

# RATING STRATEGY

2018-19



# **Rating Strategy 2018-19**

**Moreland City Council**

**April 2018**

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## Attachments

1. Decision-making Process for Non-rateable Properties
2. Financial Hardship (Rates and Charges) Policy

## 1. Background & Introduction

The rating framework is set down in the *Local Government Act 1989* and determines a council's ability to develop a rating system. The framework provides considerable flexibility to suit requirements within the context of public finance methodology which includes principles of equity, benefit, efficiency and community resource allocation.

The purpose of this Rating Strategy is to consider what rating options are available to Council under the *Local Government Act 1989*, and how Council's choices in applying these options contribute towards meeting an equitable rating strategy.

It is important to note at the outset that the focus of this Rating Strategy is very different to that which is discussed in the Long Term Financial Strategy/Annual Budget. In these latter documents the key concern is the quantum of rates required to be raised for Council to deliver the services and capital expenditure required. In this Rating Strategy, the focus instead is on how this quantum will be equitably distributed amongst Council's ratepayers.

There are a number of recommendations included in this Rating Strategy that have been used to refine the assumptions included in the 5 Year Financial Plan (5YFP), and to allow the 5YFP to deliver strategic outcomes for the community.

The Rating Strategy will canvas the limited range of rating options available to Council under the *Local Government Act 1989* including the following:

- a) The choice of which valuation base to be utilised (of the three available choices under the Act);
- b) The application of uniform rating versus the consideration of differential rates for various classes of property;
- c) Consideration of the application of fixed service charges for the areas of waste collection and municipal administration;
- d) The application of special rates and charges;
- e) A review of non-rateable properties.
- f) Rates collections
- g) Rates Assistance

## 2. Executive Summary and Recommendations

The selection of rating philosophies and the choice between the limited rating options available under the *Local Government Act 1989* is a difficult one for all Councils and it is most likely that a perfect approach is almost impossible to achieve in any local government environment.

There are two key platforms that have formed the basis of the current approach to rating at Moreland City Council that are recommended for continuation. They are:

- a) That rates will continue to be based principally on the valuation of the various properties with minimal fixed charges to be applied;
- b) That Council will increase the rates by the cap imposed by the Minister for Local Government and that Council would not seek an exemption for the 2018/19 budget year.

One key platform that Council has changed for the 2018-19 budget year is the application of differential rating. Council will no longer apply differential rating against various property classes and will apply uniformed rating to ensure equitable and efficient contributions for Council to carry out its functions.

This Rating Strategy recommends that Council adopt the following:

Section	Strategy Recommendations
Determining which valuation base to use	<ul style="list-style-type: none"> <li>That Moreland City Council continues to apply the Capital Improved Valuation (CIV) methodology to levy Council rates.</li> </ul>
Determining the Rating System-Uniform or Differential?	<ul style="list-style-type: none"> <li>That Moreland City Council removes the application of differential rating for the 2018/19 financial year and adopt a uniform rating system.</li> </ul>
Special Rates & Charges	<ul style="list-style-type: none"> <li>That Council continues to use special rates and charges to promote the commercial centres in the municipality.</li> <li>That Council may consider using special rates and charges for narrowly defined capital projects where special benefit can be shown to exist to a grouping of property owners.</li> </ul>
Municipal Charge	<ul style="list-style-type: none"> <li>That Council does not apply a Municipal Charge.</li> </ul>
Service Rates and Charges	<ul style="list-style-type: none"> <li>That Council continues to apply a Waste Service charge.</li> </ul>
Non-rateable properties	<ul style="list-style-type: none"> <li>That Council only grants non-rateable status to properties that meet the criteria described in the <i>Local Government Act 1989</i>.</li> <li>That Council continue to review the non-rateable properties to ensure all meet the criteria described in the <i>Local Government Act 1989</i>.</li> </ul>
Collections	<ul style="list-style-type: none"> <li>That Council continues to apply the mandatory rate instalment payment option.</li> <li>That Council continues to charge interest on late payments in accordance with the <i>Local Government Act 1989</i>.</li> <li>That Council continues to actively collect rates and pursue outstanding rate debtors.</li> </ul>
Rates Assistance	<ul style="list-style-type: none"> <li>Rates and charges will be waived only to the extent that the amounts waived are recovered from the State Government under the Pensioner Rate Remission Scheme.</li> </ul>

Section	Strategy Recommendations
	<ul style="list-style-type: none"> <li>• Consideration is given to the partial or total waiver of penalty interest, should the imposition of such interest cause severe financial hardship.</li> </ul>
Rate Cap	<ul style="list-style-type: none"> <li>• Council determine the increase in the 2018/19 rates in accord with the Cap set by the Minister for Local Government</li> </ul>

### 3. What is a Rating Strategy and why have one?

The purpose of this Rating Strategy is to outline Council's approach towards rating its' community and to meet the requirements of Part 8 the *Local Government Act 1989* – Rates and Charges on Rateable Land.

This strategy is to be reviewed and adopted by Council each year as part of its budget setting process. Council aspires, through its budget, to achieve service standards, within resource allocation limits, that benefit the entire community.

#### What is a rating strategy?

A rating strategy is the method by which Council systematically considers factors of importance that informs its decisions about the rating system. The rating system determines how Council will raise money from properties within the municipality. It does not influence the total amount of money to be raised, only the share of revenue contributed by each property. The rating system comprises the valuation base for each property and the actual rating instruments allowed under the *Local Government Act 1989* to calculate property owners' liability for rates.

#### The importance of a rating strategy

Moreland City Council currently receives around 73% of its Total Revenue by way of property-based rates and waste levies. The development of strategies in respect of the rating base is therefore of critical importance to both Council and its citizens.

The principles of good governance further require Council to provide ongoing or periodic monitoring and review of the impact of major decisions. It is therefore essential for Council to evaluate on a regular basis, the legislative objectives to which it must have regard and those other objectives which Council believes are relevant.

Council believes that overall policy must be underpinned by sound principles, which are well understood, communicated to ratepayers and compliant with current legislation. Equity and impact issues are best dealt with in application of all facets of rating policy, including valuation, budgetary requirements, differential rating, government taxation and concessions, collection and hardship considerations.

Council aspires to balance service levels in accordance with the needs and expectations of its community and sets taxation levels (rating) to adequately resource its roles and responsibilities.

In setting rates, Council gives primary consideration to its strategic directions, budget considerations, the current economic climate, other external factors and likely impacts upon the community. In addition, Council must now also abide by the Rate Cap imposed by the Minister for Local Government.

Moreland City Council is seeking to fully document its objectives and approach to the raising of rate revenue in line with its goal of providing transparency in its decision-making.

## 4. Rating Framework

The purpose of this section is to outline the legislative framework in which Council has to operate in constructing its rating system and the various issues that Council must consider in making its decisions on its rating objectives.

### 4.1 Legislative Framework

Section 3C of the *Local Government Act 1989* stipulates the primary objective of Council is to endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effects of its decision. In seeking to achieve its primary objective, a Council must have regard to facilitating the following objectives-

- a) Promote the social, economic and environmental viability and sustainability of the municipal district;
- b) Ensure resources are used efficiently and effectively;
- c) Improve the overall quality of life of the people in the local community;
- d) Promote appropriate business and employment opportunities;
- e) Ensure services and facilities provided are accessible and equitable
- f) Ensure the equitable imposition of rates and charges;
- g) Ensure transparency and accountability in Council decision making.

### 4.2 User Charges versus Rates

Council pricing policy centres on decisions about how much of the cost of specific services are to be funded by users/consumers and how much is to be funded generally by ratepayers.

There are some major practical considerations that will influence what type of services will attract fees and charges. Most important is whether the services being considered are either entirely or partially “public goods”.

Public goods are services that provide a broad and often unquantifiable benefit to the community rather than a particular benefit to individuals, businesses, specific groups or individual properties. The characteristics of “public goods’ include:

- i. The use of or enjoyment by one person does not diminish their availability to, or enjoyment by, others (that is, they are non-rival); and
- ii. It is not practical to exclude access to them (that is, they are non-excludable).<sup>1</sup>

Examples include roads and parks and public toilets.

Private goods are those goods which are both rival in consumption (that is, one person’s use diminishes its availability or enjoyment by others) and excludable.<sup>2</sup> Examples include childcare centres, leisure centres and use of community halls.

Generally, Council should fund “Private Goods” through user charges and fund “Public Goods” through rates. However it is often difficult to define local government services as either purely public goods or purely private goods, and most will lie somewhere on the spectrum between the two. This inevitably results in a large number of Council services, although having income from user fees, being subsidised by rates.

<sup>1</sup> Differential Rates Discussion Paper, January 2013, *DPCD*.

<sup>2</sup> Differential Rates Discussion Paper, January 2013, *DPCD*.



### 4.3 Taxation Principles

In addition to the objectives above, public finance theory sets three major criteria for successful taxation policy: equity, efficiency, and simplicity.

#### Equity

In considering what rating approaches are equitable, some concepts that Council may take into account are:

- **Horizontal equity** - ratepayers in similar situations should pay similar amounts;
- **Vertical equity** – those who are better off should pay more than those worse off (the rationale applies for the use of progressive and proportional income taxation). It implies a “relativity” dimension to the fairness of the tax burden.<sup>3</sup>

In the case of property rates, it may be considered equitable for one type of property to have to bear more or less of the rates burden than another type of property. In achieving vertical equity in its rating strategy, Council must consider the valuation base it chooses to adopt to apply property rates and the application of the various rating tools available to it under the *Local Government Act 1989* (e.g. differential rates).

