

Maroondah City Council Draft Rating Strategy 2018-2022

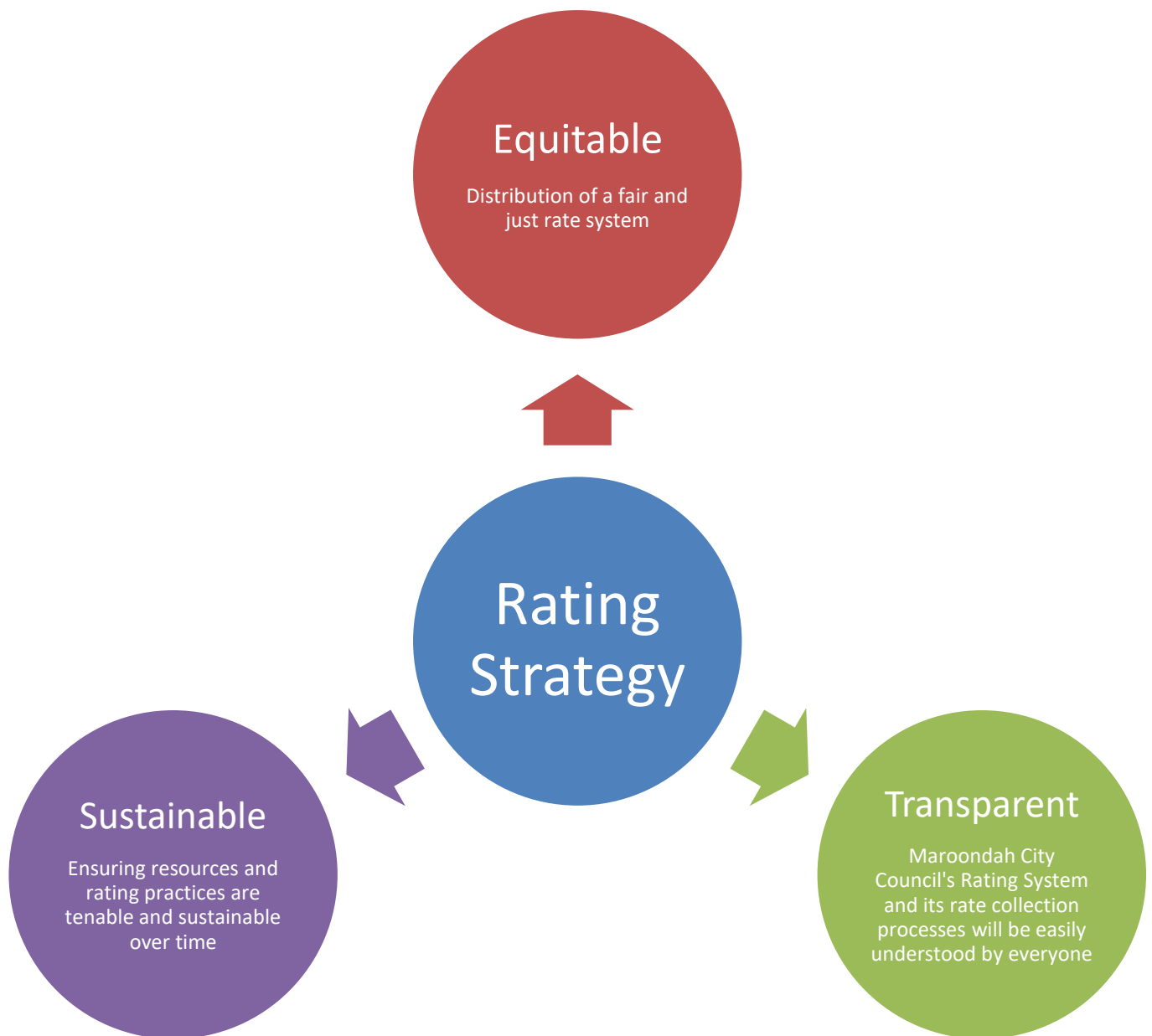


Working towards a well governed and empowered community

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1. What is a *Rating Strategy* and why have one?

The purpose of this strategy is for Council to consider how the rate burden of our own source revenue can be most equitably distributed.

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

Maroondah City Council currently receives 65% of its total own source revenue (which excludes non-discretionary capital grants and contributions) by way of property-based rates. The development of strategies in respect of the rating base is therefore of critical importance to both Council and its community.

The principles of good governance further require Council to provide ongoing or periodic monitoring and review of the impact of major decisions to ensure equity and transparency. 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 for this purpose.

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

Council's Strategic Directions

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

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

Council Plan 2017-2021

This document is Maroondah City Council's medium-term strategic document that sets key directions and priority actions to work towards the long-term community vision outlined in Maroondah 2040: Our future together.

Maroondah 2040: Our future together

Council formally adopted the Maroondah 2040 Community Vision on 23 June 2014 following extensive community consultation.

Maroondah 2040 provides a roadmap for our community, Council, and other levels of government to collaborate and create a future that enhances Maroondah as a great place to live, work, play and visit.

Annual Report

Maroondah City Council prepares an Annual Report every year in accordance with the requirements of the *Local Government Act* 1989.

The Annual Report is Council's most comprehensive report to the community describing how the Council has met its annual objectives.

Annual Budget

The Budget outlines how Council's financial resources will be applied over the next 12 months. The Budget aims to meet priority actions as well as delivering more than 120 services and an extensive range of community programs.

In Victoria, there is a common legislative framework for setting a budget that Councils must follow, as set out in the *Local Government Act* (1989).

Budget Considerations.

Council prepares and publishes its annual budget as a separate document in compliance with the LGA, which includes a comprehensive submissions and approvals process. As part of the financial planning and budget process, the own source rate revenue required to meet expenditure needs is calculated considering other sources of revenue.

Other 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.

After considering these other revenue sources, Council then determines the amount required to be collected in rates to meet the required level of operational services and capital expenditure determined by Council. 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 rates i.e. the Rating Strategy. Generally, Council seeks a balanced budget, i.e. that total revenue is equal to total expenses. Any surplus or deficit result should be minor in context of the overall budget to ensure financial sustainability in the long term.

2. Rating – the legislative framework

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

Introduction

The rating framework is outlined 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.

Context

Council has a duty to continue to review and refine the impact of its major decisions to ensure municipal-wide equity and transparency.

It is incumbent upon Council to regularly evaluate the current rating system to ensure it best satisfies the legislative objectives to which it must have regard and other objectives including ratepayer satisfaction, which Council believes, is essential.

