Property Rate Modelling Analysis

Report

31 May 2018

Crowe Horwath.

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Introduction and assumptions

Several South East local government councils, with the support from the Tasmanian Government took part in a study to explore the merits of shared services and different amalgamation options. The *South East Feasibility Study*[1] (the Feasibility Study) was finalised in September 2016. Recently, Sorell and Tasman Councils formally requesting a review into potential voluntary amalgamation and resources-sharing options. Crowe Horwath was engaged by the Local Government Board to provide financial analysis over different possible rating models to inform the review.

Purpose

The purpose of this report is to analyse possible scale of rating shifts (increases and decreases) that a potential merged council (in the event of a merger between Sorell Council and Tasman Council) would face in a rating alignment process for the two councils.

This analysis was to be achieved through using common rating practices and principals that is aimed at minimising property Rate transition impacts. This analysis is to assist the Local Government Board in undertaking its due diligence review of the resource-sharing and amalgamation options for the Sorell and Tasman Councils.

There are four primary scenarios that have been modelled to assess impacts of a potential merged council. These are:

1. Scenario 1 – uniform rating strategy across Sorell and Tasman
2. Scenario 2 – Different variable rate by locality
3. Scenario 3 – uniform rating using decrease collars/caps
4. Scenario 4 – flat rating model

Assumptions

To ensure we minimised the complexity of the calculation we agreed with the Local Government Board and built in some overall assumptions into the model. The assumption and reasoning is set out below:

- The modelling done in each scenario is based on Capital Value (CV) of individual properties (unless otherwise stated). This reflects that Sorell Council are already rating on CV and that the State Government is encouraging Councils to transition to CV over time.

Assumptions Continued…

- Revenue Neutrality means rating revenue is held neutral for each council (based on the original year) and by broad class of ratepayers (eg, commercial, residential, industrial, etc);

- Annual indexations has not been factored into the calculation. Indexation would have an almost equal effect on the original rating model and the new model given it has to remain revenue neutral;

- The Local Government Act specifies that the fixed charge must apply equally to each rateable land assessment (which would be all properties in the potential combined council);

- The fixed component can not exceed 50% of the total rates for the new amalgamated council per the Local Government Act;

- The model will be based on the eight standard classes as outlined on the next page. This would simplify the rating model currently used at Sorell Council;

- This model focuses on the general rate component only and does not consider the effect this may have on other charges such as the fire levy or waste management levy;

- The analysis was prepared based on the rating data provided by the Department of Premier and Cabinet (DPaC). Whilst we reviewed it for accuracy we have not performed detailed testing over its validity; and

- Scenarios are modelled over a 5 year period.

Current Rating Strategy

Currently the rating strategy for Sorell Council and Tasman Council are very different.

Sorell Council currently have 23 rating categories with different variable rates and is based on the Capital Value of each rateable property.

Tasman Council currently utilise the standard 8 rating classes, however their calculation basis on the Annual Assessed Value (AAV).

There is also differences in the fixed component for each council with Tasman paying $350 per rateable property as the fixed component and Sorell paying $450 per rateable property.

General rates by class:

As outlined in the assumptions, our model is based around 8 classes of ratepayers. These include:

- Commercial (C);
- Industrial (I);
- Primary Industry (L);
- Public (P);
- Mining (Q);
- Residential (R);
- Recreational (S); and
- Vacant Land (V).

Scenario 1
Uniform rating model across Sorell and Tasman

Outline – Scenario 1

The first scenario selected to model was to attempt to merge both councils to be using the same variable rate each year.

Further assumptions have been built into this model in addition to those outlined in the introduction. These can be viewed in the table on the below.

Other assumptions	Impact areas	Rationale
Fixed Rate	$400	This is seen as a reasonable compromise between the two localities, and by including a fixed component this has an effect of minimising rates movements in revaluation years.
Increase Cap	10% of the original rate	No individual property to have an increase that exceeded 10% the original value in any 1 year.
Decrease collar/cap	Nil	Any property where it was calculated that they were entitled to a decrease in rates, would receive the entire reduction in the year it would be entitled.

After setting these assumptions we then sought to change variable rates to get to a point that was revenue neutral for each class for the amalgamated council and analysed the impact this would have on ratepayers in the localities of Sorell and Tasman. This model attempts to achieve equitable rating across all properties.

Whilst it is possible to achieve revenue neutrality for the amalgamated council for each class for the five years, it is not possible to achieve revenue neutrality within the localities of Sorell and Tasman for the five years.

The next pages explore each locality in turn and the results on what would be the new amalgamated council.

We also performed this model of using the same rates for each council but changing the fixed rate to $200 and another model based on a fixed rate of $500, but this seemed to reduce further the number of classes that could achieve revenue neutrality and increased the number of ratepayers this would impact.

Variable rates used - Scenario 1	17/18	18/19	19/20	20/21	21/22
Commercial	0.014	0.012	0.011	0.010	0.010
Industrial	0.009	0.009	0.008	0.008	0.008
Primary Industry	0.003	0.003	0.003	0.002	0.002
Public	0.005	0.004	0.004	0.004	0.004
Mining	0.003	0.002	0.002	0.002	0.002
Residential	0.003	0.003	0.003	0.003	0.003
Recreational	0.004	0.003	0.003	0.003	0.003
Vacant Land	0.002	0.002	0.002	0.002	0.002

![Crowe Horwath logo]