#### The Benefit Principle

This principle refers to the fact that some groups have more access to, make more use of, and benefit from more, specific council services.

It is arguable that there should be a nexus between consumption/benefit and the rate burden; however application of the benefit principle is difficult in practice due to the complexity and, in some cases, impossibility, of measuring the relative levels of access and consumption across the full range of council services. It is also common that the group of people who require less services of certain type (e.g. child care) may indeed require more frequent service of another type (e.g. aged care). It is the level of benefit across the full gamut of rates-funded services that is important in determining the amount of rates that should be paid.

One of the more misunderstood elements of the rating system is that residents seek to equate the level of rates paid with the amount of benefit they individually achieve. The reality is, however, that rates are a system of taxation not dissimilar to PAYE tax.

In paying a tax on salaries, it is rarely questioned what benefit is received with it being acknowledged that tax payments are required to pay for critical services (Health, Education, etc) across the nation. Local Government is not different to this outcome with Rates being required to subsidise the delivery of services and capital works that would otherwise be unaffordable if charged on a case by case basis.

It is a choice of Council to what degree it wishes to pursue a ‘user pays’ philosophy in relation to charging for individual services on a fee-for-service basis. Similarly Council must make a rating decision in terms of whether to use a fixed waste charge to reflect the cost of waste collection and a fixed municipal charge to defray the administrative costs of Council. Both of these choices are discussed later in this strategy paper.

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<sup>3</sup> “Local Government Better Practice Guide – Revenue and Rating Strategy’, 2014, *Local Government Victoria*.

### Linkage of property wealth to capacity to pay

The valuation of property is an imperfect system in which to assess a resident's ability to pay annual rates but one which Council is restricted to under the *Local Government Act 1989*. A frequently raised example is in relation to pensioners who may live in their family home which carries a high value, but live on a pension. The equity question for consideration, however, is should Council support residents in this situation with lower rates that will eventually be to the financial benefit of estate beneficiaries? Or alternatively, should the ability to defer rates (in all or in a part) represent a more equitable outcome for all ratepayers?

### Incentive Principle

The incentive principle aims to affect the behaviour of certain ratepayers, usually in a way deemed to be consistent with a council's broader goals.

Councils commonly use this principle to seek objectives relating to the environment or economic development, including:

- Discouraging the holding of vacant land;
- The preservation of agricultural land or land of high environmental significance;
- Eradication and maintenance of land free from weeds and pests;

### **Efficiency**

In a technical sense the tax should not unduly interfere with the efficient operation of the economy. For Local Government the tax should be consistent with the major policy objectives of Council.

For services where users are price sensitive, direct charging can influence demand patterns and thus lead to greater allocation efficiency. Conversely, the funding of services through rates (or via subsidies from other services) may result in an inflated demand for services and additional costs for councils to meet this demand.

The efficiency criterion is also directly related to the cost of administering the rates system. Administration costs include the issuing of assessments, collection of rates, including maintaining and improving collection systems, monitoring outcomes, educating and informing ratepayers, and enforcement and debt recovery.

### **Simplicity**

This refers to both administrative ease (and therefore lower cost) and to ensure that the tax is understood by taxpayers. The latter ensures that the tax system is transparent and capable of being questioned and challenged by ratepayers.

Simultaneously applying all of the above principles may not always be feasible; there are likely to be trade-offs among them. The challenge of a preferred rating strategy is one of appropriately balancing competing considerations. It is important that the decision making process is clear and coherent.

#### 4.4 What Rates and Charges may a Council declare?

Section 155 of the Local Government Act (1989) provides that a Council may declare the following rates and charges on rateable land -

- General Rates under Section 158;
- Municipal Charges under Section 159;
- Service Rates and Charges under Section 162;
- Special Rates and Charges under Section 163.

The recommended rating options in relation to municipal charges, service rates and charges and special rates and charges are discussed later in this document.

#### 4.5 Valuation Methodology available to Council

In raising Council rates, Council is required to primarily use the valuation of the rateable property to levy rates.

Section 157 (1) of the *Local Government Act 1989* provides Council with three choices in terms of which valuation base to utilise. They are Site Valuation, Capital Improved Valuation and Net Annual Value. The advantages and disadvantages of the respective valuation basis are discussed in Section 5 of this strategy.

#### 4.6 Declaring Rates and Charges

Section 158 of the *Local Government Act 1989* provides that Council must at least once in respect of each financial year declare by 30 June the following for the following year:

- The amount which Council intends to raise by way of general rates, municipal charges, service rates and service charges;
- Whether the general rates will be raised by application of –
  - A uniform rate; or
  - Differential rates (if Council is permitted to do so under Section 161 (1))
  - Urban farm rates, farm rates or residential use rates (if Council is permitted to do so under Section 161A)

## 5. Understanding the current rating framework at Moreland City Council

### 5.1 Strategic Directions

Council has determined that its annual rate setting objectives should be developed within a framework which integrates planning from a strategic direction level through to service delivery.

The strategic directions of Council are set out in the following documents:

#### **Council Plan 2017-2021**

This document includes strategic objectives, performance indicators and the Strategic Resource Plan.

#### **Council Budget 2018-19**

Annual funding allocations (action plan) for activities and initiatives, with linkage to the Council Plan, together with key financial performance targets and measures.

### 5.2 Budget Considerations

Council prepares and publishes its annual budget as a separate document in compliance with the *Local Government Act 1989*, which includes a comprehensive submissions and approval process.

As part of the financial planning and budget process, the rate revenue required to meet expenditure needs is calculated taking into account other sources of revenue. This rate revenue is now limited by the application of the rate cap.

Other revenue sources include statutory fees for building and planning through to user pays fees assessed annually in accordance with movements in CPI, wages and market factors. Council relies on Federal and State funding mainly via the Grants Commission allocations. Specific purpose grants for new services and capital works are also received.

Each year Council establishes the maintenance needs of its assets and infrastructure and the community services and facilities that will be provided in the next financial year.

Council determines the amount available to be collected from rates under the rate cap and then considers all other sources of revenue that are available.

The structure of the rating system is then determined, considering how rates are levied between and within the various categories of ratepayers by setting differential tariffs i.e. the Rating Strategy.

Generally, Council seeks to have a balanced budget, i.e. that revenue is equal to expenses. Any surplus or deficit result should be minor in context of the overall budget.

### 5.3 External Influences

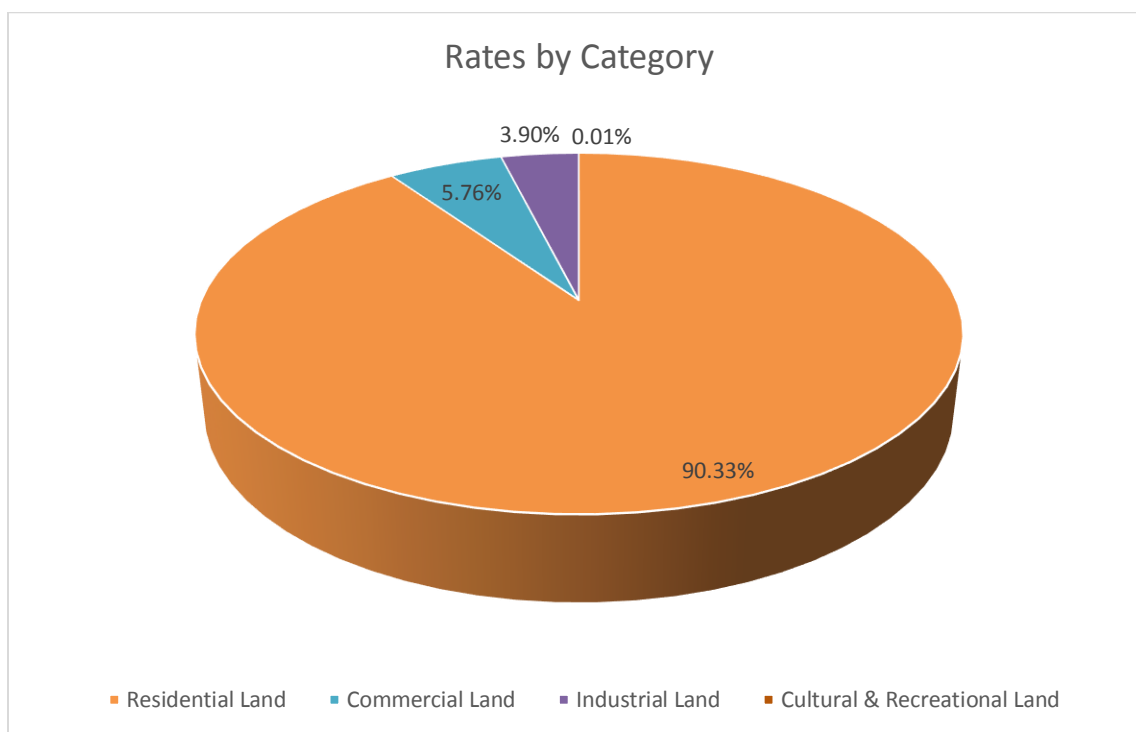
Council is subject to numerous economic factors. Since Councils major expenditure item is salaries and wages, any price index and EBA adjustments will have a significant impact on costs and subsequent rating decisions. Council is also subject to significant movements in funding from State and Federal sources. Cost shifting back to Council has been a major concern for all Councils and has been subject to a Federal Government Inquiry which found that “the extent and

effects of cost shifting as detailed are the major problems facing Local Government's deteriorating infrastructure". Regulatory and compliance changes affect Councils operations and changes to population and demographics will influence change particularly in the medium to long term. The most influential external factor on setting the rates is the Rate Cap set by the Minister. This has been set at 2.25 per cent for the 2018-19 financial year. Council is committed to working within the rate cap and will not be seeking an exemption from the cap.

