

Draft Revenue and Rating Plan 2021-2025

Monash City Council



Monash City Council

293 Springvale Road,
Glen Waverley, 3150

Phone

9518 3555

National Relay Service (for the hearing and speech impaired)

1800 555 660

www.monash.vic.gov.au

To discuss this Plan in the language of your choice please phone:

Monash Language Assist

普通话	9321 5485
Ελληνικά	9321 5482
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සිංහල	7005 3002
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தமிழ்	7005 3003
한국어	9321 5484
Bahasa Indonesia	7005 3001

Front Cover: Oakleigh Recreation Centre

Policy & Statutory Considerations/ Checklist;

Policy & Statutory	Template/ Checklist	Date Completed
Charter of Human Rights	Template	12 th March
Consultation & Engage. Framework (Shape Monash)	Policy	On-going
<i>Local Government Act 1989</i>	Model/Guidelines Revenue & Rating Plan	March 2021
<i>Local Government Act 2020</i>	Model/Guidelines Revenue & Rating Plan	March 2021
<i>Ministerial Guidelines for Differential Rating 2013</i>	Guidelines (LGV)	March 2021
Gender Equity Impact Assessment (GEIA) & <i>Gender Equality Act 2020</i>	Template (GEIA)	22 March 2021
Environmental Sustainability Strategy 2016 – 2026	Review to Strategy	15 th March
Council Plan 2017-2021	Review to Adopted Council Plan	March 2021

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Executive Summary

Monash Council is responsible for adopting the Revenue and Rating Plan (the Plan) as part of its Local Government Act responsibilities. Council's Executive is responsible for coordinating internal processes to prepare the Revenue and Rating Plan and making recommendations to Council for adoption.

The Revenue and Rating Plan is a new requirement. It is for a four-year 'block' period starting on 30 June in the year after each general election. It provides a medium-term plan for how Council will generate income to deliver on the Council Plan, program and services and capital works commitments over a four-year period. It defines the revenue and rating 'envelope' within which Council propose to operate.

Although the Revenue and Rating Plan is a new requirement the document we have prepared reflects the implementation of strategies that have evolved over the past few years and ones which we intend, subject to consultation and adoption, to keep applying over the coming four years.

This Plan incorporates consideration of:

- the role of rates as a form of taxation and consideration of common taxation principles
- how revenue will be generated through rates on properties (including differential rates on different property classes) and the objectives and purpose of those differential rates
- information on the application of rebates and waivers
- fixed service charges and how they are applied for part recovery of recycling and the EPA landfill levies
- fees and charges for services and programs – including pricing policies
- Grants and developer contributions and other revenue
- Rate cap exemptions - where there is demonstrated community support for major projects and capital renewal programs
- that Borrowings may be sought and considered in the future where there is a demonstrated cost benefit in moving forward the construction of major projects

Below is a summary of the recommendations included in the Plan for the next four years (please refer to the Plan for detailed narrative on the background and reasons for these recommendations)

Recommendations

1. that Monash continue to apply differential rating as its rating system
2. Monash continue to apply the CIV method as its valuation base
3. that Monash reviews the impact of Council valuations and assesses differential rates applied to achieve an outcome that is considered equitable

4. that Monash continue to not charge a waste service charge (for full waste cost recovery) without further community consultation. Council will continue to annually assess the necessity of declaring a recycling & waste levy as part of the annual budget cycle
5. that Monash continue to not raise a municipal charge
6. that Monash uses special rates and charges in the following instances:
 - Raising funds for dedicated purposes such as trader associations marketing and promotion schemes.
 - For Environmental Upgrade Agreements (EUA's) for businesses to improve their buildings environmental performance e.g. finance water and energy efficiency projects and install renewable energy systems such as solar. (Section 181A LGA1989)
7. that Monash continues to review options to provide assistance, in addition to the provisions in the Hardship Financial Assistance Policy, to ratepayers in hardship and make provision in the Budget process when assistance is required. Further, that the Covid related payment deferral option be extended up to 30 June 2022
8. that Monash continues to provide, for overdue non-instalment payers, an additional 21 days from the 15 February to pay any overdue rates, before the application of the interest is applied
9. that Monash continue to offer the three different payment options (Quarterly, in full and 10 instalments)
10. that Monash continue to seek grant opportunities from State and Federal Governments for project funding (operating and capital) when funding opportunities arise.
11. that Council continue to budget for developer contributions for drainage and public open space and utilise these funds for capital projects as specified for each of these reserves
12. that Monash continue to maintain a debt free status, however, commits to include in a Budget or Revised Budget, subject to public consultation, any plans to borrow where there is a demonstrated cost benefit in moving forward the construction of major projects.
13. that Council continue to apply a range of principles to determine the level of fees and charges for each service and will apply a gender impact analysis when reviewing those charges, and
14. that Monash continues to advocate for rate reform to assist the more vulnerable members of the community

The Plan also includes several items from the Local Government Performance Reporting Framework (LGPRF) reference data as published on the State Governments "Know Your Council" website¹. The LGPRF is a key initiative to improve the transparency and accountability of council performance to ratepayers and to provide a more meaningful set of information to the public.

¹ <https://knowyourcouncil.vic.gov.au/home>

Consultation

Council is seeking your feedback on this Plan before it is considered for adoption (late June 2021). The consultation process will be held in conjunction with the 2021/22 Draft Budget consultation process.

You can make a submission on this Plan

Submissions must be received before 5.00 pm on 28th May 2021.

Submissions should include your feedback on the draft Revenue & Rating Plan and your reasons for holding that view.

There are two ways to make your submission:

1. Complete the submission form online at;
shape.monash.vic.gov.au/revenue-and-rating-plan-2021-2025
2. Post a submission marked 'Submission on Draft Revenue & Rating Plan 2021-2025' and addressed to City of Monash, PO Box 1, Glen Waverley Victoria 3150 or email: mail@monash.vic.gov.au, attention Danny Wain.

Submissions must contain your name, address and contact details. Please also state if you, or a person acting on your behalf, wish to speak at the Council meeting in support of your submission. Submitters wishing to speak to their submissions will be advised when the date is scheduled.

Submissions are not confidential and may be incorporated or summarised (including your first and last name only) into the agenda and minutes of any Council or Committee meeting that considers the Plan. These documents will be published and publicly available on Council websites.

Council is also planning to adopt a Council Vision, new Council Plan and a Financial Plan by 31st October 2021. As this Plan is required to be adopted by 30 June 2021 (same date as the Council 2021/22 Budget), there may be revisions required to the adopted Plan to align with those key documents.

Draft Budget 2021/22

As described above consultation for this Plan will be held in conjunction with the consultative process for the 2021/22 Draft Budget.

It is worth noting that a new requirement under the *Local Government Act 2020* is to recommend if a revised budget needs to be adopted (outside the normal annual budget process) it is included in the 2nd quarter report to Council. A revised budget is required only when Council needs to; make a variation to the declared rates or charges; raises new borrowings that have not been approved in the budget; or to make a change to the budget that the Council considers should be the subject of community engagement.

Purpose

The purpose of the Revenue and Rating Plan is to determine the most appropriate and affordable revenue and rating approach for Monash City Council which, together with other income sources, will adequately finance the objectives proposed in the Council Plan.

Introduction

The Council Plan sets out Council's strategy for how we continue to enjoy the things we love about Monash, how we can address the pressures our city faces and make the most of the opportunities that come from being a popular place to live, learn, work and play. Included in the four strategic objectives of the Council Plan is the challenge to provide "Responsive and Efficient Services". Under this theme Council committed that:

People can have a say in, and are at the centre of, our decisions. We will deliver affordable, respectful, responsive, reliable and high quality services. One of the Priority Projects identified was to plan for Council's financial sustainability through a Revenue & Rating Plan.