Council has prepared the Rating Strategy within the context of current legislative constraints and to improve community understanding by providing a detailed explanation of rating concepts and decisions.

Background

Council acknowledges that the existing taxation of property (wealth tax) value method is imperfect; however, the application of an alternate rating model (e.g. income tax) is not available within the current constraints of the existing legislation.

Council can however through a process of consultation and determination, modify certain aspects of the rating system within its control and authority, in accordance with the legislation, to ensure equity and transparency for all sections of the community. Such decision making must be in the context of having wide acceptance in respect to social and equity principles while minimizing any penalty, via a shift in rate burden, to other ratepayers. There is a common misconception that if a property's valuation rises, then Council receives a 'windfall gain' with additional income. This is not the case, rather, 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 to the rate in dollar (ad valorem rate) used to calculate the rate for each property.

On 2 December 2015, the Victorian Government passed legislation to restrict Council from increasing rate income by more than the average cap set by the Minister for Local Government. The Minister will announce each year the amount that Victoria Council rates may rise, usually in line with the rate of inflation which is calculated as the Consumer Price Index (CPI) as published by the Victoria Department of Treasury and Finance. There is also a recommendation from the Essential Services Commission that the Minister also consider an 'Efficiency Factor' for the 18/19 and ongoing financial year, however, the detail and whether or not the Minister will take up this consideration is yet to be known.

Council acknowledges that property taxes do not recognize the situation where ratepayers are "asset rich" and "income poor". In some cases, ratepayers may have considerable wealth reflected in property they own but have a low-level income. Examples include pensioners, self-funded retirees, businesses subject to cyclical downturn, households with large families and property owners with little equity but high levels of mortgage debt. Moreover, the Australian taxation system which allows for annuities, allocated pensions income and other assets to be treated differently in an assessment for government concessions and benefits, may further distort the true disposable income status of one household compared to another.

While personal income tax is more reflective of the capacity to pay, it is not possible to expect a property tax system to deal practically with all aspects of capacity to pay based on individual households and business. It is also not practical or acceptable to shift, modify or manipulate the existing system to the benefit of one group of ratepayers at the expense of another unless such shift is widely accepted and for ethical and equity purpose. In fact, Local Government has no mandate or ability to universally apply a "capacity to pay" test. In recognition of this fact, Council has developed its rates assistance and payment options to ensure that officers can provide ratepayers with assistance upon request.

In the Local Government context, the rating system determines how Council will raise own source money from properties within the municipality while the annual budget determines how that money will be spent. The rating system comprises the valuation base and the rating instruments that are used to calculate property owner's liability for rates.

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 flexibility to suit its requirements within the context of public finance methodology, which includes principles of equity, benefit, efficiency, and community resource allocation.

2.1 Legislative Framework

Section 3C of the *Local Government Act* (1989) stipulates the primary objective of Council is to endeavor to achieve the best outcomes for the local community having regard to the long term and cumulative effects of its decision making. 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.

The issue of equity specifically must therefore be addressed in the rating strategy, and this adopted strategy has paid careful attention to this aspect.

2.2 Principles of taxation – local government

Councils should first consider the objective in the Local Government Charter (Part 1A, S.3C (2) (f) of the Act), to 'ensure the equitable imposition of rates and charges' when selecting a rating strategy. Having determined that Council must review its rating strategy in terms of the equitable imposition of rates and charges, it must therefore define and determine what is in fact 'equitable' in the view of Council when applied to property owners who ultimately are those who pay Council rates.

In considering the best-practice system of taxation, economists generally draw on several design criteria or principles. The principles summarized below are most significant in local government rating decisions:

Tax design principles

Equity: does the tax burden fall appropriately across different classes of ratepayers?

- **The Benefit principle** – 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 P.A.Y.E tax.

In paying a tax on salaries, the person paying the tax can similarly question what benefit they receive personally while acknowledging that tax payments are required to pay for critical public services (Health, Education, etc.) across the Nation. Local Government similarly with Rates, have some rate payers paying more than the direct services they receive in order to subsidise the delivery of public services and capital works to those in the community who need them but could not otherwise afford them or for services such as parks maintenance and leisure facilities which are otherwise be unavailable through private services.

It is Council's choice as to the degree it wishes to pursue a 'user pays' philosophy in relation to the 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 or a fixed municipal charge to cover the administrative costs of Council. Both choices are discussed later in the Rating Strategy.

- **Linkage of property wealth to capacity to pay** – the valuation of property is an imperfect but the only system it has available 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 property 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 part) represent a more equitable outcome for all ratepayers?

Simplicity: – The questions to answer under this design principle include is the system:

- practical and cost-effective to administer and enforce?
- simple to understand and comply with?

If not, the cost of running the system will outweigh the use of the system

Efficiency: Does the rating methodology significantly distort property ownership and development decisions in a way that results in significant efficiency costs? If so, the methodology is not providing property owners with benefits.

Sustainability: Does the system generate sustainable, reliable revenues for Councils and is it durable and flexible in changing conditions (that is, can it adequately withstand volatility)? If not, there will be too much uncertainty for decision makers.

Cross-border competitiveness: to what extent does the rating system undermine the competitiveness of the Council/state as a place to live and/or own a property or operate a business? Councils wish to ensure property owners within the municipality are not disadvantaged relative to other municipalities.

Competitive neutrality: are all businesses conducting similar activities treated in similar ways within the municipality? Principals of equity are paramount within the democratic society in which we live.

When simultaneously applying all these criteria it is imperative to ensure an as balanced an approach as possible. The most efficient system may place an excessive burden on segments of the community where, from an equity point of view, this is not desirable. Alternatively, it may be too expensive for Councils to administer, or for ratepayers to reasonably understand.

Therefore, the design challenge is one of appropriately balancing competing considerations in such a way as to ensure the greatest equity for all property owners. That is, the preferred design of the rating system, and the extent to which it satisfies the criteria above, hinges on the weight the Council assigns to different criteria.

2.3 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 strategy in relation to municipal charges, service rates and charges and special rates and charges are discussed later in this document.

2.4 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 utilize. They are Site Valuation, Capital Improved Valuation, and Net Annual Value. The advantages and disadvantages of the respective valuations are discussed in Section 3 of this Strategy.