#### 5.4 Moreland's Current Rating Structure

Moreland City Council currently applies the Capital Improved Valuation methodology in order to levy its rates. The below table and graph display the respective revenues from the various rate classes.

Rating Category	No. Assessment 2018/19	Total CIV 2018/19	Total Rates Raised	% Rates of Total
Residential Land	73,490	\$55,890,990,815	\$121,676,661	90.33%
Commercial Land	3,184	\$3,564,952,406	\$7,761,027	5.76%
Industrial Land	2,082	\$2,410,492,444	\$5,247,727	3.90%
Cultural & Recreational Land	2	\$70,426,400	\$16,573.00	.01%
<b>Total Rates</b>	<b>78,758</b>	<b>\$61,936,862,065</b>	<b>\$134,685,415</b>	<b>100%</b>
Waste Service Charge			\$14,691,267	
<b>Total Rates &amp; Charges</b>			<b>\$149,376,682</b>	



In terms of the rates that Council applies, the below table highlights the various classes that are utilised in the current rating structure.

Rating Category	Rate in the \$ 2018-19	% to General Rate
Residential Land	0.0021770	100.00%
Commercial Land	0.0021770	100.00%
Industrial Land	0.0021770	100.00%
Cultural & Recreational Land	Charge in lieu of rates	N/A

Council currently utilises a service charge to recover the cost of the waste function, and applies special rates to some business districts.

Council currently does not apply any municipal charge for the purpose of defraying administration costs of Council.

## 6. Determining which valuation base to use

As outlined, under the *Local Government Act 1989*, Council has three options under the Local Government Act as to the valuation base it elects to use. They are:

- **Capital Improved Valuation (CIV)** – Value of land and improvements upon the land
- **Site Valuation (SV)** – Value of land only
- **Net Annual Value (NAV)** – Rental valuation based on CIV. For residential and farm properties, NAV is calculated at 5 per cent of the Capital Improved Value. For commercial and industrial properties NAV is calculated as the greater of the estimated annual rental value or 5 per cent of the CIV.

### 6.1 Capital Improved Value (CIV)

Capital Improved Valuation is the most commonly used valuation base by Victorian Local Government with more than 70 Councils applying this methodology. Based on the value of both land and all improvements on the land, it is relatively easy to understand by ratepayers as it equates to the market value of the property.

The key driver of using CIV is the ability to apply differential rates (should this rating option be used).

Section 161 of the *Local Government Act 1989* provides that a Council may raise any general rates by the application of a differential rate if –

- a) It uses the capital improved value system of valuing land; and
- b) It considers that a differential rate will contribute to the equitable and efficient carrying out of its functions.

Where a Council does not utilise Capital Improved Valuation, it may only apply limited differential rates in relation to farm land, urban farm land or residential use land.

#### Advantages of using Capital Improved Valuation (CIV)

- Capital-improved value includes all improvements, and hence is often supported on the basis that it more closely reflects “capacity to pay”. The CIV rating method takes into account the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.
- With the current frequency of valuations (every two year), the market values are more predictable which has an impact on the number of objections resulting from valuations.
- The concept of the market value of property is far more easily understood with CIV rather than NAV or SV.
- Most Councils in Victoria have now adopted CIV which makes it easier to compare relative movements in rates and valuations across Councils.

## Disadvantages of using CIV

- The main disadvantage with CIV is the fact that rates are based on the total property value which may not necessarily reflect the income level of the property owner as with pensioners and low income earners.

## 6.2 Site Value (SV)

Although the Act provides for Councils to use Site Value as the basis of valuation, very few Councils have done so due to the very limited ability to apply differential rates.

### Advantages of Site Value

- There is a perception that under site valuation, a uniform rate would promote development of land.
- Scope for possible concessions for urban farm land and residential use land.

### Disadvantages in using Site Value

- SV does not consider the value of improvements. It shifts more of the burden to property owners that have larger areas of land. Typically, flats, units and townhouses will pay lower rates compared to stand alone houses on a suburban block of land, as the underlying land area is smaller.
- SV will reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates;
- The rate-paying community has greater difficulty in understanding the SV valuation on their rate notices, as indicated by many inquiries from ratepayers on this issue handled by Council's Citizen Services and Property Revenue staff each year.

In very many ways, it is difficult to see an equity argument being served by the implementation of Site Valuation in Moreland City Council, therefore this method is not recommended.

## 6.3 Net Annual Value (NAV)

Net annual value, in concept, represents the annual rental value of a property. However, in practice, NAV is closely linked to capital improved value for residential. Valuers derive the NAV of residential properties directly as 5 per cent of CIV.

In contrast to the treatment of residential properties, Net Annual Value for commercial and industrial properties is assessed with regard to actual market rental. This differing treatment of commercial versus residential and farms has led to some suggestions that all properties should be valued on a rental basis.

Overall, the use of NAV is not supported. For residential ratepayers, actual rental values pose some problems. The artificial rental estimate used may not represent actual market value, and means the base is the same as CIV but is harder to understand.

In choosing a valuation base, Councils must decide on whether they wish to adopt a differential rating system (different rates in the dollar for different property categories) or a uniform rating



system (same rate in the dollar). If a Council was to choose the former, under the Act it must adopt either of the CIV or NAV methods of rating

## 6.4 Summary

It is recommended that Moreland City Council continue to apply Capital Improved Valuation as the valuation base for the following reasons:

- CIV is considered to be the closest approximation to an equitable basis for distribution of the rating burden.
- It should be noted that more than 70 Victorian Councils apply CIV as their rating base and as such, it has a wider community acceptance and understanding than the other rating bases.

Recommendation
That Moreland City Council continues to apply the Capital Improved Valuation methodology to levy Council rates.

## 7. Determining the Rating System - Uniform or Differential?

As highlighted in Section 3, Council may apply a uniform rate or differential rates to address the needs of the Council. They are quite different in application and have different administrative and appeal mechanisms that need to be taken into account.

### 7.1 Uniform rate

Section 160 of the Act stipulates that if a Council declares that general rates will be raised by the application of a uniform rate, the Council must specify a percentage as the uniform rate. Rates will be determined by multiplying that percentage by the value of the land.

Moreland City Council has adopted uniform rating for the 2018/19 financial year.

### 7.2 Differential Rates

#### Advantages of a Differential rating system

The perceived advantages of utilising a differential rating system are:

- There is greater flexibility to distribute the rate burden between all classes of property, and therefore link rates with the ability to pay and reflecting the tax deductibility of rates for commercial and industrial premises;
- Differential rating allows Council to better reflect the investment required by Council to establish infrastructure to meet the needs of the commercial and industrial sector;
- Enables Council to encourage particular developments through its rating approach e.g. encourage building on vacant blocks;
- Allows Council to reflect the unique circumstances of some rating categories where the application of a uniform rate may create an inequitable outcome; this is however limited by the new requirements introduced under section 161 (2A) and (2B) of the Act.
- Allows Council discretion in the imposition of rates to 'facilitate and encourage appropriate development of its municipal district in the best interest of the community'.

#### Disadvantages of a Differential rating system

The perceived disadvantages in applying differential rating are:

- The justification of the differential rate can at times be difficult for the various rating groups to accept giving rise to queries, objections and complaints where the differentials may seem to be excessive.
- Differential rates can be confusing to ratepayers, as they may have difficulty in understanding the system. Some rating categories may feel they are unfavourably treated because they are paying a higher level of rates than other ratepayer groups.
- Differential rating involves a degree of administrative complexity as properties continually shift from one type to another requiring Council to update its records. Ensuring the accuracy/integrity of Council's database is critical to ensure that properties are correctly classified into their differential rate category.

- Council may not achieve the objectives it aims for through differential rating. For example, Council may set its differential rate objectives to levy a higher rate on land not developed, however, it is uncertain as to whether the differential rate achieves those objectives.

Since the implementation of differential rating Council has seen a steady decrease in the number of Vacant Land and Unoccupied Land properties and the differential rate is no longer required to achieve Councils objectives.

Analysis has shown that the application of the rebate in the rate capping environment causes Council to collect less rate revenue than it could. As a result, Council has removed the differential rate for the 2018/19.

Council will use other tools to ensure the amenity of vacant land and unoccupied land and buildings.

### Recommendation

That Moreland City Council removes differential rating for the 2018/19 financial year.

## 8. What differential rates should be applied?

The table below highlights the uniform rates in 2018-19 if the proposed rating structure is implemented.

Rating Category	No of Assessments	Rate in the \$ 2018-19	% to General Rate
Residential Land	73,490	0.0021770	100.00%
Commercial Land	3,184	0.0021770	100.00%
Industrial Land	2,082	0.0021770	100.00%
Cultural & Recreational Land	2	Charge in lieu of rates	NA

### 8.1 Residential Land (General Rates)

This category includes all properties including those previously classified as Vacant and Unoccupied Land. As the rating category with the largest number of assessments, it is regarded as the General Rate.

