

Attachment 1 - Strategic Rating Options Analysis

Strategic Options	Objective	Risk	Capacity to pay	Change Impact	Equity Outcomes	Simplicity	Communication	Timeline
Option 1. Status Quo – no change	To continue with current rating structure and minimise disruption to our community.	Will not have the tools to deal with issues relating to rates distribution shifts.	Due to the in-built differential where non-residential rates are higher overall than residential, which reflects a degree of capacity to pay.	No change.	There have been valuation and rates distribution shift under this model. The issues cannot be dealt with under this model.	NAV is not a simple structure. Most residents will not understand how their property is earning a notional 5% yield on CIV.	Our community continues to be no wiser about how rates work (further communications will be needed to inform).	Not Applicable
Option 2. Status Quo + Municipal Charge	To introduce a fixed municipal charge to flatten the rates distribution (minimum rates) applicable to all rateable assessment to flatten the residential property segment and maintain most of the current rating structure.	Municipal charge is a blunt tool that must be applied to all rateable properties. Some ratepayers will be worst off particularly for multi-unit residential carparks and storage areas which will pay multiple charges.	No. Flat fee does not factor capacity to pay.	Maximum MC is 20% of total rates. There will be a shift from non-residential to residential properties up to 1.4%. Higher value non-residentials will be winners. Residentials will be losers, particularly the lower value properties (Units)	No. Introduction of a MC in the absence of differential rating which can not be implemented in under NAV structure means greater rates shift to residential properties.	Similar to how Fire Levies work, there would be a fixed component and a variable component. However, it is not simple for the community to understand why a charge for council administration.	CoPP had a municipal charge some 10 years ago. Many complaints on what it funds and why they have to pay for it.	Introduction in year one if minimum. If full 20% would require a transition period.

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Option 3. NAV + Waste Charge	To fund the waste strategy, address some equity issues and provide transparency on waste services	This option will increase the rates distribution shift issue from non-residential to residential.	Council could structure a variable or hybrid charge taking into account capacity to pay.	Without differential rating, there will be a shift from non-residential to residential properties. Higher value non-residentials will be winners. Residentials will be losers, particularly the lower value properties (units)	A waste charge applies the user-pays principle. Further shift from non-residential properties to residential properties will result in equitable outcomes.	Yes. Funds waste strategy.	Easier to communicate and transparent to our community on the cost of waste. NAV still not easily understood by our community.	Separate charge introduced in year 1. Future years to reflect the additional new waste services and above CPI waste costs.
Option 4. CIV + differential rating	To implement a differential rating structure to enable Council to address any inequitable and unfair rates distribution between classes of properties (residential and non-residential), and to achieve other objectives part of annual budget process.	There is a risk of potential misuse due to political, environmental, and or social pressures when setting differential. Does not address within residential decile distribution shift.	To an extent property value provides a nexus to capacity to pay.	The impacts are most noticeable in the top deciles of non-residential properties (some will receive rate reductions and some increases). Most residential properties will not see much change.	Property value based structure is considered to be a progressive taxation therefore achieves equitable outcomes.	Yes. CIV easier to understand. Differential means putting more on non-residential which they do under the current NAV structure.	Easier to communicate as it is commonly used structure and most people know they approximately their property value.	Year 1. Some phasing in may be required subject to impact modelling.

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Option 5. Comprehensive Change – CIV + differential rating + a fixed partial waste Charge	To enable Council to use all tools available to address any inequitable rates distribution shift over time.	It is a big change – need to manage the communications and information to educate our community.	Yes rates determined by their property value as a de facto nexus to capacity to pay.	Differential can address distribution shift between residential and non-residential. Fixed partial waste charge can address the funding of the waste strategy including new waste services.	This option provides a good balance between capacity to pay (property value based) and user-pays for waste services.	CIV is based on property value, is the most common rating structure therefore is not too complicated.	Communication will be a challenge due to the size of change. Other councils have done it in recent years including Maribyrnong. It is the most common rating structure used by most councils.	Year 1 implementation . Some phasing in may be required subject to impact modelling.
Option 6. Comprehensive Change – CIV + differential rating + a fixed full waste Charge	To enable Council to use all tools available to address any inequitable rates distribution shift over time.	Distribution shift within non-residential property will occur, generally from properties with higher rental yield (car parks, offices, telecommunication towers) to those with lower rental yield properties (restaurants, shops).	Yes determined by their property value as a de facto nexus to capacity to pay. Full fixed waste charge will result in a lesser capacity to pay as a greater amount of general rates will be fixed.	Impacts all ratepayers. Some winners and some losers.	This option places more weighting on a fixed cost which will result in greater change impact for most rate payers. Some community goods/universal benefits would be included in the full waste costs.	Move to a consistent framework with majority of other LGs.	It is a big change – need to manage the communications, information and education to our community well.	Year 1 separate waste and CIV + Differential. Year 2 waste charge based on full cost recovery.
Option 7. Comprehensive Change – CIV + Differential rating + Hybrid Full Waste Charge	To enable Council to use all tools available to address any inequitable rates distribution shift over time.	A hybrid waste charge has not been used by any Councils. It adds to the complexity of rating.	This structure aligns to the best capacity to pay due as the variable charge portion is linked to property value.	Structure change is big. Rates distribution impact is minimised with differential and variable waste charge.	This option provides a good balance between capacity to pay (property value based) and user-pays for waste services.	It is the most complex method involving a fixed and variable waste charge which is not commonly used.	It is a change – need to manage the communications, information and education to our community well.	Year 1 implementation . Some phasing in may be required subject to impact modelling.