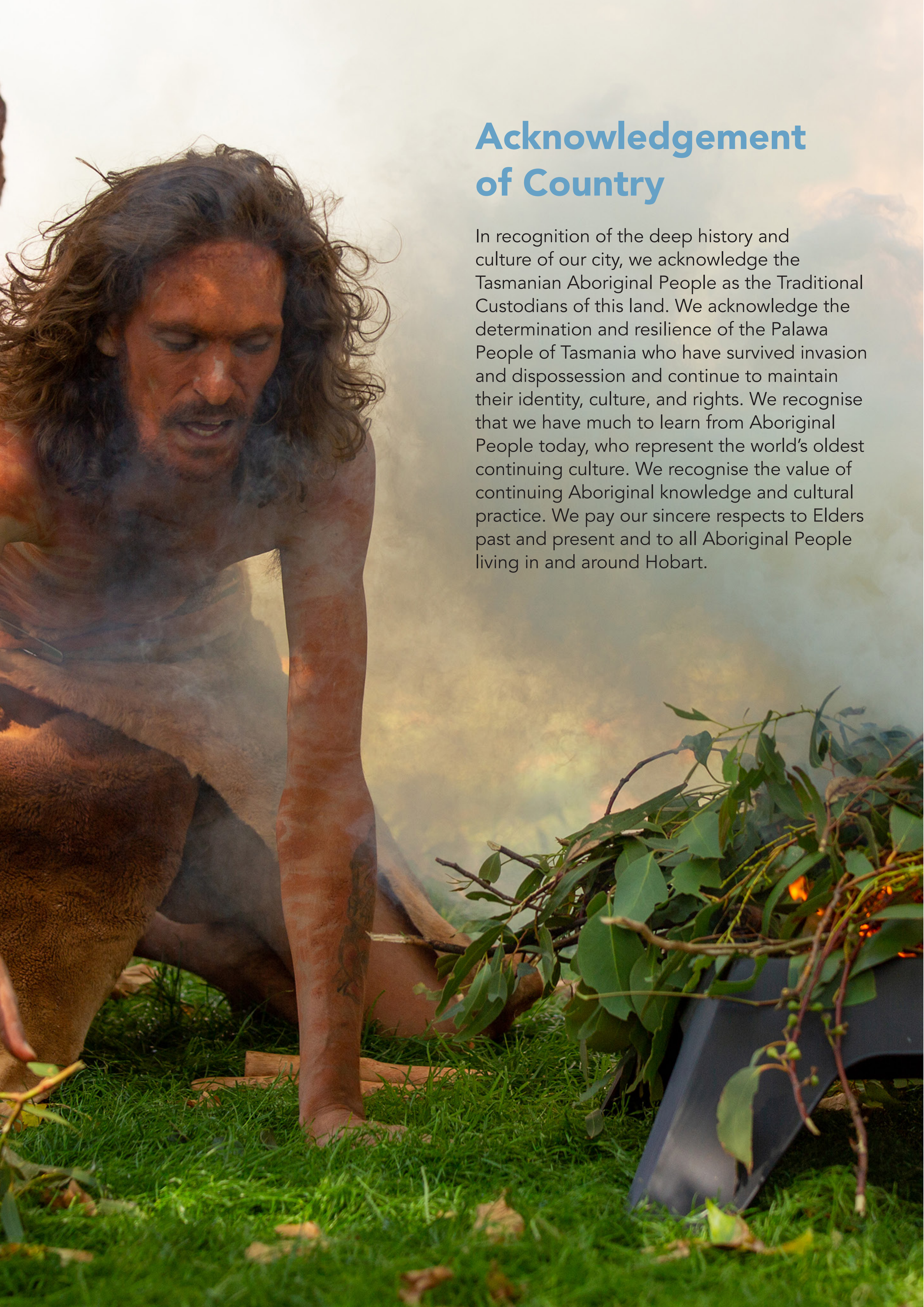
City of Hobart

Rating and Valuation Strategy 2024–28

City of HOBART

Acknowledgement of Country

In recognition of the deep history and culture of our city, we acknowledge the Tasmanian Aboriginal People as the Traditional Custodians of this land. We acknowledge the determination and resilience of the Palawa People of Tasmania who have survived invasion and dispossession and continue to maintain their identity, culture, and rights. We recognise that we have much to learn from Aboriginal People today, who represent the world's oldest continuing culture. We recognise the value of continuing Aboriginal knowledge and cultural practice. We pay our sincere respects to Elders past and present and to all Aboriginal People living in and around Hobart.



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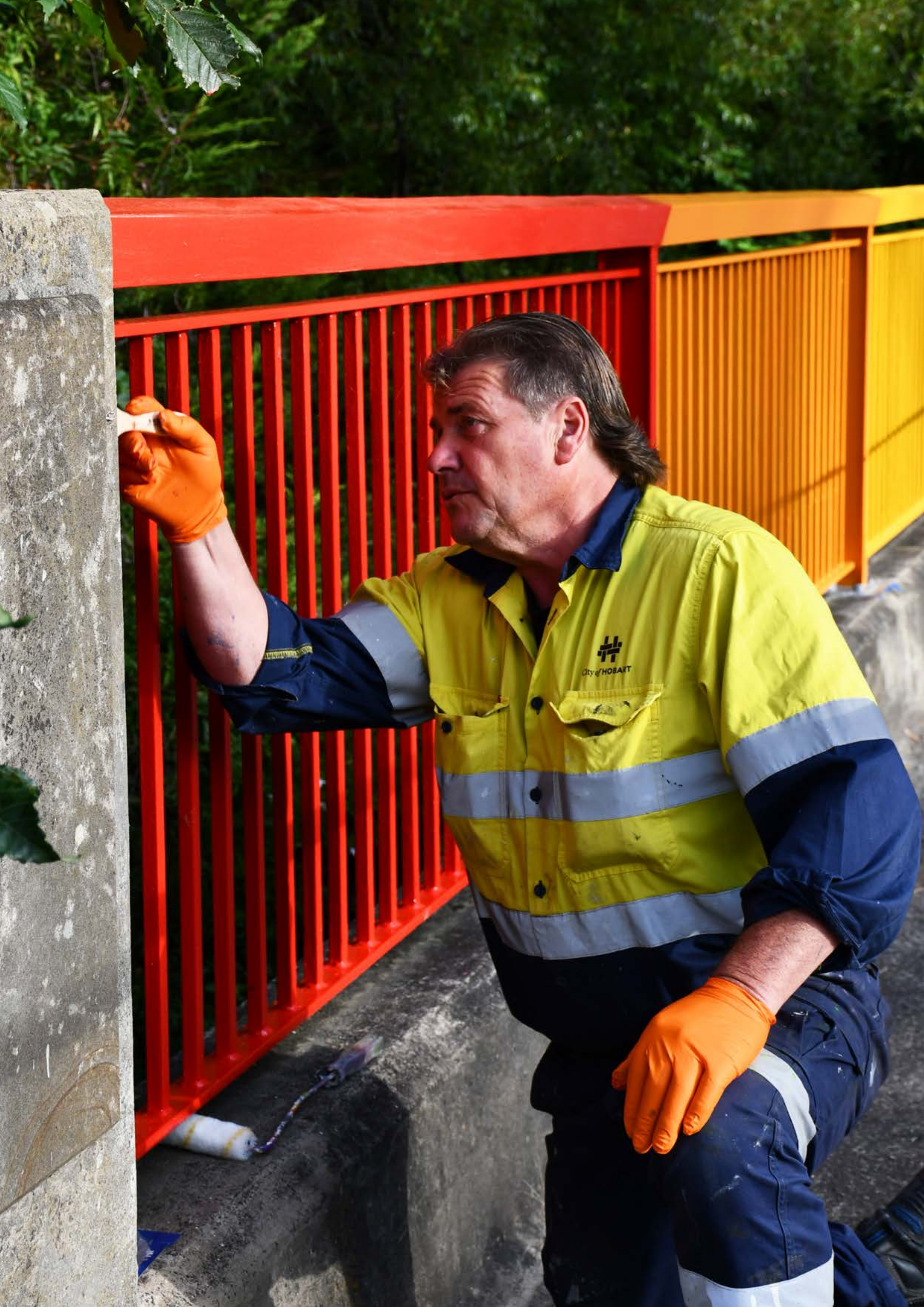

City of HOBART

1. Introduction

As Tasmania's capital city, the City of Hobart is at the forefront of shaping a contemporary capital city that is future-ready, working within our strategic objectives while embracing change and evolving to stay relevant to our social, economic, and environmental context. To ensure the City provides efficient and effective infrastructure, programs and services of value to our growing community it is important that the City's rating practices are aligned with the City's Capital City Strategic Plan 2023.

