City of Palmerston - Review of its Basis of Rating

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Executive Summary

There is no single rating system that best suits or is preferred by all ratepayers. Which rating tools to use and the extent and details of their use is a choice a council needs to make having regard to a wide range of factors. It needs to be mindful of historic arrangements and the current and likely future circumstances and character of its community. Trade-off judgements inevitably need to be made. Consideration of the relative public finance criteria merits of various alternative options can help make this decision more objective and better able to be defended.

The City of Palmerston's (CoP or Council) basis of rating utilises Unimproved Capital Values (UCV's), minimum rates and a special rate (subsequently rescinded) plus a waste management service charge (WMC). It also applies differential rates depending on a combination of:

- land use (different rates are applied for residential, commercial and industrial properties); and
- locality; i.e. Council applies a differential rate on the residential land in the suburb of Marlow Lagoon which is at a reduced level compared to other residential properties within the CoP.

CoP's declared rates and charges for 2017/18 are set out in Appendix 5 and its system of rating, generally, is not dissimilar to other councils.

Valuation-based charges (rate in the dollar depending on land-use and locality) are applied to UCV's and minimum rates determine the least value of rates payable by respective property owners. The outcome is that the system of rating is streamlined and relatively non-complex such that it is not too difficult to determine relativities between the differential rates.

Council rates should be thought of more as a tax than a fee for service and Council recognises this in its Rating Policy (FIN25). Regardless, all councils should have careful regard to equity in designing their rating systems. Equity considerations need to weigh up both benefits received and the capacity to pay of different classes of ratepayers.

Opportunities for improvement exist in terms of tax theory considerations and it is possible that some ratepayers may push for changes in future. It is noted that Council made significant changes to its system of rating in 2015 in order to attempt to better address rating theory considerations and in particular principles of equity. The changes recognised that the CoP's previous system of rating (a high fixed charge and no ad valorem rate for residential properties) was no longer the best option of rating the diverse overall mix of properties which had changed significantly in nature since the common fixed charge was initially introduced.

CoP needs to ensure its rating strategy is structured and reviewed as necessary such that it can equitably accommodate on-going growth within its jurisdiction and the associated new (additional) and changing demands of its community.

Councils need to be able to justify the rationale for their basis and extent of differential rating. As highlighted above CoP applies various differential rates based on land uses and in one instance locality (Marlow Lagoon). Locality rating results in properties with the same land use and same UCV, but being situated in a different locality, being levied different amounts of general rates. All residential properties throughout CoP's jurisdiction (excluding Marlow Lagoon) currently attract a differential rate in the dollar which is approximately 28% greater than the differential rate in the dollar levied on residential land in Marlow Lagoon.

An argument could be mounted (in the absence of justification to the contrary) that commercial land ratepayers are currently paying somewhat more and industrial land ratepayers plus residential – Marlow Lagoon ratepayers somewhat less than what rating theory considerations alone would suggest is appropriate. The rationale for the industrial differential rate currently being somewhat lower and the commercial rate somewhat higher than the residential rate is unclear. It may reflect Council's perceptions of the typical level and cost of services provided to such ratepayers (although this arguably would be reflected in each property's UCV). Councils need to be able to clearly justify their application of differential rates.

The report discusses rating theory considerations and an assessment of CoP's current rating practices relative to these objectives in Sections 3, 4 and 5. It highlights in particular that it is generally (but not always) reasonable to assume that residents occupying properties with a higher improved capital value (ICV) have greater capacity to pay rates and charges (at least on average over the long-term). The results are likely to be less clear-cut regarding the correlation between owners of properties based on UCV and capacity to pay. It does seem reasonable though to conclude owners of properties with very high UCV are often likely to have greater capacity to pay than owners of properties with modest UCV. For example, according to the Australian Bureau of Statistics (ABS) residents of the suburb Marlow Lagoon experience a socio-economic advantage, on average, relative to all other suburbs within the CoP (refer to Appendix 6). Basing local government rating on ICV rather than UCV would better assist in promoting equity but it is not practical for NT councils to rate on ICV at this time. ICV information is not currently available and is likely to be difficult and / or expensive to obtain.

Even with UCV's public finance theoretical considerations and experiences and practices elsewhere support at least a share of general rate revenue from all classes of ratepayer being generated based on property values.

Ten alternative rating options have been modelled utilising property valuation data proposed to be applied by CoP in determining its 2018/19 rating decisions. The impacts of these alternative approaches have been quantified relative to actual rating outcomes achieved in 2017/18 (see Section 6). The modelling assumed total rate revenue was unchanged in all instances.

The ten options modelled were as follows:

- Option 1: Future UCV's with current differential rate relativities and existing minimum rates.
- Option 2: Future UCV's with no differential rates (i.e. a common rate in the dollar) and existing minimum rates.
- Option 3: Future UCV's with current differential rate relativities and the introduction of a fixed charge (to replace the minimum rates) which generates approximately 75% of total rates revenue.

- Option 4: Future UCV's with current differential rate relativities and the introduction of a fixed charge (to replace the minimum rates) which generates approximately 50% of total rates revenue.
- Option 5: Future UCV's with current differential rate relativities and the introduction of a fixed charge (to replace the minimum rates) which generates approximately 25% of total rates revenue.
- Option 6: Future UCV's with a common differential rate in the dollar for all properties except Commercial (which is retained at 157% of residential) and the introduction of a fixed charge (to replace the minimum rates) which generates approximately 50% of total rates revenue.
- Option 7: Future UCV's with changed differential rates relativities and existing minimum rates.
- Option 8: Future UCV's with existing differential rates relativities and increased minimum rates.
- Option 9: Future UCV's with changed differential rates relativities and increased minimum rates.
- Option 10: Future UCV's with a common Fixed Charge (Flat Rate) of $1,237 applied to all rateable assessments other than the categories of Commercial and Industrial which are rated using valuation-based differential rates in conjunction with the existing minimum rate of $1,191.12.

The modelling highlights that there is no rating strategy based on a fixed charge rather than a minimum rate that could be introduced without significant redistribution of the overall rating burden across properties. This is a reflection of Council's existing rating system and the character and composition of aggregate properties.

It is important to also recognise that the proposed UCV revaluation that will take effect from 2018/19 will result in a significant redistribution of rates payable across ratepayers (and across ratepayer classes on average – as highlighted in Option 1). The revaluation presents an opportunity for Council to review its current rating arrangements.

Whilst we generally favour application of a fixed charge rather than a minimum rate we believe that arguments for such a preference are less compelling when UCV's are utilised.

Options 7, 8 and 9 generate most general rate revenue from a minimum rate rather than property values and have only a modest impact on most (e.g. particularly residential) ratepayers. They highlight too that it would be possible to more closely align other differential rates (effectively the 'tax rate' for that class of property) to that payable by residential properties without a major impact on average rates payable by properties in each class (although this may involve a slight increase in the minimum rate).

It is important to note that the majority of CoP rate revenue is sourced from residential (83.9% in 2017/18) properties (see Table 2.2). Any movement in rates for residential ratepayers must necessarily materially inversely impact on ratepayers in other categories (assuming total rate revenue remains unchanged). On the other hand, the other categories of CoP's ratepayers

(Residential – Marlow Lagoon, Commercial and Industrial) collectively only provide approximately 16% of 2017/18 rate revenue. Any adjustment for these ratepayers would have little overall impact on total revenue generated or rate levels for residential ratepayers.

As part of the work undertaken in preparing this report a public consultation briefing and feedback session was held at Council's offices on 13 December. Feedback received as part of that session has been had regard to in the preparation of this report.

The report does not make a specific recommendation as to which of the above rating options (or similar) is preferable; CoP should choose an option that has regard to both rating theory considerations and its' community's circumstances. Phasing changes in over time by capping the limit on the annual increase for any ratepayer (e.g. to not more than 7% per annum and a consequential offsetting slight increase for other ratepayers) would help ameliorate the impact of uneven rates increases to individual ratepayers. This could be managed by setting out the basis of the concession in CoP's Rating Policy and would be in accord with the Section 164 provisions of the NT Local Government Act.

This report has focussed on the distribution of the impact of the rate burden across various classes of CoP ratepayers. That is, it is concerned with the proportion of total rates paid by different types of ratepayers rather than how much rate revenue Council collects in aggregate. It is noted that Council has produced a net operating deficit totalling approximately $19.5M across the three most recent financial years (i.e. average of approximately $6.5M per annum). Under-lying ongoing operating deficits typically mean that a council is under-charging ratepayers for the level of services it is providing relative to their cost and flags potential financial / service level sustainability risks. Total rate revenue would need to increase by about 11% currently if this average deficit was to be eliminated without changes in other factors.

Council should strive to ensure it doesn't (in future) add unnecessary layers of complexity to its rating methodology. Rating theory and data modelling considerations suggest that there may be merit in the following possible refinements by Council to its rating strategy.

i). Continue to generate a share of total general rate revenue based on property values;

ii). Retaining minimum rate-based rating rather than (or as well as) introducing fixed charges;

iii). Reviewing the differential rating relativities, specifically with a focus on the levels of relativity for Industrial and Residential – Marlow Lagoon properties, compared to all other Residential properties;

iv). Keeping any application of differential rating as simple as possible (and clearly defendable); and

v). Implementing a rate cap (or similar tool) to assist with managing potential volatility in rates increases associated with any changes to Council's basis of rating (and possibly arising from revaluation volatility in future). The Rating Policy (FIN25) should be updated to formally recognise the introduction of a rate capping process.

Inevitably, some ratepayers will pay more, on average, and some will pay less when changes are made to the basis of rating however the modelling indicates that there are options and rating strategies available to Council to mitigate the impact of the movements in rates to the majority of ratepayers.

1. Introduction

Rate revenue represents the largest source of operating revenue for most councils. It is therefore appropriate, and good practice that councils periodically review their basis of rating.

The Northern Territory Local Government Act (2008) (LG Act) provides councils with considerable flexibility in the way they raise general revenue from rates and charges. Over time the mix of a council's services can change as can the characteristics of its ratepayer and property base. The City of Palmerston (CoP) decided to undertake a review of its basis of rating. It engaged Mr John Comrie (JAC Comrie Pty Ltd) to undertake the study and this report outlines his findings.[1]

2. Background

The Northern Territory (NT) local government structure comprises nine regional councils, three shire councils and five municipal councils (in which CoP is classified) as shown in Table 2.1.

Table 2.1: NT Municipal Councils by Classification[2]

Urban Capital City	Urban Fringe Small	Urban Rural Small	Rural Agricultural Very Large
City of Darwin	City of Palmerston	Alice Springs Town Council	Litchfield Council
		Katherine Town Council	

All of these councils differ in terms of their respective geography/land areas, the demographics of their communities and, to a lesser extent, the range and level of services they provide.

Each year all councils not only need to determine how much rate revenue to raise, they need to determine how they will raise it. Regardless of the amount raised there are a variety of decisions that need to be made regarding what share of aggregate rate revenue is raised from each individual ratepayer; including having regard to equity in determining their basis of rating. Key amongst these factors is the following:

i) Whether to base rating on the unimproved capital value (UCV or site value), improved capital value (ICV) or annual value (AV) of properties.[3] Unimproved capital value represents the value of a property excluding development that has occurred on it. Improved capital value is market value and annual value is the rental value of a property.

[1] Mr John Comrie operates a consultancy practice specialising in providing financial and governance advice to local governments. He has written and been published extensively on local government rating theory and practice issues. Further details about his background and experience are available at www.jaccomrie.com.au.
[2] Source; the 2016/17 LGANT Directory.
[3] See LG Act Section 149.

In 2016/17 the NT councils listed in Table 2.1 all used UCV's as their basis of rating[4], as is the case in 2017/18.

ii) Whether to apply a fixed charge and/or a minimum rate and if so the amount.[5] A council in the NT can apply both and, alternatively it doesn't have to apply either. In 2017/18, all five NT municipal councils applied a minimum rate (Litchfield set a minimum on Commercial and Other Land only; not residential) and the average value was $1,195. Litchfield was the only council setting a fixed charge (of the five municipal councils).

iii) Whether to apply differential rates or not.[6] The five NT municipal councils all utilise this choice and set higher or lower rates in the dollar for different land uses and/or localities.

In South Australia (SA), typically compared with the rate set for residential properties, councils charge a slightly lower rate in the dollar for primary production properties (not always, a few councils charge a higher rate) and a higher rate in the dollar for commercial/industrial properties. Broadly, this approach to differential rates appears to be similar to that taken by NT councils.

The CoP's basis of rating utilises UCV's, minimum rates and a special rate plus a waste management service charge (WMC).

It also applies differential rates depending on a combination of:

- land use; and
- locality; i.e. council applies a differential rate on the residential land in the suburb of Marlow Lagoon which is at a reduced level to other residential properties within the CoP.

CoP's declared rates and charges for 2017/18 are set out in Appendix 5. On average, residential properties would have paid council rates of $1,229 (excluding the $530 WMC).

Where a valuation-based component is utilised in rating (as is the case with CoP's rating system) a council's rate in the dollar will vary both as a result of how much rate revenue it seeks to raise and as a result of the value of property in its district. All other things being equal a council with lower average property values will need to charge a higher rate in the dollar compared with a council with higher average property values to generate the same rate revenue.

CoP's current system of rating is relatively new (since 2015) and it uses a range of differential rates and minimum rates (the City Centre Improvement Special Rate which was adopted in 2017/18 was subsequently rescinded by Council at its meeting of 17 October 2017). Council applies valuation-based rating to calculate property rates based on a property's UCV. Slightly different minimum rates are set for different classes of property. For example, the minimum rate for residential and vacant land properties in 2017/18 was $1,177 and this amount was payable for all properties with a UCV of less than $253,910 ($325,570 in Marlow Lagoon).

[4] It is the consultant's understanding that ICV's are not readily obtainable from the NT Valuer-General and for them to be provided it would likely be at a significant cost to Council.
[5] See LG Act Section 148.
[6] See LG Act Section 148.

Prior to 2015 the CoP utilised a fixed charge (also called a flat charge) ($1,155 in 2014/15). Under this arrangement. a residential property with a UCV of say $500,000 was paying the same amount of rates as a residential property with a UCV of say $150,000. A system of valuation-based charges (differential rating based on UCV's) in conjunction with a minimum rate (also $1,155, and for self-storage units the minimum rate was $315) was used to calculate rates for all other classifications of property. So, under these arrangements a residential property's UCV had no influence on the amount of rates payable, whereas for any other class of property this was not the case.

It is not clear as to what regard the principles of rating theory (such as equity considerations) have historically influenced rating decisions. At least, in part in the case of residential properties in the suburb of Marlow Lagoon, Council presumably attempts to somewhat align average rate revenue per property (for similar land uses in different localities) with the respective level of council investments in and provision of services. (The rate in the dollar in Marlow Lagoon is lower but the average property's UCV is higher than in other residential areas in total.)

Council's existing system of differential rates combines locality-based rating (for residential property in the suburb of Marlow Lagoon) with land use categorisation as the basis of rating for all other property; i.e. residential, commercial, industrial and vacant land. Valuation-based charges (multiple) are applied to UCV's and minimum rates determine the least value of rates payable by respective property owners. The outcome is that the system of rating is streamlined and relatively non-complex such that it is not too difficult to determine relativities between the differential rates.

Table 2.2 below shows the approximate number of properties, value of general rates revenue collected as well as rate revenue as a percentage of the total for each class of property in 2017/18. It also shows average general rates payable per property in each class net of service charges.

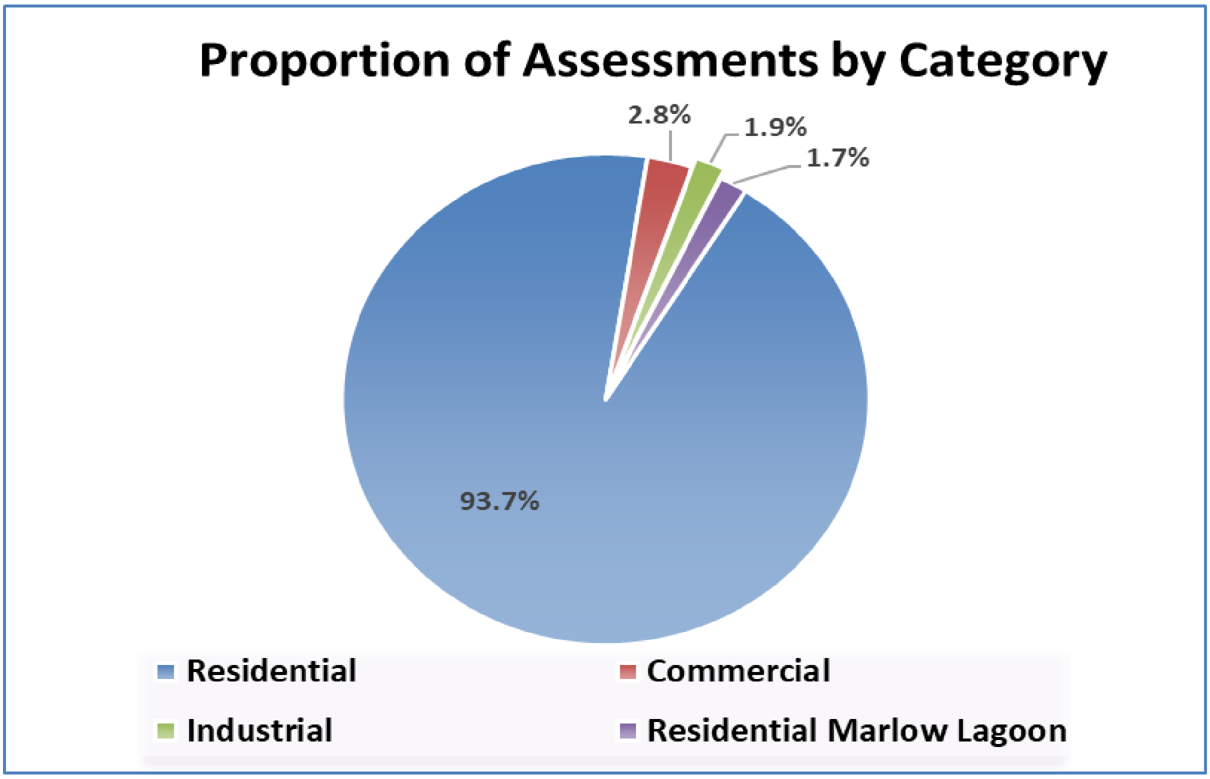
Table 2.2: Assessments, Rate Revenue and Average General Rates by Property Class 2017/18

Differentiating Factor	No. Rateable Properties	% Total Rateable Properties	Rate Revenue	% Total Rate Revenue	Average Revenue / Property	UCV ($'000)	% UCV to Total
Residential Marlow Lagoon	252	1.7%	446,248	2.2%	1,771	122,935	4%
Residential & Vacant	13,735	93.7%	16,884,448	83.9%	1,229	2,930,588	83%
Commercial	404	2.8%	2,013,895	10.0%	4,985	258,078	7%
Industrial	274	1.8%	791,307	3.9%	2,888	204,586	6%
Total	**14,665**		**$20,135,898**		**$1,373**	**$3,516,187**	

Source: CoP's rates database

Graph 2.1 below shows the proportion of rateable assessments in 2017/18 by differential rate category (each category includes vacant land as applicable).