Class – number of ratepayers	Variation from Original Rates					
	17/18 %	18/19 %	19/20 %	20/21 %	21/22 %	21/22 with cap removed %
Commercial – 100	-2.5%	-4.3%	-6.9%	-8.9%	-11.2%	-9.4%
Industrial – 27	-1.8%	-2.5%	-3.2%	-3.7%	-4.4%	-2.4%
Primary Industry – 306	0.0%	6.2%	11.7%	14.2%	15.5%	16.0%
Public – 38	-2.8%	-3.0%	-3.3%	-2.4%	-1.6%	3.3%
Mining – 2	-21.7%	-22.1%	-22.1%	-22.1%	-22.1%	-22.1%
Residential – 6,921	3.3%	3.6%	3.6%	3.6%	3.7%	3.7%
Recreational – 207	-7.3%	-6.7%	-6.3%	-5.7%	-5.5%	-5.4%
Vacant Land – 1,264	6.9%	11.7%	12.7%	14.0%	14.7%	16.6%
Overall – 8,865	2.5%	3.3%	3.3%	3.4%	3.3%	3.7%

Sorell - Impact on individual proerpties

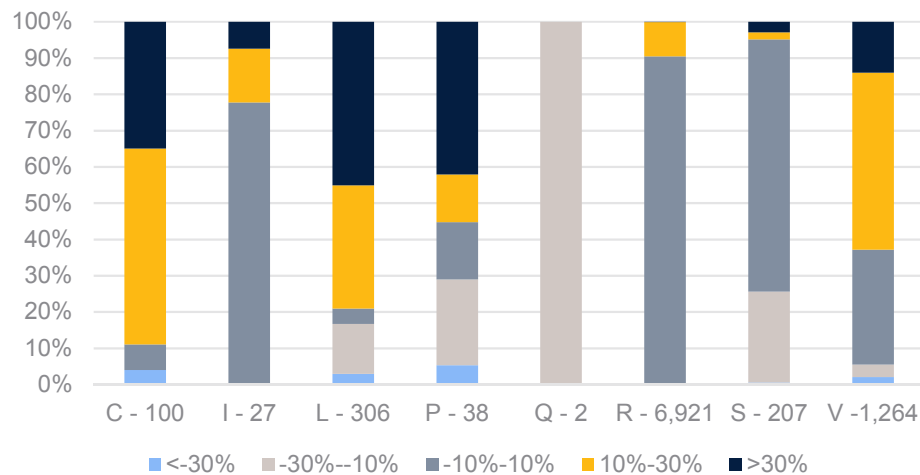Legend: <-30% | -30%--10% | -10%-10% | 10%-30% | >30%

Sorell – Scenario 1

The table on the left shows the movement from the ratepayers original rates each year. Per this table for Sorell as a locality would remain within 10% each year using these rates and remain within 10% after the increase cap is removed in year 5. However, there would be shifts of up to 22% within the classes of Sorell. There are differences in the percentages for year 21/22 and 21/22 with caps removed, this indicated that the use of the 10% cap may be required past 2021/2022 for most classes as some individual properties would continue to incur shifts of greater than 10% in any one year.

The graph below shows the impact on individual ratepayers within each class if the caps were removed after 2021/22 financial year and if they were paying their full rates under the new model. In the Commercial class we can see that there are 35 ratepayers that would experience an increase in their rates of greater than 30% and a further 54 with increases between 10% and 30%. This would offset the small number of ratepayers with large rates that would receive a decrease between 10% and 30% to ensure the class remains revenue neutral. Primary Industry would also incur increased rates whereby 79% of properties in the class would experience an increase in their rates of greater than 10%.

The issues identified above are predominately due to consolidating the 23 classes, that are utilised at Sorell currently, down to the 8 standard classes. In some of these classes properties rates would vary significantly.

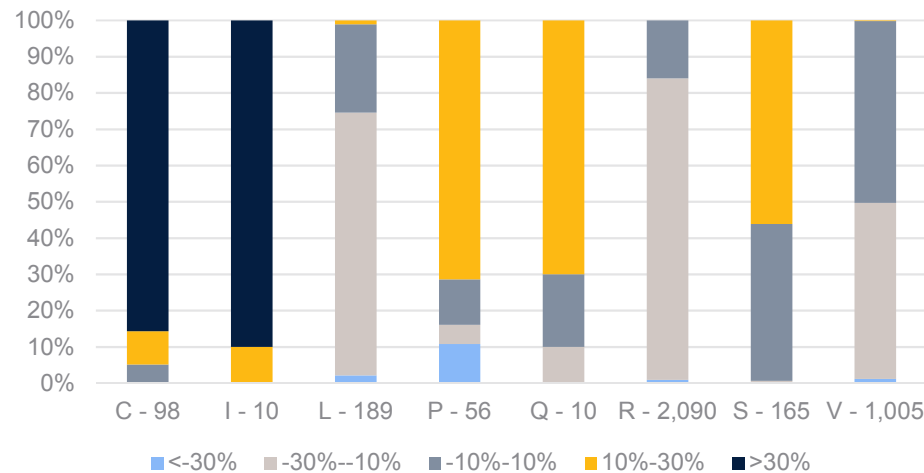| Class – number of ratepayers	Variation from Original Rates					
	17/18 %	18/19 %	19/20 %	20/21 %	21/22 %	21/22 with cap removed %
Commercial – 98	10.0%	19.8%	26.5%	32.5%	38.2%	87.5%
Industrial – 10	10.0%	20.0%	29.6%	39.1%	48.4%	70.9%
Primary Industry – 189	-0.5%	-8.4%	-15.6%	-18.8%	-18.8%	-18.8%
Public – 56	2.5%	7.0%	7.7%	5.4%	3.0%	3.0%
Mining – 10	4.6%	4.5%	4.5%	4.5%	4.5%	4.5%
Residential – 2,090	-13.5%	-13.5%	-13.5%	-13.5%	-13.5%	-13.5%
Recreational – 165	9.0%	8.0%	5.8%	5.8%	5.8%	5.8%
Vacant Land – 1,005	-7.3%	-11.2%	-13.5%	-13.5%	-13.5%	-13.5%
Overall – 3,620	-8.8%	-9.4%	-10.0%	-9.9%	-9.6%	-6.2%

Tasman – Scenario 1

When the same rates that would achieve revenue neutrality for the amalgamated council were applied to Tasman, we note that this would create large variances across most classes with most ratepayers experiencing shifts in their individual rates between 10% and 30%.