In local government, rating is governed by a legislative framework which includes the Local Government Act 1993 (Tas) (LG Act) and the Valuation of Land Act 2001 (Tas). The Council has approved a Rates and Charges Policy, which is available from its website and has adopted various rating policies, procedures and processes.

A rating strategy is important to both Council and its community because rates and charges are the main revenue source for local government, comprising approximately 65% of the Council's annual income. In setting rates, Council gives consideration to its strategic directions, budget considerations, the current economic climate, other external factors and likely impacts upon the community.

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

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

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

This inaugural City of Hobart Rating and Valuation Strategy 2024-28 (the Strategy) has been developed following a 12-month review of the City's rating and valuation practices and complements the City's Rates and Charges Policy. An integral part of the review has been community consultation. The Strategy reflects the feedback and key themes important for the community.

2. Purpose

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

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

Through the adoption of its inaugural Rating and Valuation Strategy, the City aims to:

- Focus on sustainable, responsible, equitable rating to support the City's strategic outcomes outlined in its Capital City Strategic Plan 2023.
- Be clear and transparent in how rates are set and what portion of the rates different property types pay.
- Outline the City's system for distributing the rates burden fairly and equitably.
- Enhance ratepayer understanding of the City's rating system.
- Support those ratepayers with least capacity to pay with their rate payment obligations.
- Be sustainable and produce the required revenue to ensure that programs, services and infrastructure needs of the community are met now but also into the future, as Hobart's population continues to grow.
- Avoid burdening future generations of ratepayers with large rate increases.
- Manage the impacts of change to property values through revaluation and indexation including where necessary phasing in changes to reduce its impact.
- Ensure the City has stable and predictable rate increases for all ratepayers including local businesses.

3. Rating Outcomes

The outcomes the City wants to achieve through the adoption of this Strategy are:

1. Rating using the capital value of property owned within the municipal area given the benefits of capital value and that of all the three valuation bases, it demonstrates the strongest performance of the three bases against the principles of taxation. It is easiest to understand, most equitable (particularly in terms of capacity to pay) and allows Council the flexibility to levy differential rates.

2. A simple, easy to understand and cost-effective rating system. This can often be difficult given the legislative framework council's work within and the fact that equitable and efficient rating outcomes can conflict with simplicity outcomes.

3. A differential rating system to provide a more equitable way of distributing the rate burden than a uniform rating system. Differential rating is required as the City cannot revert to a uniform rating system given the impacts from the 2021 municipal area revaluation and have predictable rate increases.

4. A rating system that focuses on retaining housing stock and developing vacant land for housing purposes. To that end Council's rating system will include:

   a. a higher differential rate for residential properties used for the commercial purpose of short say visitor accommodation to ensure housing stock is retained and ensure owners of residential land used for the commercial purpose of short stay visitor accommodation contribute to the provision of Council services and facilities that are associated with that commercial use e.g., economic development, tourism, communications and marketing. The differential rate brings the level of rates levied on average to approximately the same level as a property with a similar use but rated with a commercial land use; and

   b. a higher differential rate for vacant residential land to encourage development of vacant land for housing and other purposes, promote the development of all properties to their full potential thereby stimulating economic growth and development in all areas of the municipal area, to discourage the holding of land and to ensure vacant landowners contribute an equitable share of the rate burden compared to other types of landowners.

5. A sustainable rating system that ensures programs, services and infrastructure needs of the community are met now and also in the future as Hobart's population continues to grow, avoiding the need to burden future generations of ratepayers with large rate increases.

6. Predictable and stable rate increases that give certainty to ratepayers where possible, including in a move from Assessed Annual Value to Capital Value rating.

7. Growth in the City's rate base arising from development in the City captured in the City's budget and used to fund programs, services and infrastructure required to support population and development growth in the City.

8. Changes arising from property value changes from municipal property revaluations and indexation effectively communicated and managed.

9. An equitable rating system focused on capacity to pay. To that end the Council will not:

    a. implement a municipal charge or a minimum general rate as part of its rating strategy, as both are regressive in nature in that they proportionally reduce the burden on higher value properties and increase the burden on lower value properties. Modelling shows that the municipal charge or minimum general rate would impact households with lesser financial capacity as they generally reside in lower valued residences, so the application of the municipal charge or minimum general rate runs counter to the equity and capacity to pay principles.

    b. will not offer discounts for early or full payment by the first instalment of rates as Council considers these to only benefit the financially advantaged and not meet the fairness, equity and capacity to pay principles of taxation.

10. Waste collection and stormwater removal services funded on a full cost recovery basis through a service charge and a service rate respectively.

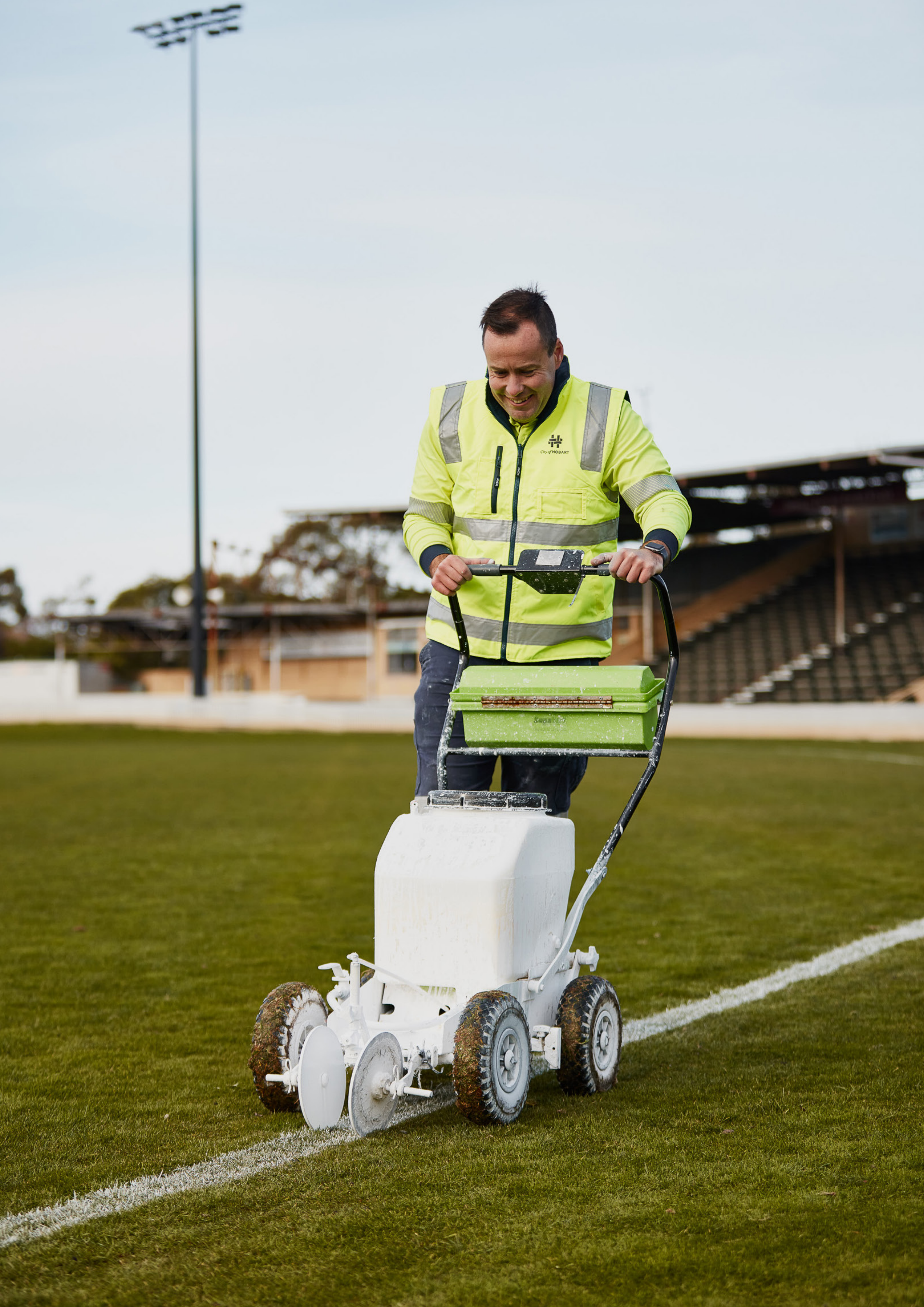
11. Infrastructure, services or programs that provide a special benefit for a specific group of ratepayers funded using separate rates or charges where required and only following consultation with the affected ratepayers.