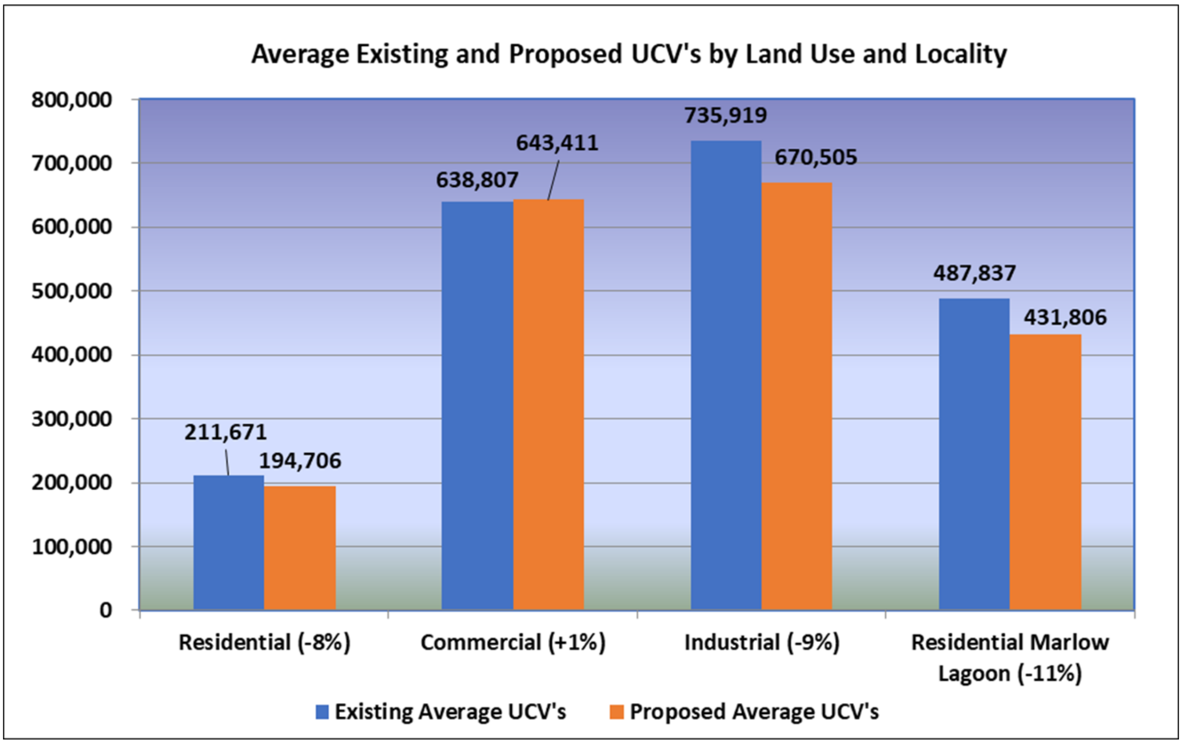
Graph 2.1: Proportion of Assessments by Land Use and Locality 2017/18



Graph 2.2 below shows average unimproved capital values (UCV) by Land Use and Locality for 2017/18 and proposed average UCV's for 2018/19. On average UCV's have fallen by approximately 8% between the two years. UCV's are revised for rating purposes every 3 years by the Northern Territory Valuer-General. The Valuer-General is an independent government officer who determines property values utilised by governments for various rating and taxing purposes. It is important to note that all ratepayers are provided with an opportunity to formally object to the Valuer-General's valuation assessment and this can sometimes result in an adjusted assessment being issued.

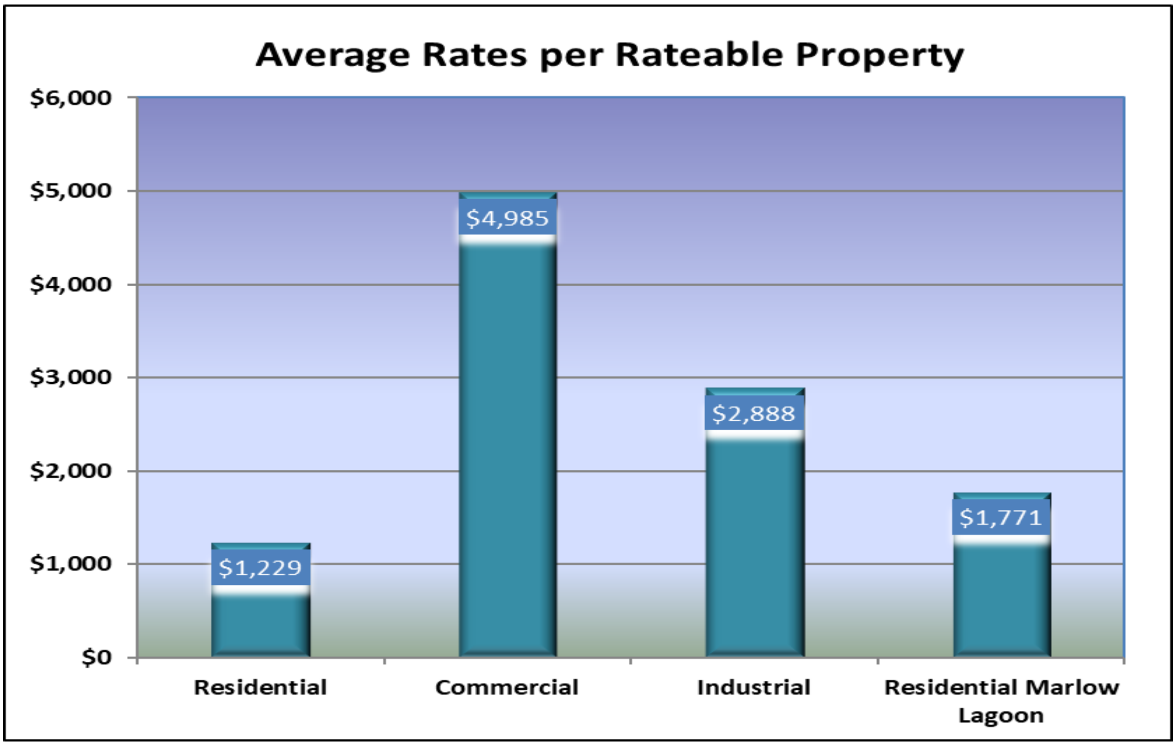
The proposed updated valuations will have some impact on the share of total revenue raised by different categories of ratepayers in future. This is discussed elsewhere in the report (e.g. see Graphs 6.6 & 6.7 and Option 1 and related discussion in Section 6).

Graph 2.2: Average unimproved capital values (UCV) by Land Use and Locality 2017/18 & Proposed average UCV's 2018/19



Graph 2.3 below shows average rates payable (excluding waste management charge) by land use and locality for 2017/18.

Graph 2.3: Average rates by Land Use and Locality 2017/18



Council currently levies waste management service charges on properties (approximately 13,000 services) to meet the cost of waste collection and disposal, as well as the costs associated with the management and operations of a waste transfer station and the rehabilitation of a waste landfill site. Council needs to ensure that its service charges for waste management are set at a level which will ensure waste management operations are financially sustainable over the long term. Applying a service charge is appropriate whenever beneficiaries can be identified, and such charges should aim to recover the full long-run costs of providing the service – i.e. in the absence of compelling reasons to do otherwise.

3. Rating Theory Considerations[7]

In 2017/18 CoP has budgeted to raise 84% of its operating revenue from general rates (in 2016/17 it was 77%). The other municipal NT councils (Alice Springs, Darwin, Katherine and Litchfield) collectively raise approximately 66% of their operating revenue from general rates. On average SA councils in aggregate raised 74% of their operating revenue from rates.

Significantly, councils are free to determine how much rate revenue they raise. It is in the best long-term interests of both a council's ratepayers and the council itself that the council exercise its rating powers responsibly, strategically and accountably.

Council rates are effectively a tax even if not universally recognised as such by ratepayers. (CoP recognises this and its Rating Policy (FIN25) states that '*Rates are a system of taxation and are not reflective of the services, infrastructure or facilities used by any particular property owner or resident.')*[8] Public finance theory emphasises the importance of the following in designing a tax system and evaluating alternative types of taxes:

i) Administrative simplicity – this refers to the costs involved in applying and collecting the tax and how difficult it is to avoid;

ii) Economic efficiency – this refers to whether or not the tax distorts economic behaviour. The less so the more efficient it is. E.g. a flat 10% goods and services tax on everything is more efficient than one that collects the same revenue but only applies to some goods and not others;

iii) Equity - equity considerations need to have regard to both benefits received and capacity to pay. All things being equal a person who receives more benefits should pay a higher share of the tax. Similarly, a person who has less capacity to pay should pay less. Often though these factors are not complementary and weightings need to be given to the

[7] The author of this report contributed to LGA (SA) Financial Sustainability Information Paper No 20, 'Rating and Other Funding Policy Options' which makes similar general points to those expressed in this section. See http://www.lga.sa.gov.au/webdata/resources/files/20%20-%20Rating%20and%20Other%20Funding%20Policy%20Options%202015.pdf

[8] The 'Henry Review' simply stated 'Local Government rates are a tax' (p.691, Henry, K. et al. 2010, Australia's future tax system: Report to the Treasurer, Commonwealth of Australia, published online at <http://www.taxreview.treasury.gov.au>.)

importance of each one. E.g. someone may receive more benefits but have less capacity to pay.

Academic research continually reaffirms the appropriateness of property taxes being a major source of revenue for local governments.[9] [10] Many local government services enhance property values. It is therefore reasonable that those who benefit from these services through higher property values contribute significantly to the funding of the services.[11]

Property prices are also generally a reasonable indicator of capacity to pay.[12] This correlation is far from perfect but typically people who earn higher incomes live in and own higher valued properties (particularly when lifetime incomes, including incomes from capital gains, are taken into account). Similarly, higher valued rural (primary production) properties are more highly valued because they are generally capable of generating more income on average over time compared with others of lesser value.

Property taxes can adversely impact on persons who are asset rich and income poor but councils can to a large degree negate this weakness by offering ratepayers in these circumstances rate deferral arrangements (at effectively no net cost to other ratepayers).[13]

Notwithstanding the overall suitability of property taxes for local government revenue raising, different methods of raising such revenue may better suit in different circumstances. This is often a judgement call depending on the policy objectives and preferences of decision-makers and the character of the taxpayer base. These factors and therefore the most appropriate approach can change over time. There is no single 'best' approach for all councils at any time or even a single council over time. A brief evaluation of various key factors and when one option or another is appropriate to apply is presented below.

i) Valuation bases

Whilst the availability of local government services affects the value of a property it is generally the 'land' component that is affected. UCV (which is currently the basis of CoP rating) therefore is often a better indicator of relative benefits of local government services than ICV (which includes a component for land value and the value of buildings and other improvements to the property). Annual values too are influenced to a large degree by the nature of improvements to a property (e.g. the existence of a house that can be rented out). All valuation bases are

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[9] The paper *'Rating policies – an ad hoc or principled balancing act?'* prepared by the author of this report and others and available through the Australian Centre for Excellence for Local Government (or http://www.acelg.org.au/upload/Rating%20Policy%20Shane%20Sody.pdf) includes further discussion and references regarding academic research on this topic).

[10] The 'Henry Review' (p.693) concluded that '*rates based on land value an appropriate tax base for local governments to use to fund local public goods and services'*. On balance it favoured rating using UCV relative to ICV (se p.692).

[11] Property values are of course also affected by many other factors too.

[12] See '*The Correlation Between Income and Home Values: Literature Review and Investigation of Data – Final Report',* South Australian Centre for Economic Studies (June 2004) available at http://www.lga.sa.gov.au/site/page.cfm?u=204&s=search&searchTemplate=gui&searchMode=searchResults&searchType=query&searchString=%27Correlation+Between+Income+and+Home+Values%27.

[13] See LG Act Sections 162 and 164(1) (b). These provisions allow deferral, including potentially until property ownership was transferred. Borrowings could be raised if needed to offset any resulting cash flow shortages. Interest can be charged on outstanding rates that would negate the cost of any necessary borrowings or lost investment income.

influenced by many other considerations too and not just the extent of local government services.

UCV is more economically efficient than capital value as a rating base. That is a person doesn't pay more in rates because of the extent of improvements they have made to a property. For example, a person who wants to build a higher than average value home isn't discouraged from doing so because it won't mean that they'll pay higher council rates.

The disadvantage of UCV's for rating purposes is that they are not generally as good an indicator of capacity to pay as ICV's. Capacity to pay is an important consideration and the prime advantage of choosing ICV over UCV.

Annual values can work well in localities where strong rental markets for different types of properties exist. They often cause confusion though for ratepayers and are therefore not administratively simple or popular in circumstances where the majority of properties are occupied by their owners.

ii) Fixed charge and minimum rates

If a large range of council services are provided and available relatively uniformly to all ratepayers then it is equitable from a benefit principle perspective to recover the costs of such services by way of a fixed charge. Councils though need to have regard to both capacity to pay and benefits received in determining their rating structure.

A system where a significant proportion of revenue was collected via a fixed charge and the balance by an ad valorem rate based on property values (based on ICV) would often therefore seem a reasonable trade-off.

Having a minimum rate rather than a fixed charge would mean that rates payable by all properties with a value above the threshold for which the minimum applies have the amount they pay determined purely based on their property value. Arguably this may mean that too much emphasis is being given to 'capacity to pay' relative to 'benefits received' considerations (particularly in the case where ICV is used for rating purposes). At least equally importantly it means owners of the lowest valued properties, i.e. those to which the minimum applies, are effectively paying a higher ad valorem rate.

It seems hard to see the justification for use of a minimum rate, relative to a fixed charge, particularly in circumstances where a council also uses ICV's (and has a choice of using it or UCV's). This is because a council that chooses to use ICV has, at least implicitly, determined that capacity to pay is a prime factor in design of its rating system yet it applies an effective higher rate of tax to the owners of the lowest valued properties.

A minimum rate is likely to be a more justifiable option relative to a fixed charge where UCV is the basis of rating (as it is in CoP) because UCV is not as a reliable indicator of capacity to pay as ICV, i.e. those paying a minimum rate (those with lower UCV properties) are not as often likely to have less capacity to pay as if ICV was utilised.

The share of rate revenue raised linked to property values and raised as a minimum rate or fixed charge is a matter of judgement that may appropriately vary depending on the nature and character of the mix of properties in a council area (and to a lesser extent the circumstances of the owners of such property). There are no limits on the mix in the Northern

Territory but there are in some states. In South Australia no more than 35% of general rate revenue can be raised by a minimum rate and in Western Australia 50% (unless the minimum rate is $200 or less). A fixed charge is restricted to 20% of general rate revenue in Victoria and 50% in New South Wales, South Australia and Tasmania.[14] Having regard to rating theory considerations and legislative provisions in place elsewhere it seems appropriate that some reasonable share of general rate revenue (say generally at least 25%) should be raised linked to property values.

Graph 3.1 below shows the illustrative impact of a fixed charge and minimum rate on rates payable relative to property values. The same quantum of revenue would be generated under either option (effectively the area under each line). The actual slope and points of intersection of the lines representing the use of a minimum rate or alternatively a fixed charge would vary depending on the actual fixed charge or minimum rate set. The point at which the minimum rate line curves upwards represents the property value at which a property would start to pay more than the minimum rate. The higher the minimum rate the further along the x-axis the line would start to move upwards (and with a flatter slope). Similarly, the higher the fixed charge (it's point of intersection with the y-axis) the flatter the slope of that line. A higher minimum rate or fixed charge would thus have a negative impact on lower valued properties and a favourable impact on higher valued ones.

Graph 3.1: Illustrative impact of fixed charge and minimum rate on rates payable relative to property values

iii) Differential rates

Property values already take account of relative availability of and access to council services. Differences in availability and levels of services cannot therefore be a rational argument for use of differential rates. Use of differential rates must objectively therefore be based on perceptions of differences in:

- capacity to pay relative to property value between properties with different land uses or in different localities; or

[14] See *'Rating policies – an ad hoc or principled balancing act?,'* Table 1.

- the costs to a council generated by or in servicing properties affected by the differential.

Many councils offer lower differential rates to rural (primary production) properties and charge higher differential rates to commercial and industrial property owners relative to urban residential properties. Presumably they believe that relative to the value of the property, rural property owners (primary producers) have less capacity to pay taxes and commercial and industrial property owners more.

Evidence to substantiate such claims is likely to be difficult to find. Nevertheless, the fact that such differential arrangements are commonplace and have not changed materially over time at least suggests that there is widespread community perception of such differences in capacity to pay. That is other ratepayers seem generally to accept primary producers often receiving more favourable rating treatment. Similarly, there is typically across different council areas little agitation from commercial and industrial ratepayers as a result of being charged a higher tax rate. It seems well accepted, although it is noted in the CoP that the owners of industrial properties are currently charged a tax rate which is lower than that charged to owners of residential properties.

It is sometimes suggested that owners of commercial and industrial properties should pay a higher rate relative to the residential rate because they can claim a tax deduction for this payment. This is a spurious argument. Councils simply do not know the tax affairs of property owners and they will not be uniform across a class of properties.[15]

Commercial and industrial property owners will only pay tax and therefore get a deduction for council rates paid if they make a profit. Primary producers are in the same position. Owners of residential properties that are rented out to tenants will also be able to claim a tax deduction.

iv) Use of a service charge

The Local Government Act allows councils to apply a charge to ratepayers to recover the cost of dedicated services provided to specific properties. The use of such a charge is generally appropriate whenever beneficiaries can be identified and it is practical to do so. It helps recipients appreciate the costs involved and provide feedback on value to service providers. It also means that properties that don't receive the service aren't paying higher taxes to help fund its provision to others.

Many councils have in place a service charge for their waste collection services, as does the CoP. In many (but not all) instances where councils charge specifically for a waste collection service it is only provided in part of their area (e.g. in townships but not rural areas).

v) Use of special rates

These are a potentially equitable, targeted way of recovering the cost of provision of services that are intended to primarily benefit a specific identifiable group of ratepayers. When adopting special rates a council is required (in accordance with Sec 156 of the LG Act) to:

[15] In any event it is likely to make little sense given the relative financial scale of local governments to effectively seek to structure its tax decisions in a way that seeks to negate the intended effects of the tax system of another sphere of government.

- *State the purpose for which the special rates are imposed;*
- *State the amount to be raised;*
- *State the basis of the special rates; and*
- *State whether the special rates are imposed on rateable property generally, or on rateable property within a particular part of the area and, if they are limited to a particular part of the area, identify the relevant part.*

CoP initially adopted a special rate in 2017/18 titled the "City Centre Improvement Special Rate" (CCISR). The purpose for which the CCISR was imposed was to contribute to City Centre (as defined in Council's Master Plan) improvements; the Council being of the view that such improvements will be of special, direct benefit to the ratepayers of the City Centre. A particular focus was to generate additional revenue to assist in provision of car-parking facilities.

At its meeting of 17 October 2017 Council effectively decided not to pursue this special rate by resolving that *…"Council grants a (CCISR) concession of 100% to all properties within the City Centre that had a CCISR parking shortfall due to waivers granted by the Development Consent Authority prior to 1 July 2017" …*

4. Funding and Rating Policy Considerations

Council needs to determine how best to achieve its revenue targets from utilisation of a combination of the various revenue raising options over which it has control. An appropriate starting point is to consider the public good / private good characteristics of the services provided and to review the extent to which the user charges (e.g. waste management service) recover an appropriate proportion of service costs over the long run.[16]

In most circumstances Council should aim to charge prices comparable to those charged by private suppliers of similar services but should also consider targeted concessions where warranted on social or other policy grounds.

Pricing decisions also need to be mindful of Councils' national competition policy obligations,[17] and, where relevant, any price regulation stemming from operation of other legislation. Where a Council is a natural monopoly provider of private goods in its area it should transparently set rates or charges to recover full long-run costs.

Council's taxing power is effectively limited to rates on property; e.g. even where a council had fully appropriately utilised opportunities to levy user-based rates and charges, it would still in

[16] Public goods are goods or services that individuals cannot be effectively excluded from use of and where use by one individual does not reduce availability to others, e.g. a public park. It is generally appropriate that public goods be funded through taxation.

[17] See *'National Competition Policy an Implementation Manual for Councils'* at: http://www.lga.sa.gov.au/webdata/resources/files/National_Competition_Policy_-_An_Implementation_Manual_for_Councils1.pdf

many circumstances need to rely on general rates for the majority of its required operating revenue.[18] However, general rates should not be considered a surrogate for user charges.