Later in this document is a table that shows various legislative controls, our application of those controls and the linkages to the Council Plan (Table 8. Legislative Framework & Linkage to Council Plan). The introduction of the Fair Go Rates System and rate capping have provided financial challenges to Council's long-term financial sustainability. Rate capping continues to restrict Council's ability to increase revenue to maintain service delivery levels and invest in renewing and upgrading of Council's \$3B asset base. This Plan will address Council's reliance on rate income and provide options to actively reduce that reliance. We will also commit to pro-actively seek new grant funding and maximise fees & charges revenue in line with our price setting guidelines.

The rate cap determines the quantum of rates to be raised however, the focus of this Plan is to determine the equitable distribution amongst Council's ratepayers.

Under the *Local Government Act 2020* (the Act), Council has to give effect to overarching governance principles and supporting principles, including that; the community is to be engaged in strategic planning and strategic decision making; and that the ongoing financial viability of the Council is to be ensured.

Keeping these statutory provisions in mind, the purpose of a Revenue & Rating Plan (the Plan) is therefore to consider what rating options are available to Council under the Act and how Council's choices in applying these options contribute towards meeting an equitable rating Plan.

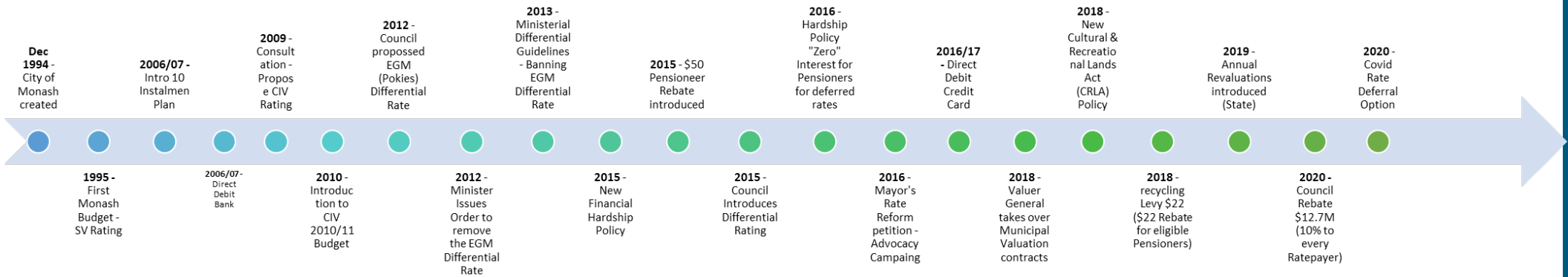
The rating component of this Plan will consider a limited range of rating options including the following;

- Choice of valuation base
- Uniform rating versus the application of differential rates for various classes of property
- The most equitable level of differential rating across the property classes
- Consideration of the application of fixed service charges for the areas of waste collection and municipal administration
- The application of special rates and charges
- The application of other levies under *The Planning and Environment Act*

Monash Council has mostly been progressive in implementing positive change through its rating strategies. Although we were the last council to change to Capital Improved Rating (CIV) for rate setting purposes (2010) we have been actively seeking rate reform for our residents, seeking good social outcomes with rating policy (with the introduction of Electronic Gaming Machine (EGM) differential rates) and pro-active in providing a more equitable distribution of rates via differential rating.

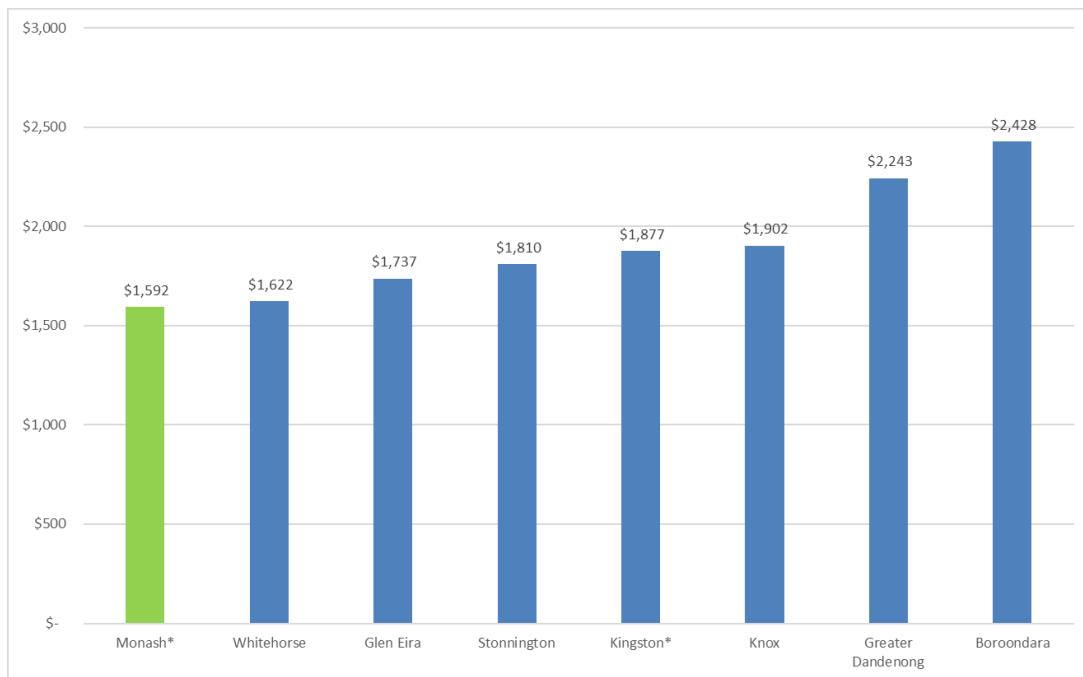
In addition, we have implemented additional assistance for our most vulnerable ratepayers with an annual \$50 Pensioner rebate (2015) and the \$22 Recycling levy rebate (2018). The timeline below highlights the key milestones of changes to Council's rating policies since amalgamation in 1994 (Refer Figure 1 Rating Plan Milestones).

Figure 1. Rating Plan Milestones



Since the mid 2000s' Monash has had the lowest rates on a per assessment basis in metropolitan Melbourne and has the lowest rates per capita of any Victorian Council (Refer: Figure 2 Average Rates & Charges Monash and its Neighbours 2020/21). Whilst raising a modest level of rates we have consistently provided a high level of service and a significant capital renewal and new works programs each year. However, Monash was the lowest rating Council before the rate cap was introduced so, the rate cap, has a significant impact on available rate funding going forward.

Figure 2. Average Rates & Charges Monash and its Neighbours 2020/21³



Local Government Rating Review

The Local Government Rating System Review Panel presented its final report and list of recommendations to the Victorian Government in March 2020. The Local Government Rating System Review Report (the Report) and the Victorian Government's Response were released in December 2020.

It is important to note that the Local Government Act 2020⁴ was passed during the review, introducing new requirements for transparency and community engagement by councils. These themes are prevalent throughout the Review report. At the time of

³ Kingston CC have reduced waste charges by \$5.5M (as it is declared rates & charges the reduction is reflected in the average rate). Estimated rates & charges using Budget documents for each Council.