12. To support those ratepayers with least capacity to pay rates, through:

    a. Financial hardship assistance, including deferred rates payments, payment arrangements and late payment penalty and interest remissions.

    b. Pensioner discounts.

    c. A compassionate approach to debt management.


City of HOBART

4. Rating Strategy Link to Corporate Strategies

This Strategy aligns to and supports the Council's strategic priorities and values. Rating has an important role to both Council and its community to ensure the City's future financial, service and infrastructure sustainability and funding of the City's strategic priorities.

The community benefit is consistent with strategy 8.2.5 in the Capital City Strategic Plan 2023, maintain a rating system that supports fairness, capacity to pay and effectiveness.

This Strategy is a supporting strategic document to the City of Hobart Capital City Strategic Plan 2023 in the City's Integrated Planning and Reporting Framework.

4.1 City of Hobart Vision and Capital City Strategic Plan 2023

The Council has worked with the community to develop a community vision for the City, set out in the document Hobart: A community vision for our island capital, to guide the City's strategic planning.

The Capital City Strategic Plan 2023 puts the community vision into action. The plan is built around eight pillars from the community vision and will guide the City's work over the next 10 years. Each pillar has outcomes that detail what the City is trying to achieve and the strategy it will use to get there.

Pillar 1 – Sense of place

- Hobart keeps a strong sense of place and identity, even as the city changes.
- Hobart's cityscape reflects the heritage, culture and natural environment that make it special.

Pillar 2 – Community inclusion, participation and belonging

- Hobart is a place that recognises and celebrates Tasmanian Aboriginal people, history and culture, working together towards shared goals.
- Hobart is a place where diversity is celebrated and everyone can belong, and where people have opportunities to learn about one another and participate in city life.
- Hobart communities are active, have good health and wellbeing and are engaged in lifelong learning.
- Hobart communities are safe and resilient, ensuring people can support one another and flourish in times of hardship.

Pillar 3 – Creativity and culture

- Hobart is a creative and cultural capital where creativity is a way of life.
- Creativity serves as a platform for raising awareness and promoting understanding of diverse cultures and issues.
- Everyone in Hobart can participate in a diverse and thriving creative community.
- Civic and heritage spaces support creativity, resulting in a vibrant public realm.

Pillar 4 – City economies

- Hobart's economy reflects its unique environment, culture and identity.
- Diverse connections give people opportunities to participate in the economic life of the city and help the economy, businesses and workers thrive.
- Hobart is a place where entrepreneurs and businesses can grow and flourish.
- Hobart's economy is strong, diverse and resilient.

Pillar 5 – Movement and connectivity

- An accessible and connected city environment helps maintain Hobart's pace of life.
- Hobart has effective and environmentally sustainable transport systems.
- Technology serves Hobart communities and visitors and enhances quality of life.
- Data informs decision-making.

Pillar 6 – Natural environment

- The natural environment is part of the city and biodiversity is conserved, secure and flourishing.
- Education, participation, leadership and partnerships all contribute to Hobart's strong environmental performance and healthy ecosystems.
- Hobart is a city supported by ecologically sustainable waste and water systems.
- Hobart is a leader on climate change.

moving toward a zero-emissions and climate-resilient city.

- Hobart's bushland, parks and reserves are places for sport, recreation and play.

Pillar 7 – Built environment

- Hobart has a diverse supply of housing and affordable homes.
- Development enhances Hobart's unique identity, human scale and built heritage.
- Infrastructure and services are planned, managed and maintained to provide for community wellbeing.
- Community involvement and an understanding of future needs help guide changes to Hobart's built environment.

Pillar 8 – Governance and civic involvement

- Hobart is a city that is well governed that recognises the community as an active partner that informs decisions.
- Hobart is a city that delivers public value and excellence by being a financially responsible, high performing and accountable organisation that is responsive to the needs of the community.

5. Council Rates

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

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

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

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

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

The rate in the dollar for each land use is then multiplied by the value of a property, using the capital value, to establish the amount to be paid by each property owner plus service rates and charges.

The formula for calculating General Rates, excluding service rates and charges, arrears or additional supplementary rates is therefore:

Valuation (Capital Value) x Rate in the Dollar (Differential Rate Type)

The rate in the dollar for each rating differential category is included in Council's annual Rating Resolution.

5.1 What are Council Rates Used For?

Revenue from rates funds a range of programs, infrastructure and services for the community.

KEEPING OUR CITY MOVING

- Roads & footpaths
- Cycling infrastructure

KEEPING OUR CITY CLEAN

- Household waste/recycling/ FOGO collections
- City cleaning
- Public bin waste collection

PROTECTING OUR COMMUNITY

- Stormwater
- Bushfire management
- Fire trail maintenance & upgrades

GROWING OUR ECONOMY

- Economic development
- Tourism services
- Summer waterfront activation

SUPPORTING OUR COMMUNITY

- Supporting community events
- Community, creative & sustainability grants
- Community programs

inc:
- Creative programs
- Positive Ageing programs
- Youth programs

FOSTERING AN ACTIVE LIFESTYLE

- Maintain and manage parks/reserves/sports facilities
- Bushland management & infrastructure
- Aquatic Centre infrastructure
- Sportsground infrastructure
- Public toilets & amenities

6. The Legislative Rating Framework

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

6.1 Rates – A Property Tax

As set out in section 5 above, the LG Act says that council rates are a form of taxation rather than a fee for service. Section 86A of the LG Act states that:

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

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

6.2 Rating Principles

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

- **Equity** – the rating system creates a fair and equitable distribution of rates. There are a number of different aspects to rating equity, including the following considerations:
  - » where appropriate, rates levied should reflect the benefits ratepayers receive.
  - » ratepayers with similar property values should be treated similarly.
  - » ratepayers with a higher 'ability to pay' (based on property values) should contribute relatively more rates.
  - » ratepayers who are financially disadvantaged should be supported.
- **Wealth Tax** - the "wealth tax" principle implies that the rates paid are dependent upon the value of a ratepayer's property and have no correlation to the individual ratepayer's consumption of services or the

perceived benefits derived by individual ratepayers from the expenditures funded from rates.

- **Benefit** – this Strategy recognises that Council services benefit the community as a whole.
- **Simplicity** – the rating system is as simple, practical and cost effective to administer as practicable. This can often be difficult given the legislative framework council's work within and the fact that equitable and efficient rating outcomes can conflict with simplicity outcomes.
- **Sustainability** – the rating system supports the City's financial strategies for the delivery of infrastructure, programs and services in Council's Long-term Financial Management Plan and Strategic Asset Management Plan.
- **Efficiency** – the Strategy supports the financial, social, economic and environmental, and other strategic objectives outlined in Council's Capital City Strategic Plan 2023.
- **Transparency** – the City is open in the processes involved in the making of rates and charges as set out in this Strategy and the City's Rates and Charges Policy and associated rating policies available from its website.
- **Timeliness** –all ratepayers are given adequate notice of their liability to pay rates and charges.
- **Flexibility** – by responding where possible to unforeseen changes in the economy. This Strategy remains flexible to take account of changes in the local economy, extraordinary circumstances and their impacts.
- **Compliance** – by complying with the requirements and intent of relevant legislation. This Strategy has been based on the rating requirements in the LG Act.
- **Capacity to pay** - As rates are levied on the value of their property, ratepayers may be asset rich but cash poor or vice versa. This Strategy includes mechanisms to support those with least capacity to pay including the City's Financial Hardship Assistance Policy, pensioner discounts and its approach to debt management.
- **Diversity** – The capacity of ratepayers within a group of ratepayers is determined by their income. It is acknowledged that there is considerable diversity in the economic circumstances of households and businesses relative to their income. Businesses range from small businesses with owner operators and few employees to corporations employing many thousands of people.