2.5 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 31 August the following for that year:

- a) The amount which Council intends to raise by way of general rates, municipal charges, service rates and service charges;
- b) Whether the general rates, will be raised by application of –
 - i. A uniform rate; or
 - ii. 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)

Council's recommended approach to the application of differential rates is discussed in Section 6 of this Rating Strategy

2.6 Other legislative changes

Ministerial Rating Guidelines

The local Government Legislation Amendment (Miscellaneous) Bill 2012 was enacted in October 2012. This legislation requires the Minister to issue guidelines which Councils must have regard to before declaring a differential rate for any land.

The Minister is given the power to seek an Order prohibiting any Council from making a declaration of a differential rate if the Minister considers the declaration would be inconsistent with any guideline.

Key messages from the Ministerial Guidelines

The Ministerial Guidelines (issued April 2013) state that Council should establish the suitable use of a differential rate by considering:

- Other rating instruments available under the *Local Government Act* and the merits or shortcomings of each in achieving specified objectives; and
- The anticipated relative effectiveness of the differential rates to align to the strategic objectives set out in the Council Plan.

The guidelines also require the specified objectives of differential rates to align to the strategic objectives set out in the Council Plan.

The types and classes of land categories considered **appropriate** for differential rates include:

- General land;
- Residential land;
- Farm Land;
- Commercial land;
- Industrial land;
- Vacant land;
- Derelict land; and
- Cultural and recreational land

The types and classes of land categories considered **not appropriate** includes:

- Electronic gaming machine venues or casinos;
- Liquor licensed venues or liquor outlet premises;
- Business premises defined as whole or part by hours of trade;
- Fast food franchises or premises;
- Tree plantations in the farming and rural activity zones; and
- Land within the Urban Growth Zone without an approved Precinct Structure Plan in place.

The guidelines do not prevent the introduction of new differential rates, but do require documentation of the Council's discussion in relation to the objective, suitability, simplicity, and effectiveness of the new differential rate.

Fire Services Property Levy

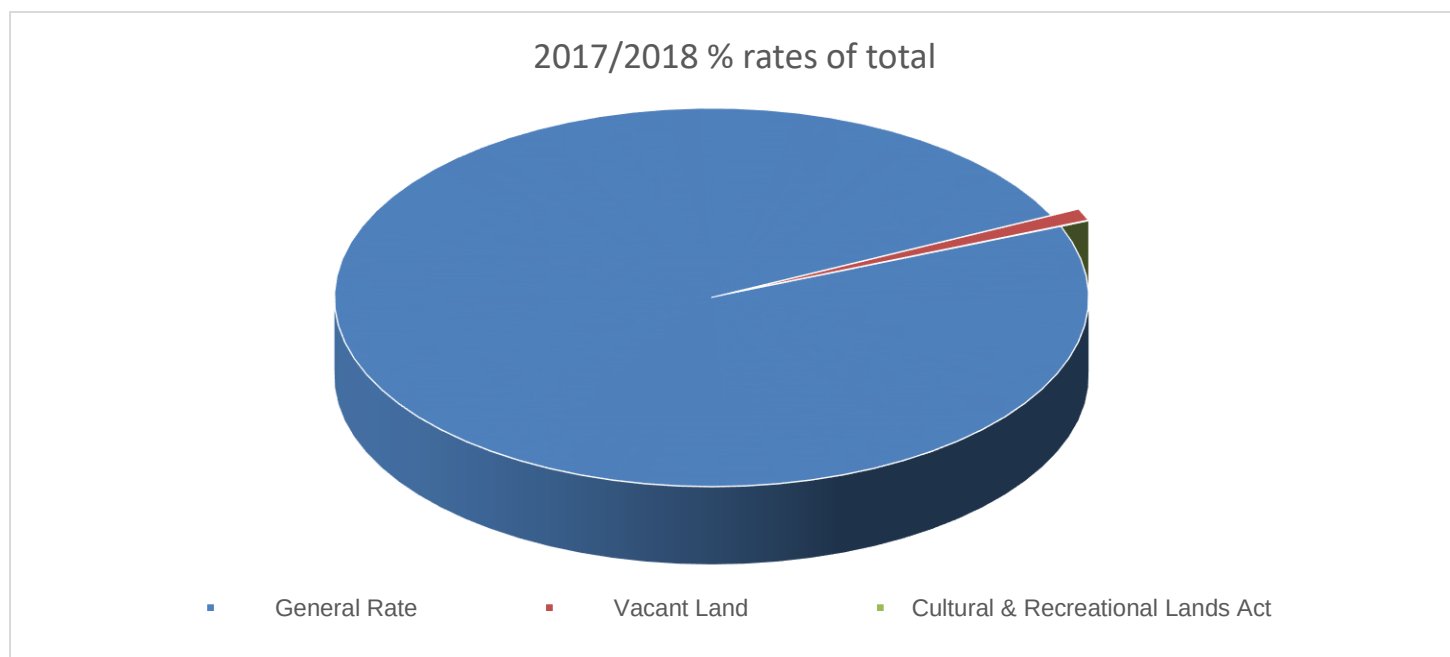
From 1 July 2013, the Victorian Government introduced a property based levy to fund the Metropolitan Fire and Emergency Services Board (MFB) and the Country Fire Authority (CFA). The Fires Services Property Levy replaced the existing insurance-based funding model as recommended by the Victorian Bushfires Royal Commission. It comprises a fixed and variable percentage formulae as determined by the State Government.

The Fire Services Property Levy is shown separately on rate notices which local governments collect on behalf of the State Government.

3. Understanding the current rating framework at Maroondah City Council

Maroondah City Council currently applies the Capital Improved Valuation (CIV) methodology to levy its rates and currently applies differential rating (versus uniform rating) with one (1) differential rate in use. The table below and the graph display the respective revenues from the various rate categories.

Type or class of land	Number of assessments	2017/2018 CIV \$	Total rates levied 2017/18	% rates of total 2017/2018
General Rate	49103	31,861,586,291	71,773,889	98.97%
Differential Rate: Vacant Land	286	214,411,444	724,711	1%
Amounts in Lieu of Rates: Cultural & Recreational Lands Act	3	14,710,000	21,535	.03%
Total		32,090,707,735	72,520,135	100%
Waste Service Charges			11,590,000	
Total Rates and Charges			84,110,135	



Council currently utilises a service charge to fully recover the cost of the Waste function and applies special rates and charges schemes under the *Local Government Act* (1989).

Council does not currently utilise a municipal charge.

4. Determining which valuation base to use

As outlined, under the Local Government Act (1989), Council has three options under the Local Government Act regarding the valuation base it elects to use.