Monash CC* introduced a one-off 10% waiver of \$12.7M (not included in these figures)

⁴ The rating provisions of the Local Government Act 1989 (the Act) remain in force until superseded by Part 12 of the Local Government Act 2020 (this will likely occur in late 2021)

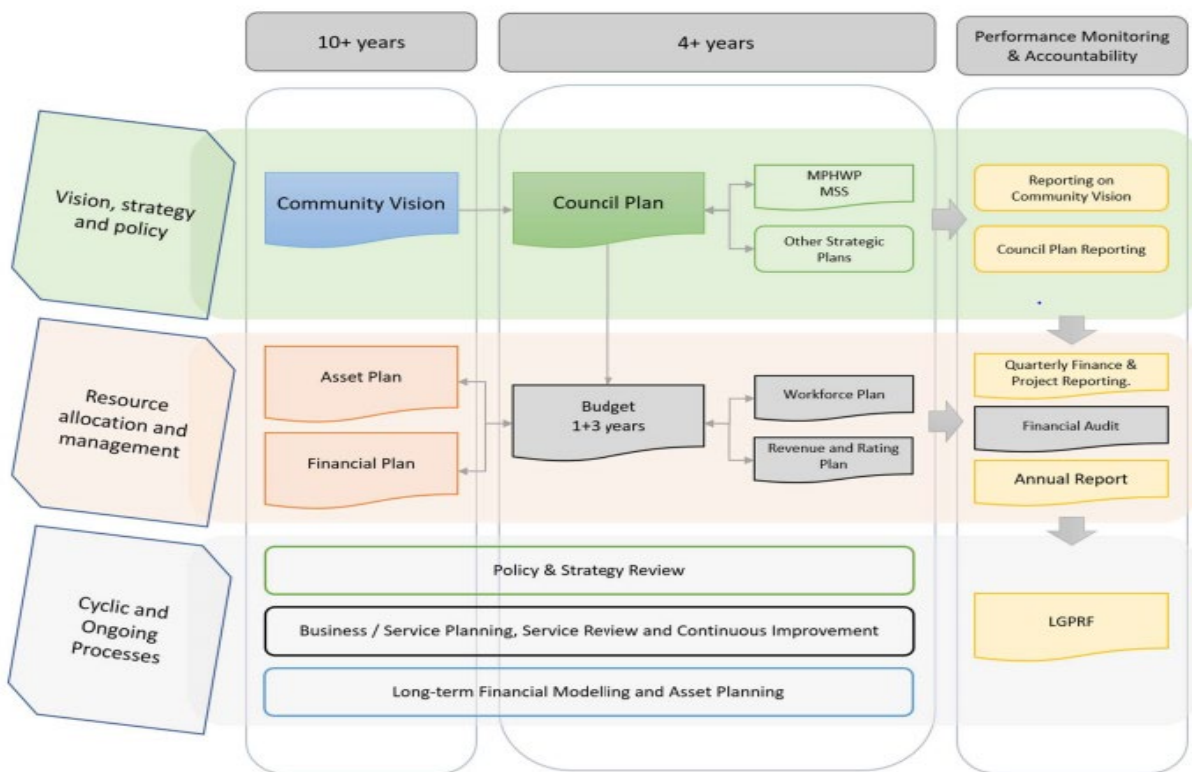
preparation of Council’s Revenue & Rating Plan the recommendations supported by Government have not yet been implemented, and timelines to make these changes have not been announced. However, some of the recommendations of the report had already commenced implementation as part of the *Local Government Act 2020* reforms.

Council’s Strategic Direction

The *Local Government Act 2020* requires councils to take an integrated approach to strategic planning and reporting (Refer Figure 3 An integrated Strategic Planning & Reporting Framework). A key part of that approach is delivering a Revenue and Rating Plan (s 93) for a four-year ‘block’ period following each general election. It is to be prepared by 30 June in the year following every election for the subsequent 4-years.

The Plan establishes the ‘revenue-raising envelope’ within which Council proposes to work. It provides the framework for the setting of rates, statutory charges, service fees and charges and other income sources.

Figure 3. An integrated Strategic Planning & Reporting Framework

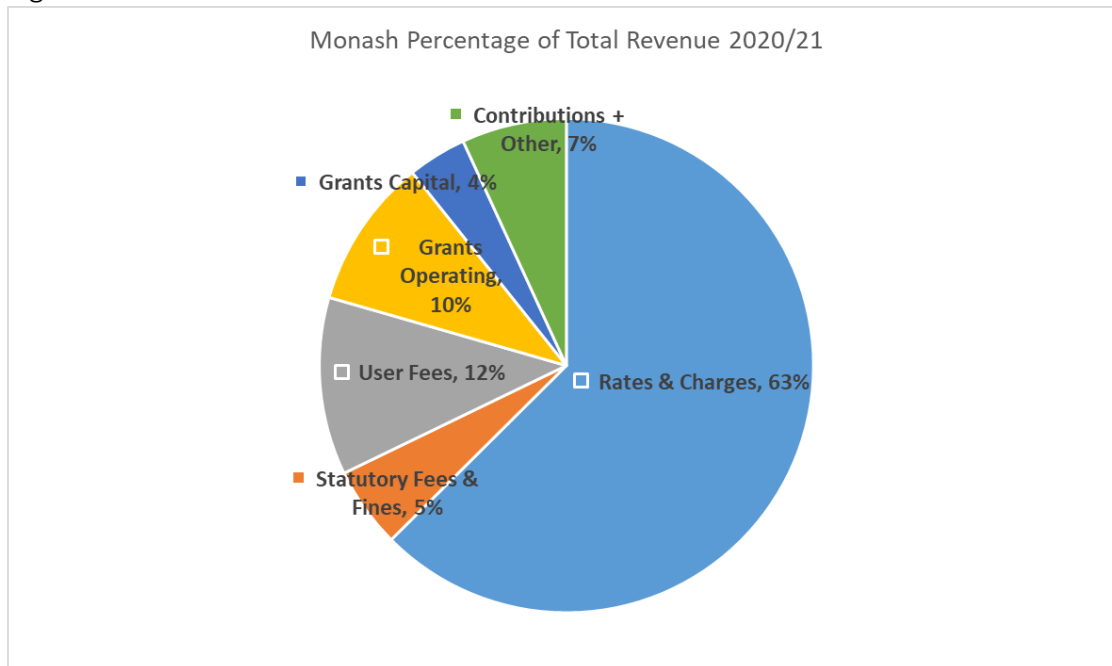


Note: this shape denotes mandated plans and strategies.

The importance of a Revenue and Rating plan

Monash City Council currently receives 63% of its total revenue (67% excluding capital grants) by way of property based rates and the recycling and waste levy (Refer; Figure 4 Monash Council's Revenues). The development of a Plan in respect of the rating base is therefore of critical importance to both Council and its community.

Figure 4. Monash Council's Revenues



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 the legislative objectives to which it must have regard and those other objectives, which Council believes, are relevant on a regular basis.

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

Revenue & Rating Plan Outlook – Next Four Years

The Revenue and Rating Plan establishes the ‘revenue-raising envelope’ within which Council proposes to work. It provides the framework for the setting of rates, statutory charges, service fees and charges and other income sources. To do this, it also needs to define (i.e. make assumptions regarding) the levels of non-controlled revenues that the Council expects to generate over the four-year period as well (i.e. grants and subsidies, contributions etc.) as well as expenses for the same period (Refer: Table 1 Key Four Year Assumptions). The planned revenues and expenses for the Plan’s four year outlook are shown in Figure 5 & 6)

Table 1. Key 4 Year Assumptions:

Revenue/ Expense	Key Determinant	2021/22	2022/23	2023/24	2024/25
Rate Increase/ Rate Cap	In Line with Ministerial Rate Cap & Growth (1%)	1.5%	1.75%*	2.0%*	2.0%*
Statutory Fines & Fees	Mostly governed by State Gov’t (CPI) ⁵	1.5%	1.75%	2.0%	2.0%
User Fees**	Set By Council (target 4%)	4.0%	4.0%	4.0%	4.0%
Grants	Usually linked to CPI by State or Federal Gov’t	1.5%	1.75%	2.0%	2.0%
Contributions	Statutory Requirements	1.5%	1.75%	2.0%	2.0%
Employee Cost	Employee cost linked to Enterprise Agreement	1.5%	1.75%	2.0%	2.0%
Materials & Contracts	Linked to CPI (Contracts)	1.5%	1.75%	2.0%	2.0%
Depreciation	Asset Register(s)	1.5%	1.75%	2.0%	2.0%
Other Expenses	Linked to CPI (Contracts)	1.5%	1.75%	2.0%	2.0%