Commercial class would experience the largest increase in rates of 87% followed by Industrial of 70%. Primary Industry, Residential and Vacant Land would all receive decrease in their rates between 10% and 30%. As a whole, Tasman would remain with an overall movements in rates in this locality of -6.2%.

Therefore, under this model, a small number of ratepayers would receive large increases in their rates, but the majority of ratepayers in this locality would experience a decrease between 10% and 30%.

Tasman - Impact on individual properties

Legend: ■ <-30% ■ -30%--10% ■ -10%-10% ■ 10%-30% ■ >30%

![Crowe Horwath logo]

Variation from Original Rates						
Class – number of ratepayers	**17/18 %**	**18/19 %**	**19/20 %**	**20/21 %**	**21/22 %**	**21/22 with cap removed %**
Commercial – 198	0.2%	0.9%	0.3%	0.0%	-0.5%	11.5%
Industrial – 37	-0.8%	-0.5%	-0.3%	0.0%	0.2%	4.0%
Primary Industry - 495	-0.2%	-0.1%	-0.1%	-0.1%	0.6%	0.9%
Public – 94	-1.0%	0.4%	0.5%	0.3%	0.0%	3.2%
Mining – 12	-0.6%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%
Residential – 9,011	-0.8%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Recreational – 369	0.7%	0.5%	-0.4%	-0.1%	0.0%	0.1%
Vacant Land – 2,269	-0.2%	0.3%	-0.4%	0.2%	0.6%	1.5%
Overall – 12,485	-0.60%	-0.27%	-0.39%	-0.34%	-0.31%	0.93%

Amalgamated – Impact on individual properties

Legend: ■ <-30% ■ -30%--10% ■ -10%-10% ■ 10%-30% ■ >30%

Amalgamated – Scenario 1

The combined affect of this model shows that Commercial, Public and Industrial classes of ratepayers would be unable to remain revenue neutral once the increase cap has been fully removed.

This suggests that if this model were to be adopted, that a longer term cap may need to be used to spread those movements over a longer period so that those ratepayers that would experience increases greater than 30% would not incur such a large movement in any one year.

Generally this model shows that a large number of ratepayers would experience a shift of less than 10% of their rates or a decrease of between 10% and 30%. However there would also be a small number of ratepayers that would experience shifts greater than 30% to allow the amalgamated council to remain revenue neutral.

Crowe Horwath™
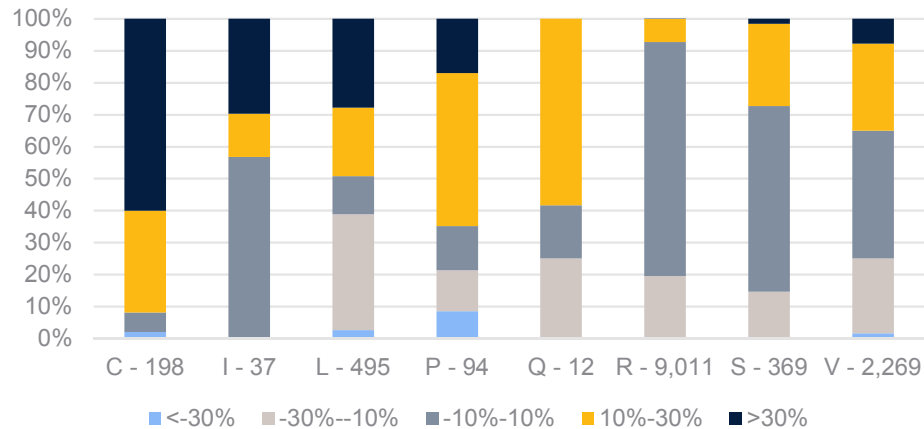
Scenario 2
Different variable rates per locality

Outline – Scenario 2

The second scenario selected was to have different variable rates per locality (Sorell and Tasman). Further assumptions have been built into this model in addition to those outlined in the introduction. These can be viewed in the table below.

Other assumptions	Impact areas	Rationale
Fixed Rate	$400	This is seen as a reasonable compromise between the two localities, and by including a fixed component this has an effect of minimising rates movements in revaluation years
Increase Cap	10% of the original rate	no individual property can have an increase that exceeded 10% of the original value in any 1 year.
Decrease collar/cap	Nil	Any property where it was calculated that they were entitled to a decrease in rates, would receive the entire reduction in the year it would be entitled.

After setting these assumptions we then sought to change variable rates for each locality, whilst keeping these rates as close to each other as possible. This would most likely give a result that is as close to producing revenue neutrality for as many ratepayers as possible. We continued to use the fixed charge of $400 as per the previous model, this seemed to be a rate that would achieve the most number of revenue neutral properties as possible.

Using this model would be able to achieve revenue neutrality for Sorell, Tasman and the new amalgamated council.