It is common for ratepayers to complain that they get few if any services for the rates they pay. These complaints often reflect a fundamental misunderstanding about the nature of rates. Rates are not fees for services. They are better viewed as a system of taxation (see 3rd para of Section 3), that is revenue broadly raised by a government to fund provision of government services, particularly where it is not practical or appropriate to raise specific charges to do so). In the Commonwealth and State taxation systems, individuals and businesses that pay the highest proportion of taxes do not necessarily consume the most services. Local Government taxation decisions should be equitable but this means not only taking account of who benefits from services but also having regard to differences in capacity to pay between different classes of ratepayers.

While there are certainly good arguments for the broadening of all councils' revenue sources, and in particular more financial support from other spheres of government, the fact remains that property rates are both economically efficient and generally accepted by the community as an appropriate tax source for Local Government.

Council rates are a highly visible tax and perhaps for this reason they do at times attract public criticism even though as a proportion of average incomes they have remained at approximately the same level for decades (at least on average across Australia) while Local Government services and responsibilities have continued to grow. At the same time taxes generated by the other two spheres of government have increased as a proportion of national income. Perhaps the only valid criticism of council rates, as a system of taxation, is that they may cause difficulty for some people whose place of residence is highly valued but whose current income is relatively low (where rates are predominantly structured as a valuation-based charge).

As an answer to that criticism, it is important to recognise that the LG Act provides NT councils with reasonable flexibility in applying property rates. Councils are understandably sometimes reluctant to increase rates because of the impact this would have on specific sections of their communities. However, the flexibility available means it is usually possible for a council to equitably generate more overall revenue while reasonably protecting particular classes of ratepayers (e.g. persons with low capacity to pay) from an unfair burden. (See also footnote 13 and related discussion in Section 3).

In making rating decisions Council should be aware of the capacity to pay of its community overall, and between classes of ratepayers, to the extent that this is known or can be reasonably estimated. The Australian Bureau of Statistics (ABS) publishes average individual annual income levels by council area and for the Northern Territory. The ABS also can provide councils with data on the socio-demographic composition of the communities in different parts of their areas. Council should also bear in mind the level of rates paid by ratepayers in other Local Government areas.

[18] Some councils receive large levels of operating grants. By far the largest source is Commonwealth financial assistance grants which are allocated to all councils based mainly on need and independent of their own revenue raising and outlay decisions.

Some of the key rating flexibilities and examples of their possible use are discussed below.

Relationship between funding policy/strategy, long-term financial plan and annual budget

A long-term financial plan (LTFP) should include a description of the financial strategy on which the plan is based. Work involved in the preparation of one of these is likely to influence the final content of the other. It makes sense for councils to adopt a financial strategy and financial targets in conjunction with the adoption of their LTFP. Even if some of these elements are not legislatively prescribed it represents sound business practice to have these developed to better inform future decision making. All three should be used to guide the preparation of the annual municipal plan and the budget.[19]

What are the issues for Councils?

Whether formalised as a policy or not, each council should have a funding strategy that ensures that it equitably generates appropriate levels of operating revenue. The strategy needs to:

- consider whether today's ratepayers and other service users should pay more or less than the cost of providing today's services to them and the consequential implications for future ratepayers;
- strike an appropriate balance between funding from direct users of specific services (through user rates and charges) and broader public beneficiaries (through general rates) having regard to the public good/private good characteristics of key services;
- keep taxing and charging regimes under review to ensure they have appropriate regard to changes in:
    - capacity to pay within sections of the community;
    - the extent of access to, use of, and benefit from, council services by various groups of service users and ratepayers.

5. An Assessment of Council's Current Rating Strategy

In this section CoP's current rating strategy is discussed in the context of the theoretical issues outlined above.

Council's rating strategy is based on UCV's. The existing system of differential rates combines zones (as defined in the NT Planning Scheme) with land use categorisation[20] and uses valuation-based charges (four differential rates applied to residential/vacant land, commercial and industrial property plus a further residential rate for property located in the suburb of

[19] The following papers are part of a suite of SA LG best practice documents that have been primarily authored by the author of this paper. They are referenced in this report as they are considered to be applicable to LG generally:

- No. 8: *'Long-term Financial Plan';*
- No 9: *'Financial Indicators'* and
- No. 13: *'Annual Business Plan' (or in CoP's case the Municipal Plan)*

at www.lga.sa.gov.au/goto/fsp.

[20] Refer to CoP's Rating Policy (FIN25)

Marlow Lagoon) in conjunction with minimum rates (commercial and industrial minimum rates are slightly higher than other properties in 2017/18). Service charges and special rates are not included in the discussion and assessment of rating strategy (in this section of the report) as it is assumed that these charges are set at a level to essentially recover the whole of life (or long-run) costs of providing the service (in addition to funding the project costs).

The components of Council's current strategy which warrant consideration in the context of the theoretical issues discussed previously are:

- the use of UCV's as opposed to ICV's as the basis of rating;
- the use of fixed charges in conjunction with a valuation-based charge[21] (an ad valorem rate) and/or minimum rates;
- the use of a fixed charge as opposed to minimum rates; and
- the use of differential rates.

CoP is categorised "municipal" as shown in Table 2.1. The following Table 5.1 provides comparative information on the rating arrangements being used by the NT municipal councils.

Table 5.1: 2017/18 Inter-council comparative rating information

Council	Basis of Rating	Residential Min. Rate	Fixed Charge	Diff. Rates	Residential Rate in $
Palmerston	UCV	$1,177		Yes	0.0046355 & 0.0036152[22]
Alice Springs	UCV	$1,260		Yes	0.00759476
Darwin	UCV	$1,091 & $1,147[23]		Yes	0.00420575
Katherine	UCV	$1,050		Yes	0.01278200
Litchfield	UCV		$765 & $1,215[24]	**Yes (for non-residential)**	N/A

Source: 2017/18 adopted rates declarations and municipal plans as posted on the respective council web-sites

It is noted that in the case of residential property most of the NT municipal councils, broadly speaking, take a similar approach in the design of their respective rating systems. Litchfield Council is the only council applying fixed charges and it is also the only council that is not

[21] Sec 148 of the LG Act

[22] CoP adopted a differential rate of 0.0036152 for residential property in Marlow Lagoon. All other residential property is charged a differential rate of 0.0046355.

[23] City of Darwin adopted a minimum rate of $1,091 for residential property zoned SD, RR, R or RL under the NT Planning Scheme and a minimum rate of $1,147 for medium to high density residential property zoned MD, MR or HR.

[24] Litchfield Council levies the majority of its fixed charges to properties classified as Rural Residential which attract a $765 fixed charge. Residential properties in Coolalinga are levied a $1,215 fixed charge.

applying an ad valorem rate in the $ for residential property based on property valuation (although it is understood that this is currently under review).[25]

5.1 Unimproved or Improved Capital Values

In Section 2 it was highlighted that most (possibly all) NT councils set rates based on UCV's. Rating theory considerations of the merit of the various available valuation bases are discussed in Section 3 (see p.7).

Rating with ICV's may better address the capacity to pay aspects of rating theory but based on previous studies of NT rating it appears that there are difficulties in obtaining ICV's from the VG and there may also be a significant associated expense.

5.2 Minimum rates and fixed charges

In theory and in many circumstances a fixed charge rather than a minimum rate is likely to be a superior policy choice (as highlighted in Section 3, ii, but that section also noted that this may be less so when rating using UCV). A fixed charge results in a lower share of total rate revenue being raised by the valuation-based component (ad valorem rate). This means that all other things being equal a council's rate in the dollar would be lower. It would effectively mean that higher valued properties would pay relatively less.

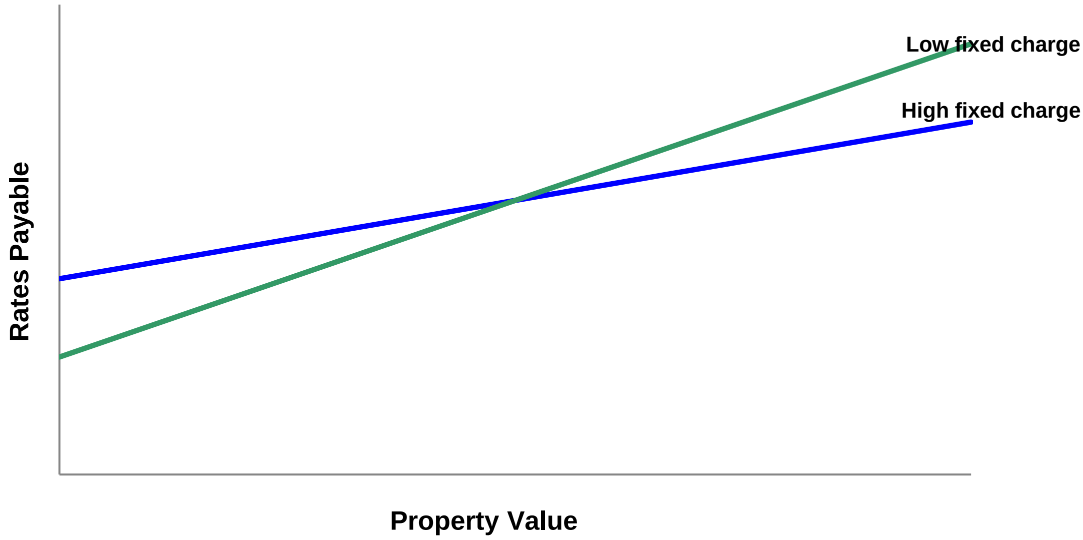
CoP's minimum rate for residential properties ($1,177) is set at a level such that approximately 65% of residential properties are paying rates equal to the minimum rate. It is noted that residential properties comprise the dominant sector in terms of numbers of rateable assessments and percentage of total rates revenue (approximately 84%). Hence, UCV's do not strongly impact rating outcomes and this is most noticeable when considering the proposed future UCV's for the 2018/19 year have been devalued by approximately 8% yet, if Council was to apply the same rates as they did in 2017/18 to the future UCV's, they would only face a shortfall marginally greater than 1% over the current year total rates revenue.

CoP's minimum rate for commercial and industrial properties ($1,191.12) is payable by approximately 39% of commercial properties (i.e. 159 ratepayers) and 45% of industrial properties (i.e. 123 ratepayers). The rationale for this slightly higher minimum rate ($14.12) when compared to the minimum rate applied to residential properties (i.e. $1,177 versus $1,191.12) is unclear in the broad scheme. This alternative minimum rate introduces another variable to Councils' basis of rating which in turn increases the complexity of the system and has no tangible impact on overall rating outcomes.

From a theoretical perspective applying a fixed charge means that some low valued properties will also pay less providing that the fixed charge is less than the minimum rate that would otherwise be applied (see Graph 3.1). Other properties would pay more. How much more or less individual properties would pay and the property value cross-over point between more or less would depend on how much revenue was raised by a fixed charge and how much was raised by a valuation-based charge. This is illustrated in graph 5.1 below.

[25] The author of this report undertook a rating review for Litchfield in 2017.

Graph 5.1: Impact of high fixed charge relative to low fixed charge on rates payable relative to property values when a valuation-based charge is also applied



Council's 2016/17 waste service charge at $530 (residential properties only) applies to the majority of residential properties and Council also adopts a waste service charge to enable ratepayers to upgrade from a 120-litre bin (domestic waste) to a 240-litre bin for an additional charge of $149 p.a. Certain properties within the CoP comprise multiple residential units and when these properties have their own waste disposal arrangements in place (and the development exceeds 25 units) a waste service charge of $240 p.a. is levied.

5.3 Differential Rates

An area warranting careful consideration is the application by Council of differential rates. All councils should be in a position to defend not only their use of differential rating but also the extent of difference in the differentials applied. The extent and effect of CoP's differentials were outlined in Table 2.2. Shown below in Table 5.3 is the use of differential rates by CoP and other NT municipal councils. In each case the differential rate is expressed as a percentage of the residential rate[26] adopted by the respective councils in 2017/18.

[26] The CoP has set an additional differential residential rate for property within the suburb of Marlow Lagoon at 78% of the rate which is charged for all other residential property. The residential rate in the dollar used as the basis for calculating the above relativities for the CoP (Table 5.3) is based on that rate applied to the majority of CoP's residential properties (i.e. excluding Marlow Lagoon).

Table 5.3: 2017/18 Inter-council comparison of adopted differential rating arrangements (relative to the residential rate)

Council	Commercial	Industrial	Rural	Vacant
Palmerston[27]	157%	72%	100%	100%
Alice Springs	326%	119%	31%	84%
Darwin	132%	81%	100%	100%
Katherine	136%	101%	24%	14%
Litchfield[28]	128%	128%	100%	100%

Source: 2017/18 adopted rates declarations and municipal plans as posted on the respective council web-sites

Table 5.3 indicates the selected sample councils apply a higher differential rate to commercial property relative to the residential rate and there is no dominant trend in relation to the levels that differential rates are set for properties classified as industrial.

Vacant land is generally rated at a reduced rate in the dollar than that which is applied to residential land use. All the sample councils are setting lower or equivalent differential rates for rural land relative to the residential rate. Whilst the larger municipalities of Darwin and Palmerston are at 100% it is assumed they only have minor amounts of land classified as rural.

It should be noted that all other things being equal having no (or a very low) fixed charge or minimum rate will result in a higher rate in the dollar. It may also influence a council's decision about the variation in differentials relative to its residential rate. The average value of residential properties relative to the average value of other properties may also affect these relativities. All these factors need to be had regard to in comparing differential rates between councils.

Comments relating to CoP's current application of differential rates follow. The discussion of the current differential rating system will focus on four categorisations; these being Residential, Residential (Marlow Lagoon), Commercial and Industrial.

<u>Residential</u>

CoP's Residential sector contains the largest number of rateable properties (94% of assessments) and contributes 84% of total rate revenue. The average residential rates are $1,229 in 2017/18 excluding waste service charges. Of CoP's four rating classifications the average rates in this residential sector are lower than average rates in the other sectors which are discussed below.

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[27] Palmerston's relativities are based on residential other than Marlow Lagoon

[28] Litchfield Council doesn't adopt a differential rate in the dollar for residential properties, only fixed charges for land within the Coolalinga township and a different level of fixed charge for all other residential and rural residential property. The comparative figures shown in Table 5.3 for Litchfield are based on analysis of 2016/17 data by the consultant.

A valuation-based charge (using UCV's and a minimum rate of $1,177) is the basis for rating residential properties and vacant land.

There is insufficient published[29] comparative information to be able to compare CoP's level of average rates with other NT councils.

Residential (Marlow Lagoon)

The Residential (Marlow Lagoon) sector contains approximately 2% of CoP's rateable assessments and contributes 2% of total rate revenue. The average rates are $1,771 for Marlow Lagoon properties in 2017/18 excluding waste service charges. The average rates in this sector are higher than average rates in the residential sector and are less than the commercial & industrial sectors.

Commercial

The Commercial sector contains approximately 3% of CoP's rateable assessments and contributes 10% of total rate revenue. The average commercial rates are $4,985 in 2017/18 and don't include waste service charges (these properties aren't provided with a waste collection service). Of CoP's current rating classifications, the average rates in this commercial sector are higher than average rates in all other sectors; this is a fairly common outcome in local government Australia-wide and these properties also experience a marginally higher minimum rate when compared with the residential sectors.

A valuation-based charge (using UCV's and a minimum rate of $1,1191.12) is the basis for rating commercial & industrial properties).

Industrial

The Industrial sector contains approximately 2% of CoP's rateable assessments and contributes 4% of total rate revenue. The average industrial rates are $2,888 in 2017/18 and don't include waste service charges (these properties aren't provided with a waste collection service). Of CoP's current rating classifications, the average rates payable in this industrial sector are higher than average rates payable in the residential sectors but significantly less than the average rates for the commercial sector; these properties also experience a marginally higher minimum rate when compared with the residential sectors. The differential rate that is applied for rating is approximately 72% of the residential rate and this is not always the case when compared to other councils; for example, Table 5.3 indicates 2 of the 5 NT municipal councils (i.e. Darwin and Palmerston) have set their industrial differential rate at a level lower than the residential rate.

General Comments

CoP applies various differential rates based on a combination land uses and locality (Marlow Lagoon). This results in properties with the same land use, but being situated in a different locality, being levied different amounts of general rates; e.g. all residential properties

[29] In SA the Local Government Grants Commission (LGGC) annually publishes consolidated reports and in 2015/16 the SA state-wide average amount of residential rates (incl. waste services) was $1,434.

throughout CoP's jurisdiction (excluding Marlow Lagoon) currently attract a differential rate in the dollar which is approximately 28% greater than the differential rate in the dollar levied on residential land in Marlow Lagoon. Additional commentary is provided in the following section of the report in conjunction with some analysis of the distribution and average UCV's across CoP's localities/suburbs (refer Graph 5.1).

Whilst this report has not compared average rates between different councils it is noted that some care, however, needs to be taken in making conclusions from such comparisons. In particular the effective extent of any 'concession' or 'higher taxation rate' will depend on whether a council applies a fixed charge and other charges (e.g. a waste service charge) and whether these generate a significant proportion of total 'rate' revenue. It will also depend on whether a council applies UCV's or ICV's as a basis of rating.

For example, applying fixed and other charges (or a minimum rate) results in a rate in the dollar being lower than would otherwise be the case (to generate the same level of aggregate rate revenue). This will typically generate greater savings for relatively higher valued properties. For example, assume two councils are identical in all respects except that council 'A' applies a fixed charge and a waste service charge but no differential rate and council 'B' does not apply a fixed charge or a waste service charge but has a rural differential rate of 80% of the rate that applies for other properties. It is quite possible that rural ratepayers in council 'A' would on average pay less in total rates than those in council 'B' because the 'savings' for them from the council applying fixed and waste service charges are greater than those generated by the lower differential rate are for identical ratepayers in council 'B'. This is because council 'A' relies less on property values to generate the same overall amount of revenue and would therefore apply a lower rate in the $.

Councils need to be able to justify the rationale for their basis and extent of differential rating. Differentiating solely on land use ensures that all properties of the same use (e.g. residential) throughout the council are rated on the same basis irrespective of their locality.

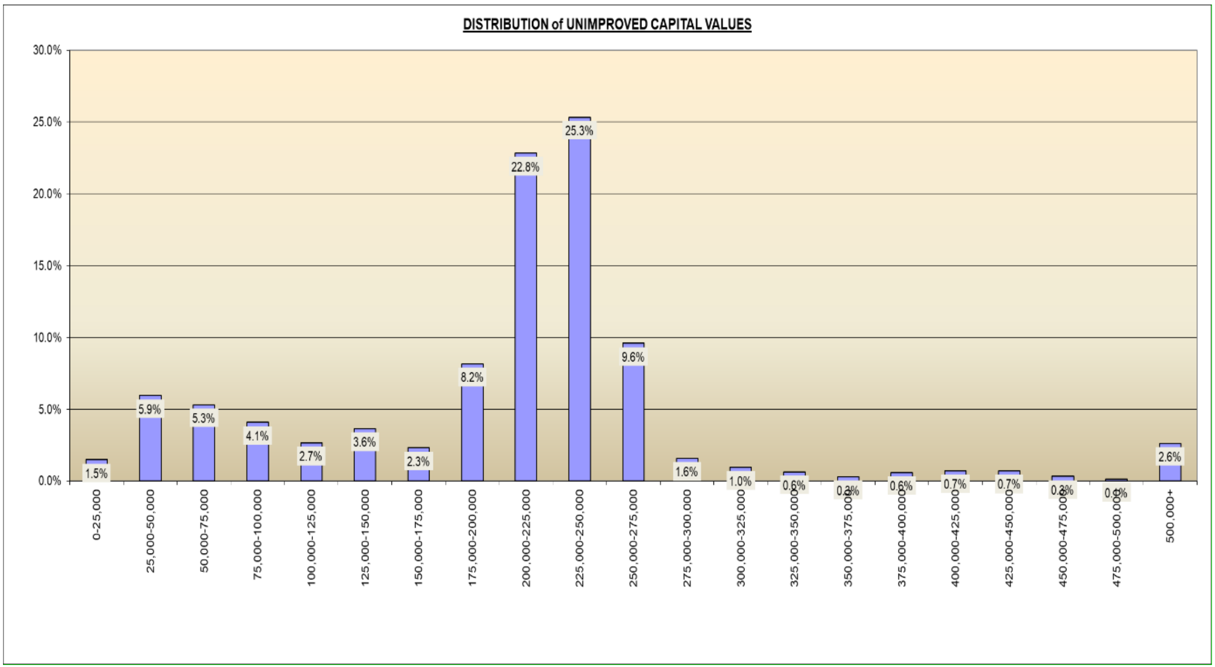
Applying differential rates may for example be justified on grounds that different localities or land uses give rise to particular relative costs and services incurred by a council that are not proportionately reflected in property values. Capacity to pay needs careful consideration before applying a differential rate on such grounds. Capacity to pay is typically reasonably correlated with ICV's and hence different ICV's effectively already take capacity to pay into account. Generally speaking, there is likely to be less correlation between UCV's and capacity to pay, although this will vary in different areas.