### 8.2 Commercial and Industrial Land

Commercial properties are defined as those selling a product or providing a service. Industrial properties are those that are used for the purposes of manufacturing. These properties are similar in respect that they are businesses providing employment opportunities.

Many Victorian Councils adopt a higher differential rate for commercial and industrial properties to reflect the tax-deductible status of rates for these owners or tenants. This is regarded as creating a more equitable result after tax as residential properties are not eligible for a tax deduction.

Across Victoria, the average level of extra payment for commercial and industrial properties is 25% above the general rate, and in practice it ranges from 100% to more than 200% of the general rate.

Moreland City Council has historically applied the same rate as the General Rate (1 times the General Rate or 100%) to these properties (unless they are subject to another rating category). This acknowledges that most businesses in Moreland are small businesses and struggle to remain viable, particularly in the current economic climate. In addition, these properties provide local employment which Council regards as an important contributor to community sustainability.

It is therefore recommended that Council continue to levy the same rate as the General Rate on commercial and industrial properties in 2018/19.

### 8.3 Cultural & Recreational Lands – a charge in lieu of the general rate

Council declares the Cultural and Recreation land in accordance with the *Cultural and Recreational Land Act 1963* – Section 4.

The *Cultural and Recreational Land Act 1963* provides that “an amount be payable in lieu of rates in each year being such amount as the municipal council thinks reasonable having regard to the services provided in relation to such lands and having regard to the benefit to the community derived from such recreational lands”.

Council currently has two properties that are classified as cultural and recreational land.

a) 47-97 Glenroy Road, Glenroy (Northern Golf Club)

*Benefit to the Community*

The club operates on a membership basis and most of its services are not available to the general public, with the exception of some large functions e.g. wedding receptions. The club has approximately 1,300 members, with 50% of them being Moreland residents. This equates to approx. 0.4% of total population and 0.9% of total number of households.

On the other hand, the club's contribution to the preservation of the natural environment needs to be acknowledged and reflected in Council's decision on the amount to be charged in lieu of rates.

Council has purchased around 1.8 hectares of land from Northern Golf Club, which will allow substantial land for open space and public use. Council has also obtained the Right of First Refusal to purchase all or part of the additional land. There are benefits to Council (and thus the Moreland community) arising from the purchase of this land and the Right of First Refusal.

*Services Provided*

Council services provided to Northern Golf Club are primarily in the form of community infrastructure, which is no different to any other non-residential properties in the municipality that are levied 100% of the general rate.

b) Res 1 Outlook Road, Coburg (Coburg Basketball Stadium)

*Benefit to the Community*

The Coburg Basketball Stadium is managed by Sports Stadium Victoria and runs inclusive basketball programs for the community. It is well acknowledged by the community for its inclusive programs covering a broad age range from young children to adults.

*Services Provided*

Council services provided to the Coburg Basketball Stadium are primarily in the form of community infrastructure, which is no different to any other non-residential properties in the municipality that are levied 100% of the general rate.

In accordance with section 4(4) of the *Cultural and Recreational Land Act 1963*, the following amounts are declared as a charge in lieu of the general rate (which would otherwise be payable):

- a) 47-97 Glenroy Road, Glenroy
  - Northern Golf Club \$14,500
  
- b) Res 1 Outlook Road, Coburg
  - Coburg Basketball Stadium \$2,070

It is recommended that Council continues to treat all eligible recreational land in accordance with the *Cultural and Recreational Land Act 1963*.

## 8.4 Considerations Given to Retirement Villages

The Minister, in the final Guidelines for Differential Rate (April 2013), states that “Council must give consideration to reducing the rate burden through use of a reduced differential rate include (but are not limited to):

- Farm land (as defined by the Valuation of Land Act 1960); and
- Retirement village land (as defined by the Retirement Villages Act 1986).”

Moreland does not have farm land so this does not apply.

Council has considered whether a differential rate should be applied to retirement village land. Council has decided that it is not appropriate to apply a lower differential rate to retirement villages for the following reasons:

1. Retirement villages receive Council services and have access to community infrastructure in the same way as other residents. In particular, retirement village residents often access Council provided aged services, which is heavily subsidised by rates.
2. Local government rates are a type of tax and not a fee for service. Rates are required to subsidise the delivery of services and capital works that would otherwise be unaffordable if charged on a case by case basis.

### Recommendations

1. That Council continues to apply the general rate for all residential properties, including flats and units.
2. That Council continues to apply the general rate for Retirement Villages.
3. That Council continues to levy a charge in lieu of rates on Cultural and Recreational properties in accordance with the *Cultural & Recreational Land Act 1963*.
4. That Council continues to apply the general rate to commercial and industrial properties.

## 9. Understanding the impacts of Council Revaluations

As of July 1 2018, changes to the Valuation of Land Act 1960 (the Act) make the Valuer-General responsible for all statutory valuations in Victoria and increases the frequency of revaluations from biennially to annually. For the 2018-19 rating year valuations will be based on values returned as at 1 January 2018.

For the 2018-19 revaluation Council's contract Valuers undertake a physical inspection of some properties during each revaluation. Other valuations are derived from a complex formula based on sectors, sub market groups, property condition factors (including age, materials and floor area), influencing factors such as locality and views, and land areas compared to sales trends within each sector / sub-market group. The municipality has defined sub-market groups of homogeneous property types which are reviewed during the revaluation process. Valuer-General Valuers determine the valuations according to the highest and best use of a property.

In valuing large areas of land without buildings, residential zoning, permits for subdivision or structure plans are indications of potential for subdivision. If the land is capable of subdivision it will be valued accordingly as potential subdivisional land, despite its use. The amount of valuation increase will depend on market factors at the time of valuation.

Valuations are conducted at general revaluation or where any circumstances as listed under section 13DC of the *Valuation of Land Act 1960* change the valuation and cause Council to undertake a supplementary valuation between general revaluations.

Supplementary Valuations are notified to Ratepayers by the issue of a rates notice.

The Valuer General of Victoria is responsible for reviewing the valuations of each municipality for accuracy before certifying that the valuations are true and correct. Valuations are conducted using Best Practice Guidelines formulated and published by the Valuer General Victoria.

The total value of the municipality is used as a base against which Council strikes its rate in the dollar for each defined rating group.

### **No Windfall Gain**

There is a common misconception that if a property's valuation rises then Council receives a "windfall gain" with additional income. This is not so as the revaluation process results in a redistribution of the rate burden across all properties in the municipality. Any increase to total valuations of the municipality is offset by a reduction in the rate in the dollar (ad valorem rate) used to calculate the rate for each property. Total rate income is set each year as part of the budget process. Council increases the total rates revenue required to deliver its services, but within the rate cap set by the Minister for Local Government.

### **Objections to Property Valuation**

The *Valuation of Land Act 1960* provides that objection to the valuation may be made each year within two months of the issue of the original or amended (supplementary) Rates and Valuation Charges Notice (Rates Notice).

Objections must be dealt with in accordance with the *Valuation of Land Act 1960* – Division 3 Sections 16-21.

The Act was amended in 2006 in order to improve the valuation objection process and reduce the number of lengthy and costly disputes. The Act specifically improves the processes and practices for

lodging an objection, sharing and exchange of information, referring an objection dispute to VCAT, awarding of costs, Valuer General notifications and certification of supplementary valuations. Further information can be obtained by accessing the Land Victoria web site at [www.land.vic.gov.au/valuation](http://www.land.vic.gov.au/valuation).

Council will continue to advise ratepayers via the “Rates, Charges and Valuation Notice” (the Rate Notice), rates brochure, web site and Moreland News, of their right to object and appeal the valuation. Property owners also have the ability to object to the site valuations on receipt of their Land Tax Assessment from the State Revenue Office. Property owners can appeal their land valuation within 60 days of receipt of Council Rate Notice (via Council) or within 60 days of receipt of their Land Tax Assessment (via State Revenue Office).

Council is mindful of the impacts of revaluations on the various property types in implementing the differential rating options outlined in the previous section, to ensure that rises and falls in Council rates remain affordable and that rating ‘shocks’ are mitigated to some degree.



## 10. Special Rates & Charges

Special rates and charges are covered under Section 163 of the Local Government Act which enables Council to:

“Declare a special rate or charge or a combination of both for the purposes of:

- Defraying any expenses; or
- Repaying with interest any advance made or debt incurred or loan raised by Council;

In relation to the performance of a function or the exercise of a power of the Council, if Council considers that the performance of the function or the exercise of the power is or will be of special benefit to the persons required to pay the special rate or special charge”.

There are detailed procedural requirements that Council needs to follow to introduce a special rate or charge, including how Council can apply funds derived from this source.

Section 185 of the Local Government Act provides appeal rights to VCAT in relation to the imposition of a special rate or charge. The Tribunal has wide powers, which could affect the viability of the special rate or charge. It can set the rate or charge completely aside if it is satisfied that certain criteria are met.

Council should be particularly mindful of the issue of proving that special benefit exists to those that are being levied the rate or charge.

In summary, differential rates are much simpler to introduce and less subject to challenge. There may be instances however where a special charge is desirable if raising the levy by use of CIV is not equitable.