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

7. Capital Value as the City's Valuation Base

Council is required to use the valuation of a property to raise rates, which is determined by the Office of the Valuer-General and provided to Council for the purpose of calculating rates.

Under section 89A of the LG Act Council has the choice of three bases of value of land:

- Land Value (LV) – the value of the property excluding all visible improvements such as buildings, structure, fixtures, roads, etc;
- Capital Value (CV) - the total value of the property, excluding plant and machinery and includes the land value; or
- Assessed Annual Value (AAV) - the estimated yearly rental value of the property, excluding GST, council rates and land tax, but is not to be less than 4% of the capital value of the property.

Council will use CV as the basis for calculating rates, recognising the benefits of CV and that of all the three valuation bases, it demonstrates the strongest performance of the three bases against the principles of taxation. It is easiest to understand, most equitable (particularly in terms of capacity to pay) and allows Council the flexibility to levy differential rates.

CV better reflect capacity to pay rather than the other two bases as it incorporates the developed value of properties i.e., the total value, and therefore most closely aligns with the wealth tax principle in determining the distribution of rates. The CV valuation method takes into account the full development value of the property and hence better meets the equity principle than LV and AAV.

The City will raise rates using the CV of properties in the municipal area and use the rating system to manage the outcomes in moving to CV rating.