Sorell - Variable rates used - Scenario 2	17/18	18/19	19/20	20/21	21/22
Commercial	0.0142	0.0131	0.0122	0.0116	0.0113
Industrial	0.0090	0.0089	0.0087	0.0086	0.0086
Primary Industry	0.0031	0.0020	0.0020	0.0020	0.0020
Public	0.0047	0.0045	0.0043	0.0041	0.0039
Mining	0.0087	0.0087	0.0087	0.0087	0.0087
Residential	0.0025	0.0025	0.0025	0.0025	0.0025
Recreational	0.0071	0.0064	0.0059	0.0054	0.0050
Vacant Land	0.0013	0.0012	0.0012	0.0012	0.0012

Tasman - Variable rates used - Scenario 2	17/18	18/19	19/20	20/21	21/22
Commercial	0.007	0.006	0.005	0.005	0.005
Industrial	0.004	0.004	0.004	0.004	0.004
Primary Industry	0.003	0.003	0.003	0.003	0.003
Public	0.004	0.004	0.004	0.004	0.004
Mining	0.002	0.002	0.002	0.002	0.002
Residential	0.003	0.003	0.003	0.003	0.003
Recreational	0.003	0.003	0.003	0.003	0.003
Vacant Land	0.003	0.003	0.003	0.003	0.003

Class – number of ratepayers	Variation from Original Rates					
	17/18 %	18/19 %	19/20 %	20/21 %	21/22 %	21/22 with cap removed %
Commercial – 100	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%
Industrial – 27	0.0%	0.0%	0.0%	-0.1%	0.0%	2.2%
Primary Industry – 306	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Public – 38	0.0%	0.0%	0.0%	0.0%	0.0%	6.0%
Mining – 2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Residential – 6,921	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Recreational – 207	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%
Vacant Land – 1,264	0.0%	0.0%	0.0%	-0.1%	0.0%	0.2%
Overall – 8,865	-0.01%	0.00%	0.00%	0.00%	0.00%	0.44%

Sorell – Scenario 2

This is the exact same model used for Sorell as Scenario 1 and therefore the commentary regarding some large movements for individual ratepayers due to consolidation of categories from 23 down to 8 classes remain true.

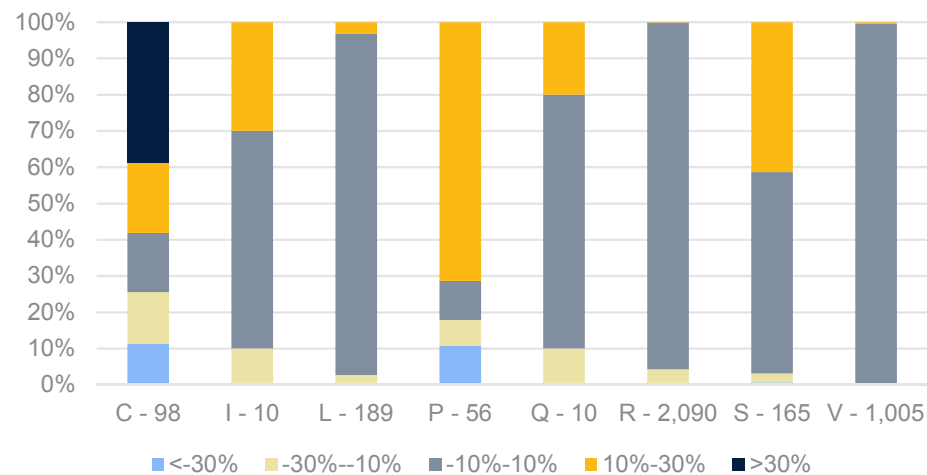Sorell - Impact on individual properties
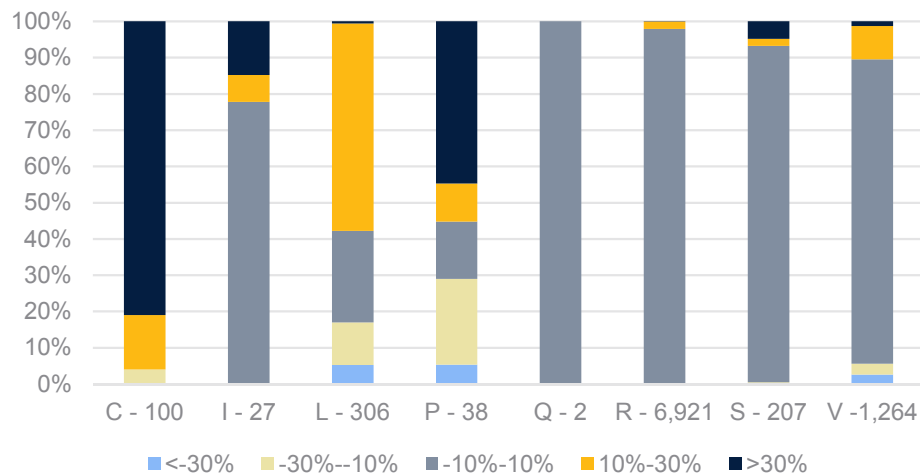
![Crowe Horwath logo]

Class – number of ratepayers	Variation from Original Rates					
	17/18 %	18/19 %	19/20 %	20/21 %	21/22 %	21/22 with cap removed %
Commercial – 98	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%
Industrial – 10	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%
Primary Industry – 189	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Public – 56	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Mining – 10	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Residential – 2,090	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Recreational – 165	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Vacant Land – 1,005	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Overall – 3,620	0.03%	0.03%	0.03%	0.03%	0.03%	0.06%

Tasman – Scenario 2

When able to use different variable rates by locality and apply a separate rate to Tasman, this alleviates a lot of the issues identified in Scenario 1 and smoothed the impact to either within 10% or would reduce rates for a large number of ratepayers in Tasman.