In some cases there may be reasonable correlation. For example, well located prime residential land with views/particular amenity is likely to encourage a high standard of housing to be developed. Where there is extensive high-density development (e.g. large scale, high value apartments) there is likely to be poor correlation between UCV and ICV.

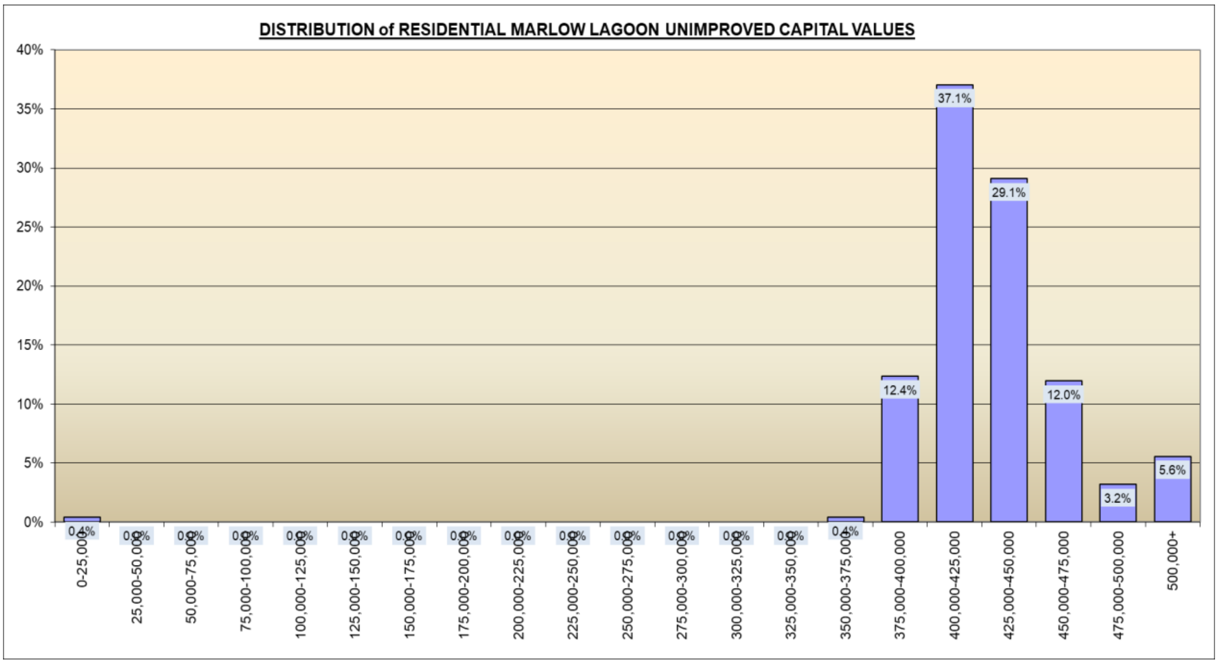
6. Modelling Results for Alternative Rating Options & Impact of Proposed UCV's

Having regard to the issues discussed in previous sections of the report some broad analysis of CoP's rates database was undertaken to determine the distribution and quantum of average UCV's council-wide. See Graphs 6.1 to 6.5 below. All are based on the future UCV's applicable from 2018/19 as provided by the Valuer-General.

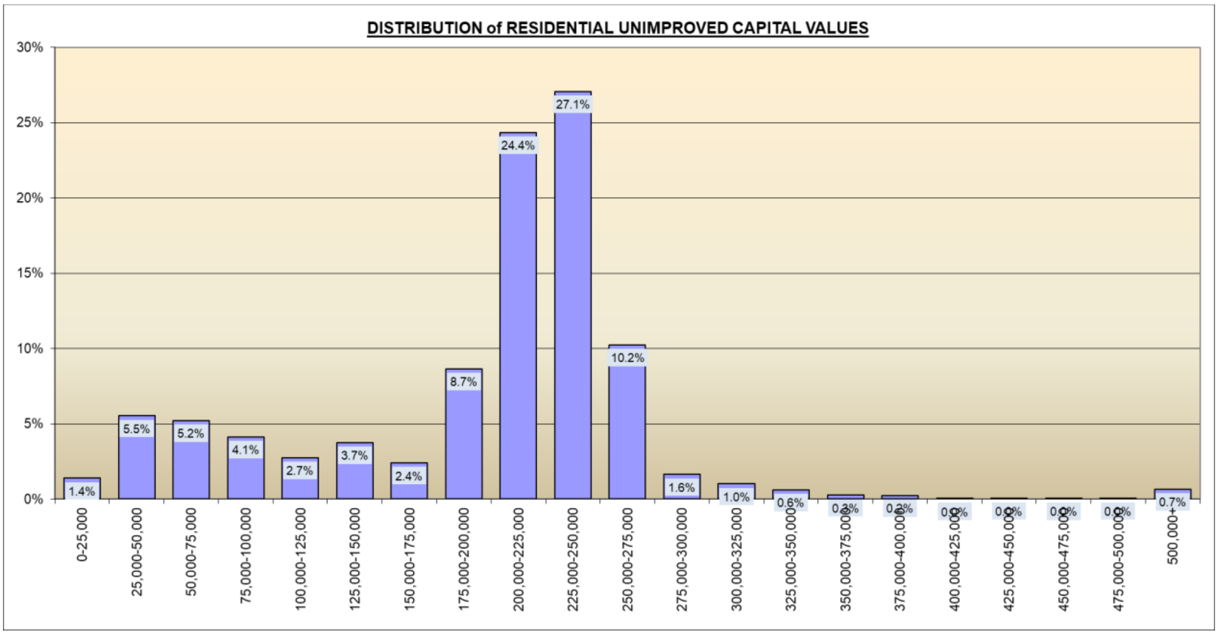
Graph 6.1 Distribution of UCV's for all properties Council-wide



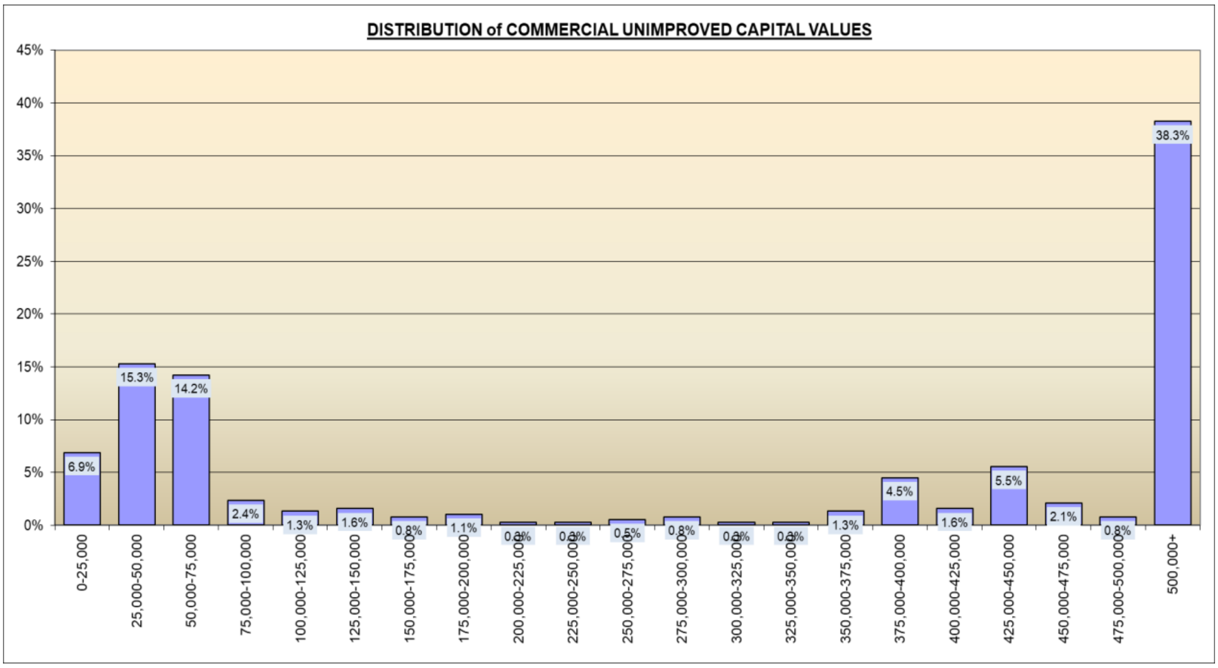
Graph 6.2 Distribution of UCV's for properties classified as Residential (Marlow Lagoon)



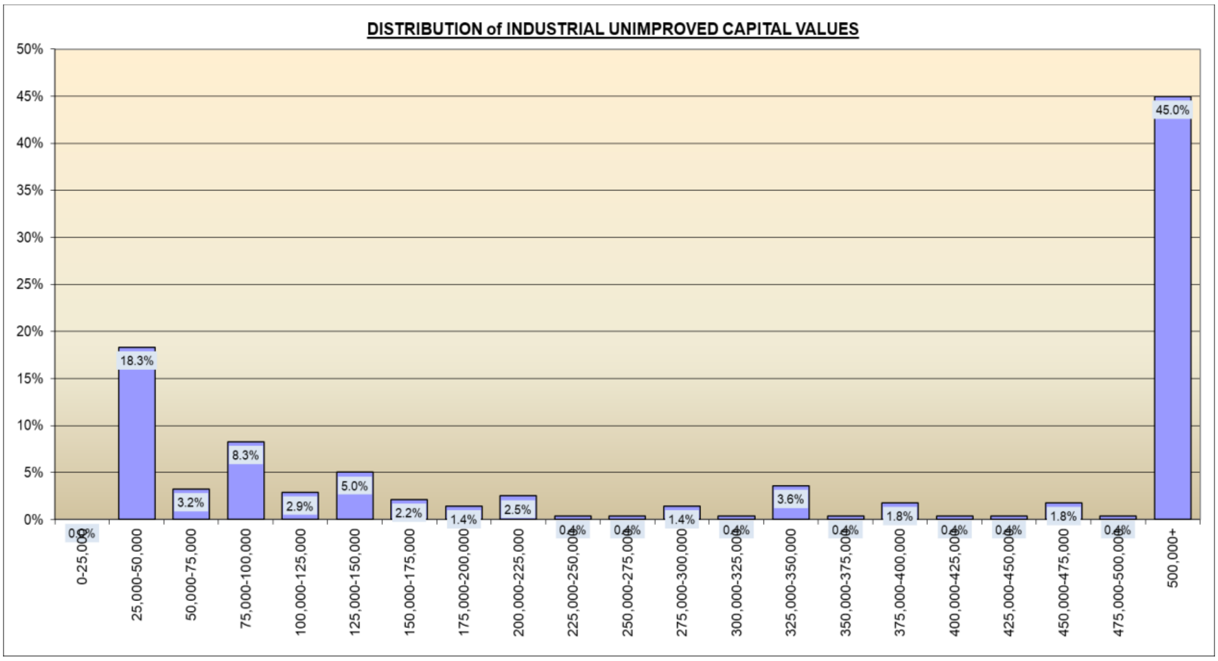
Graph 6.3 Average UCV's for properties classified as Residential (excluding Marlow Lagoon)



Graph 6.4 Average UCV's for properties classified as Commercial



Graph 6.5 Average UCV's for properties classified as Industrial



Graphs 6.1 to 6.5 expand on the data illustrated earlier in the report (in Graph 2.2) which indicated that average UCV's of residential properties are approximately 45% of the value of the residential UCV's for Marlow Lagoon properties and approximately 29% to 30% of commercial and industrial properties respectively.

There is not a significantly wide range of UCV's Council-wide given that Graph 6.1 indicates that approximately 66% of all properties have UCV's established within a range between $175k and $275k. It is important to note that this essentially correlates with the residential sector (excl. Marlow Lagoon) which has approximately 70% of its properties valued within the same range.

Council has established a minimum at a level ($1,177 for residential properties) which means it generated approximately 54% of its general rates in 2017/18 from the minimum rate. Given that its overall property valuations (proposed UCV's for 2018/19 onward) decreased by approximately 8% the fact that 54% of rates raised are not impacted by UCV's means that a minor shortfall (of approximately $223k or 1.1%) would eventuate if rates were generated using the exact rating criteria (minimum rates and differential rates in the dollar) as applied in the current 2017/18 rating year. Of course, in practice it is more likely that this would not happen as Council would need to make adjustments (increases) to the levels of its minimum rates and its differential rates in the dollar to ensure it raises the amount of rates revenue it deems necessary to meet budget expenditure and outlay needs.

Table 6.1 City of Palmerston Minimum Rates Analysis 2017/18

Differentiating Factor	Number subject to MR	% of MR Assmts.	Total Council Rate Revenue	Rate Revenue from MR	% of Revenue from MR
Residential Marlow Lagoon	2	0.8%	446,248	2,354	0.5%
Residential & vacant	8,944	65.1%	16,884,448	10,527,088	62.3%
Commercial	159	39.4%	2,013,895	189,388	9.3%
Industrial	123	44.9%	791,307	146,508	18.5%
Total	9,228	62.9%	20,135,898	10,865,338	53.9%

Whilst UCV is not as a reliable guide as to capacity to pay as ICV it would seem reasonable to conclude that typically owners of properties with a very high UCV would more often than not have more capacity to pay council rates than those who owned properties of much lower UCV. For example, in the case of Marlow Lagoon the relatively higher residential UCV's are evidenced in Graph 6.2 and according to the Australian Bureau of Statistics (ABS) residents of this suburb experience a socio-economic advantage on average relative to all other suburbs within the CoP (refer to Appendix 6). This same ABS data shows that other suburbs (such as Durack, Farrar, Gunn and Rosebery /Bellamack) also experience a relative socio-economic advantage not dissimilar to Marlow Lagoon yet they are rated on the same differential rate as other residential property. Given also that UCV is affected by availability of, and access to, local government services the question as to whether all residential properties should be rated on the same basis or the appropriate difference in the differential rate between Marlow Lagoon and other residential areas needs to be considered.

The previous basis of rating (pre-2015/16) applied a fixed charge ($1,155) to all residential properties and differential valuation-based charges to all other properties (refer to Section 2, "Background" for additional discussion); this structure had been in place, and unchanged, for approximately 23 years. In the initial phase of growth and development of the CoP (post Cyclone Tracy) this would have been a reasonable basis of rating which recognised that the majority of properties were comprised of similar sized allotments with similar UCV's and the access to services was evenly provided Council-wide. Significant development has subsequently occurred and the mix of properties throughout the CoP has changed over the years. It is important that all councils regularly review and where appropriate revise its basis of rating to ensure its rating strategy is developed and modified over time to best accommodate on-going growth and the associated new (additional) and changing demands of its community.

Rating with ICV's may typically better address the 'capacity to pay' aspects of rating theory but, in the absence of being able to access ICV's to undertake rate modelling, the effect of this option/outcome remains unsubstantiated for CoP. Based on previous studies of NT rating it appears that there are difficulties in obtaining ICV's from the VG and there may also be significant associated expense.

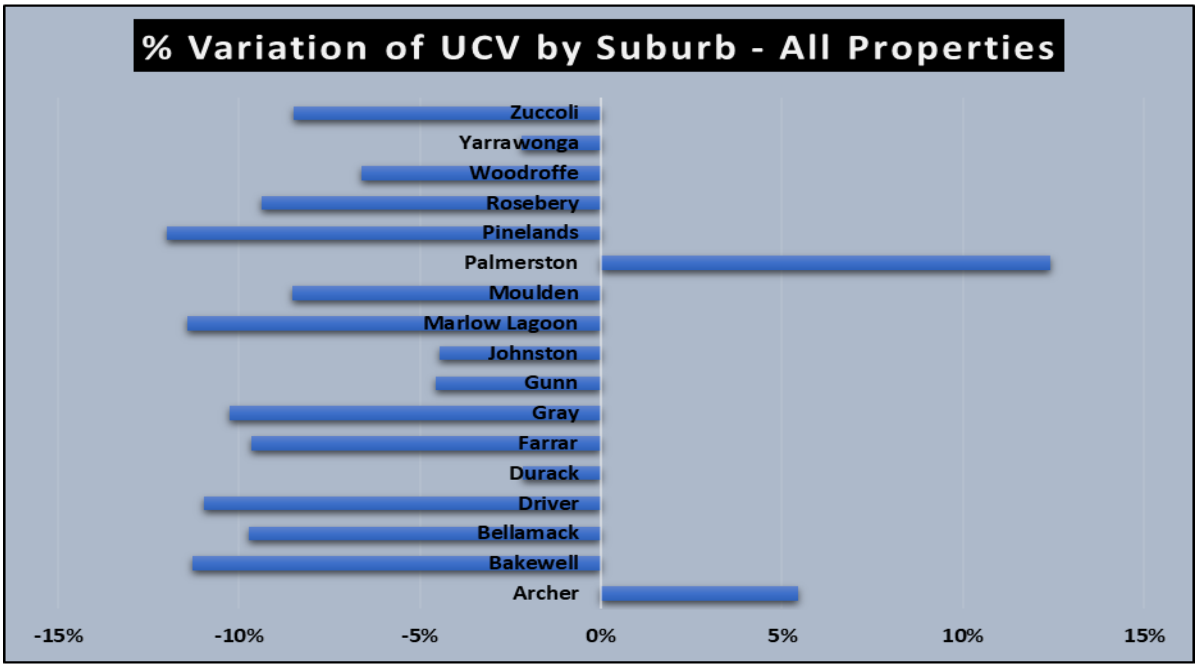
When rate modelling is undertaken it is important to note that there are many variables which may change over time and consequently impact on forecast rating outcomes, such as changes in the number of properties and the mix of relative values. For example (when using a valuation-based charge approach to rating), for any particular fixed charge (or minimum rate) a uniform increase in valuations across all properties between years would result in a higher proportion of rate revenue being levied against higher valued properties unless the fixed charge (or minimum rate) was also adjusted by an amount corresponding to the average increase in property values. Similarly, in future, properties in one differential rate category may increase (or decrease) in value relative to others; as is the case for the CoP (refer to Graph 2.2) based on the proposed “new” UCV’s. For the existing CoP system of rating the 4 differential rates “zones” (for land use and locality) experienced “uneven” valuation movements as follows:

- Residential Marlow Lagoon -11%
- Residential & vacant -8%
- Commercial +1%
- Industrial -9%

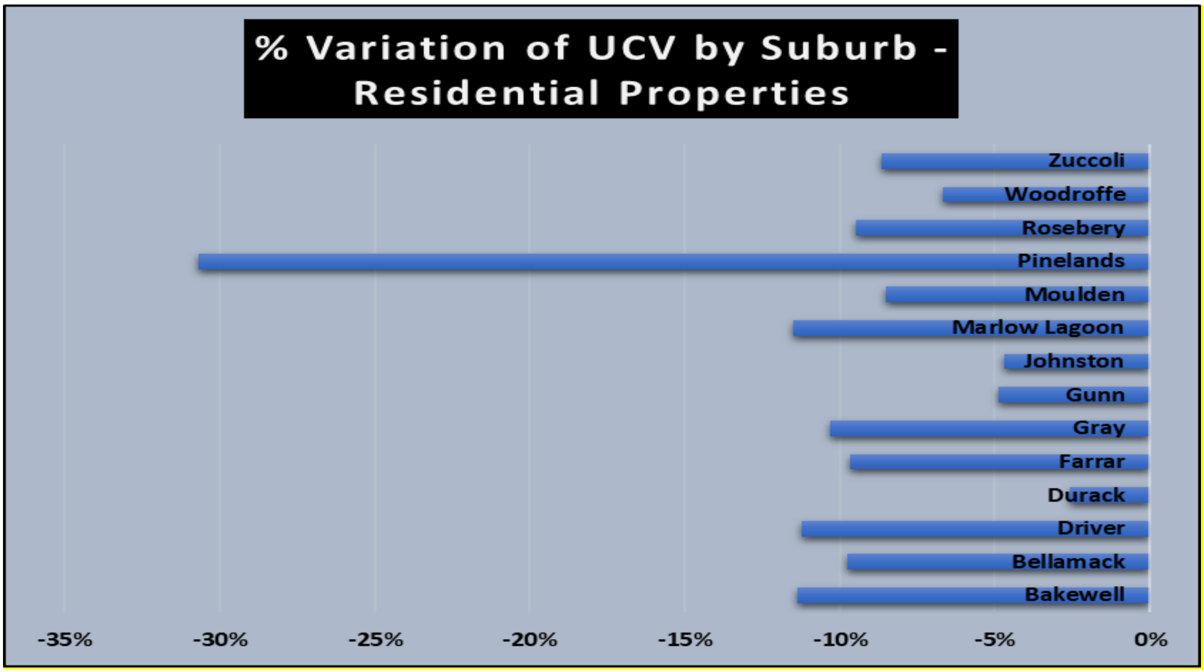
If the relative differential rates remained unchanged, property owners in the category that increased dis-proportionately to the others (in CoP’s case this relates to the Commercial properties at +11%) would pay more in rates on average relative to those in the other categories.