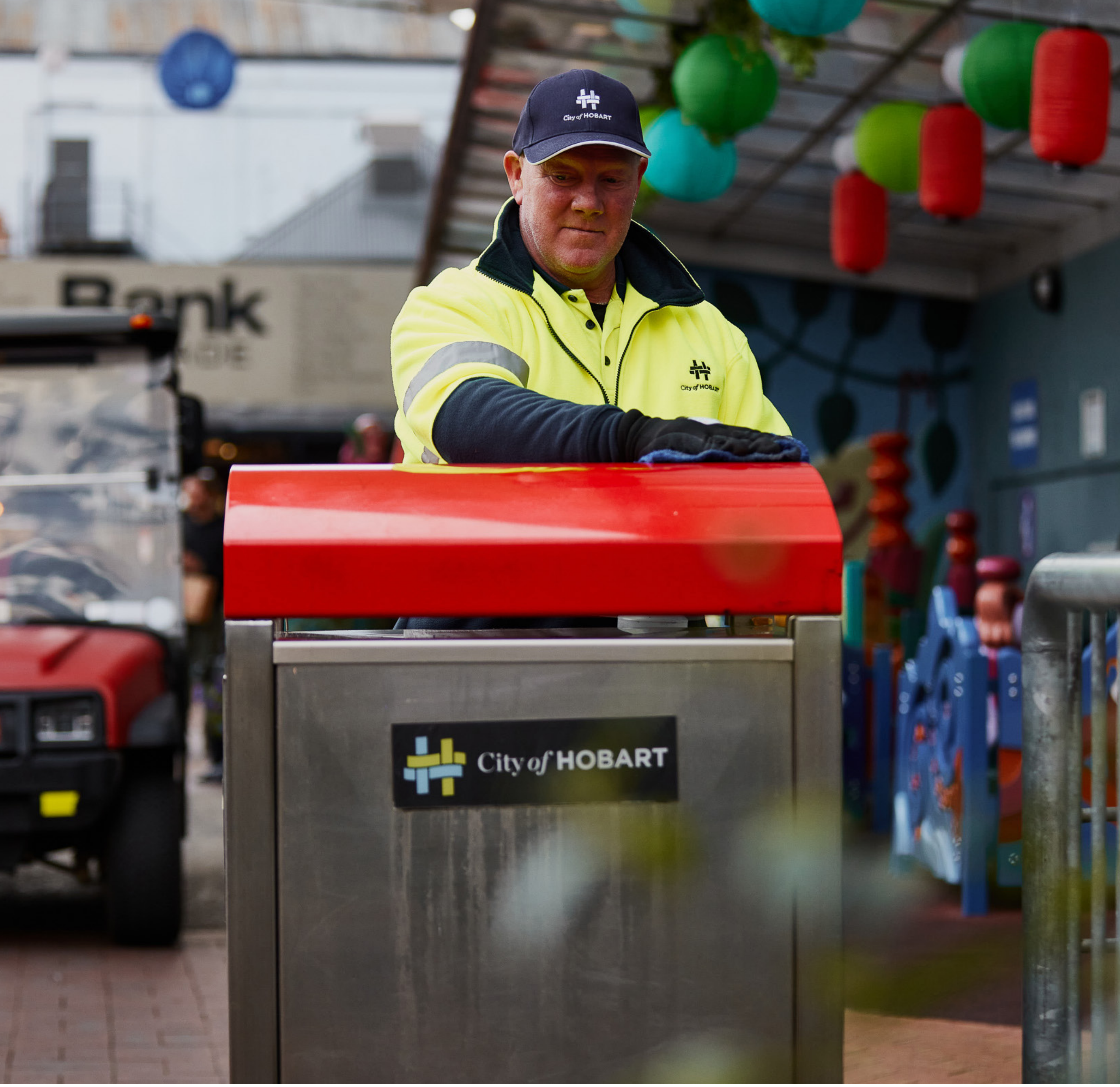
7.1 Property Valuations

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

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

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

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

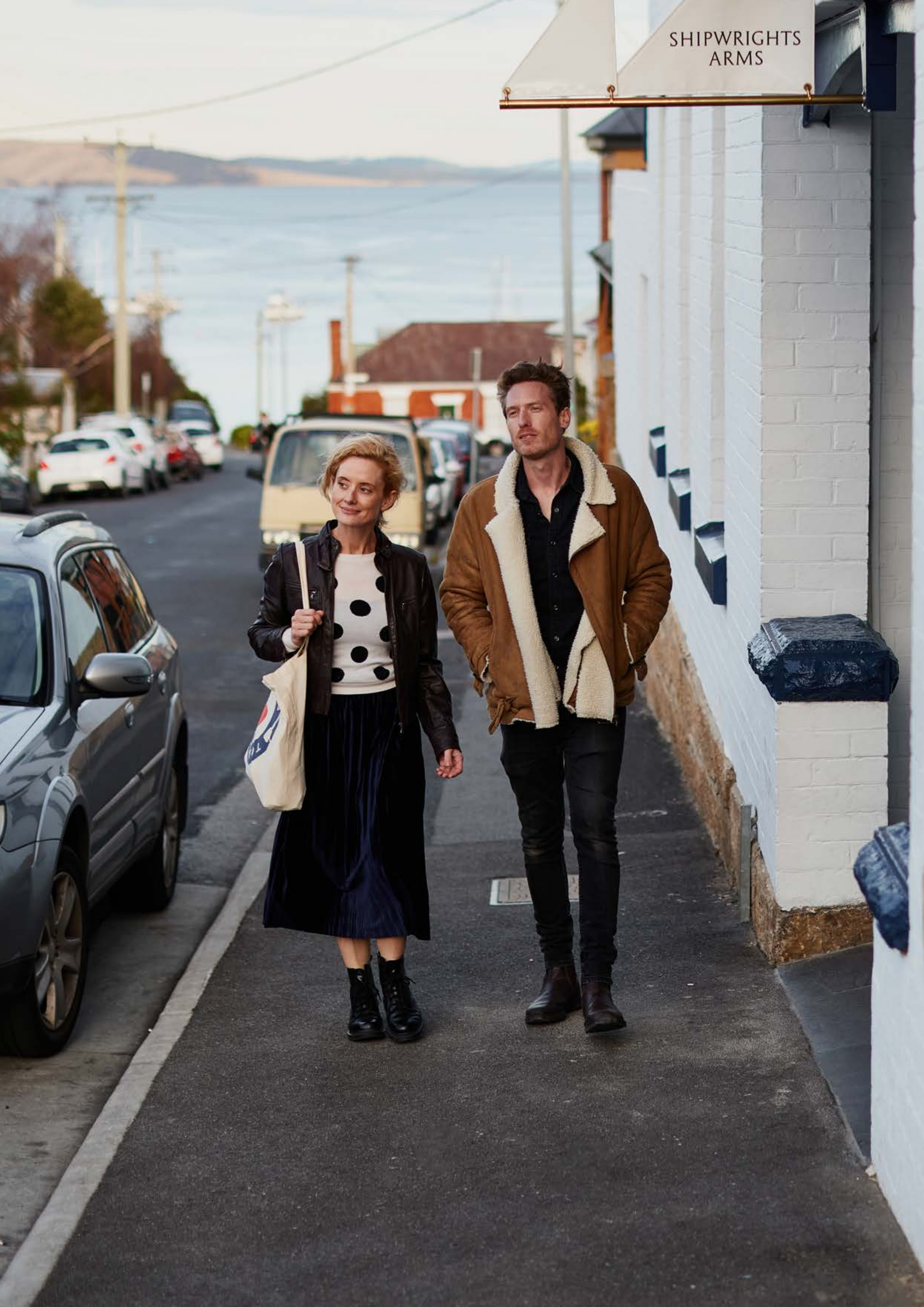


7.2 Supplementary Valuations

Supplementary rates are typically charged when a property owner undertakes a significant improvement or development on their land, such as building a new structure or subdividing the land. They can also be levied when the valuation of property changes due to a change of use of the land, objection to a property valuation or an error in the previous valuation.

Council receives supplementary property valuations from the Valuer-General to calculate supplementary rates.

Growth in the City's rate base arising from development in the City will be captured in the City's budget and used to fund programs, services and infrastructure required to support population and development growth in the City.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8. Sharing the Rate Burden Equitably

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

In distributing the rating burden across the different categories of ratepayers in the Hobart municipal area, Council is looking to achieve the following objectives:

- Having a rating structure that provides fairness and equity for the whole City of Hobart.
- Having a rating structure that is sustainable for Council and affordable for the community.
- Having a rating structure that supports ratepayers capacity to pay.
- Having a rating structure that is simple to understand and easy/cost effective to administer.

The Council will not implement a municipal charge or a minimum general rate, as both are regressive in nature in that they proportionally reduce the burden on higher value properties and increase the burden on lower value properties. Modelling shows that the municipal charge or minimum general rate would impact households with lesser financial capacity as they generally reside in lower valued residences, so the application of the municipal charge or minimum general rate runs counter to the capacity to pay principle.

As there are no homogenous areas in the Hobart municipal area, the Council will not seek to implement averaged area rating as part of its Strategy.

9. Rating System

Council has considered whether it should use a uniform or a differential rating system. A uniform rating system means using the same rate in the dollar that all properties pay. A differential rating system is where the general rate, service rates or service charges are varied under Section 107 of the LG Act on the basis of the use or predominant use of the land, the non-use of the land, the locality of the land, any planning zone or type of property.

Council will apply a differential rating system as it believes that it contributes to the equitable distribution of the rates burden amongst property owners. Furthermore, given the impacts from the 2021 municipal property revaluation by the Valuer-General, it would not be possible for the City to revert to a uniform rating system, given the very large shift in the rate burden that occurred, and at the same time continue to provide stable and predictable rate increases. The 2021 municipal revaluation resulted in a shift in the rate burden, where residential properties would have had to pay $8.3 million more of total council rates and commercial properties $4.4 million less, had Council not adopted an interim differential rating strategy.

9.1 Differential Rates

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

Differential rating allows Council to shift part of the rate burden from some groups of ratepayers to others, through different "rates in the dollar" for each class of property.

Council has chosen to distribute the rate burden through a differential rating system for the following reasons:

- To ensure all ratepayers make a fair contribution towards the ongoing maintenance and provision of services, programs and facilities throughout the municipal area, irrespective of property value.
- Land zoned and used for commercial and industrial purposes has higher costs of ongoing maintenance and provision of services, programs and facilities located in these zones as well as additional costs not attributed to other land uses such as economic development initiatives, tourism and marketing.
- To encourage the development of vacant land in the best interests of the community and discourage land holding, particularly where there are housing shortages or homelessness.
- To ensure the owners of residential land used for commercial purposes contribute to the provision of services and facilities that may be associated with such commercial use e.g., short stay visitor accommodation.
- It provides greater flexibility to distribute the rate burden between all classes of property and therefore to link rates with the capacity to pay, including reflecting the tax deductibility of rates for Commercial and Industrial Land.

- Allows a council to reflect the investment required to establish infrastructure to meet the needs of specific groups of ratepayers e.g., services to support commercial and industrial sectors.

- As outlined above, it enables a council to encourage or discourage particular types of development e.g., development of vacant land, discourage conversion of residential housing to short stay visitor accommodation.

- Allows councils to consider the specifics of certain land uses where a single rate in the dollar would not result in a fair outcome.

9.2 The Differential Rating Categories

Council has seven differential rating categories under the provisions of s107 of the LG Act. Details of the definition, types/classes of land, objectives and the level of rate applicable to each differential is set out in this section. The differential rates have been designed to meet the rating principles.

The following table sets out the seven differential rating categories used in the Strategy including the differential rates. It should be noted that the different rates are indicative of the relativities only. The differentials (rates in the dollar) will be set as part of the annual budget process each year and included in the rating resolution.

The differential rates have been calculated to ensure the percentage contribution of the rate burden between all land use categories remains the same as they were when Council used Assessed Annual Value as its valuation base. Council has made this decision in order to ensure predictability and stability in rate increases in a move to Capital Value as its valuation base.

Residential and Primary Production

Applies to all rateable properties in the municipal area with a primary land use category of Residential and Primary Production.

The objective is to ensure owners of residential and primary production land make an equitable contribution to the cost of providing infrastructure, programs and services for the community.

Property types include dwellings, flats, units, rural residential and institution residential accommodation and farming. The differential rate is set at 100%.

Land use	Rate burden current %	Differential
Residential and Primary Production	57	100
Commercial and Industrial	32	221
Public Enterprise	9	164
Short Stay Visitor Accommodation	1	200
Sporting and Recreation	*	140
Vacant Land Other	*	116
Vacant Residential Land	1	232

*Less than 1%

Rating System (Continued)

Commercial and Industrial

Applies to all rateable properties in the municipal area with a primary land use category of Commercial and Industrial. Commercial and Industrial properties have the same differential rate reflecting the similarity in property types and their receipt of similar services from Council.

The objective is to ensure that commercial and industrial properties pay the same portion of rates they did when Council rated using Assessed Annual Value as its valuation base. The higher differential is also based on the premise that commercial and industrial properties generally place greater demands on certain Council services. Council considers that a higher differential compared to the residential general rate will ensure that Council's commitment to economic development and tourism is financially supported by those who receive direct benefits. This higher differential reflects an objective to maintain fairness and relative consistency in the distribution of rates between property classes and reflects that Businesses that occupy commercial and industrial properties are able to claim property rates as an income tax expense and generally have higher rental yield benefits.

The City will limit the increase on the General Rate using a maximum percentage increase cap to help mitigate significant rate increases in the move to CV for land used or predominately used for commercial and industrial purposes. The maximum percentage increase cap will not apply to a supplementary valuation used by the Valuer-General.

Incorporating the income taxation effect of property rates into the setting of differential rating category relativities ensures an equitable distribution of the rate burden.

Property types include retail business, office space, commercial services, licensed premises, tourism, day care centres, media, marine services, service industry, warehouses and manufacturing.

The differential rate will be a higher differential of greater than 200%.

Public Enterprise

Applies to all rateable properties in the municipal area with a primary land use category of Public Service / Institution / Utility.

The objective is to ensure owners of public services / institution / utility land make an equitable contribution to the cost of providing infrastructure, programs and services for the community.

A higher differential rate for public services / institution / utility land is required to ensure these type of properties pay the same portion of rates they did when Council rated using Assessed Annual Value as its valuation base.