There were a total of 109 properties (78 of those are in the residential category) who would receive decreases of between 10% and 30% on their rates. There was a total of 145 properties that would incur an increase of between 10% and 30% and only 38 properties (all Commercial) that would incur increases of greater than 30%.



Tasman – Impact on individual properties

Legend: <-30% | -30%--10% | -10%-10% | 10%-30% | >30%

Class – number of ratepayers	Variation from Original Rates					
	17/18 %	18/19 %	19/20 %	20/21 %	21/22 %	21/22 with cap removed %
Commercial – 198	0.0%	0.0%	0.0%	0.0%	0.0%	2.2%
Industrial – 37	0.0%	0.0%	0.0%	-0.1%	0.0%	2.0%
Primary Industry - 495	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Public – 94	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
Mining – 12	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Residential – 9,011	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Recreational – 369	0.0%	0.0%	0.0%	0.0%	-0.1%	2.2%
Vacant Land – 2,269	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Overall – 12,485	0.01%	0.01%	0.01%	0.01%	0.01%	0.33%

Amalgamated – Scenario 2

The combined affect of this model demonstrates an ability to achieve revenue neutrality across all classes for each year after amalgamation and after the increase caps are removed in the final year.

This model also reduces the number of ratepayers that would experience increases greater than 30% whilst also increasing the number of properties that would experience an increase/decrease within a 10% margin.

Amalgamated – Impact on individual properties

Legend: <-30% -30%--10% -10%-10% 10%-30% >30%
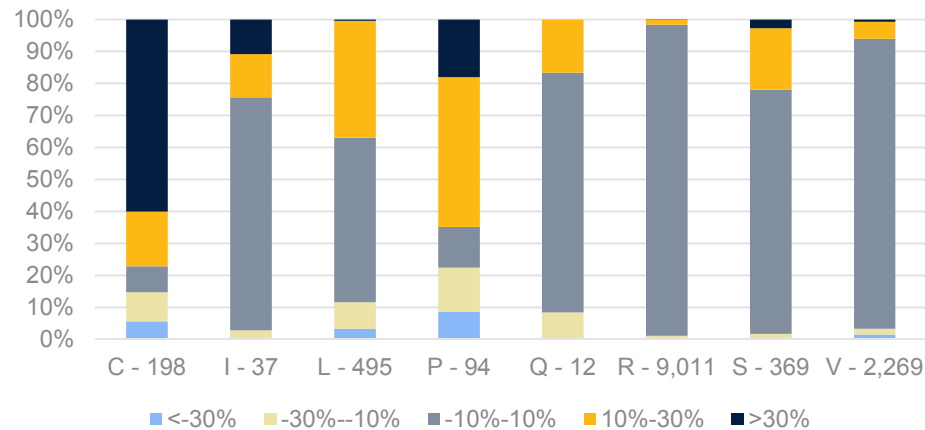
Scenario 3
Uniform rating strategy with decrease collar/caps

Outline – Scenario 3

This model closely resembled Scenario 1, with the point of difference being is that this scenario includes limits on the decreases allowable.

Further assumptions have been built into this model on top of those outlined in the introduction. These can be viewed in the table below.

Other assumptions	Impact areas	Rationale
Fixed Rate	$400	This is seen as a reasonable compromise between the two localities, and by including a fixed component this has an effect of minimising rates movements in revaluation years
Increase Cap	10% of the original rate	No individual property can have an increase that exceeded 10% of the original value in any 1 year.
Decrease collar/cap	10% of the original rate	Any property where is was calculated that they were entitled to a decrease in rates, where this decrease exceed 10% of the original value, the decrease was spread over a number of periods to attempt to smooth shifts in revenue.

For this model we used the variable rates set in Scenario 1 as these were the closest to achieving revenue neutrality. We also used the same variable rates for each locality as we believe this is the most equitable form of rating.

Variable rates used - Scenario 3	17/18	18/19	19/20	20/21	21/22
Commercial	0.009	0.00945	0.009923	0.010419	0.01094
Industrial	0.008	0.008	0.008	0.008	0.008
Primary Industry	0.0021	0.0021	0.0021	0.0021	0.0021
Public	0.0035	0.00357	0.003641	0.003714	0.003789
Mining	0.0065	0.006451	0.006403	0.006355	0.006307
Residential	0.003	0.0025	0.0025	0.0025	0.0025
Recreational	0.0025	0.0025	0.0025	0.0025	0.0025
Vacant Land	0.0015	0.0015	0.0015	0.0015	0.0015

We also ran this model using a decrease collar/cap of nil for all years (meaning that no ratepayer would receive a decrease in rates in any year). Revenue neutrality past year 19/20 could not be achieved under this model and would result in large fluctuations in each class of ratepayer (tables not included in this report).