*forecast rate cap based on State Budget CPI outlook

**User fee revenue targets are based on a combination of fee increases and volume (transactions).

⁵ CPI Source - <https://www.dtf.vic.gov.au/state-financial-data-sets/macroeconomic-indicators>

Local Government Performance Reporting Framework (LGPRF) data details in the following table some of the key items of expenditure (as it relates to each ratepayer (on a property assessment basis e.g. the number of rateable properties in Monash).⁶ Revenue from rates (\$1,529 on a per assessment basis e.g. each ratepayer) meets approx. 67% of our expenditure needs (\$2,256 per assessment). The balance of funding comes from recurrent and capital grants, fees and charges

Table 2 LGPRF Data

LGPRF MEASURE*	2019/20 Actuals			Forecast Monash Council				Notes
	2019/20 Actual	Similar Councils	All Councils	2020/21	2021/22	2022/23	2023/24	
Expenditure level <i>Total expenses per property assessment.</i> <i>(Total expenses / Number of property assessments)</i>	\$2,256	\$2,774	\$3,403	\$2,339	\$2,432	\$2,513	\$2,595	This indicator shows the total operating expenditure (as in the audited annual accounts) from the current council financial statements and financial statements in the Strategic Resource Plan (Budget) and divides by the forecast number of rateable property assessments. This indicator assesses whether resources are being used efficiently to deliver services. Monash is significantly lower than similar councils and significantly lower than the "all councils" measure.
Revenue level <i>The average rate revenue per property assessment.</i> <i>[Total rate revenue / Number of property assessments]</i>	\$1,529	\$1,796	\$1,775	\$1,428	\$1,636	\$1,691	\$1,748	This indicator shows the total revenue from rates (as in the audited annual accounts) from the current council financial statements and financial statements in the Strategic Resource Plan (Budget) and divides by the forecast number of rateable property assessments. This indicator assesses whether resources are being used efficiently to deliver services. Monash is significantly lower than similar councils and significantly lower than the "all councils" measure.
Liquidity/ Working capital ratio <i>Current assets compared to current liabilities</i> <i>(Current assets / Current liabilities) x100</i>	190%	252%	291%	185%	159%	138%	142%	This indicator is an assessment of council's financial position. Higher assets relative to liabilities suggests councils are in a strong position. Although Monash has a lower liquidity position than other like councils and the all council measure we are consistently above 100% and above or close to our target of 150%

* Know Your Council Website and Council's Performance Statement (included in the audited Annual Report)

⁶ <https://knowyourcouncil.vic.gov.au/councils/monash>

Council audited Annual Report; <https://www.monash.vic.gov.au/About-Us/Council/Publications/Annual-Report>

Figure 5: Revenues 2021 -2025

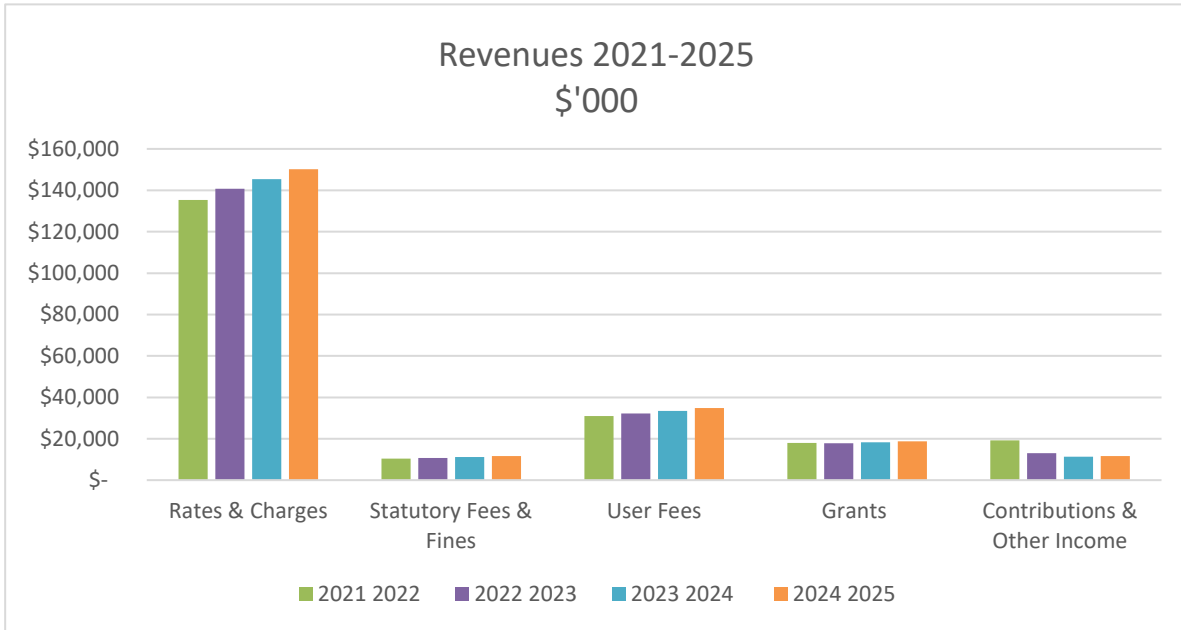


Figure 6: Expenses 2021 -2025



Revenue & Rating – the Legislative Framework & Linkage to Council Plan

The purpose of this section is to outline the legislative framework (currently still under the Rating provisions of the Local Government Act 1989) in which Council has to operate to construct its rating system. This section also addresses the various issues that Council must consider in making decisions on its rating objectives. Also included is the link to the Council Plan 2017-2021.

Table 3. Legislative Framework & Linkage to Council Plan

Rating Option under the Act	Description	Linkage to the Council Plan 2017-2021	Comments
Revenue & Rating Plan LGA 2020 S93	A Council must prepare and adopt a Revenue and Rating Plan by the next 30 June after a general election for a period of at least the next 4 financial years.	Corporate Strategic Objective, 4. Responsive & Efficient Services. Strategy: Planning for Council's financial sustainability	Draft Plan Revenue & Rating Plan (Plan)
Financial Management Principles LGA 2020 S101	Section 101 of the Act details financial principles to consider when preparing Finance Plans & policies and risk	Corporate Strategic Objective, 4. Responsive & Efficient Services. Strategy: Planning for Council's financial sustainability	Draft Plan Revenue & Rating Plan (Plan)
General Rate LGA 1989 S158	A general rate is applied to all properties and can be set as either a uniform rate or a number of differential rates	N/A	Monash applies differential rating as listed below
Uniform Rate LGA 1989 S160	A uniform rate is a single rate in the dollar that is applied to the value of all properties in the municipality	N/A	Monash does not apply a uniform rate
Differential Rates LGA 1989 S161	Differential rates are different rates in the dollar applied to different classes of property	Corporate Strategic Objective, 4. Responsive & Efficient Services. Strategy: Planning for Council's financial sustainability	Monash applies a differential rate for; <ul style="list-style-type: none"> - Residential - Commercial and industrial - Cultural and Rec Land (a charge in lieu of rates)
Municipal Charge LGA 1989 S159	A municipal charge to cover some of the administrative costs of the Council. This is the flat rate charge applied to all properties	N/A	Monash does not levy a municipal charge

