

Rating strategies What the regulators recommend...

FINPRO Professional Development Day

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Agenda

- Regulatory framework
- Rating implications
- Rating strategy preparation

Regulatory framework





Local government act

- Council objectives - section 3C(2)(f)
 - To ensure equitable imposition of rates and charges
- Principles of sound financial management - section 136(2)(b)
 - Pursue spending and rating policies that are consistent with a reasonable degree of stability in the level of rates burden
- Council budget – section 127(3)
 - The budget must contain information under section 158(1) declaration of rates and charges and 161(2) differential rates



Rating practices in local government – VAGO 2013

- Recommendations - Councils
 - Periodically conduct a comprehensive review of rating strategies
 - Respond to submissions on budgeted rate setting proposals
 - Develop and implement a comprehensive ratepayer communication and engagement
- Recommendations – LGV
 - Consider making rating strategies mandatory



Ministerial guidelines for differential rating – LGV 2013

■ Guidance

- Have regard to the Guidelines before declaring differential rates
- Specifies the types and classes of land
- Differential rates inconsistent with the Guidelines are prohibited
- Disclose in the Budget how the use of differential rating contributes to equity and efficiency
- Specify the objective of each differential rate
- Provide transparency and disclosure



Rating implications



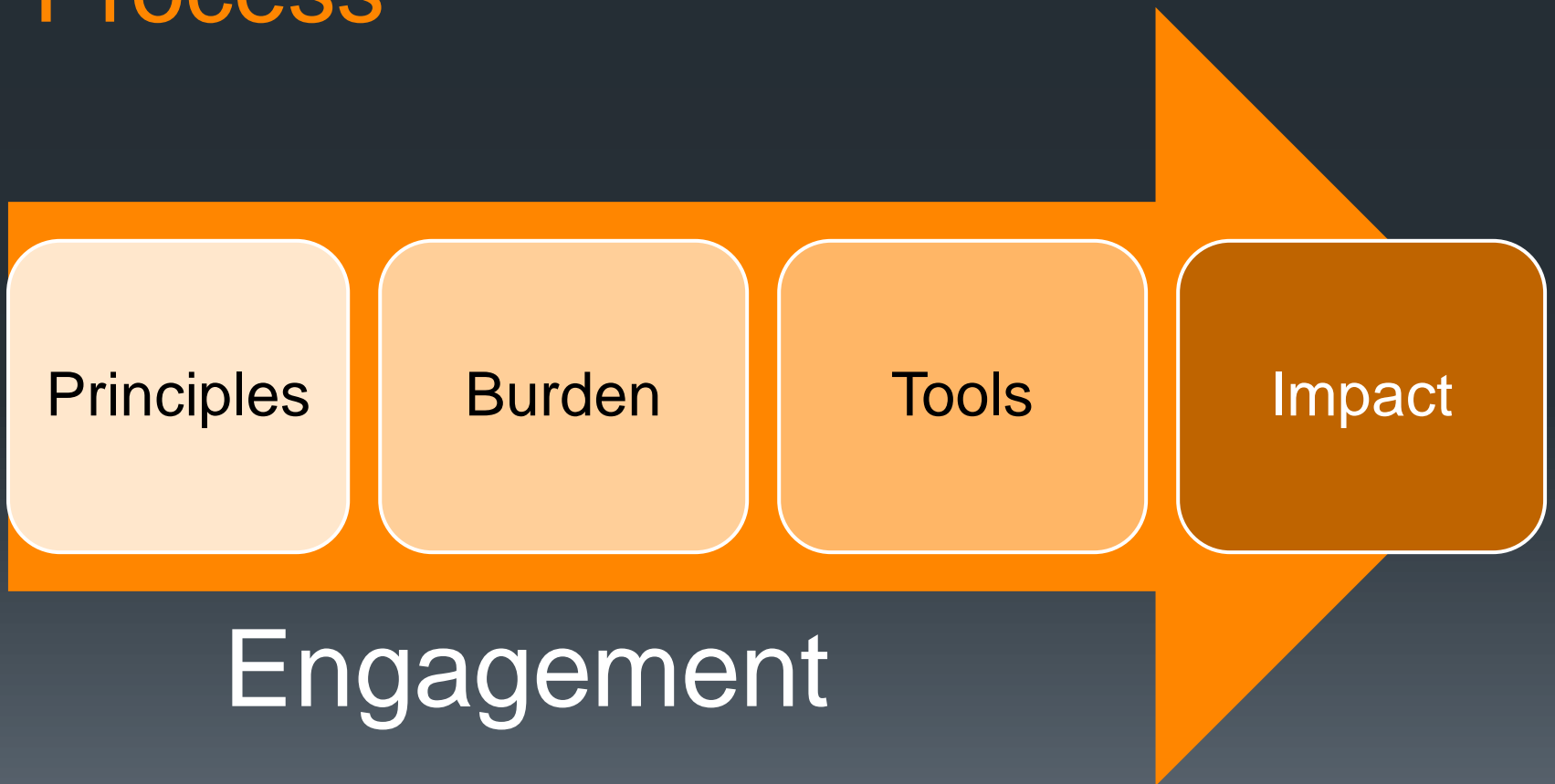
Implications

1. A separate rating strategy that is comprehensive and the product of robust community engagement needs to be prepared
2. The system of rating chosen needs to be justified through the application of rating principles and supported by council plans, strategies and policies
3. Councils must address the question “What is a fair and equitable rating system for our community?”



Rating strategy preparation

Process



Contents

Principles

- What are the rating principles that were considered when establishing the system of rating?
 - Equity
 - Simplicity
 - Efficiency
 - Sustainability/Stability
 - Competitiveness

Contents cont



Burden

- How has the rating burden been shared between the various categories of ratepayers to ensure an equitable distribution?
 - Demographics
 - Land types and classes
 - Council Plan, SRP, Budget
 - Applicable strategies and policies

Contents cont



Tools

- What rating tools have been used to establish the structure in the system of rating?
 - Uniform rates
 - Differential rates
 - Municipal charges
 - Garbage charges
 - Other charges

Contents cont



Impact

- What is the impact of council's rating system?
 - Modelling
 - Impact assessment
 - Capacity to pay



Contents cont

- Engagement
- How has council engaged with its community and what was the result of that engagement?
 - Consultation
 - Community reference group
 - Rating impact tools

Questions...

