep the community informed and consult with the community regarding any major capital works projects).

3.9.3 Other suggestions

It was also suggested that Council send rate notices electronically rather than via mail. This may make it easier for ratepayers who are away from their properties for an extended period of time, ensuring they are able to pay on time and will not miss the notice in the mail.

4 Recommendation

The CRG has considered some complex and detailed information, however has been unable to reach a conclusion on a preferred rating model.

It is therefore recommended that Council consider the alternative rating methodologies and other issues raised and undertake further public consultation.

5 Appendix A

In summary, the CRG provided the following views and suggestions. They are direct extracts from comments made by the group and there was not necessarily any consistency in views across the group. We have not attempted to reframe or analyse the comments in terms of factual accuracy:

- A view expressed by a number of CRG members was that there is currently inequity in how rates are levied, ~~however there was not consensus across the entire group.~~

Update: At the fourth CRG workshop on 6 December the group requested the first dot point be amended. The first dot point should now read: A view expressed by a number of CRG members was that there is currently inequity in how rates are levied.

- In general, differential rating is fair and has some benefits. It makes sense that residential ratepayers pay a different Rate in the Dollar than industrial/commercial ratepayers, however, the current system is unfair.
- Industrial and commercial properties should have the same Rate in the Dollar, but should not have to pay a minimum rate. It seems that many of the industrial properties are small holdings, such as a small business or a small storage shed, and the minimum rate for these types of properties is too high.
- There should be a lower rate for vacant lots.
- A system should be considered where, instead of the current Residential, Residential Marlow Lagoon, Industrial and Commercial, there should be more zones. For example, Residential should be split further to include categories for single-dwelling residential lots, multi-dwelling residential lots, etc. and each should have a different Rate in the Dollar (Refer example pp 14 & 15).
- A flat rate should be considered for commercial and industrial ratepayers, rather than the current valuation-based charge.
- Rate concessions should be offered for vacant land or tenancy. For example, if a ratepayer's property is unoccupied for a certain period of time, a concession should be applied.
- Council's current policy on concessions is reasonable. Council should ensure that all waiver applications are thoroughly investigated.
- Concessions should be offered to those with disabilities, aged, and pensioners.
- Rather than a set concession for everyone in a category such as 'pensioners', set a policy where the individual is expected to pay rates, but can apply for a concession if they choose to. For example, pensioners are expected to pay rates unless they apply for a pensioner concession.
- For commercial ratepayers, Council should offer concession incentives such as a 5-year rate exception for new businesses to encourage new businesses to come to Palmerston.
- More flexible payment plans should be offered, such as monthly or fortnightly. Many small payments rather than one or several large payments may alleviate the pressure that some feel in paying rates.
- Deferment of rates should be offered to those who are suffering temporary financial hardship, such as those who are temporarily unemployed.
- Financial counselling should be available and/or mandatory for those who apply for financial hardship concessions. Support should be readily available to help those suffering financial hardship to budget and determine whether they will be able to pay rates, and if they are able, an adequate and fair payment plan that is agreed to by both the ratepayer and Council should be created.

- Interest rates are too high; lowering it to a more reasonable rate would help those who are struggling to pay on time. Support should be offered to those trying to come out of debt. In addition to waiving or decreasing interest, concessions should be made.
- Sale of land should only occur after ten years of missed payments rather than two years.
- Financial counselling could help ratepayers who owe money to create a personal budget and figure out ways to pay Council back.
- Support should be offered to ratepayers (who are suffering hardship) up front before rates are due. If early support is offered to those who believe they will be unable to pay, Council will end up having less debts to collect. That support can be provided in financial counselling, budgeting, creating flexible payment plans, etc.
- Council should waive interest for those who are in debt but making continuous payments. If a ratepayer is attempting to pay and is making progress toward full payment, waiving interest would alleviate the pressure on them.
- There should be various discounts offered, e.g. a discount for paying upfront rather than in separate payments or a discount for those who own multiple dwellings.
- Various payment plans should be offered. Four equally-spaced payments might be easier on ratepayers than the current payment system, which includes four equal payments in September, November, January and March. (i.e. change to September, December, February, June)
- A direct debit system should be offered and more widely advertised. Although there is currently a direct debit option, some people feel they do not know how to set this up. Further, a direct debit option that automatically makes payments weekly, fortnightly, etc. would be widely used.
- In addition to the current options, a credit system should be offered where Council is paid directly and the ratepayer pays back a third party. For example, Afterpay or Zippay are ways that Council could get paid immediately and then the ratepayer is responsible for paying back those companies.
- The *Local Government Act* should be strengthened to ensure appropriate governance of Council to ensure that Council is smart with their money and choices, and that financial crises won't happen in the future. Council should be held accountable to ensure ratepayers aren't unpleasantly surprised in the future with huge rate hikes.
- The *Local Government Act* should be re-evaluated to determine if certain properties that receive concessions now should actually pay rates, such as churches.
- Rating strategy objective should be to:
 - Ensure sufficient funding to cover services required and expected by ratepayers and to make allowances for future capital works and infrastructure projects.
 - Provide a fair, equitable system across all types of rate-payers.
 - Provide a system that is easy to understand, promotes the community as a desirable place to live, and won't bankrupt or surprise any rate-payer.
- Rating strategy principles should be based on:
 - Economic efficiency (to promote living and working in Palmerston and to ensure the sustainability of the Council).
 - Equity (to promote unity throughout the community so there is no "us vs. them" mentality).
 - Administrative simplicity and transparency.
 - Equality.
 - Capacity to pay.
 - Community involvement (to keep the community informed and consult with the community regarding any major capital works projects).

It was also suggested that Council send rate notices electronically rather than via mail. This may make it easier for ratepayers who are away from their properties for an extended period of time, ensuring they are able to pay on time and will not miss the notice in the mail.