They are:

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

4.1 Capital Improved Value (CIV)

Capital Improved Valuation is the most commonly used valuation base used by Victorian Local Government with approx. 73 of the 79 (92%) 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 drive behind the majority of Council's using this methodology is the ability to apply differential rates between property classes should this valuation base 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 utilize 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)

- CIV includes all improvements, and hence is often supported on the basis that it more closely reflects "capacity to pay". The CIV rating method considers the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.
- With the increased frequency of valuations (previously four year intervals, now two year intervals with a possible change to annual), the market values are more predictable and has reduced the level of objections resulting from valuations.
- The concept of the market value of property is 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.
- The use of CIV allows Council to apply differential rates which adds to Council's ability to equitably distribute the rating burden based on ability to afford Council rates. CIV allows Council to apply higher rating differentials to the commercial and industrial sector that offset residential rates.

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 of the property owner such as pensioners and low income earners.

4.2 Site Value (SV)

There are no Victorian Councils that use this valuation base currently. With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of Site Value in a Maroondah City Council context would cause a massive shift in rate burden from the industrial/commercial sectors onto the residential sector.

There would be further rating distribution movements away from modern townhouse style developments on relatively small land parcels to older established homes on the more typical quarter acre residential block.

In many ways it is difficult to see an equity argument being served by the implementation of Site Value in Maroondah City Council.

Advantages of Site Value

There is:

- a perception that under site valuation, a uniform rate would promote development of land, particularly commercial and industrial developments. There is however little evidence to prove that this is the case
- Scope for possible concessions for residential use land, to attract people to purchase and develop properties in the municipality

Disadvantages in using Site Value

- Under SV, there will be a significant shift from the Industrial/Commercial sector onto the residential sector of Council. The percentage increases in many cases will be in the extreme range.

- SV is a major burden on property owners that have large areas of land. Some of these owners may have much smaller/older dwellings compared to those who have smaller land areas but well-developed dwellings – but will pay more in rates. A typical example is flat, units, townhouses which will all pay low rates compared to traditional housing styles.
- The use of SV can place pressure on Council to give concessions to categories of landowners on whom the rating burden is seen to fall disproportionately (e.g. farm land, urban farm land and residential use properties). Large landowners, such as farmers for example, are disadvantaged by the use of site value. Maroondah doesn't have any farm or urban farmland and hence this is not applicable for the Maroondah situation.
- SV will reduce Council's flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates.

4.3 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 and farm properties. Valuers derive the NAV directly as 5 percent of CIV.

In contrast to the treatment of residential and farms, Net Annual Value for commercial and industrial properties is assessed regarding 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 the Maroondah situation. For residential and farm ratepayers, typically 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.

4.4 Summary

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

- CIV is the closest approximation to an equitable basis for distribution of the rating burden.
- CIV provides Council with the ability to levy a full range of differential rates as is currently. Limited Differential rating only is available under the other rating bases.
- It should be noted that an overwhelming majority of Victorian Councils apply CIV as their rating base and as such, it has a wider community acceptance and understanding than other rating bases.

Strategy Recommendation

That Maroondah City Council continues to apply Capital Improved Valuation as the valuation methodology to levy Council rates.

5. Determining the rating system – uniform or differential?

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 must be considered.

5.1 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.

Maroondah City Council does not adopt uniform rates, instead has adopted differential rating since changing the rating system to Capital Improved Valuation methodology adopted in 2003.

5.2 Differential Rates

Maroondah has adopted differential rating as it considers that differential rating contributes to the equitable distribution of the rating burden. Differential rating allows classes of properties to be assessed at different levels from the general rate set for the municipality. Differential rating allows Council to shift part of the rate burden from some groups of ratepayers to others through different “rates in the dollar” for each class of property to equitably distribute the rate burden for all property owners.

Under the *Local Government Act* (1989), Council is entitled to apply differential rates provided it uses Capital Improved Valuations for its base for rating.

Section 161 outlines the regulations relating to differential rates. This section is outlined below.

1. A Council may raise any general rates by the application of a differential rate, if Council considers that the differential rate will contribute to the equitable and efficient carrying out of its functions.
2. If a Council declares a differential rate for any land, the Council must –
 - a) Specify the objectives of the differential rate, which must be consistent with the equitable and efficient carrying out of the Council's functions and must include the following:
 - i. A definition of the types of classes of land which are subject to the rate and a statement of the reasons for the use and level of that rate.
 - ii. An identification of the type or classes of land which are subject to the rate in respect of the uses, geographic location (other than location on the basis of whether or not the land is within a specific ward in Council's district)
 - b) Specify the characteristics of the land, which are the criteria for declaring the differential rate

The maximum differential allowed is no more than four times the lowest differential.

Council, in striking the rate through the Annual Budget process sets the differential rate for set classes of properties at higher or lower amounts than the general rate.

Currently there are three different classes of rates as outlined in section 3 of this Rating Strategy.

5.3 Objective of the rate and characteristics

For the declared differential rates, it is considered that each differential rate will be used to contribute to the equitable and efficient carrying out of Council's functions. The following are the objectives of the differential rates currently adopted at Maroondah:

Vacant residential land

The vacant residential land rate is to promote housing development objectives for the municipality including the development of vacant land in residential zoned areas.

Taxation principle.

The taxation principle applied in this differential is the efficiency principle where Council is endeavouring to discourage the banking of residential land and provide a financial incentive for its development.

5.4 Advantages of a differential rating system

The perceived advantages of utilising a differential rating system are that 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 (e.g. Farming enterprises these are not applicable in Maroondah).
- Allows Council discretion on the imposition of rates to 'facilitate and encourage appropriate development of its municipal district in the best interest of the community'.

5.5 Disadvantages of differential rating

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 to understand the system. Some rating categories may feel they are unfavorably 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 (e.g. residential to commercial, vacant to developed) requiring Council to update its records. Ensuring the accuracy/integrity of Council's data base is critical to ensure that properties are correctly classified into their differential rate category.

Strategy Recommendation

That Maroondah City Council continues to apply differential ratings within its rating strategy.

6. What differential rates should be considered?

The table below highlights the differential rates currently applied by Maroondah City Council and the number of relevant assessments in each category.

Type or class of land	Number of Assessments	2017/2018 rate in \$	Variance to general rate
General Rates	45132	0.002253	
Vacant Land	266	0.003380	50%
Cultural & Recreational Land	3	0.001464	-35%

6.1 General Rates (Residential)

This category which has 45,132 assessments includes all residential properties. The residential properties represent 91% of the total assessments contributing 86% of the total rate raised.

This strategy recommends that Council continue applying the general rate for all residential properties.