Property types include government services, education, transport, cultural, places of assembly and medical services.

Short Stay Visitor Accommodation

Applies to all rateable residential properties in the municipal area used for the commercial purpose of short stay visitor accommodation with a permit from Council and a land use code of R7.

The objective for properties used for short stay visitor accommodation is to ensure housing stock is retained and ensure owners of residential land used for the commercial purpose of short stay visitor accommodation contribute to the provision of Council services and facilities that are associated with that commercial use e.g. economic development, tourism, communications and marketing. The differential rate brings the level of rates levied on average to approximately the same level as a property with a similar use but rated with a commercial land use.

The differential rate is set at 200%, being double the differential set for Residential land.

Sporting and Recreation

Applies to all rateable properties in the municipal area with a primary land use category of Sporting Facility / Recreation.

The objective is to ensure owners of sporting facilities and recreation land make an equitable contribution to the cost of providing infrastructure, programs and services for the community.

A higher differential rate for sporting facilities and recreation land is required to ensure these types of properties pay the same portion of rates they did when Council rated using Assessed Annual Value as its valuation base.

Property types include parks, recreation areas, outdoor sport, indoor sport, water sport, domestic slipway/jetty, indoor/outdoor sporting facility and showgrounds.

Vacant Land

Applies to all rateable properties in the municipal area with the following land use:

- V2 – Vacant Commercial
- V3 – Vacant Industrial
- V4 – Vacant Englobo/Broad Hectares
- V5 – Vacant Rural Residential

The objective is to ensure owners of vacant land make an equitable contribution to the cost of providing infrastructure, programs and services for the community.

A higher differential rate for vacant land is required to ensure these types of properties pay the same portion of rates they did when Council rated using Assessed Annual Value as its valuation base.

Vacant Land - Residential

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

The objective is to encourage development of vacant land for housing and other purposes, promote the development of all properties to their full potential thereby stimulating economic growth and development in all areas of the municipal area, to discourage the holding of land; and to ensure vacant landowners contribute an equitable share of the rate burden compared to other types of landowners.

The differential rate is set at double the differential set for Vacant land.

Rating System (Continued)

9.3 Service Rates and Charges

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

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

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

The advantage of the service charge for waste and FOGO is that it is transparent, simple, easy to understand, doesn't fluctuate when property values change and is accepted by ratepayers as a fee for a direct service that they receive. It provides equity in the rating system in that all ratepayers who receive exactly the same service level pay an equivalent amount. The Waste Management Service Charges is varied by land use to reflect that residential properties have a 120ltr bin and non-residential properties have a 240ltr bin. Non-residential properties pay double the service charge as residential properties reflecting that Council removes double the waste from non-residential properties.

The direct benefit to the ratepayer from stormwater removal services is largely invisible unlike the waste service, which is a tangible service provided to all ratepayers in the same way. Also, different property types receive a different level of stormwater removal service from the City and adopting a service rate better reflects the taxation principles.

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

More information about the service rates and charges that Council applies in its rating system, including those that Council is required to collect on behalf of the State Government, is as follows:

Waste Management Service Charge

Pursuant to section 94 of the LG Act, the Waste Management Service Charge is levied on all rateable properties within the Hobart municipal area.

In addition to the standard kerbside waste and recycling collections, the waste management service charge provides revenue that covers a number of activities with a more general benefit such as solid waste minimisation initiatives and contributions to a range of recycling initiatives, which have a public and community-wide benefit.

Non-residential properties pay double the waste management service charge of residential properties reflecting that a standard garbage collection service means:

- In the case of a residential property, 120 litres of solid waste per week; or
- In the case of a non-residential property, 240 litres of solid waste per week.

The Waste Management Service Charge includes revenue to fund the rehabilitation of the McRobies Gully Waste Management Centre.

Council applies a waste management service charge as part of its Strategy based on full cost recovery of the waste function.

Food Organics Garden Organics Collection Service Charge

Pursuant to section 94 of the LG Act, a Waste Management Service Charge for food organics garden organics collection is levied on all rateable properties within the Hobart municipal area to which Council supplies or makes available a food organics garden organics collection service utilising a food organics garden organics collection bin. The Council offers a standard fortnightly collection and a weekly collection at an additional charge.

Service is provided to residential properties:

- With three or less tenancies.
- A land area between 400m2 and 4000m2.
- Located outside Sullivans Cove, the CBD and Fern Tree.

Properties outside the above are able to opt-in to the service.

Waste Management Levy Offset Service Charge

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

Stormwater Removal Service Rate

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

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

Rating System (Continued)

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

The Council will vary the stormwater removal service rate based on the use or predominant use of the land to continue to help mitigate disparity in the distribution of rate collections resulting from the 2021 municipal revaluation and a move to capital value rating.

Fire Service Rate

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

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

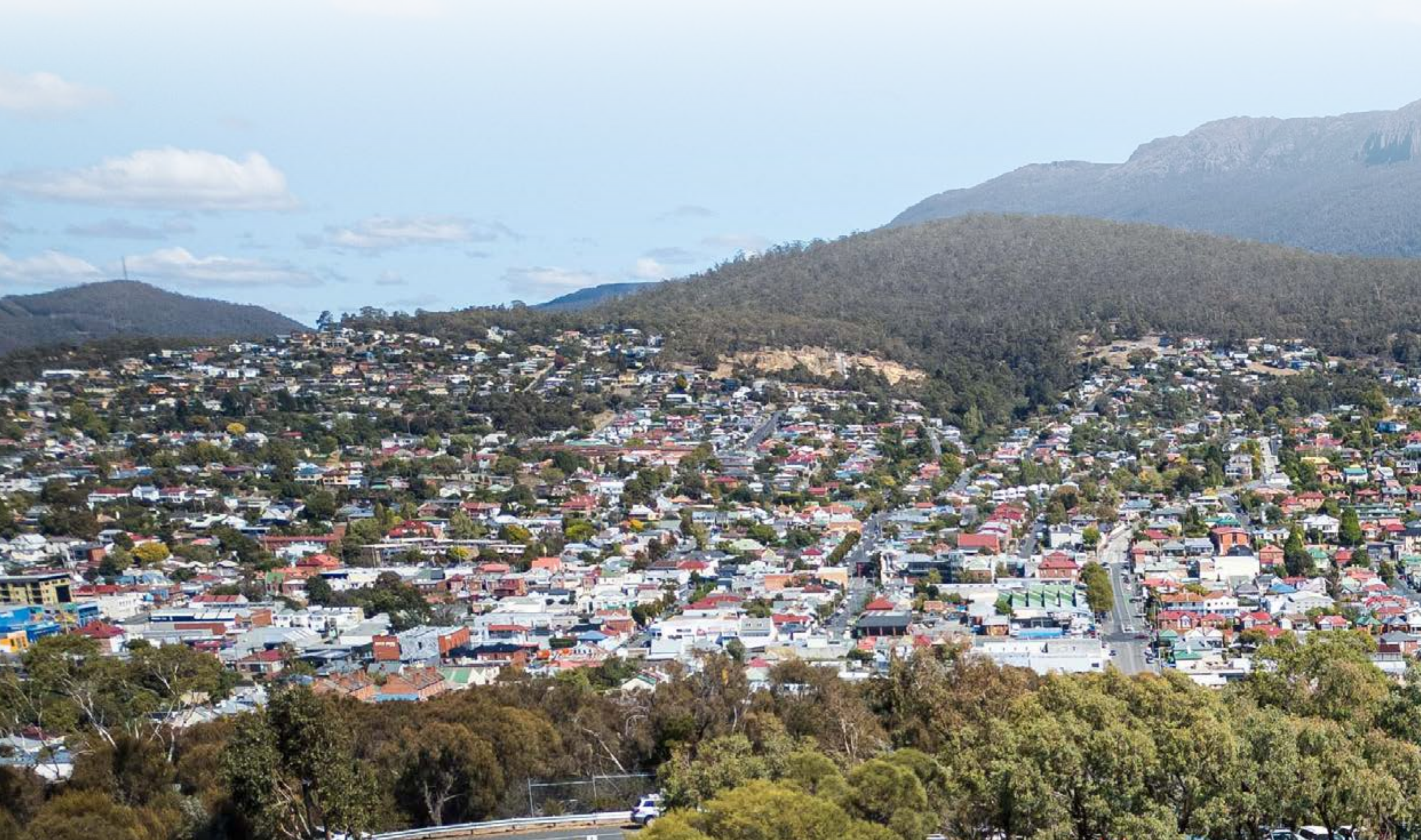
The State Fire Commission identifies 3 districts for the Hobart municipality, being:

- Fern Tree Volunteer Brigade Rating District.
- Permanent Brigade Rating District.
- General Land.