Service rates and charges LGA 1989 S162	Service rates or annual service charges (or a combination of both) can be levied for provision of a water supply, collection and disposal or waste, and sewerage services	Corporate Strategic Objective, 1. A Liveable Sustainable City. Strategy: Delivering responsive & sustainable waste management services	Monash does levy a recycling & waste levy charge in order to recover the additional contractual costs of the recycling crisis and increases to the EPA's Landfill Levy
Payment of Rates & Charges LGA 1989 S167	Enabling many options for ratepayers all payment options to be paid by cash/debit card/credit card or by Direct Debit using both debit and credit cards. Ratepayers' can pay at Council Offices or online, via Australia Post Offices or online, via BPay & ratepayer's online banking. Council also enables ratepayers' to register to receive their rate notices electronically via their online banking using the BPay view option and its "Ezybill" service that also have linked email and SMS text services	Corporate Strategic Objective, 4. Responsive & Efficient Services. Strategy: Investing in technology and information systems to enhance our services	Monash also makes provision for ratepayer to pay rates via quarterly, in full or by 10 instalments
Incentives for prompt payment LGA 1989 S168	Council may declare that incentives will be given by it for the payment of rates and charges, in full, before the due date	N/A	An early payment rate discount is considered inequitable and therefore Monash does not provide this incentive
Rebates and concessions LGA 1989 S169 & 171	The Act allows for Councils to grant a rebate or concession in relation to any rate or charge to assist the proper development of all or part of the municipal district, preserve buildings or places that are historical or environmental interest, or to restore or maintain buildings or places	Corporate Strategic Objective, 3. An Inclusive Community. Strategy: Fostering an equitable, just & inclusive Monash. Corporate Strategic Objective, 3. An Inclusive Community. Strategy: Strengthening Monash as an 'age-friendly' City	Monash provides for two rebates under the Act. <ul style="list-style-type: none"> - Pensioner rebate of \$50 - Recycling levy rebate of \$42 (\$27 in 2020/21) for each eligible pensioner
Special rates and charges LGA 1989 S163	A special rate or charge may be declared for purposes of; <ul style="list-style-type: none"> - Defraying any expenses - Repayment with interest any advance made or debt incurred or loan raised by Council 	Corporate Strategic Objective, 1. A Liveable Sustainable City. Strategy: Proactively managing risks from climate change and reducing Council's greenhouse emissions (making provision for	Monash issues special rates and charges for promotional marketing activities to assist local retail centres Also used for Environmental Upgrade Agreements (EUA's) Solar panel installations. (Section 181A LGA1989)

		Environmental Upgrade Agreements (EUA's)	
Rate Caps Part 8A LGA 1989	A Council may apply to the Essential Services Commission (ESC) for a special Order specifying a higher cap for one or more specified financial years (up to a maximum of 4 years)	Corporate Strategic Objective, 1. A Liveable Sustainable City Corporate Strategic Objective, 4. Responsive & Efficient Services	Rate cap exemptions - where there is demonstrated community support for major projects and capital renewal programs Draft Plan Revenue & Rating Plan (Plan). There are currently no plans to apply for a Rate Cap variation in the next 4 years. A request for a rate cap variation would be included in consideration of a future draft Budget/ and or the Financial Plan

The Act provides that Council's taxation policy should enable Council to fulfil its purposes. The Act provides flexibility to accommodate local environmental conditions. Several propositions were put through a rate modelling process to develop the most suitable rating system (a mix as outlined in Table 3). This entailed Council giving consideration to a number of factors and detailed in the following pages.

Rating Principles

It's important to note the link between the Council rates and benefit derived – Property taxes have no relationship with consumption (i.e. rates are a tax, not a fee for service). The payment of rates entitles ratepayers and residents to expect and receive a range of services and in many cases, there is no possible rationing of such services.

Equity of the System

Rates are distributed between ratepayers based on the relative value of properties within the municipality. Properties are revalued annually to maintain a fair distribution of the rates between property owners. There is a direct relationship between property holdings and disadvantage – less wealthy people tend to own lower valued housing stock and property owners with higher valued assets generally have a greater capacity to pay. Property taxes do not take into account individual debt levels or income received by owners. There is no connection between the amount of rates paid and the level of council services received by individuals.

Determining the rating system – uniform or differential?

Council may apply a uniform rate or differential rate to address the equitable distribution of the rate revenue. These methods are quite different in application, administration and appeal mechanisms.

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.

Differential Rate

Council's differential rating strategy has been implemented in accordance with the Ministerial Guidelines for Differential Rating⁷. When declaring general rates, Council must consider how the use of differential rating contributes to the equitable and efficient carrying out of its functions compared to the use of uniform rates.

The rationale for the introduction of differential rates in Monash in 2015/16 was because Council recognised that rates have become increasingly harder for people to pay and this tends to hit residents the hardest. Council believes that commercial and industrial landowners in Monash should pay a slightly higher burden of the total rates collected across Monash and that differential rating is a more equitable and efficient way to distribute the rate burden and therefore a better use of funds for carrying out the functions of Council.

Differential rates are used by Monash City Council to set different rates in the dollar for different categories of rateable land e.g. categories of residential property and commercial/industrial (non-residential) properties will each pay a higher or lower rate in the dollar. For 2021/22 Council has adopted two differential rates:

1. Residential rate; and
2. Non-Residential rate

For the purposes of identifying the types/classes of land applicable to each rate the properties are grouped in accordance with the Australian Valuation Property

7

https://www.localgovernment.vic.gov.au/__data/assets/pdf_file/0022/74821/Ministerial_Guidelines_for_Differential_Rating_April_2013-PDF.pdf

Classification Code (AVPCC) Categories, as adopted by the Valuer-General Victoria (VGV) for each annual revaluation.

Council considers that each differential rate will contribute to the equitable and efficient carrying out of council functions. Details of the objectives of each differential rate, the types of classes of land, which are subject to each differential rate and the uses of each differential rate, are set out below.

Residential rate

Residential land is any land, which is:

- Occupied for the principal purpose of physically accommodating persons; or
- Unoccupied but zoned residential under the Monash Planning Scheme and which is not commercial or industrial land.

The Objective of the Residential rate

The objective of this differential rate is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the:

- Construction and maintenance of infrastructure assets;
- Development and provision of health and community services; and
- Provision of general support services.

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.

The money raised by the differential rate will be applied to the items of expenditure described in the annual Budget adopted by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

The geographic location of the land within this differential rate is where it is located within the municipal district, without reference to ward boundaries.

The use of the land within this differential rate, in the case of improved land, is any use of land.

The characteristics of planning scheme zoning are applicable to the determination of vacant land which will be subject to the rate applicable to residential land. The vacant land affected by this rate is that which is zoned residential under the Monash Planning Scheme. The classification of land which is improved will be determined by the occupation of that land, and have reference to the planning scheme zoning.

The types of buildings on the land within this differential rate are all buildings already on the land or which will be constructed prior to the expiry of the relevant financial year.

Non-Residential Rate

Non-Residential land is any land, which is:

- Classified under the AVPCC Categories as being either Commercial, Industrial, Primary Production; or
- Occupied for the principal purpose of carrying out the manufacture or production of, or trade in, goods or services.

The Objective of the Non-Residential rate

The objective of this differential rate is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the:

- Construction and maintenance of infrastructure assets;
- Development and provision of health and community services; and
- Provision of general support services.

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.

The money raised by the differential rate will be applied to the items of expenditure described in the Budget by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

The geographic location of the land within this differential rate is wherever located within the municipal district, without reference to ward boundaries.

Calculation of the Differential Rate in Dollar

The introduction of differential rating ensures that changes in valuations, which can cause a shift of the rate burden back to Residential properties, can be addressed on an annual basis when setting the level of rate (Rate in the dollar) for each class of land.

In Monash, post the introduction of Capital Improved Value (CIV) rating in 2010/11, we have seen a gradual shift in the rate burden from Commercial/Industrial to Residential ratepayers due to fluctuations from the revaluation process. At the time of the switch to CIV rating Council's rate revenue base was sourced from approximately 86% Residential and 14% Commercial/Industrial. Each year Council will consider the impacts related to valuation changes and set differential rates to address any imbalance between land types.

Councils need to decide whether it wants to apply differentials (different rates in the dollar for different property categories) or a uniform rating system (same rate in the dollar).