Moreland City Council generally applies special rate/charge schemes to commercial centres. The purpose of these schemes is to ensure the future prosperity and viability of commercial centres across the City of Moreland, and the special rates/charges are raised to assist Council in conjunction with business associations to carry out promotional, marketing and business development activities within commercial activity centres. In some instance schemes may apply to infrastructure projects that are narrowly defined.

### Recommendations

1. That Council continues to use special rates and charges to promote the commercial centres in the municipality.
2. That Council may consider using special rates and charges for narrowly defined capital projects where special benefit can be shown to exist to a grouping of property owners.

## 11. Municipal Charge

Another rating option available to Councils is the application of a municipal charge. Under Section 159 of the Local Government Act, a Council may declare a municipal charge to cover some of the administrative costs of the Council. The legislation is not definitive on what comprises administrative costs and does not require Council to specify what is covered by the charge.

A Council's total revenue from a municipal charge in a financial year must not exceed 20 per cent of the combined sum total of the Council's total revenue from the municipal charge and the revenue from general rates.

The application of a municipal charge represents a choice to raise a portion of the rates by a flat fee for all properties, rather than sole use of the CIV valuation method. In applying the legislation, the maximum amount that Moreland City Council could levy as a municipal charge in 2018-19 would be approximately \$342.00 per assessment based upon the current rates.

The arguments in favour of a municipal charge are similar to waste charges. They apply equally to all properties and are based upon the recovery of a fixed cost of providing administrative services irrespective of valuation. The same contribution amount per assessment to cover a portion of Councils administrative costs can be seen as an equitable method of recovering these costs.

The argument against a municipal charge is that this charge is regressive in nature and would result in lower valued properties paying higher overall rates and charges than they do at present. The equity objective in levying rates against property values is lost in a municipal charge as it is levied uniformly across all assessments.

This rating strategy acknowledges that Council does not currently utilise Municipal Charge, however may consider this option in future where appropriate.

### Recommendations

That Council does not apply a Municipal Charge.

## 12. Service Rates and Charges

Section 162 of the Local Government Act (1989) provides Council with the opportunity to raise service rates and charges for any of the following services:

- a) the provision of a water supply;
- b) the collection and disposal of refuse;
- c) the provision of sewerage services;
- d) any other prescribed service.

Moreland City Council currently applies a Service Charge for the collection and disposal of refuse on properties within the municipality (the Waste Services charge). Moreland City Council's current waste services charges reflect the full cost of the service.

The advantages of the waste services charge is that it is readily understood and accepted by residents as a fee for a direct service that they receive. It further provides equity in the rating system in that all residents who receive exactly the same service level all pay an equivalent amount.

The disadvantage of the waste service charge is similar to the municipal charge in that it is regressive in nature. A fixed charge to a property with a low value comprises a far greater proportion of the overall rates than it does to a property with a higher value.

The waste services charge has been designed to encourage ratepayers to reduce their waste management behaviour through the use of pricing signals. The smaller the bin size, the lower the proportional cost of each litre of bin capacity (the lower the waste services charge). This is due to the cost to Council (and thus ratepayers) of managing waste to landfill and recycling material.

On balance, it is recommended that Council retain the existing waste services charge. Unlike a municipal charge where the direct benefit to the resident is invisible – the waste services charge is a tangible service that is provided directly to all in the same way.

### Recommendations

That Council continues to apply a Waste Service charge.

### 13. Non-rateable Properties

Section 154 of the *Local Government Act* (1989) provides for non-rateable properties as follows:

- (1) Except as provided in this section, all land is rateable.
- (2) The following land is not rateable land -
  - (a) land which is unoccupied and is the property of the Crown or is vested in a Minister, a Council, a public statutory body or trustees appointed under an Act to hold that land in trust for public or municipal purposes;
  - (b) any part of land, if that part—
    - (i) is vested in or owned by the Crown, a Minister, a Council, a public statutory body or trustees appointed under an Act to hold that land in trust for public or municipal purposes; and
    - (ii) is used exclusively for public or municipal purposes;
  - (c) any part of land, if that part is used exclusively for charitable purposes;
  - (d) land which is vested in or held in trust for any religious body and used exclusively—
    - (i) as a residence of a practising Minister of religion; or
    - (ii) for the education and training of persons to be Ministers of religion; or
    - (iii) for both the purposes in subparagraphs (i) and (ii);
  - (e) land which is used exclusively for mining purposes;
  - (f) land held in trust and used exclusively—
    - (i) as a club for or a memorial to persons who performed **service or duty** within the meaning of section 3(1) of the **Veterans Act 2005**; or
    - (ii) as a sub-branch of the Returned Services League of Australia; or
    - (iii) by the Air Force Association (Victoria Division); or
    - (iv) by the Australian Legion of Ex-Servicemen and Women (Victorian Branch).
- (3) For the purposes of subsections (2)(a) and (2)(b) any part of the land is not used exclusively for public or municipal purposes if—
  - (a) it is used for banking or insurance; or
  - (b) a house or flat on the land—
    - (i) is used as a residence; and
    - (ii) is exclusively occupied by persons including a person who must live there to carry out certain duties of employment; or
  - (c) it is used by the Metropolitan Fire Brigades Board.
- (3A) For the purposes of subsection (2)(b), any part of land does not cease to be used exclusively for public purposes only because it is leased—
  - (a) to a rail freight operator within the meaning of the **Transport Act 1983**; or
  - (b) to a passenger transport company within the meaning of that Act.
- (4) For the purposes of subsections (2)(c) and (2)(d), any part of the land is not used exclusively for charitable purposes if it is in any of the following categories—
  - (a) it is separately occupied and used for a purpose which is not exclusively charitable;

- (b) a house or flat on the land—
  - (i) is used as a residence; and
  - (ii) is exclusively occupied by persons including a person who must live there to carry out certain duties of employment;
- (c) it is used for the retail sale of goods;
- (d) it is used to carry on a business for profit (unless that use is necessary for or incidental to a charitable purpose).

As listed above, the Act has limited provisions for properties that should be exempted from paying rates.

Currently there are 924 properties within Moreland City Council that are treated as non-rateable, including Moreland City Council owned properties. Council reviews the non-rateable properties on a bi-annual basis and decision making charts have been developed accordingly. (*Attachment 1*)

It should be noted that whilst *the Act* provides criteria for land which cannot be rated, it does not stop Council allowing additional specific exemptions to specific properties or uses. Given the importance of rates revenue to Council, it is recommended that specific additional exemptions be avoided and other means of support used to assist organisations deemed worthy of support by Council.

### Recommendations

1. That Council only grants non-rateable status to properties that meet the criteria described in the *Local Government Act 1989*.
2. That Council continue to review the non-rateable properties to ensure all meet the criteria described in the *Local Government Act 1989*.

## 14. Collections

### Liability to Pay Rates

LGA Section 156 makes the owner of the land liable to pay the rates and charges on that land. In certain cases, the occupier, mortgagee or licensee holder is liable to pay the rates. The LGA Section 156(6) declares the rate or charge, unpaid interest or costs to be a first charge upon the land.

### Electronic Notices

Council encourages the electronic distribution of rate notices. Ratepayers can elect to receive their Annual Rate Notice and Quarterly Rate Installment Notice electronically.

### Payment Dates for Rates

Council, in accordance with the LGA section 167 (1) must allow for the payment of rates by four installments per annum. Council may allow a person to pay a rate or charge in a single lump sum payment LGA Section 167 (2).

Moreland City Council elected to move from the lump sum payment method from the 2007/08 rating year.

The main driver behind the change relates to the improved cash flows that are associated with the instalment payment option. Council operates under a 1 July-30 June financial year and Victorian Local Government is probably the only Government agency/utility that issues an annual account in July and then has to wait seven months to receive the majority of its revenue. During this time Council is required to continue to provide operational services and capital works which place our cash position under severe strain. No other utility (telephone, gas, power, water) is required to operate under the business rules that Local Government is required to.

The move to introduce mandatory instalments is aimed at better matching when Council receives its rate revenue against when we need to expend these same amounts. The move also brings Council into closer alignment with virtually every other utility service provider.

Under the mandatory instalment option, interest penalties are only backdated to the due date of the missed payment.

The Minister fixes payment dates by notice published in the Government gazette. The due dates are the last business days in September, November, February and May.

### Payment options

Council offers a range of payment options including direct debit, Bpay, Centrepay, internet via [www.moreland.vic.gov.au](http://www.moreland.vic.gov.au), by mail, telephone, over the counter services at Council Service Centres or Australia Post agencies.

To assist ratepayers spread the cost of rates over the year, Council allows 10 monthly direct debit.

Council incurs costs of collection via agency and merchant service fees but recommenced recovering credit card fees from 2016/17.

The Council will assist ratepayers who are experiencing hardship by creating individual payment plans which may include deferral of rate payments in full or part, depending on individual circumstances. The interest rate on deferred rates is at the penalty interest rate that is determined by the Minister.

### **Incentives for Prompt Payment**

The LGA Section 168 provides that incentives for prompt payment may be offered. Discount for early payment should be based on cash flow benefit to Council.

Council offers payments via a number of agencies and services to provide ratepayers with choices to make it easy for them to pay their rates. Rates are due by the installment dates which reasonably provides the cash flow Council requires to operate.