The use of a collar/cap is not currently allowable under legislation, therefore changes would need to be made to legislation to allow for this model to be utilised, if chosen.
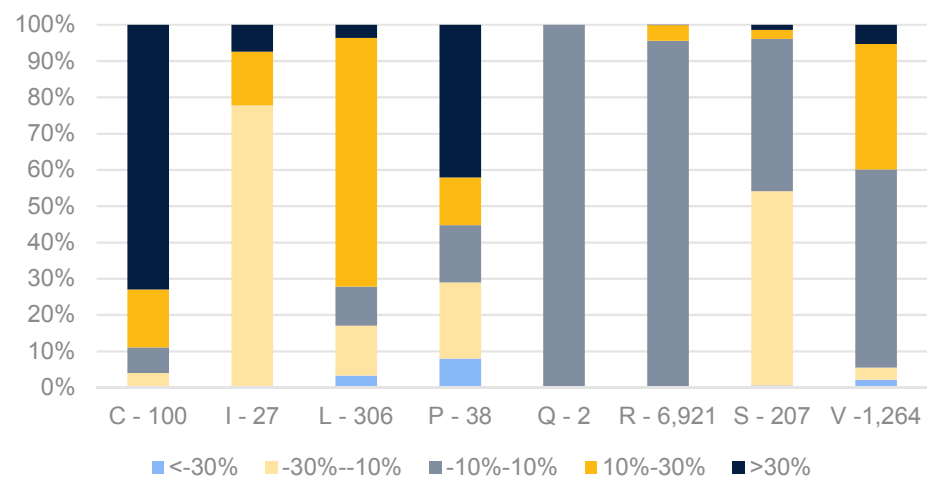
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Class – number of ratepayers	Variation from Original Rates					
	17/18 %	18/19 %	19/20 %	20/21 %	21/22 %	21/22 with cap removed %
Commercial – 100	-3.6%	-6.3%	-9.2%	-7.3%	-2.7%	-0.3%
Industrial – 27	-7.4%	-7.6%	-6.9%	-6.7%	-6.5%	-4.5%
Primary Industry – 306	4.8%	8.6%	9.4%	8.4%	7.2%	5.1%
Public – 38	-4.3%	-8.4%	-8.9%	-5.5%	-2.1%	2.5%
Mining – 2	-7.7%	-7.9%	-8.1%	-8.2%	-8.4%	-8.4%
Residential – 6,921	9.7%	1.0%	1.0%	1.0%	1.0%	1.0%
Recreational – 207	-7.7%	-7.9%	-8.1%	-8.3%	-8.6%	-8.9%
Vacant Land – 1,264	5.0%	6.7%	7.3%	7.4%	7.5%	8.2%
Overall – 8,865	7.3%	0.7%	0.5%	0.7%	1.1%	1.4%

Sorell – Scenario 3

This is the same model used for Sorell as Scenario 1 and therefore the commentary regarding some large movements for individual ratepayers due to consolidation of categories from 23 down to the 8 classes remain true.

It would however smooth this shift downward for Sorell, but achieve the same outcome of being revenue neutral.

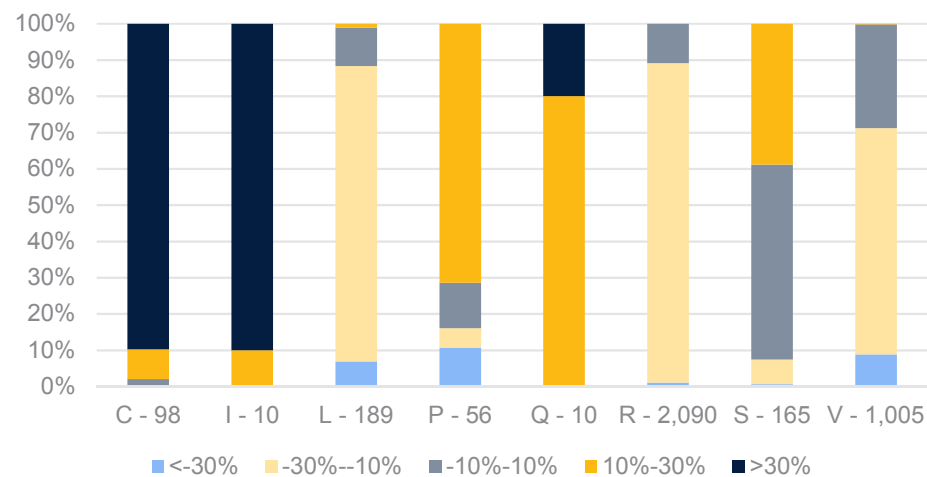### Sorell – Impact on individual properties

![Crowe Horwath logo]

Class – number of ratepayers	Variation from Original Rates					
	17/18	18/19	19/20	20/21	21/22	21/22 with cap removed
	%	%	%	%	%	%
Commercial – 98	7.1%	15.8%	24.4%	33.1%	41.8%	105.6%
Industrial – 10	10.0%	20.0%	29.5%	39.0%	48.1%	67.5%
Primary Industry – 189	-9.8%	-18.9%	-24.9%	-26.0%	-26.1%	-26.1%
Public – 56	1.9%	0.8%	0.4%	1.1%	2.4%	2.4%
Mining – 10	10.0%	19.8%	24.9%	28.2%	31.3%	35.3%
Residential – 2,090	-4.4%	-15.1%	-15.4%	-15.5%	-15.6%	-15.6%
Recreational – 165	0.1%	-2.6%	-2.9%	-3.0%	-3.0%	-3.0%
Vacant Land – 1,005	-9.1%	-15.2%	-18.1%	-18.9%	-19.0%	-19.0%
Overall – 3,620	-4.6%	-12.6%	-13.3%	-13.0%	-12.4%	-8.1%

Tasman – Scenario 3

By including the cap at Tasman this appears to have very little effect on the model. This suggests that using the model that most closely aligns Sorell to being revenue neutral, then applying it to Tasman, has little effect. This is due to Tasman properties individually tend not to decrease greater than 30%.

Under Scenario 1 downward shifts would be effectively smoothed by changing the variable rate each year in place of using a collar/cap on decreases. Introducing the collar to the model had very little effect.