There is a different fire service rate for each district and a minimum fire service contribution. The Council will vary the rate for the permanent brigade rating district based on the use or predominant use of the land to continue to help mitigate disparity in the distribution of rate collections resulting from the 2021 municipal revaluation and a move to capital value rating.

9.4 Separate Rates and Charges

Council will adopt a separate rate or charge as part of its rating system where Council determines that the separate rate or charge should be used to fund the cost of providing services ‘of special benefit’ to the people



paying the special rate or charge and only following consultation with affected ratepayers in accordance with the LG Act.

Some councils use a separate rate or charge to fund works in the municipal area that are of specific benefit to owners in that part of the municipal area. The separate rate or charge can be made for purpose of planning, carrying out, making available, maintaining or improving anything that in the council's opinion is or is intended to be, of particularly benefit to the land (e.g., to cover the costs of urban renewal in a particular area).

Council would consider adopting a separate rate or charge for the following purposes:

- Funding of defined capital projects (e.g., streetscape works) where special benefit can be shown to exist for a particular group of property owners.
- Raising funds for a particular purpose where the use of CV is not the most equitable method of calculating property owner contributions.

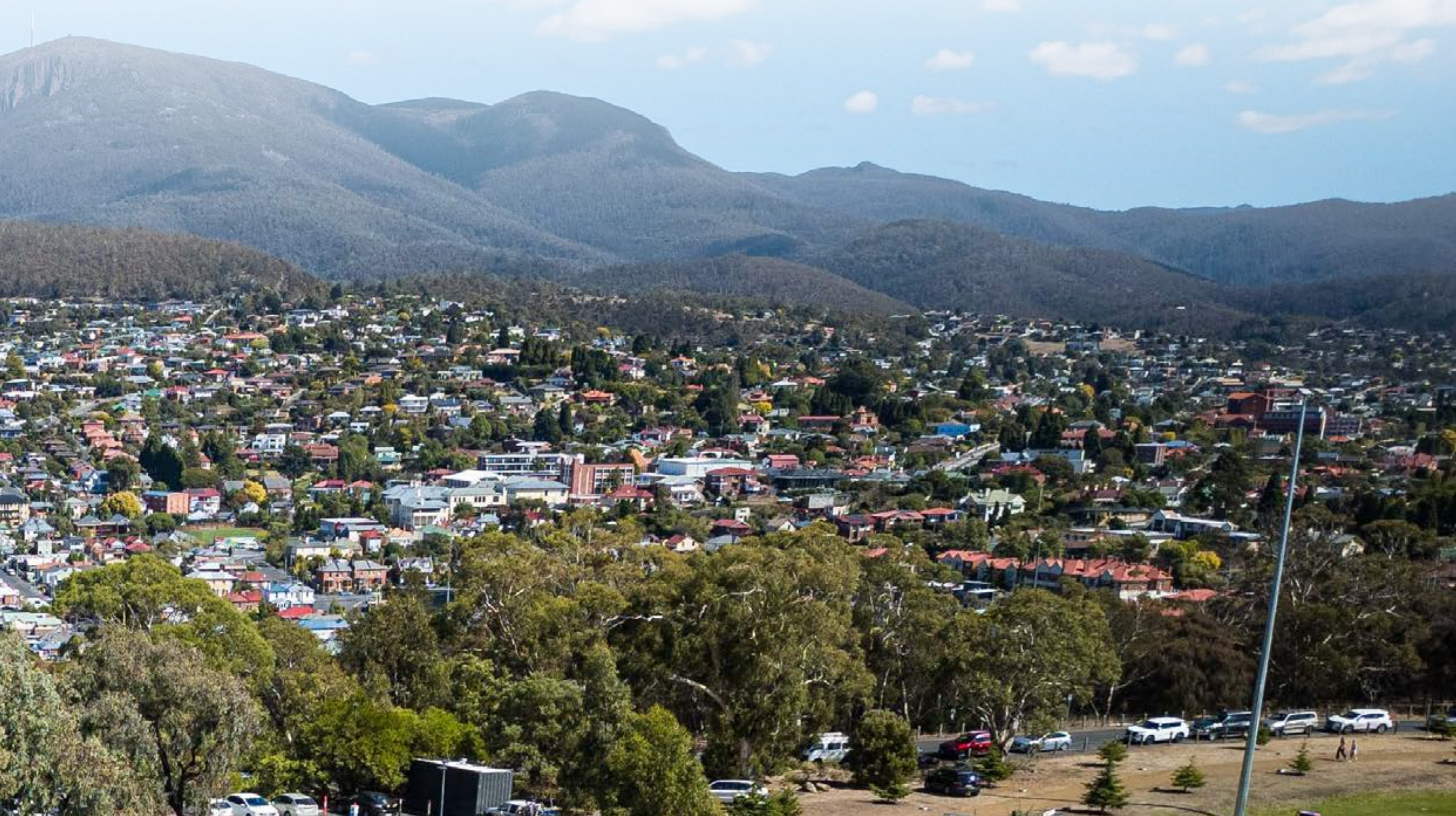
9.5 Rates Rebates

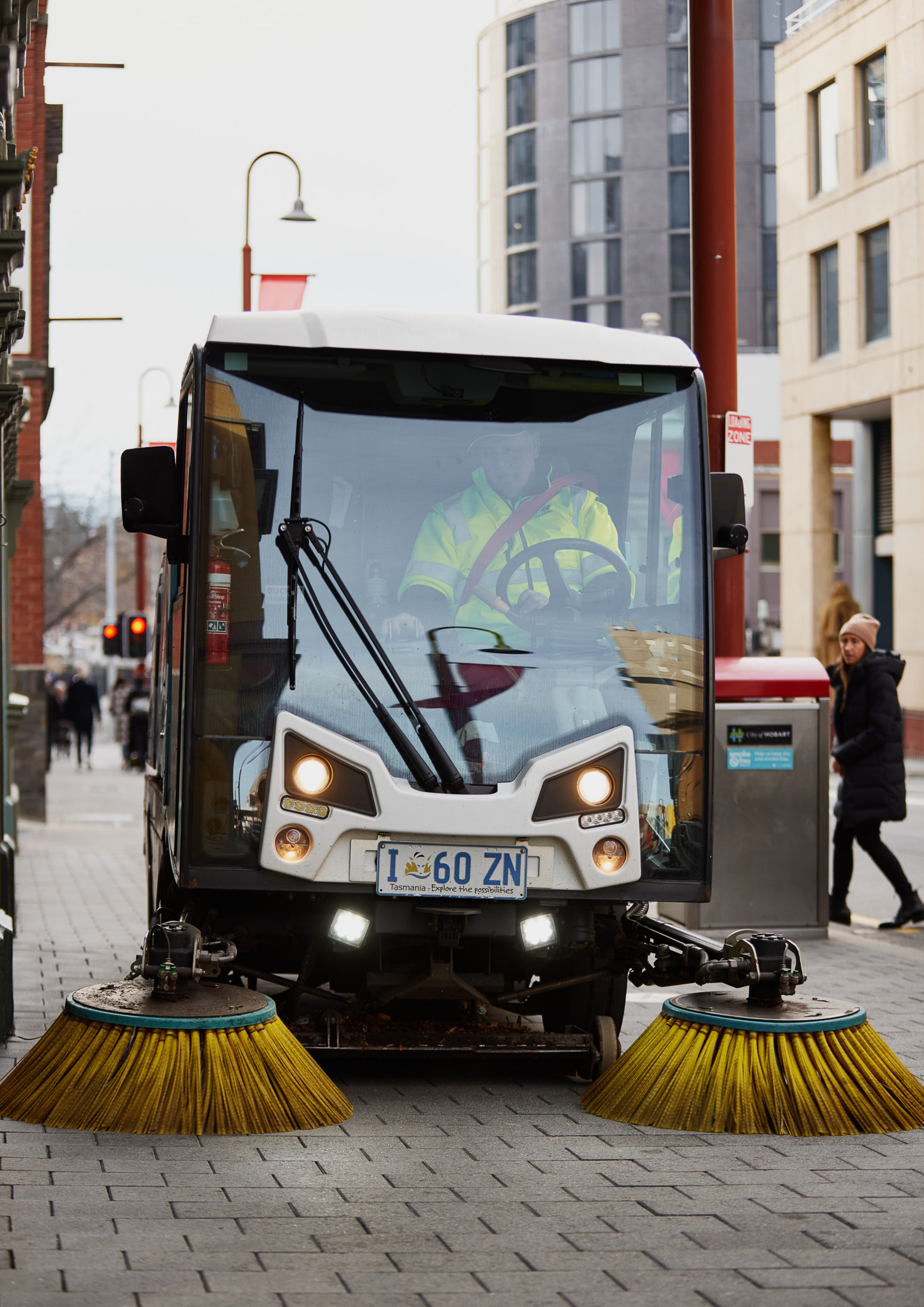
Under section 87 of the LG Act, certain land is exempt from the General Rate (and Separate Rates and Averaged Area Rates) where they are held or owned for specific purposes outlined in the LG Act e.g.: charitable purposes, Aboriginal land, certain land owned by the Crown, council owned, etc.