In addition, Council rates are secured against the property and penalty interest is payable where payment is not received by the due dates. To provide discounts would be administratively cumbersome and potentially costly and there is no benefit to Council to do so.

It is recommended that no incentives for prompt payment be offered for the year 2018-19.

### **Late Payment of Rates**

Council applies interest penalties in accordance with LGA Section 172.

### **Interest on Arrears and Overdue Rates**

Interest is charged on all overdue rates in accordance with LGA Section 172. The interest rate to apply is fixed under Section 2 of the Penalty Interest Rates Act 1983, which is determined by the Victorian Attorney General and published by notice in the Government Gazette.

Council cannot apply an alternative rate but has the power to exempt any person from paying the whole or part of any interest amount generally or specifically payable – LGA Section 172 (2A).

As part of the hardship provisions Council allows people who have proven financial difficulties to defer rate payments. The deferred rate payments are subject to the penalty interest rate that is determined by the Victorian Attorney General.

### **Debt Recovery - Collection of Overdue Rates**

Council makes every effort to contact ratepayers at their correct address but it is the ratepayers' responsibility to properly advise Council of their contact details. Amendments to the Local Government Act require the purchaser of a property, or their agents (e.g. solicitors), to notify Council by way of notice of acquisition.

In the event that the account remains unpaid, Council has established procedures for the issue of an overdue notice from our appointed debt collection agency free of charge. Council may take legal action without further notice to recover any overdue amount if the account remains unpaid. All fees and court costs are recoverable from the ratepayer.

If an amount payable by way of rates in respect to land has been in arrears for three years or more, Council has the authority sell the land as long as it follows due process in accordance with the Local Government Act – Section 181.

The purpose of the policy on debt recovery is to act as a genuine deterrent to ratepayers who might otherwise fail to pay rates on time (and have not been in contact with Council regarding their circumstances), to allow Council to recover the administrative cost of following up unpaid rates and to recover any interest cost the Council may incur due to lost investment opportunities. The principle in providing for such penalty is that ratepayers who pay within the required timeframe should not have to subsidize or bear any cost of ratepayers who default on their payment.

### Recommendations

1. That Council continues to apply the mandatory rate instalment payment option in 2018-19
2. That Council continues to charge interest on late payments in accordance with the *Local Government Act 1989*.
3. That Council continues to actively collect rates and pursue outstanding rate debtors.



## 15. Rates Assistance

### Rebates and Concessions - LGA section 169

Council currently only provides the Performance Rebate for the vacant and unoccupied land properties as detailed in section 8.4.

It needs to be noted that concessions to one group of ratepayers can have adverse effect on other ratepayers.

### Pensioners Rebate

Holders of a Centrelink or Veterans Affairs Pension Concession card, or a Veteran Affairs Gold card which stipulates TPI or War Widow (excludes Health Care and DVA all conditions, POW, EDA and dependant cards) may claim a rebate on their sole or principle place of residence.

For 2018-19 the government-funded indexed rebate is provided under the Municipal Rates Concession Scheme. Under the Fire Services Property Levy (FSPL) a rebate of \$50 also applies. Upon initial application, an ongoing eligibility is maintained unless rejected by Centrelink or Department of Veteran Affairs during verification procedures. Upon acceptance of pensioner status, the concession or rebate is deducted from the rate account before payment by the ratepayer.

Council considers that it is not appropriate for Council via ratepayer funds to make an additional rebate or offset to all pensioners.

Council's view is that pensioners receive a variety of utility and other concessions funded from general government taxation, which is appropriate. The State Government has historically accepted the need to redistribute income taxes in support of utility concessions and rebates to low income households. Council supports this view, along with annual indexation of the municipal rate concession amount. For Council to make further concessions would mean a redistribution of the rate burden with other ratepayers bearing the cost by way of higher rates and charges and having regard to these factors would unfairly penalize those ratepayers. It should be noted that approximately 16.5% of ratepayers are pensioners (as indicated by those currently receiving the pension rebate).

### Deferral of Rates - LGA Section 170

The option to defer rates is a legislative provision – LGA Section 170.

Deferral is appropriate where ratepayers have incurred increases to rates and immediate affordability is an issue. Council's hardship policy ("*Financial Hardship (Rates and Charges) Policy*") provides guidelines on application for deferral of rates.

If Council is satisfied on the application of a ratepayer that payment of rates in accordance with the Act would cause hardship, the Council may defer payment or part payment for such period as Council thinks fit.

Outstanding rates and charges (or part thereof) may be deferred under the following conditions:

- The ratepayer must evidence severe financial hardship as certified by a suitably qualified, independent Financial Counsellor.
- Where the financial hardship is expected to exceed one year.

The application for deferral does not change the due date for payment of rates.

### **Waiver of Rates - LGA Sections 171 and 171A**

Sections 171 and 171A of the *Local Government Act 1989* provides Council the option to waive rates or charges or interest.

Every ratable property should meet its share of rates and charges and a rate waiver should only be granted to the extent that the amounts waived are recovered from the State Government under the Pensioner Rate Remission Scheme.

Any additional waiver of rates or charges will unfairly increase the burden which falls upon other members of the Council's community. It may be considered where there is considerable benefit to Council and the Moreland community.

Where severe financial hardship is evident, consideration should be given to the waiver of penalty interest. Council's hardship policy provides detailed guidelines on application of the interest waiver.

#### **Recommendations**

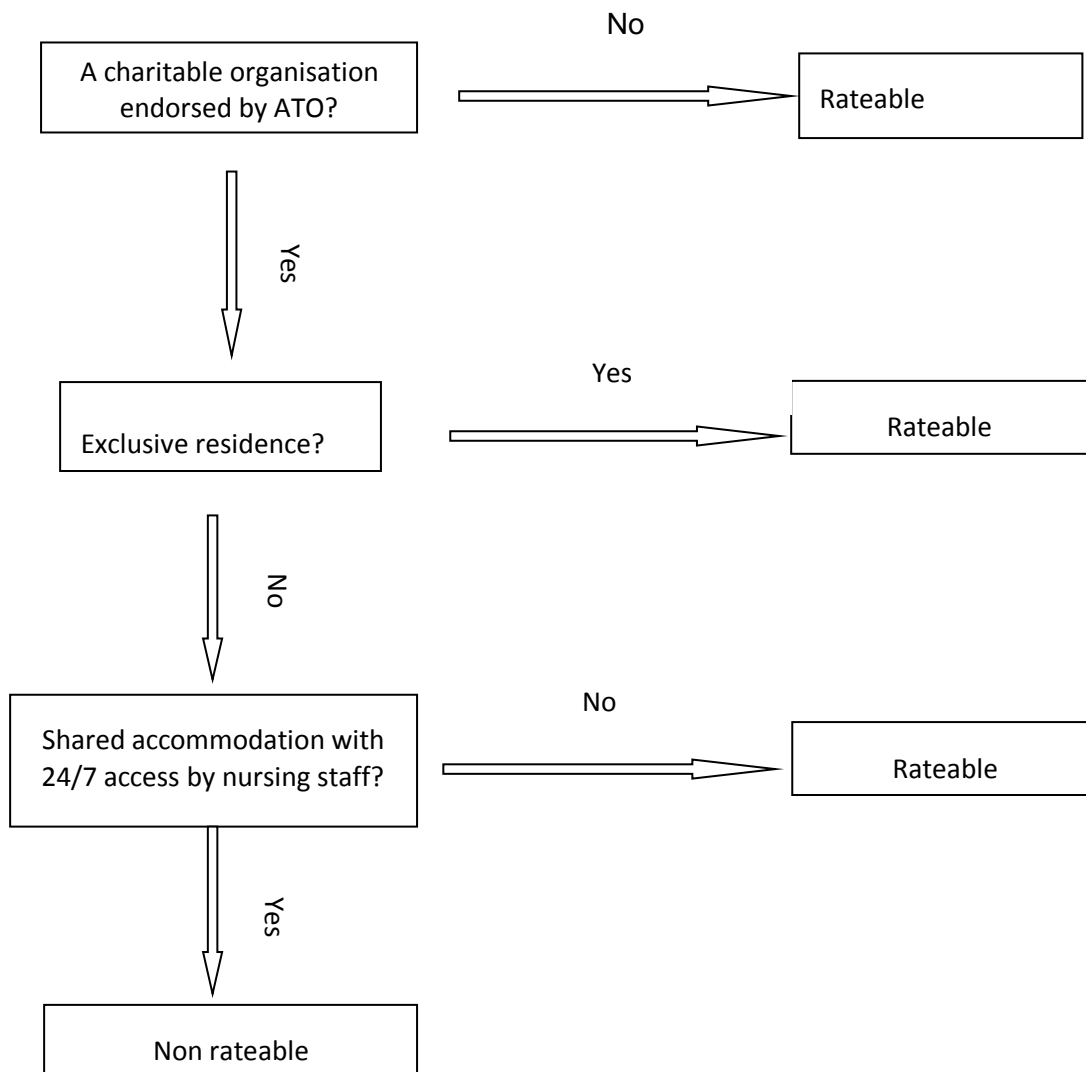
1. Rates and charges will be waived only to the extent that the amounts waived are recovered from the State Government under the Pensioner Rate Remission Scheme.
2. Consideration is given to the partial or total waiver of penalty interest, should the imposition of such interest cause severe financial hardship.

