

Policy Name	Rating Principle
Policy Type	Finance
Policy Number	FIN19
Version	2
Approval Date	January 2019
Renewal Date	January 2022



**Policy Number**            **FIN19**

**Policy Name**             **Rating Principle**

## SUMMARY

The West Daly Regional Council is required to consider and adopt a rating policy which governs application of Council rates for ensuring years. Rates are an essential ingredient of revenue for Council but in past years have made up less than 3% of overall annual income for Council with the balance of revenue being derived from direct financial grants from Governments.

Income that any Council requires to provide services comes from three main streams:

- a) Government operation funding distributed in the Northern Territory through the NT Grants Commission;
- b) Financial grants that are normally tied to specific community programs and projects; and
- c) Rates and service fees which constitute the public contribution towards local government services in the area.

A common assumption is that services and facilities should be provided in direct proportion to the level of rates collected. This is not, and cannot, always be the case. However, rating should be applied with fairness and consideration of the special needs and abilities of local residents.

It has been an ongoing debate for some time that pastoral properties in the Northern Territory do not receive services to the level that residents in the larger urban centres and communities do. While it can be argued that residents on pastoral properties have the same access to urban facilities such as libraries, community events, public roads, waste management etc, in reality most property owners provide directly for their own internal roads, waste management and other needs without calling upon local government. It is nationally recognised that local government rates covering a

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pastoral property represent that property's specific contribution to the community well-being within the local government area in which they are located. This is commonly accepted in all other states and territories. Rating of pastoral properties in the Northern Territory has only occurred in recent years since the majority of the Northern Territory land area became incorporated under local government.

The *Local Government Act* states that “all land within a local government area is rateable...”. Overdue rates become based on the land rather than an individual. Consequently, if land is transferred from one owner to another, any outstanding rates become the liability of the new owner.

Rates for each financial year must be set by Council prior to 31 July of that year and a formal declaration published in the local newspaper and on Council's website. At this time, Council may also resolve to allow a discount for prompt payment of rates in full.

With consideration of rates, Council also considers its service charges for any service it carries out. Service charges are applicable to rating exempt properties if Council provides services.

### **Rating Background and Methods of Calculation**

In provision of core local government services to the region, there is a need to provide and maintain significant levels of infrastructure and plant including roads, drainage, buildings, parks, sporting and recreation facilities, along with staff accommodation in isolated communities. Each area and category of resident requires a differing mix of services. These range between roads and infrastructure in a small community to the needs of special land use groups such as pastoralists and mining operations. Essentially, Council needs to attract sufficient rate revenue to continue these facilities and services. However, there is also moral obligation to consider certain background principles in the application.

The *Local Government Act* categorises land within Council's area as:

**Rateable** land is all that land within the boundaries of West Daly Regional Council that is not conditionally rateable or exempt.

**Conditionally rateable** land is generally an operational pastoral or mining lease or tenement. The level of rates on conditionally rateable land must be approved by the Minister for Local Government and accordingly, each Council must advise the Minister of their recommendation for land within their boundaries four months before

1<sup>st</sup> July annually, viz. by February. It is Council's policy that it be allowed to determine the appropriate rating levels in its area, albeit within the Ministerial guidelines.

### **Background rating principles**

General principles include fairness and equity, simplicity, efficiency and effectiveness. Although to most residents, local government rates are considered unavoidable, they should be consistently applied and open to public scrutiny.

### **Fairness/Equity**

Rates must be applied as far as possible between those ratepayers with similar ability to pay. This is referred to as horizontal equity. In this instance, rating should be similar in application level. The alternative, vertical equity, considers that those ratepayers with greater ability to pay should accept higher rating than others. Inherent in rating equity is the acceptance that some resident groups, despite paying a higher level of rating, might actually access benefits at a lesser level.

### **Simplicity**

The principle of simplicity refers to the comprehension of various ratepayers of how rates are calculated. Calculations must be transparent.

### **Efficiency**

Rates must be applied in an efficient manner. They should be issued at similar times annually and be able to be easily understood applying equally to most ratepayers in a particular area. Rate revenue must also be utilised in an efficient manner.

In setting rates for ensuring years, Council generally consider either CPI (Consumer Price Index) or LGCI (Local Government Indexing) which is provided by Local Government Association of Northern Territory (LGANT) based on national benchmarks.

## **BACKGROUND**

NOTE: The following policy relates to "Rating Principles" ie: the background principles behind local government rating. This policy should be read in conjunction with Policy FIN18 – Rates Management. "Rating Management" outlines administrative procedures covering rate management including options available to Council should rates become seriously outstanding.

## POLICY STATEMENT

Land rates in the West Daly Region will be based on Unimproved Capital Value (UCV) except where Council by resolution declares a fixed rate per property.

Rates and service charges will be reviewed annually and determined for each financial year at the last meeting prior to 31 July annually of that year. In setting rates, Council will consider either CPE or LGCI which is provided by LGANT.

Unless otherwise determined, Council will not offer a discount for early payment of rates in full but will make arrangements for ratepayers to make quarterly instalments if they prefer.

## TERMINOLOGY AND REFERENCES

**Conditionally rateable land** – is generally either a pastoral lease or a mining tenement that is operational. The level of rates on conditionally rateable land must be approved by the Minister for Local Government accordingly, each Council must advise the Minister of their recommendation for land within the boundaries of four months before 1<sup>st</sup> July annually and viz. by February.

**Exempt land** – is those categories of land which are outlined in the *Local Government Act*.

**Fixed Rate** – occurs when a Council charges a fixed rate on each title or allotment of land regardless of its size, location or capital improvements.

**Improved capital value** – is the assessed value of land which an average buyer might pay. It includes buildings and all capital improvements but not machinery and plant, tools and machines. The assessor is the Valuer General's Office.

**Rateable land** – is all that land within the boundaries of the West Daly Regional Council that is not conditionally rateable or exempt.

**Unimproved capital value** – is the assessed value of land which an average buyer might pay. It is the value of the land only and any capital improvements are ignored. The assessor is the Valuer General's Office.

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## **REFERENCES**

*Local Government Act*

*Local Government (Accounting) Regulations*

*NT Valuation of Land Act*

## **FURTHER INFORMATION:**

*Chief Executive Officer*

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