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

Charitable Rate Exemptions

Council will continue to provide a charitable rates exemption to those properties that meet the eligibility requirements set out in section 87(1)(d) of the LG Act as outlined in the Council Policy – Charitable Rate Exemptions, available from the City's website at: hobartcity.com.au/Council/About-Council/Council-Policies

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10. Support for Ratepayers with Least Capacity to Pay

The City will support those ratepayers with least capacity to pay through a range of support measures, as follows:

Pensioner Rates Discounts

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

- 30% of rates and charges (maximum limits apply, which are indexed each year).
- 20% of the Fire Service Rate.

Financial Hardship Assistance

Council will provide assistance to community members who are suffering financial hardship by providing an appropriate level of relief from Local Government rates.

This will include:

- Temporary deferral of rate payments;
- Payment arrangements; or
- Remission of late payment penalty and interest.

More information, including how to apply for assistance, is available from the City's website at: hobartcity.com.au/rates-assistance.

Approach to Debt Management

The principles that will apply to the management of and recovery of rates arrears are as follows:

- **Simplicity** – by making the processes used to recover rates arrears straight forward as well as easy and cost effective to administer.
- **Transparency** - by making clear the obligations of the ratepayer to pay rates and the consequences of failing to pay rates.
- **Responsibility** – making clear the obligations of ratepayers to pay rates.
- **Equity** – applying the same treatment and processes for ratepayers with the same circumstances.
- **Flexibility** by responding where necessary to changes in the local economy.
- **Capacity to pay** – having regards to the financial hardship of individual ratepayers and negotiating support under the City's Financial Hardship Assistance Policy on application.

More information is included in the Council Policy – Collection of Rate Arrears, available from the City's website at: hobartcity.com.au/Council/About-Council/Council-Policies

11. Rate Payment Options

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

Payment Due Dates

Acknowledging cost of living pressures, Council will continue to offer payment by instalment spread throughout the year. Rates can continue to be paid in full by the first instalment due date, or by two equal amounts on the first and third instalment due date or paid in four equal amounts on the instalment due dates as follows:

- 15 August
- 15 November
- 15 February
- 15 April

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

Rate Payments

The City will continue to offer a range of convenient and flexible payment options for the payment of rates and a free SMS rates instalment reminder notification service that ratepayers can opt in to use. The City will investigate new and emerging payment methods to ensure ratepayers continue to have access to a range of flexible and convenient payment options.

Discount for Early Payment of Rates

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

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

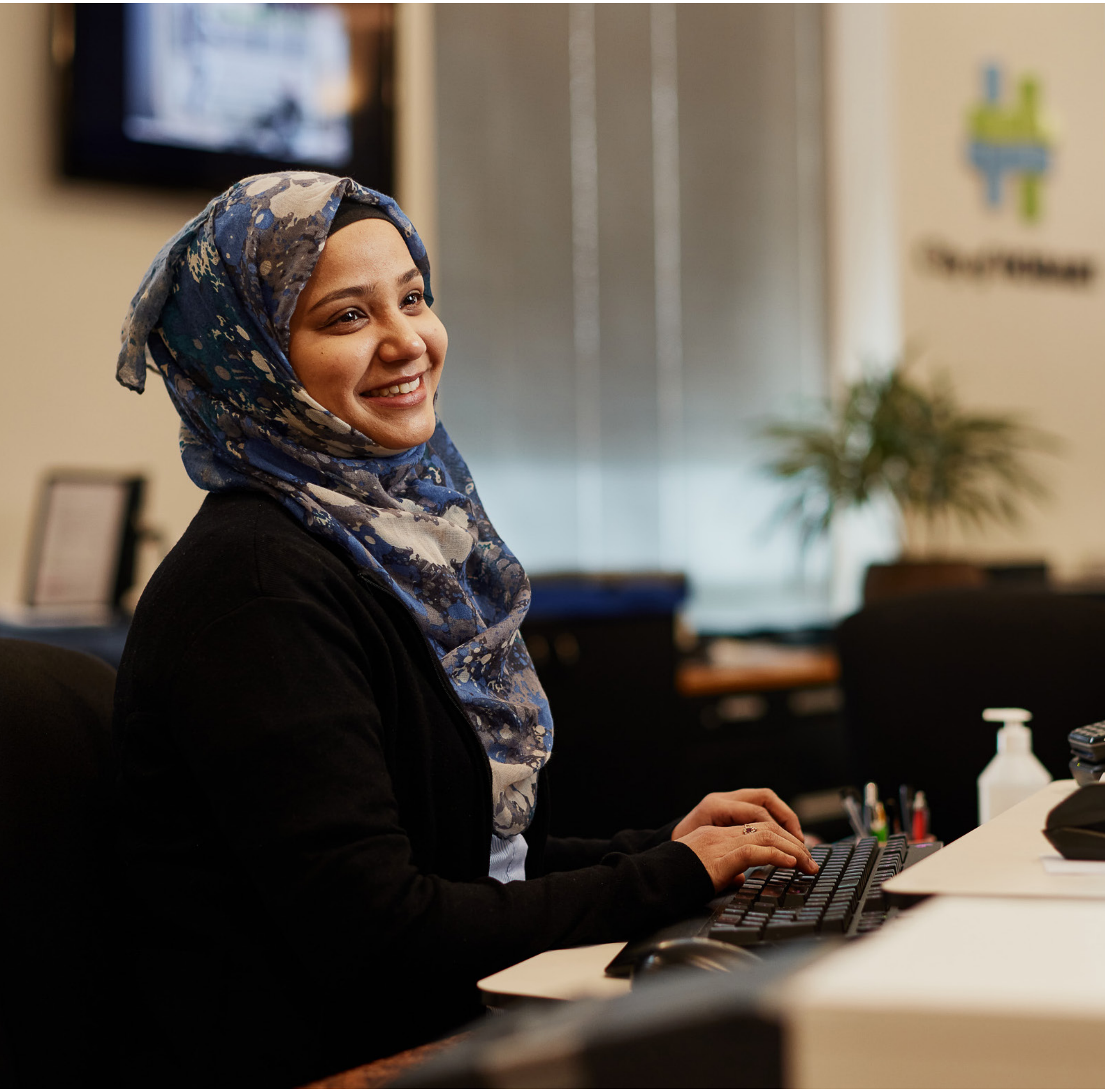
Late Payment Fees

Council will apply a late payment penalty of 3% of the instalment amount and interest at the prescribed rate set out in section 128(2) of the LG Act.

Late payment penalty and interest is set at these amounts to recover Council's costs of rates debt management.

12. Review of Rating and Valuation Strategy

The City's Rating and Valuation Strategy 2024-28 will be reviewed in 2026 as a mid-term review.



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