Within the respective rating zones (of land use and locality) it is inevitable that different levels of variations in UCV’s (i.e. proposed UCV’s compared to current UCV’s) will occur and some broad analysis of these are shown in the following 2 graphs. It is noted that trend-wise there are similar variations between different localities with a small number not experiencing such a large devaluation. The predominantly-commercial suburbs are easily identifiable by virtue of increased UCV’s shown on the right-hand side of Graph 6.6.

Graph 6.6 Average Percentage Movement of UCV's (Existing versus Proposed) by Suburb for All Properties 2017/18 to 2018/19



Graph 6.7 Average Percentage Movement of UCV's (Existing versus Proposed) by Suburb for Residential Properties



Various alternative rating options have been modelled having regard to property valuation data proposed to be applied by CoP in determining its 2018/19 rating decisions. The impacts of these alternative approaches have been quantified relative to actual rating outcomes achieved in 2017/18.[30]

The rate modelling outputs have been structured to illustrate the relative impact of changes based on the existing land use and locality. The modelling scenarios are based on UCV's and include examples of valuation- based rating applied in conjunction with fixed charges.

An illustrative sample of key options that were considered is discussed below. The 10 options modelled (Options 1 to 10) and discussed below, all assume the same level of aggregate rate revenue is raised. This assumption enables the options to highlight the impact for different categories of ratepayers of alternative rating approaches relative to current arrangements. The modelling results are based on the amounts ratepayers would have paid under each scenario in the next financial year 2018/19, compared to the actual 2017/18 rating outcomes.

Option 1: Future UCV's with current differential rate relativities and existing minimum rates.

This option shows the impact of translating from the current UCV's used for the 2017/18 rating process to the proposed UCV's (devalued by approximately 8% Council-wide) which will be used for future rating of CoP properties commencing in the 2018/19 financial year. It assumes:

- Future (i.e. 2018/19) UCV's (as recently provided by the Valuer-General) as the basis of rating;
- Same overall quantum of rate revenue as raised in 2017/18;
- Current differential rate relativities are used; i.e. Residential Marlow Lagoon at 78% of the Residential rate in the dollar, Commercial at 157% and Industrial at 72%; and
- A minimum rate (MR) at $1,177 for residential properties and a MR at $1,191.12 for commercial and industrial properties.

Table 6.2 shows the impact on average revenue per assessment.

Table 6.2 Change in Average Rates by Class of Property – Option 1

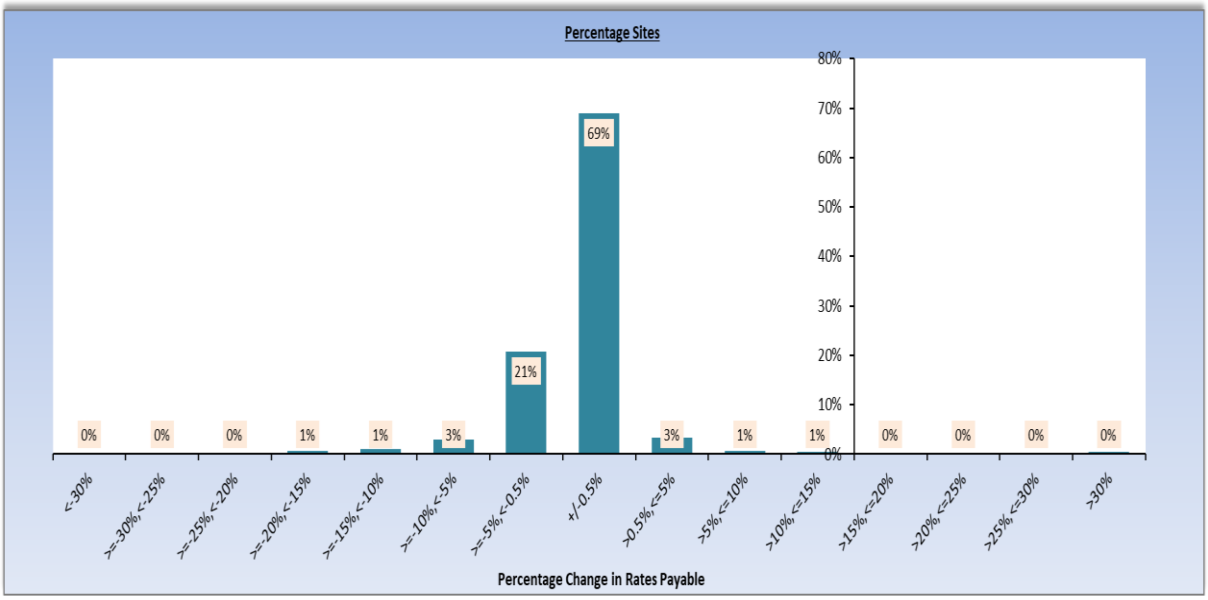
	$ Ave Change
Residential Marlow Lagoon	-$143
Residential & Vacant land	-$11
Commercial	+$225
Industrial	-$155

[30] Total overall rate revenue modelled in all instances is equivalent to that raised in 2017/18 ($20.1M). The total general rates exclude the service charge for waste management and, as such, the rate modelling discussed in Options 1 to 10 only considers the changes which occur to the average general rates component.

Option 1 results in:

- Residential Marlow Lagoon rates decreasing by 8.1%;
- Residential & Vacant land rates decreasing by 0.9%;
- Commercial rates increasing by 4.5%; and
- Industrial rates decreasing by 5.4%.
- Minimum rates raising approximately 60% of total general rates (i.e. approximately 40% raised based on property values)

Graph 6.8 Percentage of Properties Paying More or Less by Scale of Variation - Option 1



Graph 6.8 (and Table 6.2) indicates the relative UCV devaluations across the respective land classifications, with the exception of commercial land, result in a transference of the rates burden. The residential sector is noticeably moderate in terms of the quantum of the average movement (decrease) and this relates to the high number of properties that would remain paying the minimum rate.

It has previously been noted that residential properties comprise approximately 83% of total properties. When this is considered in conjunction with an overall UCV devaluation of approximately 8% for this category of CoP ratepayers then the 22% of total properties showing a decrease in rates between 0% and 10% is substantively residential properties (currently paying more than the minimum). Approximately 20% of properties classified as Residential Marlow Lagoon and 30% classified as Industrial also contribute to this result, albeit they comprise only a fraction of the numbers of properties impacted when compared to residential.

Approximately 11% of commercial properties would experience rates increases, again noting that a significant proportion of commercial properties (45%) experience no change as they attract the (unchanged) minimum rate.

All other options modelled below all show the impact of a particular alternative rating scenario based on future UCV's. It is important to recognise that some of any re-distributional impact of these options is in fact generated by the revaluation and its impact is highlighted in the discussion above.

Option 2: Future UCV's with no differential rates (i.e. a common rate in the dollar) and existing minimum rates.

In the absence of evidence to the contrary, rating theory considerations generally do not support application of differentials. This option shows the impact of such an approach when a single (common) rate in the dollar is applied to all Council properties. It assumes:

- Future UCV's (as provided by the Valuer-General) as the basis of rating;
- Same overall quantum of rate revenue as raised in 2017/18;
- A common rate in the dollar for all properties; and
- A MR at $1,177 for residential properties and a MR at $1,191.12 for commercial and industrial properties.

Table 6.3 shows the impact on average revenue per assessment.

Table 6.3 Change in Average Rates by Class of Property – Option 2

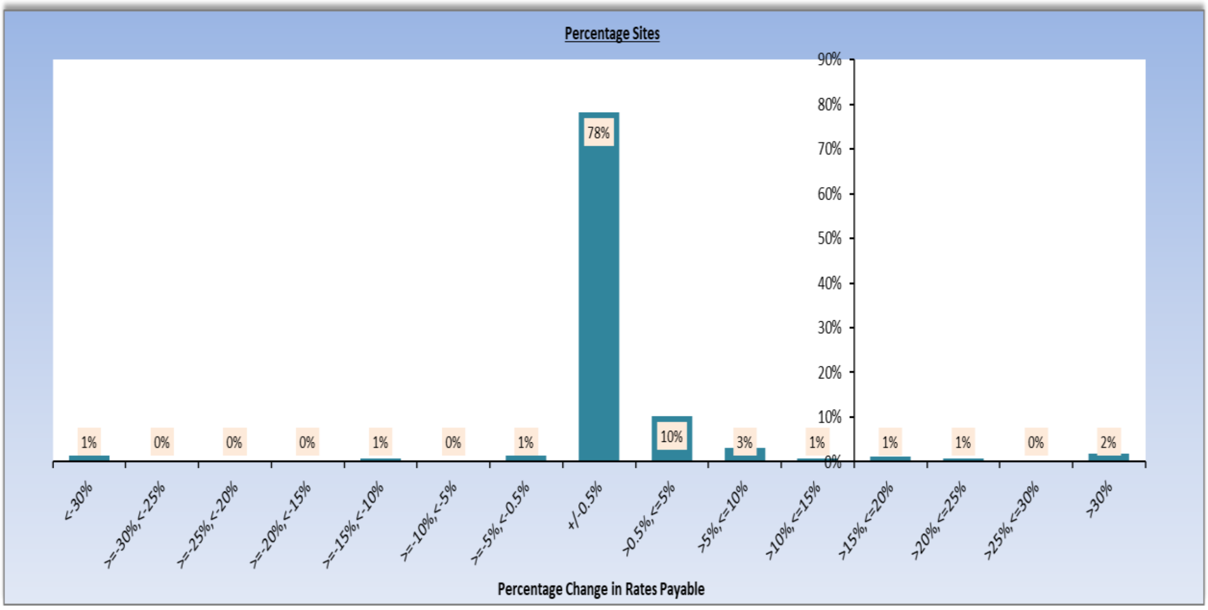
	$ Ave Change
Residential Marlow Lagoon	+$549
Residential & Vacant land	+$16
Commercial	-$1,557
Industrial	+$976

Option 2 results in:

- Residential Marlow Lagoon rates increasing by 33.7%;
- Residential & Vacant land rates increasing by 1.3%;
- Commercial rates decreasing by 29.9%; and
- Industrial rates increasing by 35.7%.

Minimum rates raising approximately 50% of total general rates (i.e. approximately 50% raised based on property values)

Graph 6.9 Percentage of Properties Paying More or Less by Scale of Variation - Option 2



Graph 6.9 shows 78% of all properties experience rates movements of +/- 0.5%; these are predominantly properties that are charged the minimum rate.

Properties classified as Residential - Marlow Lagoon experience increased rates (except for 2 minimum-rated properties); 95% of these properties would face increases greater than 15%.

Properties classified as Residential account for the majority of rateable assessments and they also account for the greatest number of properties being charged the minimum rate. As such, under this option approximately 81% of residential properties experience minor rates movements of +/- 0.5%. A further 13% of residential properties would face movements of +/- 5%.

Properties classified as Industrial experience either no rates movements or increased rates; approximately 53% of the industrial properties would face increased rates greater than 30%.

Properties classified as Commercial experience either no rates movements or decreased rates (only 2% would face minor increases); approximately 47% of the commercial properties would face decreased rates greater than 30%.

Noting CoP’s existing differential rates structure then the outcomes described above are to be expected when a common differential rate is applied to all properties.

Option 3: Future UCV's with current differential rate relativities and the introduction of a fixed charge (to replace the minimum rates) which generates approximately 75% of total rates revenue.

This option shows the impact of implementing a fixed charge as a replacement for the existing minimum rates. This option would result in a decrease in the ad valorem rate for each class of property compared to Council's existing rating system (i.e. the previous option) and therefore lessens the impact of UCV's in determining how much individual property owners' pay. It assumes:

- Future UCV's (as provided by the Valuer-General) as the basis of rating;
- Same overall quantum of rate revenue as raised in 2017/18;
- Current differential rate relativities are used; i.e. Residential Marlow Lagoon at 78% of the Residential rate in the dollar, Commercial at 157% and Industrial at 72%;
- A $1,070 fixed charge for all properties; and
- No minimum rates.

Table 6.4 shows the impact on average revenue per assessment.

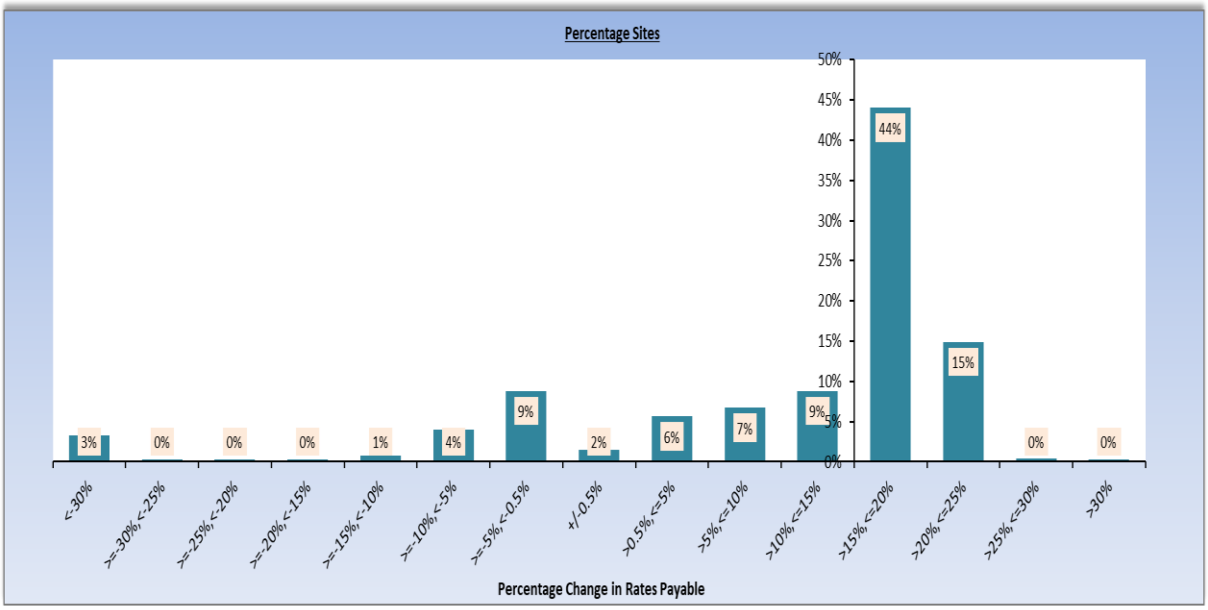
Table 6.4 Change in Average Rates by Class of Property – Option 3

	$ Ave Change
Residential Marlow Lagoon	-$52
Residential & Vacant land	+$97
Commercial	-$2,678
Industrial	-$929

Option 3 results in:

- Residential Marlow Lagoon rates decreasing by 3.2%;
- Residential & Vacant land rates increasing by 8.0%;
- Commercial rates decreasing by 51.4%; and
- Industrial rates decreasing by 34.0%.
- Fixed charges raising approximately 75% of total general rates (i.e. approximately 25% raised based on property values).

Graph 6.10 Percentage of Properties Paying More or Less by Scale of Variation - Option 3



Graph 6.10 shows 81% of properties experience rates increases of up to 25% and 17% of properties experience rates decreases (3% greater than 30%). This option uses a relatively high fixed charge and this results in higher-valued properties generally facing decreased rates (or relatively minor increases) as a result of reduced rating impact attributable to property UCV's; i.e. a lower differential rate in the dollar eventuates.

Properties classified as Residential - Marlow Lagoon predominantly experience decreased rates; approximately 85% of these properties would face decreased rates of up to 15% and the remainder of properties would experience greater decreases.

Properties classified as Residential predominantly experience increased rates; i.e. these are relatively modest-valued properties when compared to the average UCV's for the other classifications and don't benefit to the same extent from a high fixed charge. Under this option approximately 85% of residential properties experience rates increases of up to 25%; noting that 47% alone (of this group) face increases between 15% and 20%. A further 13% of residential properties would face rates decreases of varying amounts with approximately 8% of these between 0% and 5%.

Properties classified as Industrial experience both increased and decreased rates with the majority (78%) being decreases; of these 35% of properties would experience decreases exceeding 30%. Approximately 20% of the industrial properties would face increased rates up to 20%.

Properties classified as Commercial experience both increased and decreased rates with the majority (78%) being decreases; of these 53% of properties would experience decreases exceeding 30%. Approximately. 19% of the commercial properties would face increased rates up to 20%.

Option 4: Future UCV's with current differential rate relativities and the introduction of a fixed charge (to replace the minimum rates) which generates approximately 50% of total rates revenue.

This option shows the impact of implementing a fixed charge as a replacement for the existing minimum rates. The same rating theory issues apply as discussed in the previous option 3 and this option indicates the impact of varying the level of the fixed charge – i.e. from one which generates 75% of total rates revenue to a fixed charge which generates approximately 50% of total rates revenue. It assumes:

- Future UCV's (as provided by the Valuer-General) as the basis of rating;
- Same overall quantum of rate revenue as raised in 2017/18;
- Current differential rate relativities are used; i.e. Residential Marlow Lagoon at 78% of the Residential rate in the dollar, Commercial at 157% and Industrial at 72%;
- A $710 fixed charge for all properties; and
- No minimum rates.

Table 6.5 shows the impact on average revenue per assessment.

