Rates and Charges

Narration Script

Huon Valley Council | Candidate and Councillor Knowledge Series

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Slide 1 — Title — Rates and Charges

Welcome to Rates and Charges, part of the Huon Valley Council Candidate and Councillor Knowledge Series.

Rates are Council's largest source of income and the subject councillors are asked about more than any other. They are also the least well understood.

This module covers what rates are, how Council makes them, who is exempt, and what happens when someone cannot pay.

Slide 2 — Before You Begin

Rates are taxation. Almost every difficult conversation a councillor has about rates starts by getting that right.

The Act sets the principles. Section 86A provides that rates constitute taxation for the purposes of local government rather than a fee for a service, and that the value of rateable land is an indicator of the capacity of the ratepayer to pay.

Section 86B requires Council to adopt a rates and charges policy containing a statement of the policy it intends to apply in exercising its powers under Part 9. Council's is GOV-FIN 005, and it is reviewed at least every four years.

Council makes the rates. The rates resolution is made by Council, by absolute majority, at the same meeting it adopts the budget estimates, because one funds the other.

And the companion module covers the money itself how the budget and the long-term financial plan work.

Slide 3 — Rates Are Taxation

This is the single most useful thing a councillor can understand about rates, and it is worth being able to explain in one sentence.

Rates are not a fee for service. The total amount payable may not directly relate to the services used by each ratepayer, and Council's Policy says so in those words. The value of rateable land is an indicator of capacity to pay — that is the basis on which the burden is distributed.

Which answers the objection councillors hear most often. A ratepayer who says they do not use the pool, or the hall at the other end of the Valley is describing a service. Rates are a tax, and a tax is not refunded because you did not use a particular thing it funded.

Two things are worth knowing about the limits. Section 86A(2) provides that Council's power to make or vary rates cannot be challenged on the ground that those principles were not taken into account. And a rate is not invalid merely because it does not conform to Council's own rates and charges policy.

So the principles guide Council rather than binding it. That makes it more important, not less, that Council applies them deliberately.

Slide 4 — What Is on a Rates Notice

A rates notice carries five separate things, and only some of them are Council's.

The general rate. Cents in the dollar of capital value, applying to all rateable land, funding Council's general operations.

The stormwater removal charge, funding stormwater infrastructure and maintenance, because the Urban Drainage Act requires Council to provide public stormwater systems and keep them in good working order. And waste management charges — kerbside refuse, varied by bin capacity, and kerbside recycling.

The fire service levy. This one is worth being clear about, because councillors are blamed for it. Council makes a service rate for the fire service contributions it must collect under the Fire Service Act, and passes the money to the State Government. Council does not set the amount and only retains a small administrative processing fee.

And supplementary rates. Where a supplementary valuation is made during the year, Council may adjust the amount payable and issue a supplementary notice.

Slide 5 — The General Rate

The general rate is made once a year, not earlier than the first of June and not later than the thirty-first of August, on all rateable land in the municipal area.

It is based on capital value. The Act allows land value, capital value or assessed annual value. Council uses capital value — the land and all improvements on it — because it considers that the fairest way of distributing the burden across all ratepayers.

The values are not Council's. They are determined by the State Valuer-General, with fresh valuations every six years and index adjustment in between. A ratepayer who disagrees objects to the Valuer-General within sixty days. Council has no role in that process, and lodging an objection does not change the due date for paying.

A minimum amount applies, so that every rateable property makes a base contribution to the cost of administering Council's activities and maintaining the infrastructure that supports it.

And Council has resolved not to exercise the rate capping provision in the Act.

Slide 6 — Varying the Rate

Council may vary the general rate between classes of land, and the current variation is a good example of Council choosing rather than drifting.

Section 107 permits variation by absolute majority on five factors: use or predominant use, non-use, locality, planning zone, or any other prescribed factor. Council applies it by use, varying the rate for commercial, industrial, primary production, vacant land and land used for other purposes, each by a different amount.

Now the interesting part. The Valuer-General's adjustment factors apply different levels of value increase across property classes. Because the rate is cents in the dollar of value, the share each class contributes shifts whenever values are adjusted.

Without intervention that would have produced unintended reductions in the contribution from some classes and a greater burden on others — not because Council decided anything, but as a mechanical by-product of the adjustment factor process.

So Council intervened, varying the general rate so all property classes receive a consistent increase in line with the municipal average. This ensures the distribution of the rates burden is the result of a deliberate and transparent Council decision. That is worth being able to explain, because it is exactly the kind of thing that looks arbitrary until someone does.

Slide 7 — Service Charges

Service charges work differently from the general rate, and the difference is worth holding onto.

They are charged per separate tenement each premises, flat, unit, apartment, single strata title, portion of land set aside for separate occupation, or certificate of title. So a building with six units carries six charges.

They apply to some land that is otherwise exempt from rates, though not to Crown land where Council does not supply the service. So a property exempt from the general rate may still pay for waste collection, because the service is still being provided.

They can be varied by level of service. The kerbside refuse collection charge varies according to bin capacity, which section 94 expressly permits, and Council applies different charges for eighty, one hundred and twenty, and two hundred and forty litre bins.

They are set to recover the cost. Council increases service charges to ensure the costs of those services are fully paid for by the users of those services.

And that is the difference. The general rate is taxation and does not track use. A service charge is much closer to the cost of a service actually supplied or made available. A ratepayer who complains about the general rate is arguing about tax; one who complains about a waste charge is arguing about a service.

Slide 8 — Who Does Not Pay

All land is rateable except what the Act exempts, and the exemptions are worth knowing because councillors get asked about them.

