



14.4 RATING STRATEGY REVIEW

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1. PURPOSE

1.1 For Council to endorse the Rating Strategy following a recent review.

2. EXECUTIVE SUMMARY

2.1 Council's Rating Strategy is scheduled for a review every five years.

2.2 Since the last review was performed in 2015, there have been some significant developments including a new Council and Council Plan, operational environment changes in the recycling sector and landfill, and legislative changes such as rating capping, pending move to centralised annual valuations and Local Government Act 1989 (LGA) review.

2.3 Given the review of the LGA and its potential implications for Council Rating Strategy, Officers have undertaken a limited review of the strategy. A full review will be required once the new LGA is confirmed.

2.4 The purpose of this Rating Strategy is to make transparent to the community the principles by which rates are set and ensure we are compliant with statutory requirements. The Strategy informs how Council rates are distributed across the community. It does not impact on the total rates revenue that is raised each year, which is determined by the annual budget process within prescribed rate capping increases.

2.5 The review of the underlying Rating Strategy principles sees a minor change to one principle.

2.6 Officers propose sunseting Council's current approach of applying concessional rates discount on general rates for properties provided for under the Cultural and Recreational Lands Act 1963 (CLRA). Future support for organisations receiving this discount will be considered in accordance with a Community Subsidies Program within our Community Funding Policy.

2.7 Support will be based on the same consistent funding principles, criteria and performance metrics within the Community Funding Policy. This change will achieve a better, more transparent and consistent outcome that aligns with Council's strategic directions and policies.

2.8 Officers will prepare a draft Community Subsidies Program in the 2018/19 financial year for determining community subsidies for properties provided for under the CLRA. This will be consulted with our community.



- 2.9 Officers will communicate directly with all recipients of the CLRA discount on this change.
- 2.10 Officers also reviewed all properties subject to concessional rates provided for under the CRLA. The 85% discount for Melbourne Cricket Club leased property located at 500-520 St Kilda Road, Melbourne will be reduced to 25%. This is in accordance with our current rating strategy that a 25% discount ceiling applies to organisation with a liquor licence
- 2.11 This Rating Strategy will be made publicly available on our website, to complement the rates information currently being provided to the community.

3. RECOMMENDATION

That Council:

- 3.1 Endorses the City of Phillip Rating Strategy 2018
- 3.2 Notes Officers will prepare the Community Subsidies Program to be endorsed by Council for community consultation.
- 3.3 Notes a rating strategy review will be performed following the introduction of an updated Local Government Act if relevant
- 3.4 Makes the Rating Strategy available to the public on the Council website.

4. KEY POINTS/ISSUES

- 4.1 Victorian councils have been granted the power under the LGA to declare rates and charges on rateable land within their municipal boundaries. Councils use property values as the basis for calculating how much each property owner pays in rates.
- 4.2 Section 3C of the LGA outlines that the primary objective of councils is to endeavour to achieve outcomes for the local community. In seeking to do this, Council must 'ensure the equitable imposition of rates and charges'.
- 4.3 The Rating Strategy informs how Council rates are distributed in the community. It does not impact on the total rates revenue that is raised each year, which is determined by the annual budget process within the confines of the rating capping legislation.
- 4.4 A limited range of options exist for Council to raise rates revenue. Council has developed this Rating Strategy to make transparent to the community the principles by which Council exercises these options to distribute the rates burden on the community fairly.
- 4.5 Our Rating Strategy requires Council to review the Rating Strategy on a regular basis at least every 5 years. Since the last review in 2015, there have been significant developments relevant to Council's Rating Strategy including:

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- 4.5.1 A new Council and Council Plan
 - 4.5.2 Operational environmental changes (Recycling sector, landfill)
 - 4.5.3 Legislative changes including rating capping, pending move to centralised annual valuations and the Local Government Act Review.
- 4.6 Given the review of the LGA and its potential implications for Council's Rating Strategy, officers have undertaken a limited review of the strategy. A full review will be required once the new LGA is confirmed.
- 4.7 The review of the underlying Rating Strategy principles impacts one principle:
- 4.7.1 Properties provided for under the CLRA currently receives discount on their rates. For the 2017/18 financial year, 24 properties are receiving rate discounts between 20% to 85%, which totals \$0.13 million. The discounts are calculated with a preference for organisations without a liquor or gambling licence. Other factors include the ability to generate income, exclusive occupancy of the land, and whether function rooms exist.
 - 4.7.2 A review of discounts under the current discount structure results in the reduction of rates discount from 85% to 25% for the property located at 500-520 St Kilda Road, Melbourne leased by Melbourne Cricket Club (MCC). This is due to the discount ceiling of 25% for organisations with a liquor licence.
 - 4.7.3 Officers propose sunseting Council's current approach of applying concessional rates discount on general rates for properties provided for under CLRA. Future support for organisations receiving this discount will be considered support in accordance with the Community Subsidies Program within Council's Community Funding Policy. This will achieve a better, more transparent and consistent outcome that aligns with Council's strategic directions and policies.
 - 4.7.4 Officers will prepare a draft Community Subsidies Program in 2018/19 for Council endorsement and community consultation.
- 4.8 The key outcomes of the Rating Strategy review are for Council to:
- 4.8.1 Remain on the Net Annual Value (NAV) rating system, as the NAV has an in-built differential which helps alleviate the share of rates borne by residential ratepayer.
 - 4.8.2 Not to introduce a municipal charge (flat charge), as it will increase the total rates paid by lower-valued properties and decrease the rates raised from high-valued properties
 - 4.8.3 Continue to fund basic waste collection through rates. A separation of the waste charge from general rate needs to be articulated in the Waste Strategy following comprehensive community engagement.



4.8.4 Continue to market and promote our business precincts through special rate schemes.

4.9 Council continues to provide targeted support for the financially disadvantaged. The Rate Strategy considers issues relating to financial equity, capacity to pay and service accessibility. The annual value of support provided by Council to financially disadvantaged ratepayers is \$630,000. The support includes the use of:

- Rates charged to the property
- Deferred payments (otherwise referred to as 'hardship provisions')
- Pensioner rebates (including a supplementary Council sponsored pensioner rebate)
- A compassionate approach to debt management

5. CONSULTATION AND STAKEHOLDERS

5.1 The principles outlined in the Rating Strategy are outlined annually in the preparation of the budget.

5.2 Officers will communicate directly with all recipients of the CLRA concessional rates regarding the sunsetting of this support and potential for future support to be provided under the Community Subsidies Program subject to eligibility and criteria assessment.

5.3 The Rating Strategy will be made available to the public on the Council's website.

5.4 As part of the Rating Strategy, Council will commit to future Rating Strategy reviews at least every five years.

6. LEGAL AND RISK IMPLICATIONS

6.1 The LGA provides a limited range of options for councils to develop rating systems, which have been considered in the Rating Strategy.

6.2 The principles within the Rating Strategy are compliant with the LGA provisions for developing rates.

7. FINANCIAL IMPACT

7.1 The Rating Strategy does not impact on the total rates revenue that is raised each year, which is determined by the annual budget process and in accordance with the requirements of the rate capping legislation. Therefore the Rating Strategy does not represent a significant financial risk to Council.

7.2 Council rates collection processes have been developed to manage the financial risk of rates collection and defaults, while also implementing a compassionate approach to rate debt management.



8. ENVIRONMENTAL IMPACT

8.1 The Rating Strategy has no environmental implications.

9. COMMUNITY IMPACT

9.1 The Rating Strategy, together with other Council policy initiatives, must consider the possibility that rates may become unaffordable for particular groups in the community. In response to this, the Rating Strategy retains an emphasis on targeted support for the financially disadvantaged.

10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

10.1 Consistent with the Council Plan strategic direction *Our Commitment to you*, Council is a financially sustainable, high performing, well-governed organisation that puts the community first. The cost of providing Council services is key component of the value equation. The Rating Strategy contains the principles by which these costs are borne by the community.

10.2 To support valued outcomes for the community, the Rating Strategy:

- Aims to make transparent the key principles by which the rates burden is shared by the community and the legislative framework Council operates within
- Includes reference to the impact that the rating principles have on the community
- Retains an emphasis on targeted support for the financially disadvantaged.

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

11.1.1 The Rating Strategy will in the ordinary course of events be reviewed within five years.

11.1.2 Officers will prepare the Community Subsidies Program for Council endorsement for community consultation.

11.1.3 The Rating Strategy is scheduled for Council endorsement following the community consultation.

11.1.4 The Rating Strategy will be reviewed following the introduction of the updated LGA.

11.2 COMMUNICATION

11.2.1 Following adoption, the Rating Strategy will be made publicly available on the Council website, to complement the rates information currently being provided to the community.

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11.2.2 Officers will communicate directly with all recipients of the Cultural and Recreational Lands rate concessions regarding the changes to the methodology applied for CLRA concessional rates, which will be transitioned to the Community Funding Policy.

12. OFFICER DIRECT OR INDIRECT INTEREST

12.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

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ATTACHMENTS 1. CoPP Rating Strategy 2018