Recommendation 1: that Monash continue to apply differential rating as its rating system

Recycling & Waste Charge

Since 2018 Council has applied a service charge under Section 162 of the *Local Government Act 1989* to recover the additional costs of recycling and increases to the State's Waste Levy. Monash Council has secured its household recycling service with Visy, despite the volatility of the recycling industry in the wake of the global crisis triggered by China's ban on recycling. However, this has come at a significant cost. For 2021/22 Council will continue to charge a "Recycling & Waste Charge" which is a service charge to meet those increased costs and also cover the increase to the State's Waste levy.

The current contract with Visy Recycling is in place until April 2023. It is expected that the levy and offsetting pensioner rebate will cover the costs for the remainder of the contract. Monash Council has been able to ensure recyclable kerbside collections have not ended up as landfill and will work to ensure that continues. The recycling & waste charge has been set at \$42 in 2021/22 (\$27 in 2020/21) per rateable property with provision to provide a waiver (\$42) for every eligible pensioner ratepayer.

It should be noted that the State's EPA Landfill Levy will rise a total of \$60 per Tonne in the next two and a half years. Currently Monash is one of the few councils that do not have a separate waste charge for all waste costs.

Recycling & Waste Charge – Pensioner waiver

Council acknowledges that some ratepayers may experience difficulty from time to time in meeting the recycling & waste charge due to the effect of rising costs, cost of Council services and personal circumstance. Council further understands that relief measures have a cost to Council which must be borne by other ratepayers either short or long term. It is for this reason that Council provides limited assistance, rates waivers and rebates to assist persons or classes of person in accordance with *Local Government Act 1989* Section 169 or 171.

Council provides a waiver under Section 171 of the *Local Government Act 1989* to all eligible pensioner ratepayers from paying the Recycling & Waste Charge which is applied to all ratepayers to recover the additional costs of recycling & the State's Waste Levy.

Cultural and Recreational Lands

The *Cultural and Recreational Land Act 1963* (CRLA) requires that Council undertake a separate process for the purpose of setting an applicable Charge 'in lieu of Rates' for eligible properties. The purpose of this policy is to set parameters for setting the CRLA charge.

If land is 'recreational lands' within the meaning of the CRLA, rates under the *Local Government Act 1989* are not levied. Instead, there is payable to Council charges being such amount as Council thinks 'reasonable'.

Some Council owned leased properties, used exclusively for outdoor recreation (23 bowls, tennis and sporting clubs with leases providing exclusive use over Council land) are rated (a charge in lieu of rates) under the CRLA with Council paying the CRLA charge

For more detail, please refer to the Cultural and Recreational Lands Act Policy on Council's website.⁸

Valuation Base

Determining which valuation base to use

As outlined in the Act, Council has three options of the valuation base it elects to use:

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

Capital Improved Value (CIV)

Capital Improved Valuation is the most commonly used valuation base by Victorian Local Government. Based on the land and any improvements on the land, it is relatively easy to understand by ratepayers as it equates the market value of the property.

One of the key drivers of the widespread use of the CIV base is the ability to apply differential rates. Section 161 of the Act provides that Council may raise any general rates by the application of a differential rate if it used CIV and considers that the differential rate will contribute to the equitable and efficient carrying out of its functions.

Advantages of using CIV

- CIV includes all improvements, and therefore is often supported on the basis that it more closely reflects “capacity to pay”
- With the increased frequency of valuations (now annual) the market values are more predictable and has reduced the level of objections resulting from valuations.
- The concept of market value of property is far more easily understood with CIV rather than the other 2 methods
- Councils have mostly adopted the use of CIV as their valuation base which makes it easy to compare relative movement in rates and valuations across council
- The use of CIV enables Councils to apply differential rates

⁸ <https://www.monash.vic.gov.au/About-Us/Council/Governance/Policies-and-Procedures/Cultural-and-Recreational-Lands-Act-Policy>

Disadvantages of 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.

The concept of CIV as a basis for rating is that this system more closely reflects the capacity to pay, where capacity to pay is linked to the value of improvements to the property. CIV valuations include the combined value of the land and its improvements.

Site Value (SV)

Monash was the last Victorian Council to utilise SV as its valuation base for rating purposes and changed to CIV in 2010/11. There are now no Victorian Councils that use this valuation base. Valuation is based simply on the land only and has limited ability to apply differentials to. There are no Victorian councils that use SV as a base for raising municipal rates.

Advantages of SV

- May encourage development of commercial/industrial properties

Disadvantages of SV

- If Monash was to implement the SV as its base there would be a shift away from the Commercial/Industrial to the Residential ratepayer.
- SV is a major burden on property owners that have large areas of land. Some of these owners may have smaller/older dwellings compared to those who have smaller land area but well developed dwellings.
- Reduction in Councils ability to levy differential rates when dealing with rating inequities
- The ratepayer community would have greater difficulty understanding the SV valuation.

The SV method, as the basis for charging rates, has a significant impact on residential properties that is inequitable, as it does not take into account the improved value, particularly for high density and high value dwellings and/or commercial and industrial properties. A key issue for SV is that it does not reflect the landowner's ability to pay rates where ability to pay is defined by the value of improvements to the property. As medium density development becomes more prevalent in Monash the rating inequity between single dwellings and unit developments would be increased if Council used SV as its valuation base for rating purposes.

Net Annual Value (NAV)

NAV represents the annual rental of a property. However, in practise the NAV is closely linked to CIV for residential properties. Valuers derive the NAV as 5% of CIV.

In contrast to the treatment of residential, NAV for commercial and industrial properties is assessed with regard to actual market rental. The differing treatment of commercial vs residential has led to some suggestion that all properties should be valued on a rental basis.

The use of NAV is not widely supported because the methodology for residential NAV calculations may not represent the actual market value. This may shift the burden of the rate revenue towards residential.

Recommendation 2: that Monash City Council continue to apply the CIV method as its valuation base.

Understanding the impacts of Council Annual Valuations

Commencing 1 July 2018, the Government centralised land valuations with the Valuer-General (VG) and introduced annual valuations for Land Tax, Fire Services Levy and Council Rate setting purposes.

Property Revaluations are undertaken annually (every year since 2018). Revaluations do not generate extra revenue for Council but can have a significant impact on the rates that individual properties are allocated as the total rates pool is redistributed based on the updated property values.

The revaluation date is January 1 every year and will affect the rates levied for July 1.

Ratepayers can object to their property valuation within the prescribed time period which is within two months (60 days) of the date of notice of valuation. The purpose of this section is to provide an overview of the revaluation process and issues that arise from this process

All Victorian Councils are required under the *Valuations Land Act 1960* to revalue all properties in the municipality annually. The 2020 valuation, based as at January 2020 applies to the 2020/21 rates distribution.

Property valuations are determined by qualified valuers who compare 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 VG 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 VG.

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 income levied across all properties in the municipality. Any increase in the total valuations of the municipality is offset by a reduction to the rate in the dollar used to calculate the rate for each property.

Total income is fixed each year as part of the budget process.