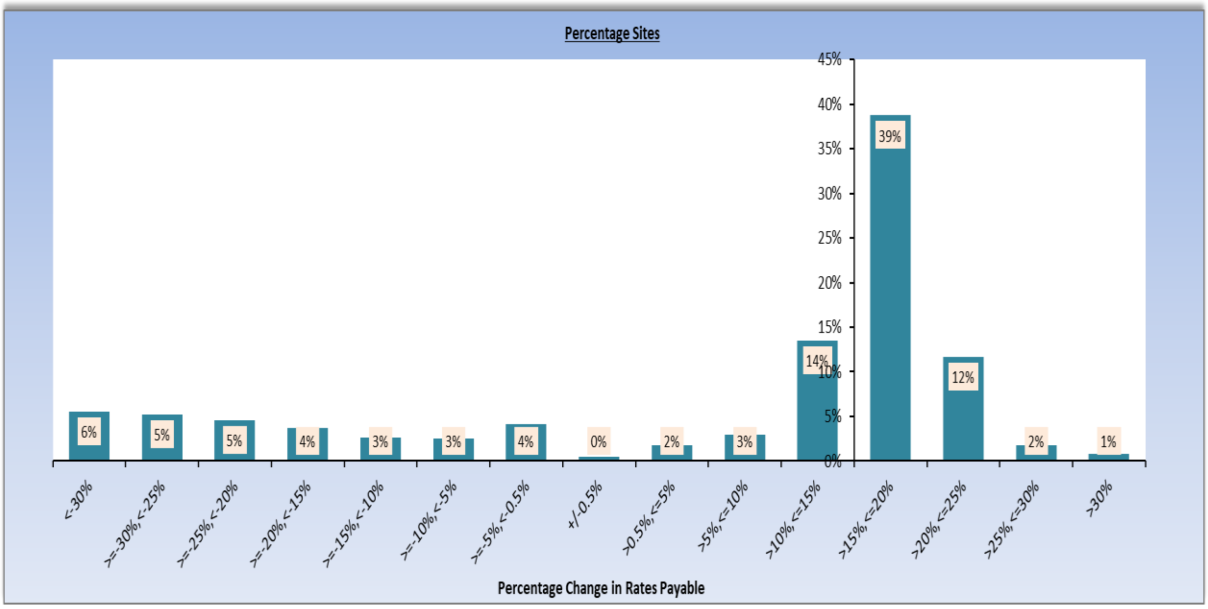
Table 6.5 Change in Average Rates by Class of Property – Option 4

	$ Ave Change
Residential Marlow Lagoon	+$104
Residential & Vacant land	+$52
Commercial	-$1,471
Industrial	-$547

Option 4 results in:

- Residential Marlow Lagoon rates increasing by 6.4%;
- Residential & Vacant land rates increasing by 4.3%;
- Commercial rates decreasing by 26.2%; and
- Industrial rates decreasing by 20.0%.
- Fixed charges raising approximately 50% of total general rates (i.e. approximately 50% raised based on property values)

Graph 6.11 Percentage of Properties Paying More or Less by Scale of Variation - Option 4



Graph 6.11 shows 70% of properties experience rates increases of up to 25% and 30% of properties experience rates decreases (6% greater than 30%). This option uses a mid-range fixed charge and this results in higher-valued properties generally facing decreased rates (or relatively minor increases) although not to the same extent as the set of results produced by the previous option.

Properties classified as Residential - Marlow Lagoon predominantly experience decreased rates; approximately 68% of these properties would face decreased rates of up to 15%. Some residential properties (approximately 24%) in Marlow Lagoon would experience increased rates of up to 10%.

Properties classified as Residential predominantly experience increased rates; i.e. these are relatively modest-valued properties when compared to the average UCV's for the other classifications and don't benefit to the same extent from either a high or a mid-range fixed charge. Under this option approximately 72% of residential properties experience rates increases of up to 25%; noting that 41% alone (of this group) face increases between 15% and 20%. A further 25% of residential properties would face rates decreases of varying amounts with approximately 5% exceeding a 30% reduction.

Properties classified as Industrial experience both increased and decreased rates with the majority (87%) being decreases; of these 26% of properties would experience decreases exceeding 30%. Approximately. 12% of the industrial properties would face increased rates up to 20%.

Properties classified as Commercial experience both increased and decreased rates with the majority (92%) being decreases; of these 28% of properties would experience decreases exceeding 30%. Approximately. 7% of the commercial properties would face increased rates up to 20%.

Option 5: Future UCV's with current differential rate relativities and the introduction of a fixed charge (to replace the minimum rates) which generates approximately 25% of total rates revenue.

This option shows the impact of implementing a fixed charge as a replacement for the existing minimum rates. The same rating theory issues apply as discussed in the previous options 3 and 4, and this option indicates the impact of further varying the level of the fixed charge – i.e. from one which generates 75% and 50% of total rates revenue to a fixed charge which generates approximately 25% of total rates revenue. It assumes:

- Future UCV's (as provided by the Valuer-General) as the basis of rating;
- Same overall quantum of rate revenue as raised in 2017/18;
- Current differential rate relativities are used; i.e. Residential Marlow Lagoon at 78% of the Residential rate in the dollar, Commercial at 157% and Industrial at 72%;
- A $350 fixed charge for all properties; and
- No minimum rates.

Table 6.6 shows the impact on average revenue per assessment.

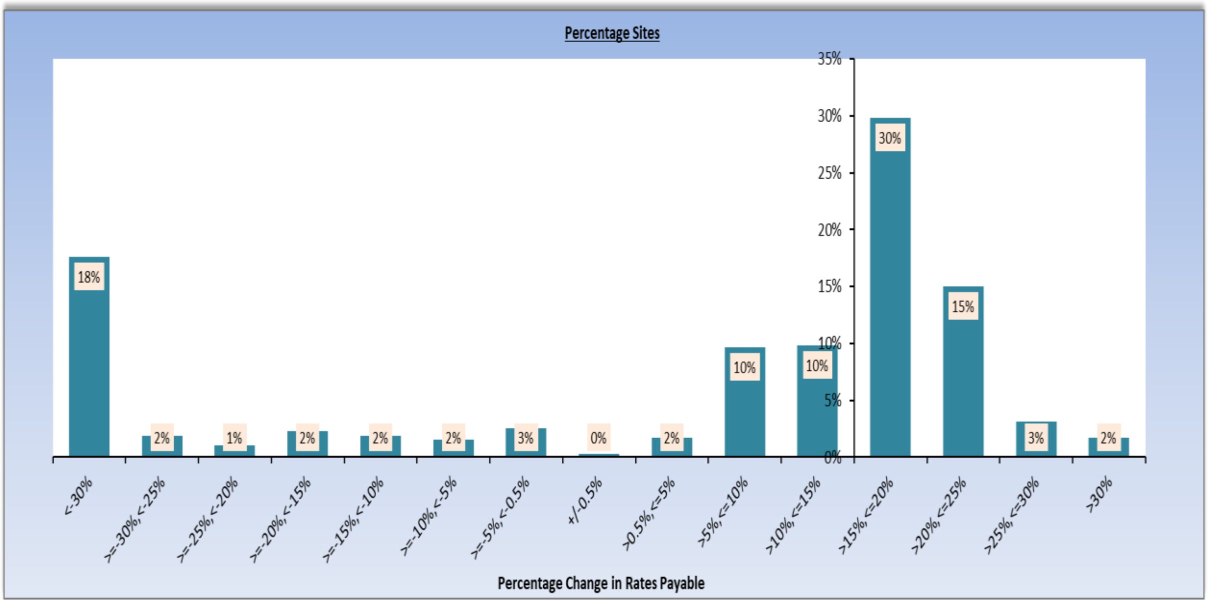
Table 6.6 Change in Average Rates by Class of Property – Option 5

	$ Ave Change
Residential Marlow Lagoon	+$260
Residential & Vacant land	+$6
Commercial	-$264
Industrial	-$166

Option 5 results in:

- Residential Marlow Lagoon rates increasing by 16.0%;
- Residential & Vacant land rates increasing by 0.5%;
- Commercial rates decreasing by 5.1%; and
- Industrial rates decreasing by 6.1%.
- Fixed charges raising approximately 25% of total general rates (i.e. approximately 75% raised based on property values).

Graph 6.12 Percentage of Properties Paying More or Less by Scale of Variation - Option 5



Graph 6.12 shows 67% of properties experience rates increases of up to 25% and 30% of properties experience rates decreases (18% greater than 30%). This option uses a relatively low fixed charge compared to the previous 2 options.

Properties classified as Residential - Marlow Lagoon predominantly experience increased rates; approximately 92% of these properties would face increased rates of up to 25%. The majority of these properties (67%) would face increases up to 10% A minor number of residential properties (approximately 4%) in Marlow Lagoon would experience decreased rates.

Properties classified as Residential experience both increased and decreased rates; i.e. these properties do benefit relatively to a low fixed charge when compared with results from the 2 previous options. Under this option approximately 68% of residential properties experience rates increases of up to 25%; noting that 32% alone (of this group) face increases between 15% and 20%. A further 27% of residential properties would face rates decreases of varying amounts with approximately 17% exceeding a 30% reduction.

Properties classified as Industrial experience both increased and decreased rates with the majority (73%) being decreases; of these 37% of properties would experience decreases exceeding 30%. Approximately 25% of the industrial properties would face increased rates up to 20%.

Properties classified as Commercial experience both increased and decreased rates with the majority (80%) being decreases; of these 35% of properties would experience decreases exceeding 30%. Approximately 11% of the commercial properties would face increased rates up to 20% and 8% of commercial properties would face increased rates greater than 20%.

Option 6: Future UCV's with a common differential rate in the dollar for all properties except Commercial (which is retained at 157% of residential) and the introduction of a fixed charge (to replace the minimum rates) which generates approximately 50% of total rates revenue.

This option shows the impact of implementing a fixed charge which generates approximately 50% of total rates revenue and reducing Council's differential rates to 2 only. A common rate in the dollar is applied to all properties other than the properties classified as Commercial which would retain the existing differential rate relativity to the residential rate. Currently the relativities for residential property in Marlow Lagoon and industrial land are 78% and 72% respectively of the residential rate. This option assumes:

- Future UCV's (as provided by the Valuer-General) as the basis of rating;
- Same overall quantum of rate revenue as raised in 2017/18;
- Changed differential rate relativities; i.e. Residential Marlow Lagoon and Industrial at 100% of the Residential rate in the dollar, and Commercial at 157% (as per existing level);
- A $710 fixed charge for all properties; and
- No minimum rates.

Table 6.7 shows the impact on average revenue per assessment.

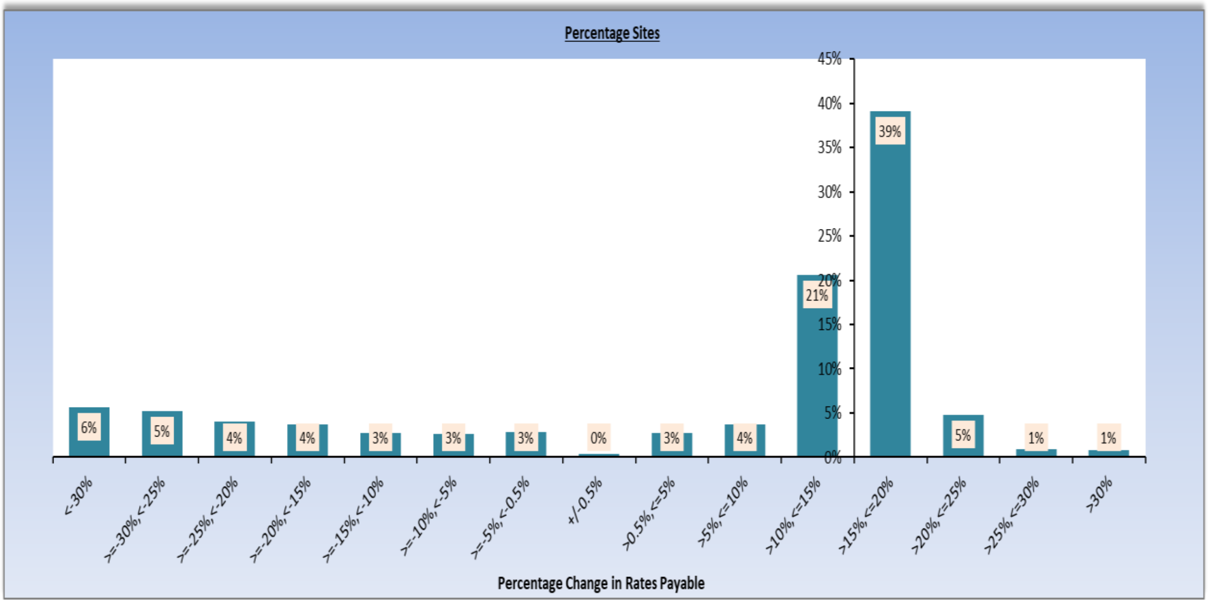
Table 6.7 Change in Average Rates by Class of Property – Option 6

	$ Ave Change
Residential Marlow Lagoon	+$364
Residential & Vacant land	+$38
Commercial	-$1,539
Industrial	-$27

Option 6 results in:

- Residential Marlow Lagoon rates increasing by 22.4%;
- Residential & Vacant land rates increasing by 3.2%;
- Commercial rates decreasing by 29.5%; and
- Industrial rates decreasing by 1.0%.
- Fixed charges raising approximately 50% of total general rates (i.e. approximately 50% raised based on property values).

Graph 6.13 Percentage of Properties Paying More or Less by Scale of Variation - Option 6



Graph 6.13 shows 72% of properties experience rates increases of up to 25% and 28% of properties experience rates decreases (6% greater than 30%). This option uses a mid-range fixed charge which generates approximately 50% of total rates revenue.

Properties classified as Residential - Marlow Lagoon predominantly experience increased rates; approximately 91% of these properties would face increased rates of up to 25%. The majority of these properties (69%) would face increases up to 15% A minor number of residential properties (approximately 3%) in Marlow Lagoon would experience decreased rates.

Properties classified as Residential experience both increased and decreased rates. Under this option approximately 73% of residential properties experience rates increases of up to 25%; noting that 41% alone (of this group) face increases between 15% and 20%. A further 25% of residential properties would face rates decreases of varying amounts with approximately 5% exceeding a 30% reduction.

Properties classified as Industrial experience both increased and decreased rates with the majority (65%) being decreases; of these 18% of properties would experience decreases exceeding 30%. Approximately. 22% of the industrial properties would face increased rates up to 20% and approximately 5% of industrial properties would experience increases exceeding 30%

Properties classified as Commercial experience predominantly decreased rates (92%); of these, approximately 31% of properties would experience decreases exceeding 30%. Approximately 7% of the commercial properties would face increased rates up to 20%.

Option 7: Future UCV's with changed differential rates relativities and existing minimum rates.

In the absence of evidence to the contrary, rating theory considerations generally do not support application of differentials. Whilst this option does retain differential rates it seeks to minimise the extent of differentials in use by equalising the industrial differential rate with the residential differential rate and moving the differential rate relativity for residential Marlow Lagoon properties closer to the Council-wide residential differential rate. This option retains the existing minimum rates and assumes:

- Future UCV's (as provided by the Valuer-General) as the basis of rating;
- Same overall quantum of rate revenue as raised in 2017/18;
- Differential rate relativities (as a % of the residential differential rate) of 90% for residential Marlow Lagoon (changed from 78% existing relativity), 157% for commercial (unchanged from existing relativity) and 100% for industrial (changed from 72% existing relativity); and
- A MR at $1,177 for residential properties and a MR at $1,191.12 for commercial and industrial properties.

Table 6.8 shows the impact on average revenue per assessment.

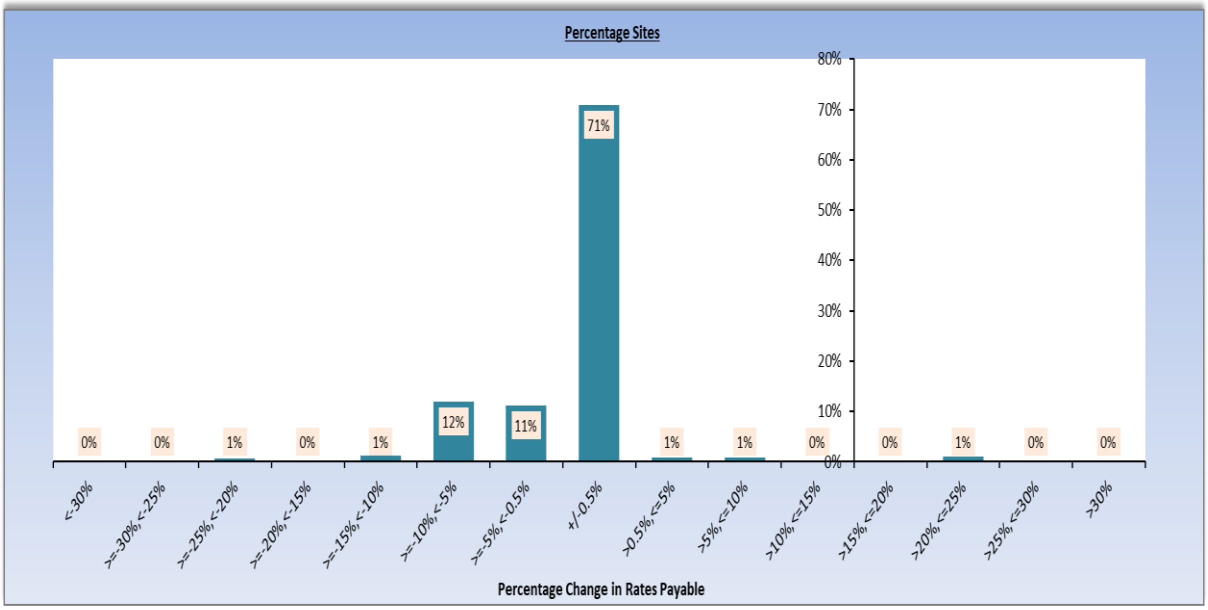
Table 6.8 Change in Average Rates by Class of Property – Option 7

	$ Ave Change
Residential Marlow Lagoon	+$159
Residential & Vacant land	-$10
Commercial	-$222
Industrial	+$693

Option 7 results in:

- Residential Marlow Lagoon rates increasing by 9.8%;
- Residential & Vacant land rates decreasing by 0.8%;
- Commercial rates decreasing by 4.3%; and
- Industrial rates increasing by 25.4%.
- Minimum rates raising approximately 70% of total general rates (i.e. approximately 30% raised based on property values)

Graph 6.14 Percentage of Properties Paying More or Less by Scale of Variation - Option 7



Graph 6.14 shows 71% of all properties experience rates movements of +/- 0.5%; these are predominantly properties (residential) that are charged the minimum rate.

Properties classified as Residential - Marlow Lagoon experience both increased (35%) and decreased (58%) rates movements; approximately 32% of the Residential Marlow Lagoon properties would face increases up to 15%.

Properties classified as Residential comprise the majority experiencing no, or a minor, movement. Approximately 2% of residential properties would face increases and approximately 25% would face decreases.

Properties classified as Industrial experience either no rates movements (44% on the minimum rate) or increased rates; approximately 44% of the industrial properties would face increased rates between 20% and 25%.

A majority of properties classified as Commercial experience either no rates movements (47% on the minimum rate) or decreased rates and 10% would face increases; approximately 37% of the commercial properties would face decreased rates between 10% and 15%.

Noting CoP's existing differential rates structure then the outcomes described above are consistent with expectations. Further, the commercial rate has been retained at existing levels (of relativity with the residential rate) as this appears to align reasonably well with other councils and it also seems to be accepted by ratepayers generally.

Option 8: Future UCV's with existing differential rates relativities and increased minimum rates.

This option indicates the impact of increasing the level of minimum rates (and using a common minimum rate) whilst retaining the existing differential rates relativities. It assumes:

- Future UCV's (as provided by the Valuer-General) as the basis of rating;
- Same overall quantum of rate revenue as raised in 2017/18;
- Current differential rate relativities are used; i.e. Residential Marlow Lagoon at 78% of the Residential rate in the dollar, Commercial at 157% and Industrial at 72%; and
- A MR at $1,217 for all properties (an increase of $40 over the existing residential minimum rate.

Table 6.9 shows the impact on average revenue per assessment.