Tasman – Impact on individual properties

![Crowe Horwath logo]

Class – number of ratepayers	Variation from Original Rates					
	17/18	18/19	19/20	20/21	21/22	21/22 with cap removed
	%	%	%	%	%	%
Commercial – 198	-1.3%	-1.6%	-1.9%	1.4%	6.9%	22.5%
Industrial – 37	-5.9%	-5.2%	-3.7%	-2.7%	-1.7%	1.8%
Primary Industry - 495	-1.5%	-3.3%	-5.5%	-6.5%	-7.2%	-8.4%
Public – 94	-2.2%	-5.3%	-5.7%	-3.2%	-0.6%	2.5%
Mining – 12	6.5%	14.3%	18.4%	21.0%	23.4%	26.7%
Residential – 9,011	6.3%	-2.9%	-3.0%	-3.0%	-3.0%	-3.0%
Recreational – 369	-3.9%	-5.3%	-5.6%	-5.7%	-5.8%	-6.0%
Vacant Land – 2,269	-2.1%	-4.2%	-5.4%	-5.8%	-5.8%	-5.4%
Overall – 12,485	4.0%	-3.0%	-3.3%	-3.1%	-2.7%	-1.3%

Amalgamated – Scenario 3

For the reasons outlined in Tasman and Sorell above, this decrease collar/cap added little benefit to the model as this had effectively done through a changing variable rate each year to achieve the desired result. Therefore the results produced by this model closely resemble those outlined in Scenario 1.

Amalgamated – Impact on individual properties
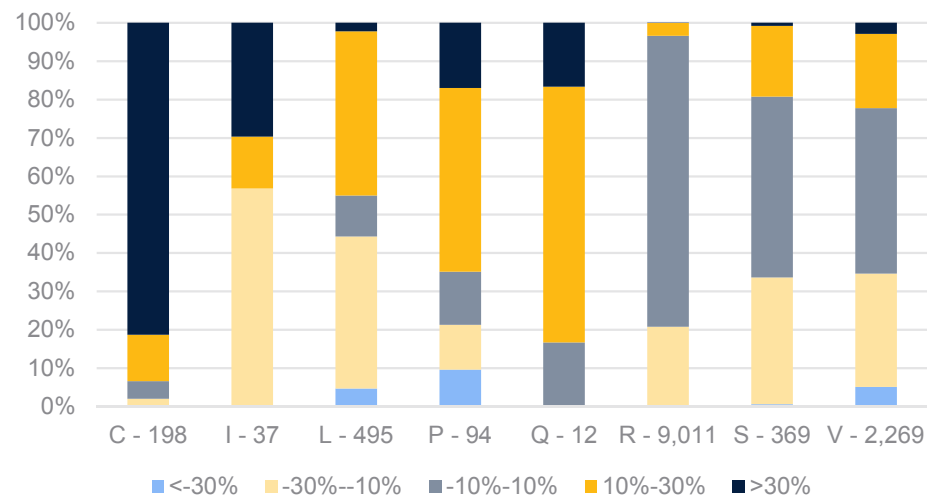
Scenario 4
Flat rating model

Outline – Scenario 4

This scenario explores the effect that flat rating (average area rating) would have on the amalgamated council for the residential class. Initially we determined what fixed rate the council would require the produce revenue neutrality in Residential for the amalgamated council.

Further assumptions have been built into this model in addition to those outlined in the introduction. These can be viewed in the table below.

Other assumption	Impact areas	Rationale
Flat rate	$1,190	This is the rate that was used to achieve revenue neutrality for residential ratepayers.
Increase Cap	10% of the original rate	No individual property can have an increase that exceeded 10% of the original value in any 1 year.
Decrease collar/cap	Nil	Any property where it was calculated that they were entitled to a decrease in rates, would receive the entire reduction in the year it would be entitled.

| Variable rates used - Scenario 4	17/18	18/19	19/20	20/21	21/22
Commercial	0.00	0.00	0.00	0.00	0.00
Industrial	0.00	0.00	0.00	0.00	0.00
Primary Industry	0.00	0.00	0.00	0.00	0.00
Public	0.00	0.00	0.00	0.00	0.00
Mining	0.00	0.00	0.00	0.00	0.00
Residential	0.00	0.00	0.00	0.00	0.00
Recreational	0.00	0.00	0.00	0.00	0.00
Vacant Land	0.00	0.00	0.00	0.00	0.00

This scenario is not dependant on Capital Value like Scenarios 1,2 and 3, but rather uses a flat rate for each residential property.

Class – number of ratepayers	Variation from Original Rates					
	17/18 %	18/19 %	19/20 %	20/21 %	21/22 %	21/22 with cap removed %
Residential – 6,921	-4.57%	-1.97%	-0.44%	0.40%	0.78%	1.12%

Sorell – Scenario 4

Whilst Residential would remain close to revenue neutral as a whole, there would be a large number of ratepayers that would experience shifts (increases and decreases) between 10% and 30%.

Sorell – Impact on individual properties
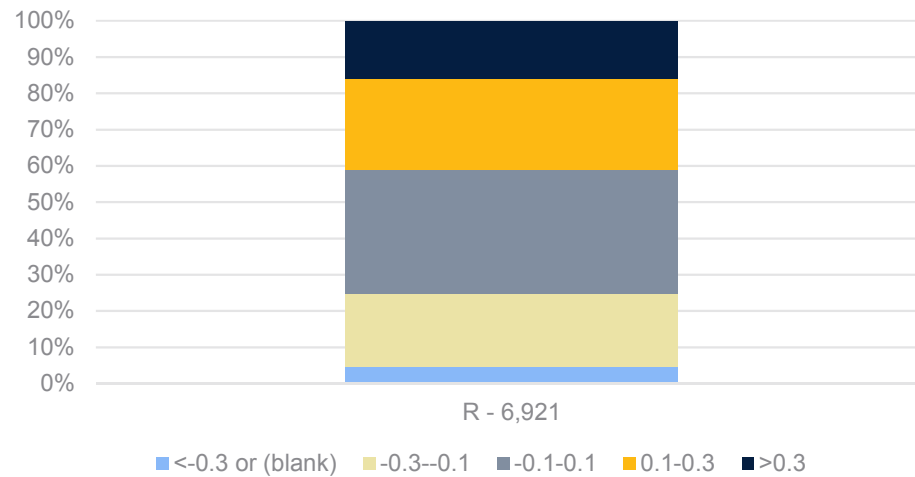
R - 6,921