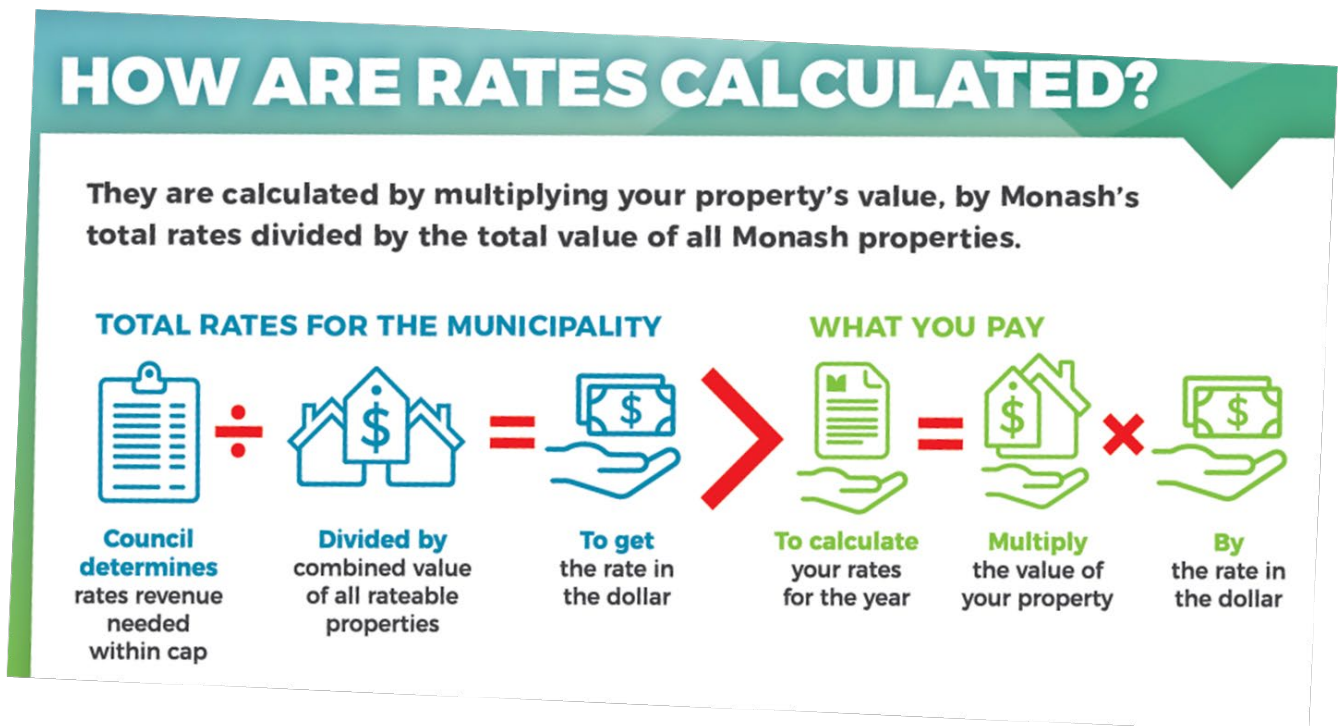
- Base rates income from previous financial year
- Plus Annualised Growth in Supplementary income
- Multiplied by the Ministerial rate cap %

Council only seeks to increase the total amount of revenue required (in line with the Ministerial Rate Cap) in order to account for CPI, wage and other service costs imposed upon it.

How does this affect my rates?

The general revaluation process enables Council to re-apportion the rate income across the municipality in accordance with movements in property value. Properties which have increased in value by more than the average will receive a rate increase of more than the rate cap percentage. Properties with an increase in value less than the average will receive a rate increase less than the rate cap percentage.

Figure 8: How are Rates Calculated Each Year



Objections to Property Valuations

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

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

The *Valuation of Land Act* (1960) was amended in 2006 in order to improve the valuation objection process and reduce the number of lengthy and costly disputes. This improved 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 contacting Council or accessing the Land Victoria website.⁹

Recommendation 3: that Monash reviews the impact of Council valuations and assesses differential rates applied to achieve an outcome that is considered equitable by Council.

Service rates and charges

Service Rates and Charges are governed by section 162 of the Act, which enables Council to declare a special rate and charge or a combination of both for any of the following services;

- The provision of a water supply
- The collection and disposal of refuse
- The provision of a sewerage services
- Any other prescribed service

Monash City Council currently does not apply a service charge for any of the services mentioned above, other than a small charge related to the recycling crisis and increased EPA landfill levies. The most common service rate and charge that Council's declare relates to the provision of a waste services charge and usually to separate waste & recycling costs out of the rate base (and rate cap). Monash considered a waste service charge and an additional hard waste collections, during the development of the waste services strategy adopted in 2017. During the extensive community consultation surrounding the provision of waste services the feedback was definitive that a levying a waste service charge was not supported.

⁹ www.land.vic.gov.au/valuations.

Recycling & Waste levy

In 2018/19 Council implemented a service charge under section 162 of the Act to recover the additional cost of recycling. Due to the recycling crisis and increased volatility in the market, Council recovered additional costs associated with a newly negotiated recycling contract by declaring a recycling levy. A pensioner rebate was implemented at the same time to reduce the burden on the most vulnerable in our ratepayer community. In 2020/21 the Recycling charge included a cost recovery component for increases to the State's EPA Landfill Levy.

Recommendation 4: that Monash continue to not charge a waste service charge (for full waste cost recovery) without further community consultation. Council will continue to annually assess the necessity of declaring a recycling & waste levy as part of the annual budget cycle.

Municipal Charge

Another principle rating option available to Council is the application of a municipal charge. Under section 159 of the Act, 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. 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.

The arguments in favour of a municipal charge is that this 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. It is for this reason that Council does not currently have a municipal charge.

Recommendation 5: that Monash continue to not raise a municipal charge.

Special Rates and Charges

Special rates and charges are covered under section 163 of the Act, which enables Councils to declare a special rate and 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 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.

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 the source.

Section 185 of the 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 aside the rate or charge completely if it is satisfied that certain criteria are not met. Council should be particularly mindful that of this 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. It is recommended that Council utilises special rates and charges only in the instances outlined below.

Recommendation 6: that Monash uses special rates and charges in instances for:

- Raising funds for dedicated purposes such as trader associations marketing and promotion schemes.
- For Environmental Upgrade Agreements (EUA's) for businesses to improve their buildings environmental performance e.g. finance water and energy efficiency projects, and install renewable energy systems such as solar. (Section 181A LGA1989)¹⁰

¹⁰ <https://www.monash.vic.gov.au/Business/Growing-Your-Business/Environmental-Upgrade-Finance>

Rate Rebates and concessions

Rebates Section 169 of the Act

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 rates 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 Act 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 or to generally assist the proper development of all or part of the municipal district.

Pensioner Rebates

Holders of a Centrelink or Veterans Affairs Pension Concession card, or 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.

The Government funded indexed rebate is provided under the Municipal Rates Concession Scheme. The rebate for 2020/21 is \$241. The government has also funded a rebate for eligible pensioners of \$50 to partially offset the introduction of the Fire Services Property Levy in 2013/14.

COVID-19 – Additional Assistance to All Ratepayers – One-off Rebate 10% to All Ratepayers

The COVID-19 pandemic has had a significant impact on our residents, businesses and organisations. It has required us to reframe our hardship policy to provide support to our community, including deferral, on application, for rate payments, fees and charges that will help sustain residents who are living in a new reality. In light of these challenges, and in a gesture of support for the Monash community, Council made the unprecedented decision to introduce a 10% waiver on Council rates for the 2020/21 financial year (on the grounds of financial hardship under section 171(1)(b) of the Act.

That decision recognised the impact of COVID-19 on the whole Monash community and was a gesture of support to those in our community who were (are) hurting, including business and vulnerable ratepayers, many who were without jobs. This rate waiver applied to all 81,319 ratepayers in Monash as we know the impacts of the COVID-19 pandemic have affected everyone.

COVID-19 – Additional Assistance to All Ratepayers Rate Deferrals

Monash Council is working to help ratepayers who are experiencing difficulties due to the Coronavirus /COVID-19 pandemic as it impacts lives and businesses. In 2020/21 Council introduced changes to its hardship policy to support our community at this time and resolved to provide additional assistance to any ratepayer impacted by COVID-19 and experiencing hardship and difficulty with paying rates and/or other charges.

This covered any remaining balance of rates for 2019/20 and any continuing difficulty in meeting payment of rates in 2020/21. The assistance provided was by way of a rates payment deferral, without any penalty interest being charged up to 30 June 2021. Council is also proposing (as part of the 2021 Budget process) to extend the deferral program till 30 June 2022.