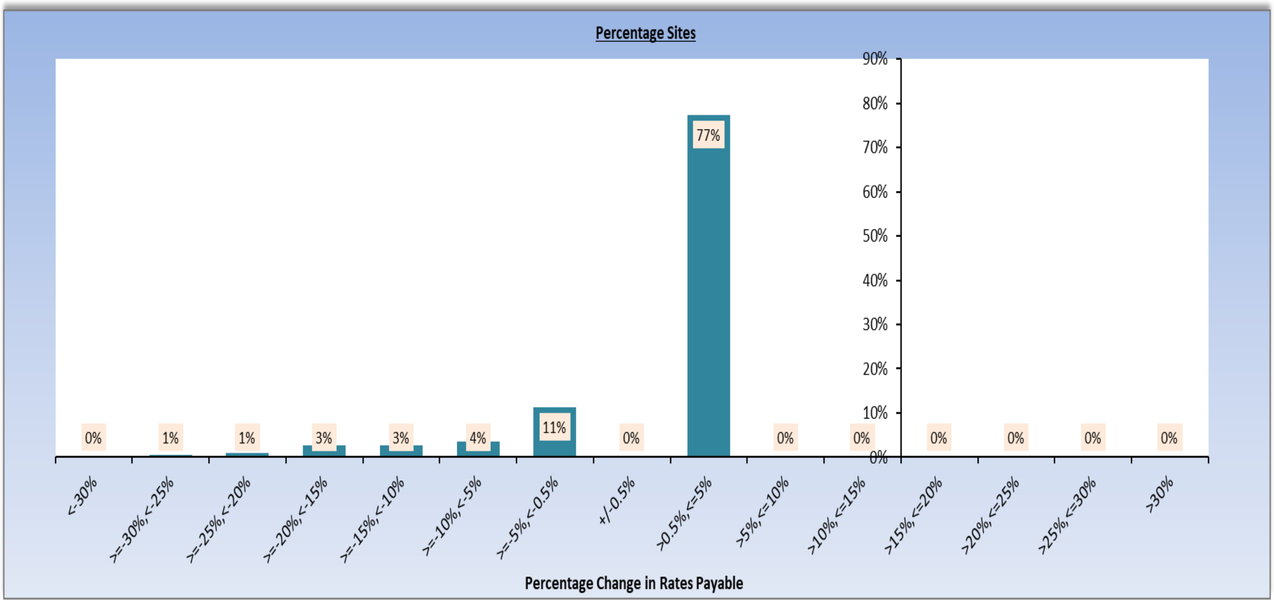
Table 6.9 Change in Average Rates by Class of Property – Option 8

	$ Ave Change
Residential Marlow Lagoon	-$171
Residential & Vacant land	+$21
Commercial	-$485
Industrial	-$214

Option 8 results in:

- Residential Marlow Lagoon rates decreasing by 10.5%;
- Residential & Vacant land rates increasing by 1.8%;
- Commercial rates decreasing by 9.3%; and
- Industrial rates decreasing by 7.8%.
- Minimum rates raising approximately 78% of total general rates (i.e. approximately 22% raised based on property values)

Graph 6.15 Percentage of Properties Paying More or Less by Scale of Variation - Option 8



Graph 6.15 shows 77% of all properties experience rates movements up to 5%; these are predominantly properties (residential) that are charged the minimum rate.

Properties classified as Residential - Marlow Lagoon experience either no movements or decreased rates for all properties; approximately 95% of the Residential Marlow Lagoon properties would face decreases between 5% and 25%.

Properties classified as Residential comprise the majority experiencing an increase up to 5%. Less than 1% of residential properties would face increases greater than 5% and approximately 19% would face decreases.

Properties classified as Industrial experience up to 5% rates increases (44% on the minimum rate) or decreased rates; approximately 42% of the industrial properties would face decreased rates between 15% and 20%.

Properties classified as commercial experience up to 5% rates increases (46% on the minimum rate) or decreased rates; approximately 38% of the commercial properties would face decreased rates between 15% and 20%. Approximately 7% of commercial properties experience rate increase exceeding 5%.

Noting CoP’s existing differential rates structure then the outcomes described above are consistent with a $40 increase in the minimum rate as this is approximately 3.4% greater than the existing residential minimum rate.

Option 9: Future UCV's with changed differential rates relativities and increased minimum rates.

This option indicates the impact of increasing the level of minimum rates (and using a common minimum rate) whilst seeking to minimise the extent of differentials in use (refer to Option 7); i.e. by equalising the industrial differential rate with the residential differential rate and moving the differential rate relativity for residential Marlow Lagoon properties closer to the Council-wide residential differential rate. It assumes:

- Future UCV's (as provided by the Valuer-General) as the basis of rating;
- Same overall quantum of rate revenue as raised in 2017/18;
- Differential rate relativities (as a % of the residential differential rate) of 90% for residential Marlow Lagoon (changed from 78% existing relativity), 157% for commercial (unchanged from existing relativity) and 100% for industrial (changed from 72% existing relativity); and
- A MR at $1,217 for all properties (an increase of $40 over the existing residential minimum rate.

Table 6.10 shows the impact on average revenue per assessment.

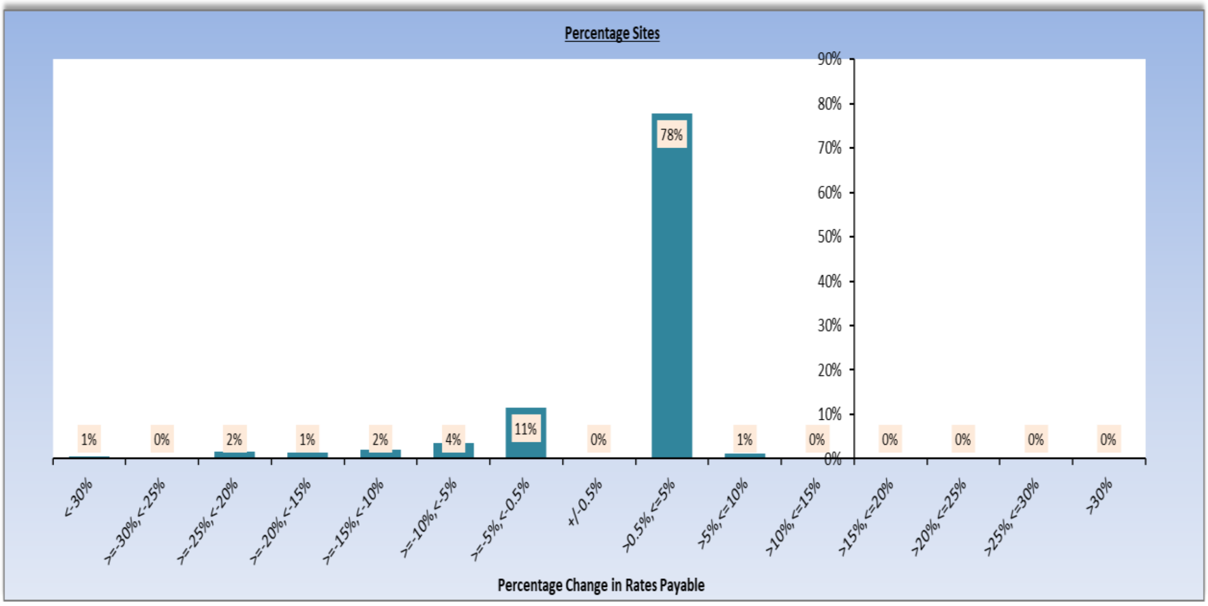
Table 6.10 Change in Average Rates by Class of Property – Option 9

	$ Ave Change
Residential Marlow Lagoon	-$70
Residential & Vacant land	+$17
Commercial	-$788
Industrial	+$328

Option 9 results in:

- Residential Marlow Lagoon rates decreasing by 4.3%;
- Residential & Vacant land rates increasing by 1.5%;
- Commercial rates decreasing by 15.1%; and
- Industrial rates increasing by 12.0%.
- Minimum rates raising approximately 79% of total general rates (i.e. approximately 21% raised based on property values)

Graph 6.16 Percentage of Properties Paying More or Less by Scale of Variation - Option 9



Graph 6.16 shows 78% of all properties experience rates movements up to 5%; these are predominantly properties (residential) that are charged the minimum rate.

Properties classified as Residential - Marlow Lagoon experience decreased rates predominantly, and 4% experience minor increases up to 5%; approximately 94% of the Residential Marlow Lagoon properties would face decreases up to 20%.

Properties classified as Residential comprise the majority experiencing an increase up to 5%. Less than 1% of residential properties would face increases greater than 5% and approximately 19% would face decreases.

Properties classified as Industrial experience up to 5% rates increases (44% on the minimum rate) and the other industrial properties (56%) face rates increases between 5% and 15%.

Properties classified as commercial experience up to 5% rates increases (46% on the minimum rate) or decreased rates; approximately 39% of the commercial properties would face decreased rates between 20% and 25%. Approximately 5% of commercial properties experience rate increase exceeding 5%.

Noting CoP's existing differential rates structure then the outcomes described above are consistent with a $40 increase in the minimum rate as this is approximately 3.4% greater than the existing residential minimum rate.

Option 10: Future UCV’s with a common Fixed Charge (Flat Rate) of $1,237 applied to all rateable assessments other than the categories of Commercial and Industrial which are rated using valuation-based differential rates and a minimum rate of $1191.12.

Option 10 is a replication of the pre-2015/16 system of rating. It is included for illustrative purposes. The same percentage of rates revenue is raised in 2017/18 by the Fixed Charge on residential properties (which replaces the minimum rate on this class of property) as was the case in 2014/15. The current differential rates relativity between commercial and industrial properties (commercial approximately 217% of industrial) is maintained, along with the existing minimum rate of $1,191.12.

It assumes:

- Future UCV’s (as provided by the Valuer-General) as the basis of rating;
- Same overall quantum of rate revenue as raised in 2017/18;
- A Fixed Charge (Flat Rate) of $1237 for all residential properties (an increase of $60 over the existing residential minimum rate of $1,177); and
- Differential rate relativities are applicable between commercial and industrial properties only; the relativity is maintained at approximately 217%. These are the only classes of property that valuation-based differential rating is applied to. The existing minimum rate is maintained for commercial and industrial properties as was the case pre-2015/16. Table 6.11 shows the impact on average revenue per assessment.

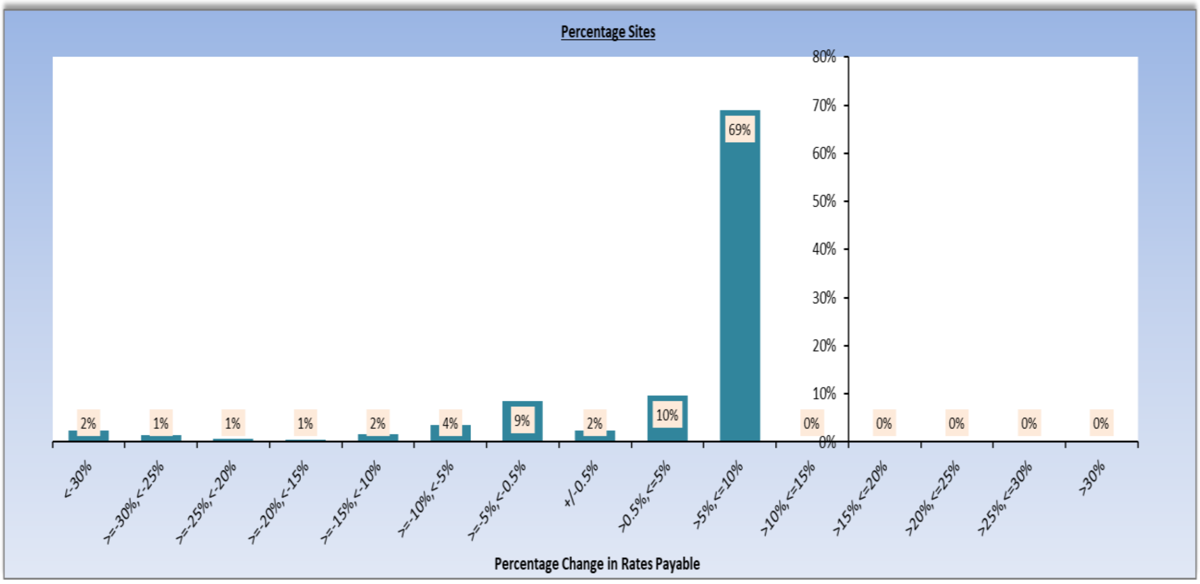
Table 6.11 Change in Average Rates by Class of Property – Option 10

	$ Ave Change
Residential Marlow Lagoon	-$376
Residential & Vacant land	+$12
Commercial	-$126
Industrial	-$80

Option 10 results on average in:

- Residential Marlow Lagoon rates decreasing by 23.1%;
- Residential & Vacant land rates increasing by 1.0%;
- Commercial rates decreasing by 2.4%; and
- Industrial rates decreasing by 2.6%.
- The flat rate (on residential property) raising approximately 86% of total general rates (i.e. approximately 14% raised based on property values (including minimum rates where applicable)), and the minimum rate (on commercial and industrial property) raising approximately 2% of total general rates.

Graph 6.17 Percentage of Properties Paying More or Less by Scale of Variation - Option 10



Under current existing arrangements approximately 67% of assessments are rated on the minimum rate ($1,177). The flat charge in this option (increase of $60 over the minimum rate) represents an 5.1% increase for these properties (refer the bar in Graph 6.17 above showing most increases between 5% and 10%).

Virtually all residential properties at Marlow Lagoon would pay less under this scenario. Some other residential properties would pay less but the overwhelming majority would pay more.

Most commercial properties would pay less but a small number would pay substantially more. Virtually all industrial properties would also pay less.

Summary of Rate Modelling Options

The ten options modelled have employed varying combinations of a valuation-based charge (differential rate) based on the proposed 2018/19 UCV's in conjunction with alternative levels of a fixed charge or minimum rates in order to demonstrate relative impacts of changing CoP's basis of rating. This impact by ratepayer class is summarised in Table 6.12 below.

Table 6.12 – Summary of Options Modelled

Option	Minimum Rate (MR)	Fixed Charge (FC)	% Rates Raised from MR & FC	Resi – Marlow Lagoon	Resi.	Comm.	Ind.
1	Existing ($1,177 & $1,191.12)		60%	-$143	-$11	$225	-$155
2	Existing		50%	+$549	+$16	-$1,557	+$976
3		$1,070	75%	-$52	+$97	-$2,678	-$929
4		$710	50%	+$104	+$52	-$1,471	-$547
5		$350	25%	+$260	+$6	-$264	-$166
6		$710	50%	+$364	+$38	-$1,539	-$27
7	Existing MR & Changed Differential		70%	+$159	-$10	-$222	+$693
8	$1,217 (all)		78%	-$171	+$21	-$485	-$214
9	$1,217 (all) & Changed Differential		79%	-$70	+$17	-$788	+$328
10	Existing MR for Comm & Industrial	$1,237 for Resi.	2% MR 86% FC	-$376	+$12	-$126	-$80

The modelling highlights that there is no rating strategy based on a fixed charge rather than a minimum rate that could be introduced without significant redistribution of the overall rating burden across properties. This is a reflection of Council's existing rating system and the character and composition of aggregate properties.

It is important to also recognise that the proposed UCV revaluation that will take effect from 2018/19 will result in a significant redistribution of rates payable across ratepayers (and across ratepayer classes on average – as highlighted in Option 1). The revaluation presents an opportunity for Council to review its current rating arrangements.

An argument could be mounted (in the absence of justification to the contrary) that commercial land ratepayers are currently paying somewhat more and industrial land ratepayers plus residential – Marlow Lagoon ratepayers somewhat less than what rating theory considerations alone would suggest is appropriate. The rationale for the industrial differential rate currently being somewhat lower and the commercial industrial rate somewhat higher than the residential rate is unclear. It may reflect Council's perceptions of the typical level and cost of services provided to such ratepayers (although this arguably would be reflected in each property's UCV).

It is important to note however that the majority of CoP rate revenue is sourced from residential (83.9% in 2017/18) properties (see Table 2.2). Any movement in rates for residential ratepayers must necessarily materially inversely impact on ratepayers in other categories (assuming total rate revenue remains unchanged). On the other hand, the other categories of CoP's ratepayers (Residential – Marlow Lagoon, Commercial and Industrial) collectively only provide approximately 16% of 2017/18 rate revenue. Any adjustment for these ratepayers would have little overall impact on total revenue generated or rate levels for residential ratepayers.

It is assumed that it is not practical to switch to rating using ICV and that for the foreseeable future Council will need to continue to base its rating structure on UCV. We believe that a fixed charge in theory to be a superior rating policy choice relative to striking a minimum rate, particularly when rating based on ICV. However, having regard to the impact of translating to a fixed charge and given that rating will continue to be based on UCV then retention of a minimum rate rather than a fixed charge is a sensible and justifiable outcome.

It is acknowledged that UCV is a less reliable guide to capacity to pay than is ICV. Nevertheless, we believe that property values (using UCV) should be utilised to raise a share of Council's rate revenue. How much is a judgement call best determined by Council taking into account local factors. On available evidence we accept that this may appropriately be less than 50% but don't believe it should be insignificant.

Options 7, 8 and 9 generate most general rate revenue from a minimum rate rather than property values and have only a modest impact on most (e.g. particularly residential) ratepayers. They highlight too that it would be possible to more closely align other differential rates (effectively the 'tax rate' for that class of property) to that payable by residential properties without a major impact on average rates payable by properties in each class (although this may involve a slight increase in the minimum rate).

It is stressed that the Options 1 to 10 shown above are simply representative of those available to Council and their effects. Various adjustments to their detail could be made to further refine the impacts relative to Council's local understanding and assessments of equity and other factors.

7. Community Consultation and Other Issues

As part of the work undertaken in preparing this report a public consultation briefing and feedback session was held at Council's offices on 13 December. Feedback received as part of that session has been had regard to in the preparation of this report. Key issues raised at the session included:

i). Whether rates are more appropriately a tax or a fee for service (discussed in this report in introductory part of Section 3)

ii). Fairness considerations going forward (also discussed in this report in introductory part of Section 3)

iii). Impact of fixed rates compared with UCV and merits / practicality of going back to previous rating arrangements (discussed in Sections 2 (p.3) and 3 i) and ii) and also Option 10 in Section 6)

iv). Phase in changes (see discussion of 'rate capping' further on in Section 7)

v). Explain UCV compared with ICV (see Sections 3 i) and 5.1)

vi). Explain who Valuer-General is (see Section 2 immediately below Graph 2.1)

vii). Address units versus houses (this is not easy to do without adverse unintended consequences when using UCV see e.g. Sections 2 i). 3 i) and 5.1.)

viii). Investors versus owners (the report does not specifically address this issue but it is touched on in Section 3 iii). It is not clear there is any particular reason to rate favouring one class relative to the other. In any event Council will not be able to determine from available records whether properties are occupied or not by the owner)

ix). Deferral of rates for retirees (a policy offering rate deferral arrangements in particular circumstances with specific conditions has merit – see footnote 13)

x). Comparison between councils (data is not publicly available to enable detailed comparison of rates payable between Northern Territory councils)

xi). Horizontal & vertical equity / regard to other income / SEIFA (see paragraph immediately below Table 6.1 in Section 6 and Appendix 6)

xii). Strengths and weaknesses of UCV compared with ICV (see Sections 3 i) and 5.1)

xiii). Consistency of UCV:ICV within suburbs (it is acknowledged that this correlation will be variable, see e.g. introduction in Section 3 and last two paragraphs of Section 5)

xiv). Different amenity between suburbs (UCV will take different amenity levels into account - see Sections 3 i) and 5.1)

xv). Checking UCV anomalies (any concern with reliability of UCV assessments should be referred to the Valuer-General – see Section 2 immediately below Graph 2.1)

xvi). Social equity (equity is considered in various sections, e.g. in discussing UCV and ICV and SEIFA – see references above)

xvii). Rating impact - the report attempts to graphically highlight and discuss the impact of different rating options (see Section 6)

xviii). Cost efficiency/financial sustainability (cost efficiency considerations are beyond the scope of this report, see brief financial sustainability comments further on in Section 7 including Table 7.1).