■ <-0.3 or (blank)　■ -0.3--0.1　■ -0.1-0.1　■ 0.1-0.3　■ >0.3

![Crowe Horwath logo]

Tasman – Scenario 4

Class – number of ratepayers	Variation from Original Rates					
	17/18 %	18/19 %	19/20 %	20/21 %	21/22 %	21/22 with cap removed %
Residential – 2,090	-8.65%	-6.69%	-5.81%	-5.32%	-4.96%	-4.14%

By using this model the locality of Tasman would experience significant shifts similar to that of Sorell. Also similar to Sorell, Tasman would not achieve revenue neutrality under this model.

Tasman – Impact on individual properties
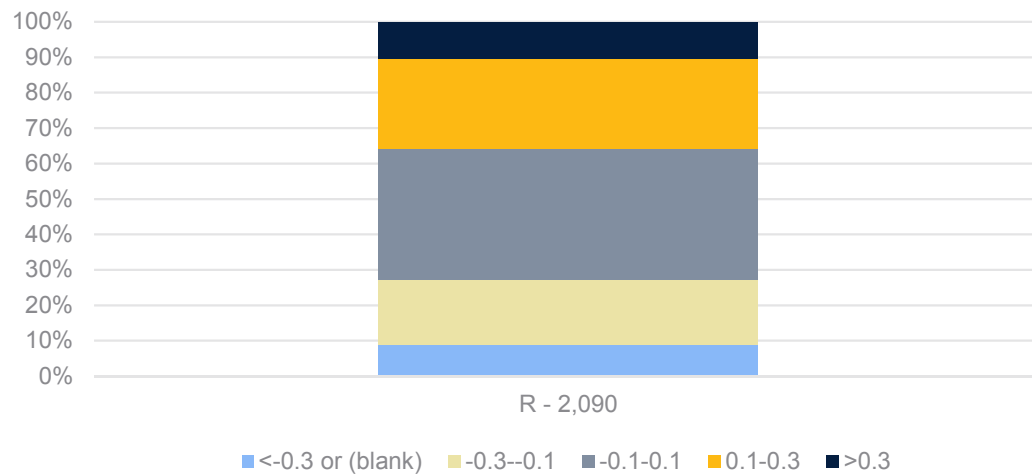
R - 2,090

■ <-0.3 or (blank) ■ -0.3--0.1 ■ -0.1-0.1 ■ 0.1-0.3 ■ >0.3

Class – number of ratepayers	Variation from Original Rates					
	17/18	18/19	19/20	20/21	21/22	21/22 with cap removed
	%	%	%	%	%	%
Residential – 9,011	-5.56%	-3.11%	-1.73%	-0.98%	-0.61%	-0.15%

Amalgamated – Scenario 4

The issues noted in this scenario for the individual localities remain the same for the amalgamated council. Overall this scenario produces a revenue neutral model from year 3 onwards. This suggests that this model could be used and produce a revenue neutral result overall for the council, however it would not be revenue neutral at each locality and it is likely that individual ratepayers would experience increases or decreases in rates greater than 30%.

Amalgamated – Impact on individual properties

Legend: <-0.3 or (blank) | -0.3--0.1 | -0.1-0.1 | 0.1-0.3 | >0.3

R - 9,011
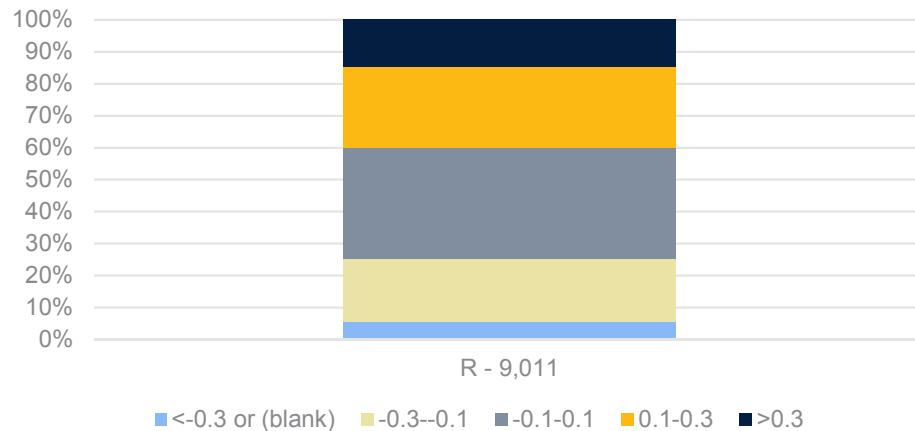
Summary of observations

Summary of observations

Overall, an amalgamation of councils with existing rating strategies being very different (including CV/AAV; 23 classes/8 classes) would result in a requirement to implement variations from year to year to align models over a period of time, and some ratepayers would experience significant movements to maintain revenue neutrality.

In summary, the strategy that would most likely minimise property rate transition impacts and achieve revenue neutrality for each locality as well as within each class would be adopting the model used in Scenario 2 whereby each locality (Tasman and Sorell) had its own variable rate for each of the 8 classes of property.

Ideally this would be used as a short term measure to achieve this objective, and over a longer period these rates could be merged together to achieve consistency in rating across the localities.