Section 87 exempts Commonwealth land, most Crown reserves and national parks, public parks with free access, roads and marine facilities, Hydro land carrying electricity infrastructure, Aboriginal cultural land, and Council's own land.

Then charitable purposes. Land, or part of land, owned and occupied exclusively for charitable purposes is exempt from the general rate. Both limbs must be met — owned exclusively for charitable purposes, and occupied exclusively for them. Unless both are satisfied, the exemption does not apply.

And this is the part councillors most need to know: the entitlement is a matter of law, not subject to Council's discretion. The Chief Executive Officer assesses whether it applies. A councillor cannot grant it, and cannot refuse it.

Exclusively means exclusively. A charitable organisation running a commercial enterprise on a property does not occupy it exclusively for a charitable purpose, even if the profits fund the charity's other work.

Slide 9 — Remissions and Concessions

Where the Act does not exempt, Council may remit — and some remissions are the State's rather than Council's.

Council may remit rates payable by a class of ratepayer, by absolute majority, as part of the annual rates resolution. Two classes are remitted: jetties, slipways and boatsheds, where the ratepayer already carries a Crown lease obligation; and land under a conservation covenant in perpetuity.

Community organisations may be considered for remission — sporting clubs, halls, service clubs, and organisations whose sole purpose is advancing community interests. But only where the organisation derives no income from activities outside that purpose, such as the sale of alcohol.

Individual applications are granted only in exceptional circumstances, taking into account the principles in Council's Financial Hardship Policy.

Pensioner concessions are not Council's. They are provided by the State Government under separate legislation, with eligibility criteria set by the State Revenue Office. Council administers the concession; it does not fund it.

And it all gets reported. Reduced fees, rates or charges and any remissions are included in the Annual Report as a benefit provided under section 77.

Slide 10 — Paying, and Not Paying

Rates are payable in instalments, and unpaid rates ultimately attach to the land itself.

All rates and charges are payable by four instalments, with due dates in August, October, January and April. Ratepayers may also pay in full by the first instalment date, or by direct debit.

Late payment attracts a penalty of up to ten per cent and daily interest at a prescribed rate. The current penalty is set by Council at 3% with an interest rate at 10.6% as prescribed. Council allows three working days grace and remits the penalty if payment arrives within it. And if an instalment is unpaid after twenty-one days, Council may require the full amount owing for the year.

Rates are a charge on the land in respect of which they are payable, enforceable in priority to any mortgage, charge, lien or encumbrance. They follow the land rather than the person, which is why they are eventually recoverable even where the ratepayer is not.

And after three years. Where rates have been outstanding for three years or more and recovery has failed, Council may sell the land — after written notice stating the arrears, notice to any mortgagee, advertisement on two occasions, and ninety days for payment. It is rare, and it is the end of a long road, but it exists.

Slide 11 — When Someone Cannot Pay

Council's Financial Hardship and Payment Assistance Policy exists because hardship is normal rather than exceptional, and the Policy says so.

It applies where individuals, businesses or community organisations are temporarily unable to make repayments when due, and paying would cause genuine hardship. The triggers listed include loss of employment, serious illness, natural disaster, inflation and high interest rates, family breakdown and business downturn.

There are three forms of relief. Alternative and flexible payment arrangements, which the Policy names as preferred. Deferral of individual payments, typically three months and up to two years in the most serious cases. And waiver of the late payment penalty, the accumulated interest, or both.

It is not debt forgiveness. Council must balance its commitments across the community and is not in a position to write off rates debt. Arrangements must provide for full settlement by a certain date, though that date can be extended.

Evidence is required, and the Policy is candid about why — to minimise exploitation, ensure equity to the whole community, and ensure that those able to contribute to local services continue to do so.

Most of it is delegated, with officers acting within set limits. Applications exceeding those limits, or applicants not satisfied with the outcome, are taken to Council. The Policy also points ratepayers to free financial counselling services.

Slide 12 — What Councillors Do

Councillors make the rates. Almost everything after that is administration, and knowing the line saves a great deal of difficulty.

Councillors make the rates resolution by absolute majority — the general rate, the variations between classes of land, the service charges, the minimum amounts, and the remissions granted to classes of ratepayer.

Councillors adopt and review the rates and charges policy, at least every four years and also before making a type of rate not made the previous year, before varying a rate, and before setting a minimum amount.

Councillors set the level, not the individual rate. Council decides how much revenue is required and how the burden is distributed between classes. It does not decide what any particular property pays — that follows from the valuation and the resolution.

And councillors stay out of individual assessments. Valuations belong to the Valuer-General. The charitable exemption is a matter of law assessed by the Chief Executive Officer. Hardship applications are delegated and confidential.

What councillors can do, and should, is explain it. Rates are taxation, not a fee for service. The fire levy is collected for the State. Valuations are not Council's. And hardship assistance exists, is confidential, and the sooner someone asks the more can be done.

Slide 13 — Five Things to Remember

Five things to take away.

One. Rates are taxation, not a fee for service. The value of rateable land indicates capacity to pay, not services consumed.

Two. Not everything on the notice is Council's. The fire service levy is collected on behalf of the State Government, and property valuations are the Valuer-General's, with objections going there rather than to Council.

Three. The variation was a decision. Council varied the general rate so that the distribution of the burden between property classes was deliberate and transparent, rather than a mechanical by-product of the adjustment factor process.

Four. The charitable exemption is a matter of law, not discretion. Land must be owned and occupied exclusively for charitable purposes, and councillors can neither grant the exemption nor refuse it.

Five. Hardship assistance exists. Flexible payment arrangements, deferral, and waiver of penalty and interest all confidential, and all far more useful the earlier someone asks.