## Decision Making for Aged Care Facilities

### Questions to be asked:

1. Are you a charitable organisation? If yes, please provide a copy of the ATO endorsement.
2. Please provide details of the occupancy. Is it used as shared accommodation or exclusive residence? Shared accommodation should have more than one person share the room, exclusive residence means the room is used by a single person and the door is lockable. If the property is for combined use, please provide an estimate of the portion that is used for shared accommodation and the portion used as exclusive residence.
3. For the portion that is used as shared accommodation, do nursing staff members have 24/7 access to the rooms?
4. For the exclusive residence, do nursing staff members have 24/7 access, or do nursing staff members need to gain permission each and every time before they access the rooms?

### Flow chart for decision making:

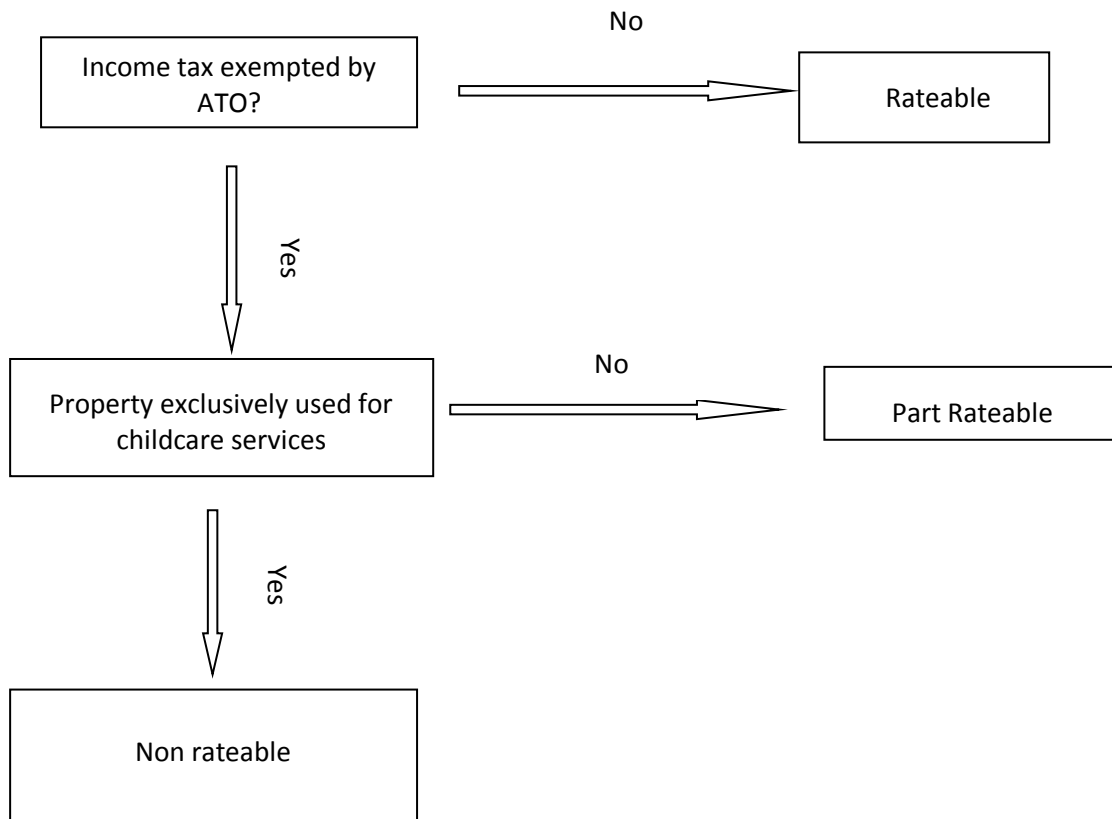


## Decision Making for Childcare Centres

Questions to be asked:

1. Do you hold income tax exempt status from ATO? If so, please provide a copy of the ATO endorsement.
2. Please provide details of the occupancy. I.e. How is the property being used? Is any part of the properties used as non-childcare business? If so, what is the percentage used as non-childcare business.

Flow chart for decision making:

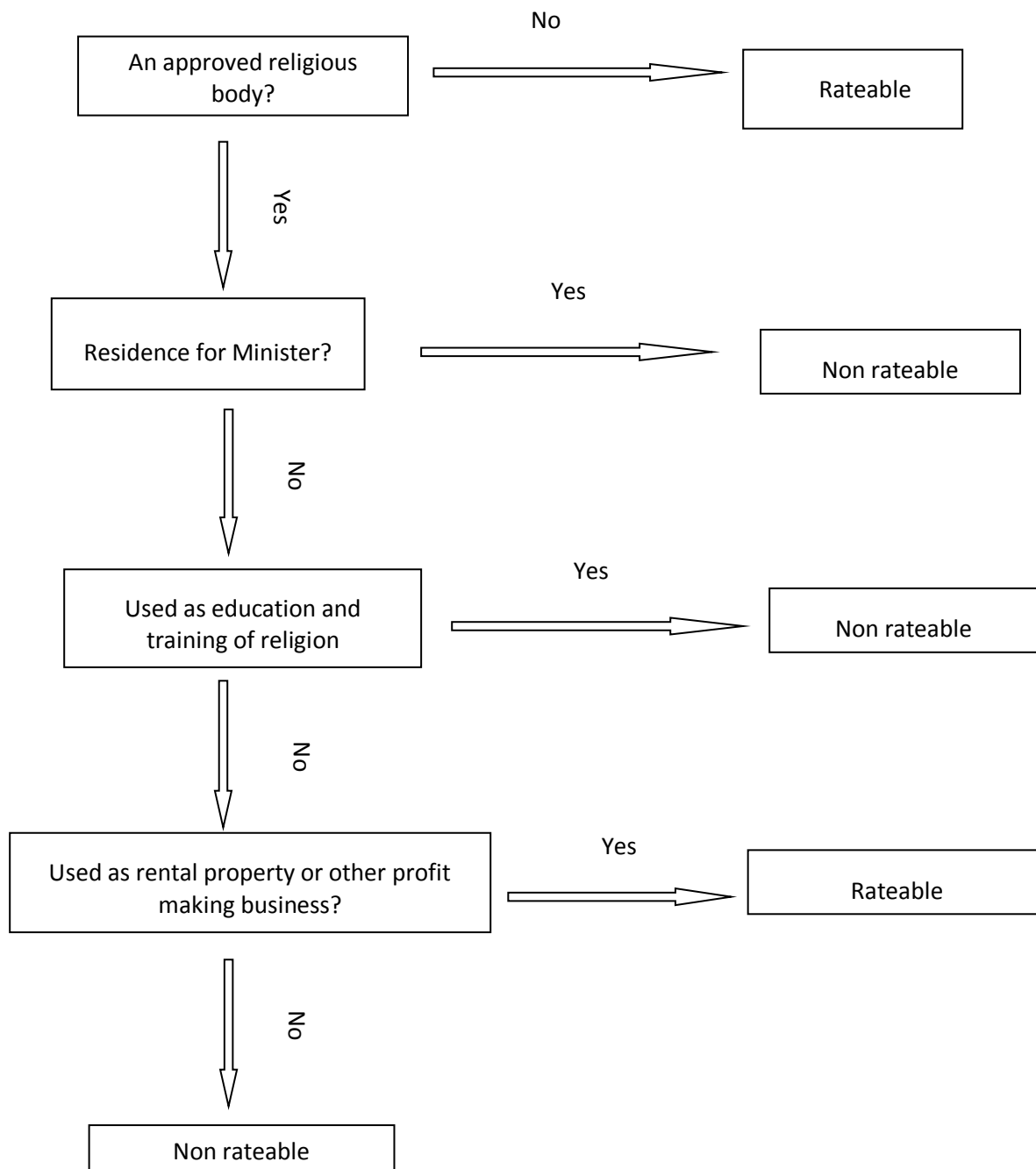


### Decision Making for Religious Bodies

Questions to be asked:

1. Please provide proof that you are a religious body
2. Please provide details of the occupancy. i.e., is the property used as residence of a practising Minister of religion? Is the property used for the education and training of persons to be Ministers of religion; Is the property used as a rental property? Or any other use?
3. If the property is for combined use, please provide an estimated portion for each use.