6.2 Commercial Land

Maroondah City Council has 2,194 commercial properties which constitute 4.4% of the total assessments, contributing 8.62% of the total rate raised.

Commercial properties are defined as those selling a product or providing a service. These properties are similar to industrial properties in respect that they are a business providing employment opportunities.

The commercial rate has been kept consistent with the general rates however, this does not reflect the current rates burden of commercial properties given the tax deductibility of rates for businesses and the extent of use of the infrastructure required for businesses, especially capital works programs, and business support.

The application of a commercial differential rate further recognizes the tax deductibility of Council rates for commercial properties which is not available to the residential sector and the income generating capability of commercial based properties.

This strategy recommends that a commercial rate variation to the general rate be put in place that best reflects the rate distribution of commercial properties.

6.3 Industrial Land

Council has 1,961 industrial properties.

Industrial properties are those that are used for the purposes of manufacturing. These properties which constitute 3.9% of the total assessments, contribute 4.51% of the total rates raised.

As with commercial land there is currently no difference in the rate in the dollar between the developed commercial and the developed industrial properties and residential land.

Typically, industrial entities vary more in size than commercial properties and it must be acknowledged that Council has invested in the construction of significant infrastructure for industrial development also.

The application of an industrial rate is to promote economic development objectives for the Maroondah Industrial Sector. These objectives include ongoing, significant investment to improve the functionality and appearance of the area, together with general economic development promotion, facilitation, and advocacy. The industrial businesses of Maroondah are expected to be beneficiaries of this ongoing significant investment by Council.

This strategy recommends that an industrial rate variation to the general rate be put in place that best reflects the rate distribution of the industrial properties.

6.4 Derelict Land

As Council continues to improve the municipal streetscapes, this can only be achieved if property owners have a strong incentive to maintain the appearance of their property.

For the purposes of applying a differential rate on derelict land, properties will be considered derelict if they meet one or more of the following criteria:

- The building or land is destroyed, decayed, deteriorated, or fallen into partial ruin especially through neglect or misuse. This may include but not be limited to excessive dirt; peeling paint; broken windows; elements of the façade or advertising signs; loose or broken fittings and fixtures; or faulty lighting.
- The building or land constitutes a danger to health or property. This may include but not limited to:
 - The existence on the property of vermin, litter, fire, or other environmental hazards
 - A partially built structure where there is no reasonable progress of the building permit
- Provides an opportunity to be used in a manner that may cause a nuisance or become detrimental to the amenity of immediate area
- Is in such a state of repair that would prohibit its occupation

- The condition of the property or land has a potential to affect the value of the other land or property in the vicinity
- There is excessive growth of grass and or noxious weeds or undergrowth.
- Affects the general amenity of adjoining land or neighbourhood by the appearance of graffiti, any stored unregistered motor vehicles, machinery (or parts thereof), scrap metal, second hand timber and or building materials, waste paper, rags, bottles, soil, or similar materials.

The assessment of these properties will be completed by Council's officers authorised under the Section 224 of the Local Government Act 1989.

This strategy recommends that a derelict land rate variation to the general rate be put in place that best provides the incentive for property owners to maintain the appearance of their property.

6.5 Other

Cultural and Recreational Lands

Maroondah City Council has three properties that are classified as cultural and recreational land assessments. Council is required to consider a rating discount for these properties under the Cultural and Recreational Lands Act based on considered benefits to the community and the services provided by Council. These properties are reviewed every two years in line with general revaluations.

It is recommended that Council continue to allow a discount to Cultural and Recreational properties subject to an ongoing review every two years

Retirement Villages

Under the Ministerial Guidelines for differential rating, Council is required to consider a differential rate for retirement villages. Approximately 5 out of the 79 Victorian Councils are currently providing a discount ranging from 5% to 25% to Retirement Villages.

The arguments in favour of providing a discounted rate are:

- Based on the equity argument that retirements villages have funded the provision of their own infrastructure within their gated community and continue to pay for the ongoing maintenance of these assets including roads, footpaths, lighting etc.
- The social benefit factor provided by retirement villages in providing a facility that allows elderly residents to age in their residence in a supported environment and one which provides social and recreational activities that enhance lifestyles.
- Council already benefits in a rating sense due to the density of the residential development which is frequently much higher than a residential street.

The arguments against providing a differential to Retirement Villages are:

- That Council rates are not based on the benefit taxation principle and are not a fee for service. Rates are instead a taxation based on the valuation of the assessment. All residents could make a strong case that they do not use an equivalent amount of Council services compared to the Council rates they pay however, other rate payers including elderly ratepayers in their own home could also argue this point in relation to their rates not reflecting their limited use of Council services.
- The argument about provision of infrastructure is also somewhat flawed. For all new developments, the developer builds these assets and recovers this cost in the price of the land – and then in some instances hands these assets to Council for future maintenance; and
- In terms of rate modeling, the cost of providing a discount to Retirement Villages would need to be spread over the remaining rate categories. Whilst this spread may be minimal it may still place a greater burden on those elderly residents not able to, or not wishing to, move into a retirement village.

This strategy recommends that no provision of a differential rate be made for retirement villages.

Strategy Recommendations

That Council:

1. Continues to apply a uniform general rate for all residential properties, including retirement villages, apartments, townhouse, units, and flats;
2. Continues to apply the vacant residential land at an increased variation to the general rate of 50%
3. Apply an increased variation to the general rate for commercial land of 20%
4. Apply an increased variation to the general rate for industrial land of 20%
5. Apply an increased variation to the general rate for derelict land of 200%
6. Continues to apply the Cultural and Recreation Land discount of 35% to the general rate

In implementing the above outcomes, Council must be mindful of the periodic impacts of Council revaluations as discussed in the following section.

7. Understanding the impacts of Council revaluations

The purpose of this section is to provide an overview of the rate revaluation process and issues that arise from this process.

All Victorian Councils are currently required under the Valuations of Land Act (1960) to revalue properties every two years. The next revaluation will be at 1 January 2018. The 2016 valuation, completed in January 2016, will be applied to the 2016/2017 rates, and will also apply to the 2017/2018 rates.

Property values are determined by qualified Valuers comparing each property to the recent sales figures of similar properties in the neighbourhood. The key factors are location, land size, type of house and condition. The Valuer General of Victoria is responsible for reviewing the total valuation 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 of Victoria.

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 to the rate in dollar (ad valorem rate) used to calculate the rate for each property. Total income is fixed each year as part of the budget process depending on the cost of services, projects and programs to meet the communities needs and expectations. This is within the context of the Minister for Local Government each year in December setting the rate cap for municipalities which only seeks to increase the total amount of Council's own source revenue required.