This report has focussed on the distribution of the impact of the rate burden across various classes of CoP ratepayers. That is, it is concerned with the proportion of total rates paid by different types of ratepayers rather than how much rate revenue Council collects in aggregate.

Council also needs to have regard to capacity to pay in determining just how much rate revenue it will raise. The average income level and therefore capacity to pay of ratepayers in CoP is slightly higher than the Northern Territory average (or at least recently was). The Australian Bureau of Statistics reports that for 2015 the average income of Palmerston residents (excluding Government pensions and allowances) was $72,222 which represented 106% of the Northern Territory average ($67,910) and 105% of the average for NT municipal councils ($68,760). Overall, this suggests that CoP ratepayers (at least in 2015) had reasonable capacity to pay for the services Council provides.

Council (currently) does not use rate capping, nor does its Rating Policy formally acknowledge payment deferral options.[31] The future use of a rate cap (including the level it is set at) is an important tool for Council if it was proposing to introduce a change in rating strategy that had a big impact on a significant number of ratepayers. The use of rate caps enables the impact to be phased in gradually over time. For example, should Council elect to set its rating cap at 15% a ratepayer who would otherwise experience a 30% increase in rates because of a change in the rating system and a 3% increase in rates each year because of a general increase in rates would pay an increase of 15% each year for 2 years and then about 9% in year 3 and 3% per annum thereafter (assuming no other rating changes or shifts in relative property values).

Council’s recent financial operating results show:

2014/15 – ($5,525,055) deficit

2015/16 – ($12,219,032) deficit

2016/17 – ($1,755,555) deficit

A total deficit of $19,499,642 is the result across these 3 financial years; i.e. an average operating deficit of approximately $6.5M per annum. Under-lying ongoing operating deficits typically mean that a council is under-charging ratepayers for the level of services it is providing relative to their cost.

[31] It would be worthwhile for Council to review its existing Rating Policy. SA LGA Financial Sustainability Information Paper No. 20 ‘*Rating and Other Funding Policy Options*’ includes a model rating policy, see footnote 7 for source.

Table 7.1 City of Palmerston Operating Result Forecast 2017/18 to 2021/22[32]

	2017/18 Budget	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
Total Income	$32.2m	$32.5m	$33.5m	$34.5m	$35.1m
Surplus/(Deficit)	($3.7m)	($3.4m)	($2.7m)	($2.0m)	($1.5m)
Operating Surplus Ratio	-11%	-10%	-8%	-5%	-4%

Council is forecasting significant operating deficits across the 5-year period shown in Table 7.1. Whilst the annual operating results trend towards reduced deficits a break-even operating result is not being forecast. Council will need to ensure strong financial discipline is exercised to achieve the forecast results as any unbudgeted new/additional expenses will only further exacerbate the deficit position.

Achieving and maintaining modest operating surpluses is equitable for current and future ratepayers and generally speaking should remain a key objective for all councils. In determining its rating and service level decisions Council has to have regard to long-term financial sustainability considerations in its revenue-raising decisions.[33] CoP's deliberations when it next undertakes a review of its long-term financial plan (LTFP), and based on its recent operating deficits, may identify a possible ongoing need to generate additional rate revenue; for example, if rates revenue was increased by 11% in the current 2017/18 year then the operating deficit would be eliminated. Regardless it is important to determine a rating system that best suits Council's ongoing likely circumstances.

Should Council wish to proceed with changing the basis of rating (e.g. implementing a fixed charge and/or changing its basis of differential rating) then the NT LG Act doesn't specifically require that it formally consult with its community before finalising its decision, as does the SA LG Act. However, in terms of best practice a robust community engagement process is recommended and in fact, the NT LG Act is potentially alluding to this with the broad provisions set out in Section 24. This process could be undertaken when consulting on the draft Municipal Plan for the financial year in which the change in basis of rating is proposed or it could also be undertaken through a separate consultation process.

[32] Source – City of Palmerston adopted Municipal Plan 2017/2022; Annual Budget 2017/2018
[33] See LG Act Sections 23, 24 and 126.

8. Conclusions

The most appropriate rating system for a council may vary over time e.g. because of:

- A change in the mix of properties;
- A change in the mix of council services;
- A significant relative change in property values;
- Changes in circumstances of some classes of ratepayers.

Which rating tools to use and how they are applied is a choice a council needs to make taking into account a wide range of factors. It needs to have regard to historic arrangements and the current and likely future circumstances and character of its community. Noting CoP's on-going growth, it is timely and important that a sound and strategic basis is in place to guide decision making associated with revenue, rates-setting and long term financial sustainability.

No rating system is perfect and when making changes to address any perceived concerns and/or better satisfy some classes of ratepayers a council always runs the risk of creating unsatisfactory outcomes for other ratepayers.

Council made significant changes to its system of rating in 2015 in order to attempt to better address rating theory considerations and in particular principles of equity. The changes recognised that the CoP's previous system of rating (a high fixed charge and no ad valorem rate for residential properties) was no longer the best option of rating the diverse overall mix of properties which had changed significantly in nature since the common fixed charge was initially introduced.

CoP needs to ensure its rating strategy is developed such that it can equitably accommodate on-going growth within its jurisdiction and the associated new (additional) and changing demands of its community.

CoP's existing basis of rating is reasonably similar to that adopted by many councils and Council should strive to ensure it doesn't (in future) add unnecessary layers of complexity to its rating methodology. Rating theory and data modelling considerations suggest that there may be merit in the following possible refinements by Council to its rating strategy.[34]

i). Continue to generate a share of total general rate revenue based on property values;

ii). Retaining minimum rate-based rating rather than (or as well as) introducing fixed charges;

iii). Reviewing the differential rating relativities, specifically with a focus on the levels of relativity for Industrial and Residential – Marlow Lagoon properties, compared to all other Residential properties;

[34] Rating with ICV's may better address the capacity to pay aspects of rating theory but it is not included in the recommendations as, in the absence of being able to access ICV's to undertake rate modelling, this option/outcome remains unsubstantiated. Based on previous studies of NT rating it appears that there are difficulties in obtaining ICV's from the Valuer-General and there may also be significant associated expense.

iv). Keeping any application of differential rating as simple as possible (and clearly defendable); and

v). Implementing a rate cap (or similar tool) to assist with managing potential volatility in rates increases associated with any changes to Council's basis of rating (and possibly arising from revaluation volatility in future). The Rating Policy (FIN25) should be updated to formally recognise the introduction of a rate capping process.

Inevitably, some ratepayers will pay more, on average, and some will pay less when changes are made to the basis of rating however the modelling indicates that there are options and rating strategies available to Council to mitigate the impact of the movements in rates to the majority of ratepayers.

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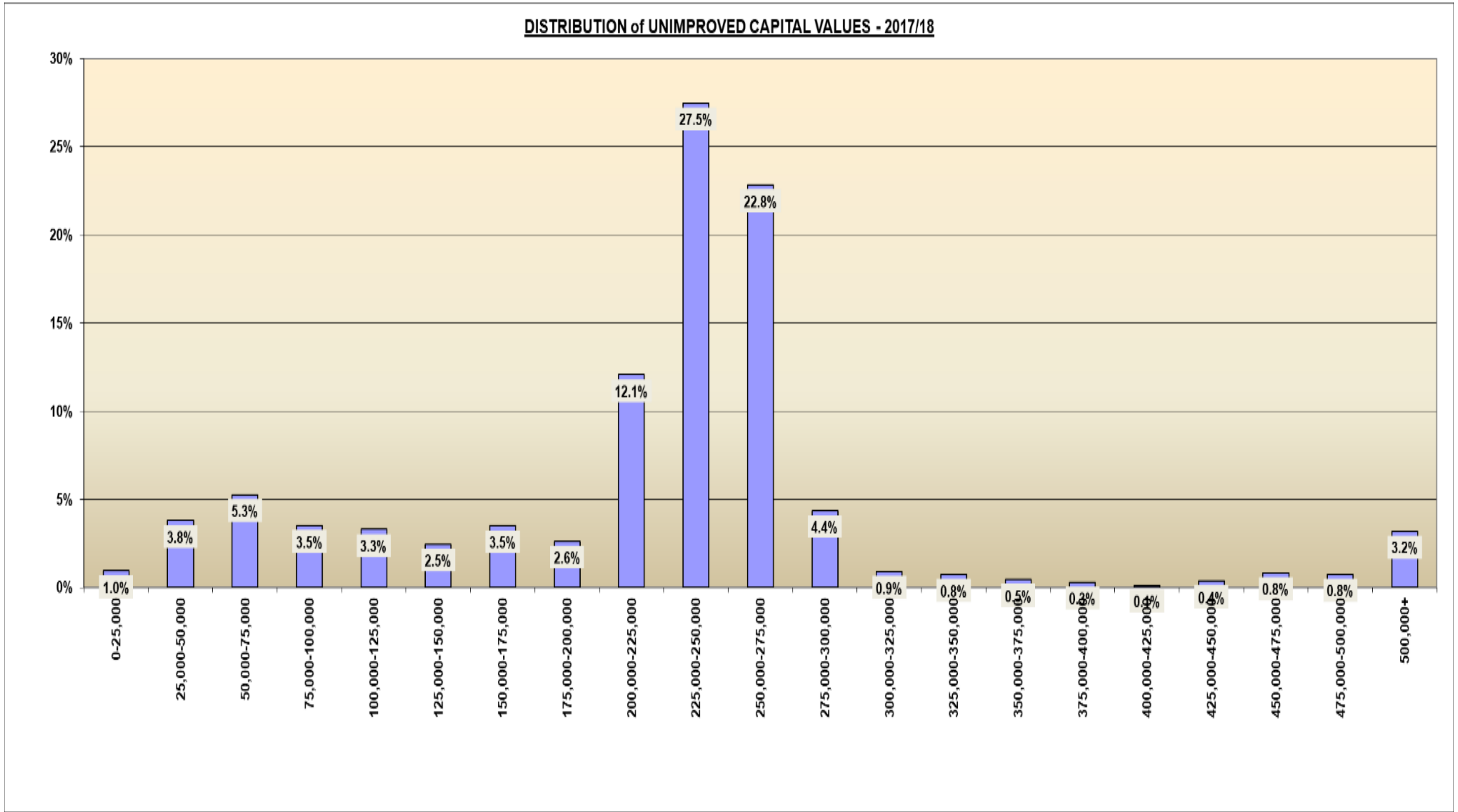
Appendix 1 – Table of Distribution of UCV's - 2017/18

	DISTRIBUTION of UNIMPROVED CAPITAL VALUES - 2017/18																					
LAND-USE	0-25,000	25,000-50,000	50,000-75,000	75,000-100,000	100,000-125,000	125,000-150,000	150,000-175,000	175,000-200,000	200,000-225,000	225,000-250,000	250,000-275,000	275,000-300,000	300,000-325,000	325,000-350,000	350,000-375,000	375,000-400,000	400,000-425,000	425,000-450,000	450,000-475,000	475,000-500,000	500,000+	TOTAL
Residential	118	431	662	464	452	330	470	365	1,684	3,845	3,191	611	125	101	54	42	13	14	14	7	103	13,096
Commercial	15	50	68	12	4	5	8	0	3	0	5	1	1	3	0	1	3	19	6	19	156	379
Industrial	0	51	8	17	7	10	13	3	3	5	2	0	2	1	10	1	2	4	1	1	133	274
Residential Marlow Lagoon	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	16	97	79	56	251
TOTAL	134	532	738	493	463	345	491	368	1,690	3,850	3,198	612	128	105	64	44	20	53	118	106	448	14,000
% Distribution	1.0%	3.8%	5.3%	3.5%	3.3%	2.5%	3.5%	2.6%	12.1%	27.5%	22.8%	4.4%	0.9%	0.8%	0.5%	0.3%	0.1%	0.4%	0.8%	0.8%	3.2%	

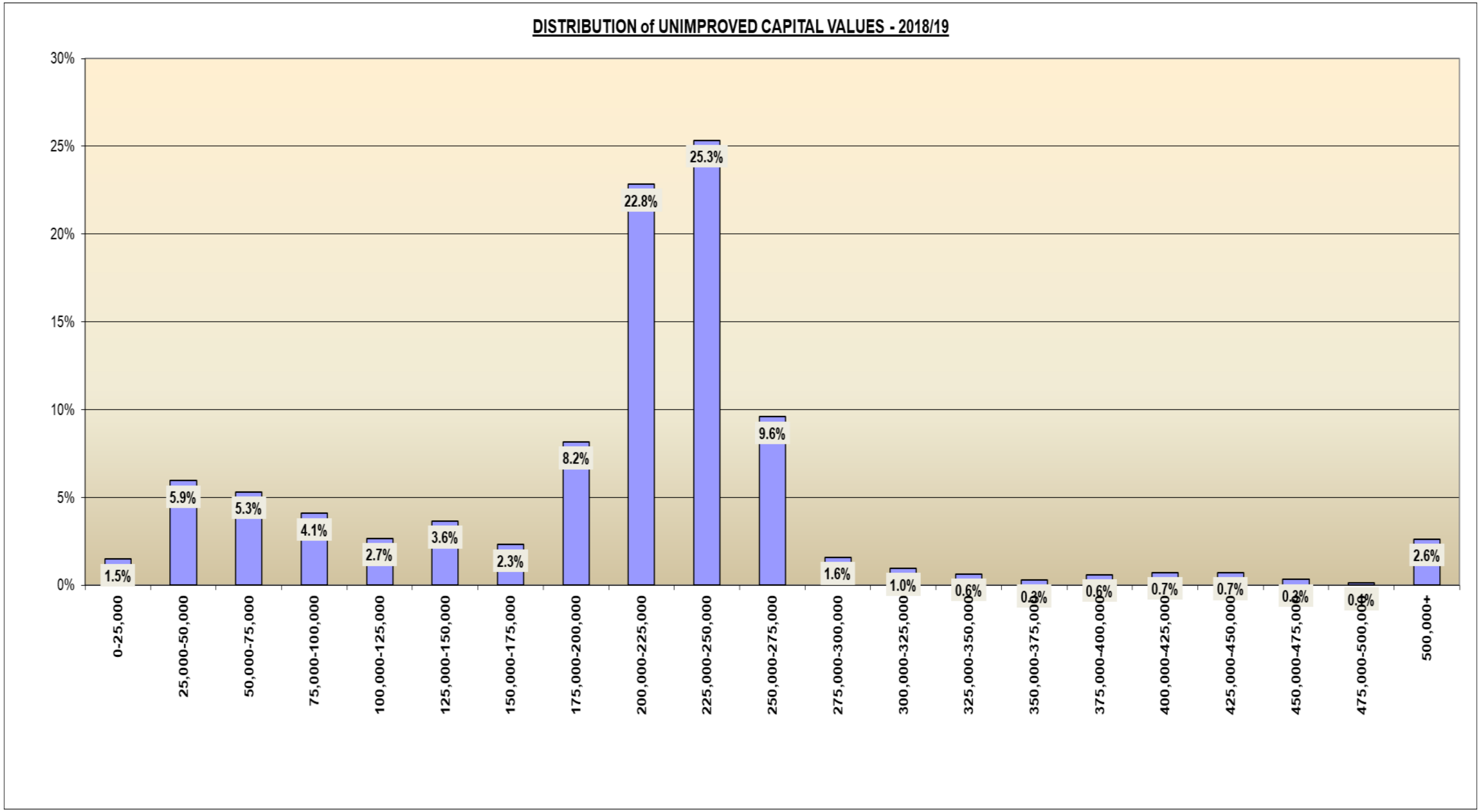
Appendix 2 – Graph of Distribution of UCV’s - 2017/18



Appendix 3 – Table of Distribution of UCV's - 2018/19

	DISTRIBUTION of UNIMPROVED CAPITAL VALUES - 2018/19																					
LAND-USE	0-25,000	25,000-50,000	50,000-75,000	75,000-100,000	100,000-125,000	125,000-150,000	150,000-175,000	175,000-200,000	200,000-225,000	225,000-250,000	250,000-275,000	275,000-300,000	300,000-325,000	325,000-350,000	350,000-375,000	375,000-400,000	400,000-425,000	425,000-450,000	450,000-475,000	475,000-500,000	500,000+	TOTAL
Residential	183	731	688	545	363	495	317	1,144	3,217	3,576	1,352	216	133	80	34	32	2	6	3	6	87	13,210
Commercial	26	58	54	9	5	6	3	4	1	1	2	3	1	1	5	17	6	21	8	3	145	379
Industrial	0	51	9	23	8	14	6	4	7	1	1	4	1	10	1	5	1	1	5	1	125	278
Residential Marlow Lagoon	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	31	93	73	30	8	14	251
TOTAL	210	840	751	577	376	515	326	1,152	3,225	3,578	1,355	223	135	91	41	85	102	101	46	18	371	14,118
% Distribution	1.5%	5.9%	5.3%	4.1%	2.7%	3.6%	2.3%	8.2%	22.8%	25.3%	9.6%	1.6%	1.0%	0.6%	0.3%	0.6%	0.7%	0.7%	0.3%	0.1%	2.6%	

Appendix 4 – Graph of Distribution of UCV's - 2018/19



Appendix 5 – Declared Rates 2017/18[35]

City of Palmerston Rates Declaration 2017/18				
Rateable Land Class	**Rate/$**	**Minimum Rate**	**Waste Mgmnt. Charge**	**Special Rate**
Residential Marlow Lagoon	0.00361520	$1,177.00	$530.00	
Residential	0.00463550	$1,177.00	$530.00	
Commercial	0.00727736	$1,191.12		$200.00
Industrial	0.00335100	$1,191.12		
Vacant	0.00463550	$1,177.00		
Note 1 - The $530 waste management charge applies to residential property on a weekly 120 litre waste service and a fortnightly 240 litre recycling service. An additional charge of $149 is applied for property electing to upgrade to a weekly 240 litre collection service (and fortnightly 240 litre recycling service).				
Note 2 - A $240 waste collection is applied to multiple residential units (exceeding 25 units) where the property has its own waste services arrangements.				
Note 3 - Special rate declared for City Centre Improvement works is levied at $200 per car parking space on land assessed to have a current parking shortfall within the City Centre zone. This was subesequently rescinded at the Council meeting of 17 October 2017.				

[35] Council subsequently resolved in October 2017 to rescind its decision to impose the Special rate shown above.

Appendix 6[36] – Australian Bureau of Statistics (ABS) Analysis[37] of Relative Socio-economic Advantage/Disadvantage

Index of Relative Socio-economic Advantage and Disadvantage				
ABS Suburb Description	**Population**	**ABS Reporting Units**	**Decile Range**	**Average Decile**
Bakewell	3,194	6	8 to 5	6.0
Driver	2,955	6	9 to 3	5.3
Durack	2,852	6	10 to 8	9.2
Farrar	1,407	1	9	9.0
Gray	3,316	7	6 to 1	3.0
Gunn	2,640	7	10 to 8	9.0
Marlow Lagoon	716	1	10	10.0
Moulden	3,191	6	4 to 1	2.3
Pinelands	73	1	2	2.0
Rosebery/Bellamack	3,749	6	10 to 6	8.5
Woodroffe	3,423	7	7 to 1	4.6
Yarrawonga	69	1	3	3.0

[36] Source http://www.abs.gov.au/ausstats/abs@.nsf/DetailsPage/2033.0.55.0012011 . Refer to Excel file at "Statistical Area Level 1, Indexes, SEIFA 2011".

[37] A higher decile ranking number (minimum 1, maximum 10) indicates relative socio-economic advantage and the lower the decile ranking number indicates relative socio-economic disadvantage, as measured by the ABS within the CoP. The ABS "Suburb Description" comprises multiple data collection units within the same suburb so the data shown above records both the high and the low decile ranking plus an average (non-weighted) decile for the respective suburb.