Flow chart for decision making:

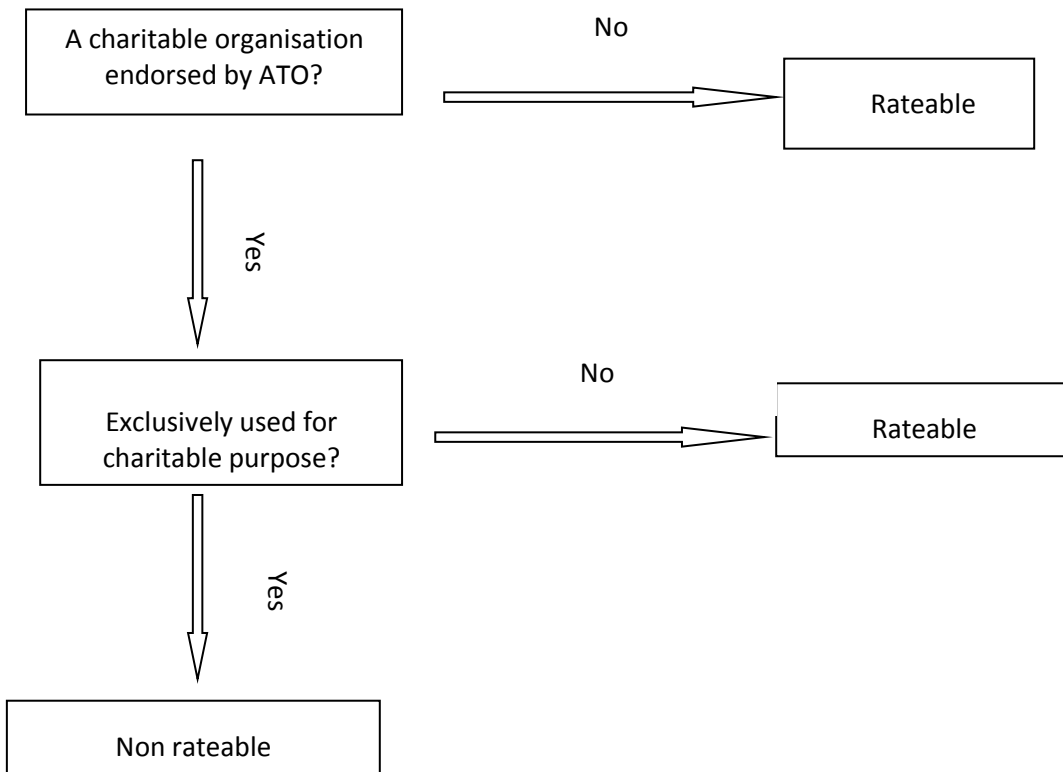


## Decision Making for Other Organisations

Questions to be asked:

1. Are you a charitable organisation? If yes, please provide a copy of the ATO endorsement.
2. Please provide details of the occupancy. Is any part of the property used as retail sale of goods or other types of income generating business? Please provide details on the nature of business that is carried out in the property.

Flow chart for decision making:





Moreland City Council

# Financial Hardship (Rates and Charges) Policy

<b>Date Authorised by Council:</b>	6 December 2017
<b>Commencement Date:</b>	6 December 2017
<b>Review Date (10 years from authorised date):</b>	December 2027
<b>Responsible Department</b>	Corporate Services

This policy has been authorised.

Nerina Di Lorenzo  
**Chief Executive Officer**

## **1 Purpose**

The purpose of this Financial Hardship Policy is to provide Council with a policy framework to provide financial relief to individuals who need assistance. The policy also aims to provide ratepayers with a clear and transparent understanding of the options and assistance available if currently experiencing, or at the risk of experiencing, financial hardship.

## **2 Context**

Rates income is a secure and reliable source of revenue that Council uses to deliver services to the community. In considering all aspects of the rating strategy for the municipality and this Financial Hardship Policy, Council considers the principles of fairness, transparency and equity.

It is important to note that this policy does not apply to the Fire Services Levy as that is a State government levy and Council does not have the power to waive or defer these debts.

## **3 Principles**

The following policy principles form the basis of this hardship policy:

- Information about this hardship program will be made accessible to the community and Council will be proactive in communicating its program.
- Hardship assistance will only be granted to individuals experiencing financial hardship with regard to the rates on their primary residence.
- A range of forms of assistance will be made available.
- The form of hardship assistance provided should match the level of financial difficulty.
- The process must be simple for the ratepayer to use.
- Ratepayers are encouraged to utilise financial counselling, legal and other supports.
- Legal action to recover debt should be the last resort.

## **4 Council policy**

### **4.1 No waiver of rates and charges**

Council does not allow the waiver of rates or charges except in exceptional circumstances. This is to ensure that financial hardship assistance offered to one group of ratepayers does not adversely impact other ratepayers. Any waiver of rates or charges must be approved by the Director Corporate Services.



## **4.2 Interest on overdue rates and charges**

Interest will be charged on overdue rates and charges in accordance with section 172 of the *Local Government Act 1989 (Act)*, unless otherwise specified in this policy. The interest will be calculated at the rate fixed under section 2 of the *Penalty Interest Rates Act 1983*.

## **4.3 Waiver of interest on overdue rates and charges**

Council may allow the waiving of interest on outstanding rates for owner-occupied residential property in accordance with section 171 of the Act. This will not be considered for property rated as other types of land including Commercial, industrial or vacant land, or where the ratepayer experiencing financial hardship does not reside at the property (as this is assumed to be an investment property).

The applicant must attend to the immediate settlement of all outstanding rates and charges or enter into a payment arrangement where an amount is paid on a regular basis (eg weekly/fortnightly) to clear all outstanding rates and charges within a period of no more than 12 months.

If payment of the outstanding rates and charges is made by payment arrangement, the waiver of interest would apply to interest already incurred to date and during the payment arrangement period.

If the payment arrangement (as above) is not maintained, the amount of interest waived will be withdrawn and the interest reinstated on the assessment.

The waiver of penalty interest will be made on a once-off basis.

### **Interest waiver categories**

There are three categories of interest waivers:

#### **4.3.1 Administrative waiver**

Ratepayers may have interest waived in the event of an administrative issue, error or omission which caused or significantly contributed to the failure to pay rates in a timely manner.

#### **4.3.2 Waiver on compassionate grounds**

Ratepayers may have interest waived where they have demonstrated compassionate grounds for a payment being late. Acceptable compassionate grounds will be independently reviewed taking into consideration individual circumstances.

#### **4.3.3 Waiver on financial hardship grounds**

Ratepayers may have interest or part thereof waived subject to compliance with the following conditions:

- the ratepayer must be experiencing undue and unavoidable financial hardship;
- the ratepayer's financial circumstance must be assessed by a suitably qualified, independent Financial Counsellor.

### **Application for waiver of interest**

An application for the waiver of interest charges under the categories above should be made in writing to the Coordinator Revenue Services.

### **Delegation to waive interest**

The Coordinator Revenue Services is authorised to waive interest charges up to \$50 for any one property.

For requests to waive interest over \$50, the Coordinator Revenue Services will review applications in accordance with this policy and prepare a report for the Chief Finance Officer for consideration and approval. The waiver of interest will be confirmed in writing once it has been approved.

The Chief Finance Officer has delegated authority from Council under section 171(A) of the Act, to waive in whole or in part, interest charges due where the application of the interest would cause financial or undue hardship.

#### **4.4 Payment deferral**

Payment deferral occurs where Council agrees to a ratepayer not making rates payments. This option would generally only apply to long term cases of extreme financial hardship.

Rates and other charges (including penalty interest) continue to be charged against the property but collection is not enforced.

Rates and charges will be deferred until such time as the ratepayer's circumstances improve or the property is sold or transferred to another owner, at which time Council would collect the outstanding amount of rates, charges and penalty interest.

Outstanding rates and charges (or part thereof) may be deferred under the following conditions:

- The ratepayer must evidence severe financial hardship as certified by a suitably qualified, independent financial counsellor.
- Where the financial hardship is expected to exceed one year.

Rate notices will continue to be sent to rate payers to ensure they are aware of the growing debt.

Ratepayers will be required to resubmit an application every three years to qualify for a continuation of any deferral arrangement. In addition, Council will undertake a review each year and confirm the payment deferral or advise if there will be a change.

Council may reject a deferral application or cease a deferral arrangement if the total outstanding balance of rates and charges exceeds 50% of the Capital Improved Value (CIV) of the property.

A deferment arrangement may be withdrawn if:

- The ratepayer advises that the hardship conditions no longer exist.
- The ratepayer no longer owns or occupies the property.
- Triennial confirmation of ongoing hardship is not received.
- The total outstanding balance for the property of unpaid rates and charges exceeds 50% of the CIV of the property.

#### **Application for payment deferral**

An application for the deferral of payment of rates and charges should be made in writing to the Coordinator Revenue Services.

#### **Approval process**

The Coordinator Revenue Services will review applications in accordance with this policy and if satisfied that financial hardship exists, a report will be provided to the Chief Financial Officer for consideration and approval. The deferral will be confirmed in writing to the ratepayer once it has been approved.

#### **4.5 Payment plans**

A ‘payment plan’ is a schedule of payments agreed to by both the Council and ratepayer which provides for flexible payment of debts after their due date has lapsed. This differs from ‘instalment payments’ which Council offers for on-time payment of rates and charges.

Payment arrangements will attract penalty interest on outstanding balances, unless otherwise determined by the delegated authority. Allowing ratepayers additional time to make payments without legal action being taken by Council to recover rates and charges.

#### **Application for payment deferral**

Payment plans can be arranged by contacting Council’s Revenue Services officers.

#### **Approval process**

The Team Leader Rates will review applications in accordance with this policy and if satisfied that financial hardship exists, a report will be provided to the Coordinator Revenue Services for consideration and approval. The payment plan will be confirmed in writing to the ratepayer once it has been approved.

## **5 Other relevant information**

### **5.1 References**

Council Plan 2017-21:

- Moreland community has access to information, opportunities to participate in decision making and access to decision makers
- Moreland City Council is financially responsible taking account of current and future needs.

The Victorian *Local Government Act 1989* sets out Council’s powers regarding payment of rates and charges.

In addition, the *Victorian Charter of Human Rights and Responsibilities Act 2006* (Charter) must be taken into account. In particular, the rights to:

- Recognition of equality before the law (s8);
- Privacy and reputation (s13);
- Protection of families and children (s17); and
- Property rights.
- Moreland City Council Debtor Management Policy.
- Moreland City Council Rating Strategy.