For example, the table below from the 2016 Revaluation Report highlights the impact of the 2016 Council revaluation.

Type or class of land	# of Assessments	Total 2014 CIV \$	Total 2016 CIV \$	Change
General Rate	44,518	20,817,676,000	27,322,214,587	31.2%
Commercial Land	2,066	2,409,985,000	2,603,708,888	8.0%
Industrial Land	1,855	1,356,699,500	1,478,772,372	9.0%
Vacant Land	339	188,330,000	247,416,444	31.4%
Cultural & Recreational Land	3	13,100,000	14,710,000	12.3%
Total	48,783	\$24,785,790,500	\$31,666,822,291	27.8%

During the 2015/2016 year, a revaluation of all properties within the municipality was carried out. The outcome of the general revaluation has seen a significant change in property valuations throughout the municipality. Overall, property valuations across the municipality have increased by 27.8%. Of this increase, residential properties have increased by 31.2% commercial properties by 8.0% and industrial properties by 9.0%

The shift in the Rating Base and Capital Improved Valuation movements by Suburbs is seen below

Suburb	# of Assessments	Total 2014 CIV	Total 2016 CIV	% growth
Bayswater North	4,506	2,179,785,000	2,617,678,215	20.1%
Croydon	12,553	5,441,127,000	6,889,727,883	26.6%
Croydon Hills	1,699	883,129,500	1,146,951,165	29.9%
Croydon North	3,052	1,496,584,000	1,848,383,441	23.5%
Croydon South	1,982	976,395,000	1,236,860,160	26.7%
Heathmont	3,877	1,952,210,000	2,685,225,000	37.5%
Kilsyth	857	377,140,500	467,216,277	23.9%
Kilsyth South	1,190	700,861,500	829,929,770	18.4%
Park Orchards	19	23,330,000	29,500,000	26.4%
Ringwood	9,119	5,422,128,000	6,831,862,776	26.0%
Ringwood East	4,481	2,127,401,000	2,908,788,000	36.7%
Ringwood North	3,568	2,097,536,000	2,747,743,441	31.0%
Vermont	159	83,485,000	110,635,000	32.5%
Warranwood	1,615	962,952,500	1,238,309,775	28.6%
Wonga Park	104	61,725,500	78,011,388	26.4%
Total	48,781	24,785,790,500	31,666,822,291	27.8%

2016 Revaluation Capital Improved Valuation movement by suburb for each property type is displayed in the table below.

Suburb	Residential	Commercial	Industrial	Vacant Land
Bayswater North	26.5%	12.2%	7.4%	16.0%
Croydon	28.1%	10.1%	8.4%	35.2%
Croydon Hills	29.9%			34.4%
Croydon North	23.7%	15.0%		31.7%
Croydon South	30.4%	11.8%	8.6%	8.4%
Heathmont	38.3%	14.3%		41.4%
Kilsyth	29.8%	17.4%	3.9%	78.7%
Kilsyth South	22.1%	11.0%	7.9%	19.5%
Park Orchards	26.4%			
Ringwood	35.7%	6.1%	13.5%	41.3%
Ringwood East	37.8%	12.5%		53.4%
Ringwood North	31.6%	8.8%		34.4%
Vermont	32.4%	52.6%		60.7%
Warranwood	28.6%	14.5%		33.5%
Wonga Park	26.4%			
Other Suburbs			28.1%	
Total	31.2%	8.0%	9.0%	31.4%

Council needs to be mindful of the impacts of revaluations on the various property types in implementing the differential rating strategy 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.

By way of example, the table below highlights the anticipated rating impact in 2018/2019 on the various rating types should Council retain the current differential structure, whereby the rate in \$ remains the same for Residential, Commercial, and Industrial properties.

Type or class of land	Estimated 2018/2019 CIV	% Change
General Rate	\$63,581,857	1.89%
Commercial Land	\$5,487,446	-12.44%

Industrial Land	\$2,868,459	-12.44%
Vacant Land	\$711,201	1.87%
Cultural & Recreational Land	\$18,862	-12.41%
Total \$ to be raised by general rates	\$72,667,825	

The associated number of properties with per annum dollar impacts with the Council retaining the current differential structure, applying the same rate in the dollar reveals that the majority (91.5%) of properties (primarily residential) would increase between \$0-\$200 per annum, and the minority (8.3%) properties (primarily commercial and industrial) would decrease by the same range, \$0->\$100 per annum.

No Change	>100 decrease p.a.	\$100 to <\$0 decrease p.a.	\$0 to \$200 increase p.a.	\$200 to \$400 increase p.a.	>\$400 increase p.a.	Total
Commercial	1,637	557				2,194
Cult/Rec	3					3
Industrial	1,206	755				1,961
Residential			45,122	8	2	45,132
Vacant Land			256	9	1	266
Total	2,846	1,312	45,378	17	3	49,556
% Properties	5.7	2.6	91.5	0.03	0.006	100

The table below demonstrates the outcomes across the various type or classes of land, with the expansion of differential rating at 20% for commercial and industrial properties.

Types or class of land	Estimated rate distribution using projected 2016 CIV	% Change
General rate	\$62,152,502	-0.40%
Commercial Land	\$6,436,902	2.71%
Industrial Land	\$3,364,769	2.71%
Vacant Land	695,213	-0.42%
Cultural and Recreational Land	\$18,439	-14.38%
Total \$ to be raised by general rates	\$72,667,825	

The associated number of properties with per annum dollar impacts with Council varying the current differential rating structure, applying a 20% variance to the rate in the dollar to commercial and industrial properties reveals that the majority (91.6%) of properties (primarily residential) would decrease between \$0-\$100 per annum, and the minority (8.02%) of properties (primarily commercial and industrial) would increase by \$0->\$200 per annum.

20% Commercial and Industrial differential	>100 decrease p.a.	\$100 to <\$0 decrease p.a.	\$0 to \$200 increase p.a.	\$200 to \$400 increase p.a.	>\$400 increase p.a.	Total
Commercial			2,067	81	46	2,194
Cult/Rec	3					3
Industrial			1,911	37	13	1,961
Residential	1	45,131				45,132
Vacant Land	1	265		9	1	266
Total	56	45,396	3,976	110	59	49,556
% Properties	0.01	91.6	8.02	0.2	0.1	100

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 Notice (Rate Notice).

