

8.1 REVIEW OF COUNCIL RATING SYSTEM

Submitting Councillors: Klisaris, Baines, Lake, Banerji, Dimopoulos, Perri, Lo, Male & Driberg

NOTICE OF MOTION

1. Council resolves in principle to conduct a review of the Monash rating system to consider the following:

- a. the comparative advantages and disadvantages of Site Value (SV) and Capital Improved Value (CIV) including the various differential rate options available under CIV;
- b. the positive and negative consequences of a change to the rating system from SV to CIV;
- c. options for Council providing a supplementary Municipal Rates Concession for eligible pensioners;
- d. options for offering rate relief or the deferral of rates for ratepayers who are experiencing financial hardship or who otherwise wish to defer their rates; and
- e. possible reforms to the State legislative framework governing council rates that Council could recommend the State Government consider in order to achieve greater equity, transparency and reduced year to year fluctuations in the calculation of rate assessments.

2. Council directs the CEO to prepare a report for consideration at the Council meeting to be held on 27 January 2009 to:

- a. recommend the scope and method for the review;
- b. provide options on the timing of the review and for the implementation of any changes;
- c. provide recommendations on the community consultation process to be undertaken by the Council as part of the review;
- d. provide options on any external resources that could be engaged to assist with the review; and
- e. provide estimates of the costs of the review.

INTRODUCTION

Monash City Council currently uses Site Value (SV) as the valuation basis for determining how rates are apportioned. Other options available under the *Local Government Act 1989 (the Act)* include Capital Improved Value (CIV) and Net Annual Value (NAV). CIV differs from SV in that the CIV valuation includes improvements to the land and NAV is a derivative of CIV representing the annual rental value of the property. The current Rating Strategy was last reviewed in 2003/4.

The State Government funds Municipal Rates Concessions for the principal place of residence of eligible pensioners, which provides a 50% discount to Municipal Rates and Charges up to a maximum of \$178.60 (2008/09). The amount of the concession is indexed annually and paid to Council in lieu of rates for those eligible pensioners. Council does not currently fund any other eligible pensioner

rate concession for Municipal Rates and Charges. Some other councils do fund a supplementary rate concession for their pensioners.

All Submitting Councillors acknowledge that there is significant community interest in reviewing the Monash Rating Strategy. Some Submitting Councillors favour a change to CIV, others prefer to remain with SV and others are yet to form a view. However, all Submitting Councillors are interested in the matter being explored further in a rigorous manner with a strong emphasis on community consultation.

All Submitting Councillors are interested in considering the options and costs for the introduction of a supplementary rate concession for pensioners and other options to extend rate relief.

BACKGROUND

Rating Methodology

Most Victorian Councils use CIV as their rating base with seven Councils using NAV and Monash the only remaining Council to still use SV.

A change in rating strategy does not affect the total amount of rate revenue raised by Council. Instead, it determines how the rate burden will be apportioned across all rateable property.

In 2003/4 Council engaged an independent property consultant, Macro Plan to undertake a detailed analysis to determine the impact of a change in the Rating Strategy from SV to either of CIV or NAV. The review found that NAV would not be appropriate due to a number of inherent complexities and potential inequities in its application.

The review findings also identified that the impact on residential properties of a shift to CIV would be variable and not necessarily positive depending on the value of the capital improvements, in particular residential units would have experienced significant increases in rates. Conversely in relative terms, where land value represented the largest proportion of property value those properties would pay lower rates. The impact on commercial and industrial properties would also mean that they would share a larger proportion of the rate burden than currently under SV. The decision not to change was influenced by these factors.

The proposed review of the Rating Strategy will consider the implications for all categories of property and will include extensive community consultation as required under the Act. The review process will identify the most appropriate form of community consultation to be taken by Council and identify the benefits and merit of any change in the basis for apportioning rates.

Eligible Pensioner Rebate

Monash Council has 12,777 eligible pensioner ratepayers. To qualify as an eligible pensioner the ratepayer must hold a Pensioner Concession Card, War Widow entitlements or TPI entitlements. Possession of a Health Care Card or a Seniors Cards does not denote eligibility for a pensioner rebate. The State

Government funded rates concession for 2007/08 was \$2.3M (3.43% of total Rate Revenue, 18.3% of Pension Rate Income).

Some 800 Monash eligible pensioners receive a 50% subsidy, which is less than \$178.60 (that is total rate bill is equal to or less than \$357.20).

Department of Human Services (DHS) undertakes the annual verification of DHS records to Council's property database. Approximately 1,200 pensioner concession cardholders are added or removed from the system annually following this review.

Several Councils offer an additional rebate on top of the State Government Pensioner Rebate. The level of rebate varies, however it is generally in addition to the State Government funded rebate. All ratepayers generally fund the cost of providing an additional rebate to eligible pensioners.

COMMUNITY CONSULTATION

The community consultation process for reviewing the Rating Strategy will include the requirements of the Local Government Act 1989 S 157 (2) and (5):

(2) "A Council must publish a public notice of its decision to change its system of valuation" and

(5) "A person has a right to make a submission under S223 on a Council's decision to change its system of valuation".

The review process will also identify the information to be provided to the community to enable it to make an informed decision should the Council decide to make a change to the system of valuation for rating purposes.

FINANCIAL

The cost to Council of a Rating Strategy Review can be met within the current budget constraints. Funding of an additional eligible pensioner rebate can be considered as part of future budget processes.

CONCLUSION

It is recommended that Council conduct a review of the rating system in line with what is provided in this report. It is also proposed that Council consider a further report at its first meeting in 2009 to determine the parameters for the review.