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

The Act was amended in 2006 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 costs, Valuer General notifications, and certification of supplementary valuations. Further information can be obtained by contacting Council or accessing the Land Victoria web site at www.land.vic.gov.au/valuation.

Council will continue to advise ratepayers via the “Rate and Valuation Notice” and its web site, of their right to object and appeal the valuation. Property owners also can object to the site valuations on receipt of their Land Tax Assessment. 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 Assessments (via State Revenue Office).

Strategy Recommendations

That Council reviews the impact of Council revaluations and assesses differential rates applied to achieve an outcome that is considered equitable by Council for the various type or class of land.

8. Special rates and charges

Special rates and charges are covered under Section 163 of the *Local Government Act* (1989), 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 the 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. Council currently has one special charge scheme which was implemented at the request of the traders in Croydon.

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* (1989) 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, the differential rates mechanism is simpler to administer than special rates and charges schemes. It is recommended that Council utilises special rates and charges only in the instances outlined below.

Strategy Recommendations

That Council use special rates and charges in instances that fit the following circumstances:

- Funding of narrowly defined capital projects (e.g. streetscape works, private road sealing) where special benefit can be shown to exist to a grouping of property owners
- Raising funds for a dedicated purpose where the use of CIV is not the most equitable method of calculating property owner contributions.

In circumstances outside of the above two scenarios, Council will use other rating provisions to achieve its objectives.

9. Municipal charge

Another rating option available to Councils is the application of a municipal charge. Under Section 159 or the *Local Government Act* (1989), Council may declare a municipal charge to cover some of the 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 some use of the CIV valuation method.

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 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 as a percentage of their property value than they do at present. Hence, the equity objective in levying rates against property values is lost in a municipal charge as it is levied uniformly across all assessments.

Maroondah City Council does not currently use the municipal charge option.

Strategy Recommendations

That Council does not implement a municipal charge.

10. 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.

Maroondah City Council currently applies a service charge for the collection and disposal of refuse on properties that fall within the collection area. Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste function for its rate payers.

The advantages of the waste service 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 low valued property comprises a far greater proportion of the overall rates to the ratepayer that it does to a more highly valued property and that ratepayer.

On balance however given that Council secures the best market price by aggregating the demand of this service, it is recommended that Council retain the existing waste service charge. Unlike a municipal charge where the direct benefit to the resident is invisible – the refuse charge is a tangible service that is provided directly to all in the same fashion.

Should Council elect not to have a waste service charge, this same amount would be required to be raised by way of an increased general rate – meaning that residents in higher valued properties would substantially pay for the waste services of lower valued properties. Whilst this same principle applies for rates in general, the mix of having a single fixed charge combined with valuation driven rates for the remainder of the rate invoice is considered to provide a balanced and equitable outcome for all ratepayers.

Strategy Recommendations

That Council continues to apply a standardized Waste Service charge as part of its rating strategy based on full cost recovery of the waste function.

11. Rebates

Rebates – LGA Section 169

A rebate is a mechanism through which a targeted group receives a discount or concession to achieve certain objectives. Essentially rebates are funded through the general rate pool. More specifically, the amount required to fund the rebate is calculated and is incorporated into the total rates and charges requirement. For transparency the amount of any rebate or concession funded by ratepayers should be declared on an annual basis.

Council may grant rebates or concessions in accordance with the *Local Government Act* (1989) to assist the proper development of the municipal district, to preserve, maintain and restore historical, environmental, architectural, or scientific buildings or places of interest important within and to the municipality, to generally assist the property development of all or part of the municipal district. Generally, conditions or undertakings are required and if not met require the rebate or concession to be repaid in part or in full as the case may be.

In 2009 the *Local Government Act* (1989) was amended to allow Council to provide rebates to support the provision of affordable housing by a registered agency. Council currently does not have any rebates and it is not proposed to provide any rebate for the provision of affordable housing for 2018/2019.

Community Grants

Council operates the community grants, sponsorships, and donations program to support a wide variety of community organisations, events and networks. Based on principles of accountability and transparency, and in lieu of the granting an application for rebates of rates, it is Council's preference that such organisations apply for funding under this program.

Pensioner Rebates

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 dependent cards) may claim a rebate on their sole or principle place of residence.

This government-funded indexed rebate is provided under the Municipal Rates Concession Scheme. The rebate is currently \$223.80 (\$218.30 in 2016/2017) or 50% of the rate payment, whichever is the less. The government has also funded a rebate for eligible pensioners of \$50.00 to partially offset the introduction of the Fires Services Property Levy (FSPL) in 2013/2014. We anticipate the FSPL will be ongoing.

Upon initial application, an ongoing eligibility for the pensioner rebate is maintained unless rejected by Centrelink or Department of Veterans Affairs during verification process. Upon acceptance of pensioner status, the concession or rebate is deducted from the rate account before payment by the ratepayer. Applications for the concession must be lodged by 30 June in each year.

Waiver of Rates by application – financial hardship

The *Local Government Act* (1989) Section 171A provides for Council to waive the whole or part of any rate or charge if a person is suffering financial hardship; or it could be determined that the rate or charge would cause financial hardship.

As rates are a measure of the value of services rendered by Council to each property, it is a matter of principle that Maroondah City Council has determined not to waive rates but to allow them to stand as a charge against the property to which the benefit of services has been provided.

As Section 7 of Maroondah City Council's Rate Collection and Financial Hardship Policy refers to financial hardship more simply as a ratepayer/property owner who is unable to meet their financial obligation of rate payment amounts and/or deadlines, and provides for individually tailored payment plans to assist meet the financial rate burden as Council consider this to be more equitable across the municipality.

Exceptions from Rating

The *Local Government Act* (1989) Section 154 declares that all land is rateable with several exceptions including Crown land occupied for municipal purposes, land used exclusively for charitable purposes, the residence of a practicing Minister of Religion, certain land used for mining purposes, clubs or memorials under the Patriotic Funds Act, Returned Services League and related associations as defined. Generally, land is not used exclusively for public municipal or charitable purposes if it is a residence and is used for the retail sale of goods or the carrying on a business for profit.

A review of non-rateable properties is scheduled to ensure that these properties are in fact eligible for exemption for rating purposes.

Strategy Recommendations

That Council:

1. continues to promote the pensioner rebate provided by the Victorian Government to ratepayer who apply and qualify for the rebate and
2. review non-rateable properties to ensure that they qualify for exemption from rating.

12. Rate payment collections

Liability to Pay Rates

Local Government Act (1989) 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 *Local Government Act* (1989) Section 156 (6) declares the rate or charge, unpaid interest or costs to be a first charge upon the land.

Current Payment Dates for Rates

Council, in accordance with the *Local Government Act* (1989) Section 167 (1) **must** allow for the payment of rates by four instalments per annum. Council **may** allow a person to pay a rate or charge in a single lump sum payment *Local Government Act* (1989) Section 167 (2).

The Minister fixes instalment and single lump sum payment dates by notices published in the Government gazette.

Under the mandatory instalment option, interest will be charged if neither the first instalment nor the lump sum amount was paid by the said due date and will be calculated from the date on which each missed instalment was due.

Council has also introduced a 9 month direct debit payment option which has proven very beneficial for some ratepayers.

Currently Maroondah City Council has a 50/50 match of those residents taking up the instalment options and those choosing to pay in full in February.

This Strategy therefore recommends that Council make no changes to the payment methodology but continue to monitor and review the take up of both the quarterly and lump sum payment options.

Strategy Recommendations

That Council continues to apply both the quarterly instalment payment option and the lump sum payment option combined with the additional option of a nine monthly instalment payment plan to encourage greater use of the direct debit payment approach.

13. State Government Levies

In recent years, Council has seen an increased propensity for State Government to view Local Government as a means of collecting State taxes under the branding of Councils rate notice, given that local authorities are a trusted and efficient mechanism as a collection agency.

This occurred with the now defunct State Deficit Levy in the 1990's and has in recent times been revived with Councils as the landfill levy with Councils having to collect this amount from ratepayers (which for Maroondah is contained in the waste charge) and paid to the landfill operator who pays the levy to the State Government. Council is now required to also collect a Fire Services Property Levy (FSPL) on behalf of the State Government which has added a considerable amount to the average ratepayer's account.

From 1 July 2013 a fire services property levy appeared as a separate charge on Council's rates notices for the first time. All Victorian Councils are required to collect this levy and must pass the full amount collected to the State Revenue Office.

This change occurred as a result of a recommendation of the 2009 Bushfires Royal Commission. The FSPL is replacing a previous fire services levy that was paid through property insurance premiums (such as building and contents insurance). The FSPL will help to fund the cost of the Metropolitan Fire and Emergency Services Board (MFESB) and the Country Fire Authority (CFA). To ensure everyone contributes, the Victorian Government has determined that all property owners will pay the levy – even properties that are eligible for a Council rates exemption.

Separate levy rates apply in MFB and CFA areas:

- For residential properties (including vacant residential land) the levy for 2017/2018 is a \$107.00 fixed charge plus a variable rate set by the Government and calculated as a percentage of the capital improved value (CIV) of the property.
- For non-residential properties the 2017/2018 fixed charge is a \$216.00 fixed charge plus a variable rate set by the Government and calculated as a percentage of the capital improved value (CIV) of the property.
- Each property classification (residential, commercial, industrial, primary production, public benefit, and vacant land (non-residential)) has its own variable rate, and will be set by the Victoria Government no later than 31 May each year.

Who pays the Fire Services Levy?

Leviable properties include all rateable properties and a majority of current non-rateable properties. Exempt properties include properties owned by the Victorian Government as part of its core business, Commonwealth land as well as some infrastructure, including Council roads and bridges. Non-core government organisations, such as water corporations, will be required to pay the levy on their property.

Council property is Leviable, although the FSPL Act provides for some Council-owned public recreational property (such as community parks and football ovals) to pay only the fixed charge component of the levy. There are also exemptions for some of the sector's infrastructure such as roads and bridges.

The new levy effectively attempts to ensure any person or organisation that would have contributed to the FSL through insurance premiums would continue to pay under the new model. It also aims to improve the fairness of contributions by capturing those who previously didn't contribute funding to our fires services through a failure to insure their property. The CFA and MFB will continue to be funded separately under the new FSPL.

How does the payment work?

The Act provides for a levy based on the capital improved value (CIV) of all properties. The Act also specifies that a fixed fee is payable for residential properties (\$107) and all other property types (\$216), indexed annually.

In addition to the fixed charge, variable charges will apply to properties. Each Leviable property will be categorised for the purpose of the FSPL based on its Australian Valuation Property Classification Code (AVPCC), which is a formal classification allocated by qualified Valuers.

The property classifications allowable under the Act are: residential (including vacant residential land), commercial, industrial, primary production, public benefit, and vacant (excluding residential land).

Strategy Recommendations

That

1. State Government taxes, are best collected by the State Government using its own available resources such as the State Revenue Office.
2. In the event that Council is required to collect such State Government taxes, that these taxes be clearly identified as State charges.
3. State Government fully reimburses Local Government for the cost of collecting State taxes.

A vision for Equitable, Sustainable, and Transparent rating

Maroondah City Council will continue to ensure the structure of its rating system is equitable, sustainable, and transparent for the entire community. Staying outwardly focused we will ensure a vibrant and diverse city with a healthy and active community, living in green leafy neighbourhoods, which are connected to thriving and accessible activity centres contributing to a prosperous economy within a safe, inclusive, and sustainable environment.

Strategic Framework

The rating strategy is built around five equity, sustainability, and transparency parameters. These parameters commit Council to:

- adherence to directions from The Minister for Local Government that rate capping will continue in future years to come;
- progressively increase funding for infrastructure renewal to approximately equate the wear, tear and obsolescence on existing assets ensuring longevity and the provision of community accepted levels of service for its entire asset portfolio;
- continue to maintain equity for all rate payers within Maroondah's rating system;
- deliver maximum benefit from the economies and productivity generated from continually improving organisational performance;
- provide transparency in the rating process; and

Council has maintained the optimum possible rating structure within the context of these parameters, balancing services, programs and projects with the Community's needs, aspirations, and expectations using the Capital Improved Value rating system.

The rapid growth of the municipality has seen property valuations in the residential sector increase dramatically in the past 4 years, with the Commercial and Industrial sector not maintaining their contribution, resulting in an uneven, less equitable distribution of the rating system.

Current and future planned capital works programs along with the advocacy undertaken with State and Federal Government bodies, all aim to ensure the sustainability of the City of Maroondah as thriving community - both to live and to work.



To contact Council telephone 1300 88 22 33
visit our website at: www.maroondah.vic.gov.au
or call in to one of our service centres:

City Offices Service Centre
Braeside Avenue
Ringwood

Realm Service Centre
Maroondah Highway
Ringwood

Croydon Service Centre
Civic Square
Croydon

Translating and Interpreter Service
13 14 50

National Relay Service (NRS)
13 36 77



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