Note: It is proposed (and included in the Draft Budget 2021/2022) that Council will extend the Covid-19 Rates & Charges Deferral scheme to all rateable properties on the 2021/22 declared rate as at 1 July 2021 till 30 June 2022.

Recommendation 7: that Monash continues to review options to provide assistance, in addition to the provisions in the Hardship Financial Assistance Policy, to ratepayers in hardship and make provision in the Budget process when assistance is required. Further that the Covid related payment deferral option be extended up to 30 June 2022

Rate Payment Collections

Liability to pay rates

The Act 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.

Under section 156(6) of the Act rates and charges, unpaid interest or costs are declared the first charge upon the land.

If rates are unpaid they are recoverable by legal proceedings. Council may sell the land in order to recover any debt as a result of the non-payment of rates or charges, including the cost of the legal action.

Due Dates for Rates

Under section 167(1) of the Act Council must provide for the payment of rates and charges by four instalments per annum. Council may allow alternate payment method.

Council will allow Rates and Charges to be paid in one of three ways;

1. Paid annually as a single lump sum by 15th February
2. By four instalments;
 - Due 30 September
 - Due 30 November
 - Due 28 February
 - Due 31 May
3. By ten instalments

Interest will be payable on the late payment of instalments.

In accordance with section 172 of the Act the Council may charge interest on any late payments. The interest is to be calculated at the rate fixed by the Attorney General under section 2 of the *Penalty Interest Rates Act* (1983) that applied on the first day of July immediately before the due date.

Interest will be charged on all balances unpaid after the due dates. Interest is charged from the date on which each missed instalment was due until the account is paid in full.

Each year, for overdue non-instalment payers, an additional 21 days from the 14 February to pay any overdue rates, before the application of the interest is applied.

Recommendation 8: that Monash continues to provide, for overdue non-instalment payers, an additional 21 days from the 15 February to pay any overdue rates, before the application of the interest is applied

Payment Methods

Council offers an extensive range of payment options for ratepayers to pay their accounts.

- Payment online using Mastercard/Visa
- Payment by BPay
- Payment by Direct Debit
- Payment through the mail by cheque
- Payment at any Australia Post agency
- Payment by Centrepay
- Payment by phone using a credit card
- Payment in person at one of our service centres

Payment difficulties Financial Hardship

Ratepayers who are experiencing difficulty in paying their rates should contact Council immediately to discuss payment options.

All enquiries are treated confidentially, and early communication may help prevent the commencement of costly legal action for the recovery of outstanding rates. For more details on how this process works please see Council's adopted hardship policy which sets out criteria for eligibility under the policy.

Debt Recovery – Collection of Overdue Rates

In the event that an account becomes overdue. Council will issue an overdue final notice that includes interest accrued. If the account remains unpaid Council may take legal action without any further notice to recover an overdue amount. This may include selling the property under section 181 of The Local Government Act Council may also initiate bankruptcy proceedings as an alternative to selling the property.

Recommendation 9: that Monash continue to offer the three different payment options (Quarterly, In full and 10 Instalments).

Government Grants

Council pursues all avenues to obtain external funds for prioritised works. A large proportion of government grants is made up of the financial assistance grant provided by the Commonwealth Government under the *Local Government Financial Assistance Act 1995* and distributed annually to 79 local government bodies within Victoria.

The Financial Assistance Grant program consists of two components

- A general purpose component which is distributed between the states and territories according to population
- An identified local road component which is distributed between the states and territories according to fixed historical shares

Both components of the grant are un-tied in the hands of local government, allowing councils to spend the grants according to local priorities. Council applies the local road component to road rehabilitation projects through its capital works program, and utilises the general purpose component to fund Council operations and service delivery.

Council is pro-active in seeking grant opportunities from State and Federal Governments for project funding (operating and capital) and this may occur during the year and outside a normal budget cycle when funding opportunities arise.

Recommendation 10: that Monash continue to seek grant opportunities from State and Federal Governments for project funding (operating and capital) when funding opportunities arise.

Contributions (Cash and Non-Cash)

From time to time Council receives contributions (cash and non-cash) mostly from developers. Monetary contributions are recognised as revenue when Council obtains control over the contributed asset. The accrual basis of accounting is used, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

In addition to the recognition of cash contributions as revenue, Council is also obligated to retain these monies in the form of Statutory Reserves. These funds must be applied for specified statutory purposes in accordance with various legislative requirements. While these funds earn interest revenues for Council, the funds are not available for other purposes. Council has strict statutory obligations to adhere to when applying these funds for capital projects. Developers do not dictate the manner in which Council spends the funds. These obligations can arise due to other State Acts (e.g. *Subdivision Act 1988*) and/or Monash Councils Planning Scheme. The following contributions (and Reserves) generally make up the cash & non-cash contribution;

Drainage Contributions

New property developments are required to make a contribution towards Council's strategic drainage system where the development may impact on the drainage system. These funds are maintained by catchment area and when any strategic drainage projects are undertaken funds in that catchment area's account are utilised to fund these works.

Parking Contributions

Historically, where a development (in Glen Waverley and Oakleigh Activity Centres) could not provide on-site car parking the developer was required to pay a predetermined amount per additional parking space required and Council would then provide the carparking. Following the Ministers decision to not approve a new parking overlay scheme this is no longer in effect for new developments.

Public Open Space (POS)

The Monash Planning Scheme requires that a person who proposes to subdivide land must make a contribution to the Council for public open space (being a percentage of the land intended to be used for residential, industrial or commercial purposes, or a percentage of the site value of such land, or a combination of both). If no amount is specified, a contribution for public open space may still be required under section 18 of the *Subdivision Act* 1988. These funds are then used to either upgrade recreational facilities in existing open space areas or provide additional open space in the municipality.

Recommendation 11: that Council continue to budget for developer contributions for drainage, and public open space and utilise these funds for capital projects as specified for each of these Reserves.

Asset Sales

Each year Council will list in its Budget document information of any asset sales. This is usually trade-ins for plant and equipment and any other asset e.g. land where Council has made a resolution to sell an asset. This will show as net profit from asset sales (generally the difference between a predicted sale price of an asset and the written down value of that asset in Council's Balance Sheet).

Interest on Investments

Council budgets for interest earned on its cash balances in line with a corporate Investment Policy that sets guidelines for investment of funds, with consideration of risk and at the most favourable rate of interest available to it at the time, for that investment type, while ensuring that its liquidity requirements are being met. Embedded in that

Policy is a commitment to adopt a positive screening approach for Council's investment with financial institutions by actively investing with fossil free financial institutions within the parameters of the Policy. Interest earning rates are at historical lows, however it is still a valuable source of operating revenue annually.

Loan Borrowings

Council has been debt free since 2015 and at this point has not planned on any new borrowings. Any proposal to borrow must be included in a Budget or Revised Budget and subject to public consultation. Council's Long-term Plan, although not listing any borrowings currently, will include a principle that borrowings may be sought and considered in the future where there is a demonstrated cost benefit in moving forward the construction of major projects.

Recommendation 12: that Monash continue to maintain a debt free status, however commits to include in a Budget or Revised Budget, subject to public consultation, any plans to borrow where there is a demonstrated cost benefit in moving forward the construction of major projects.

Fees and statutory charges

Council provides a wide range of services to the community, often for a fee or charge. The nature of these fees and charges generally depends on whether they relate to statutory or discretionary services. Some of these, such as statutory planning fees and fines are set by State Government statute and are commonly known as regulatory fees. In these cases, councils usually have no control over service pricing.

The Act gives Council the power to set discretionary fees and charges at a level that recovers the full cost of providing the services unless there is an overriding policy or imperative in favour of subsidisation.

Fees and charges are set/recommended by the individual Council departments responsible for the provision of services and approved by Council in the adopted budget. Council periodically reviews all fees and charges and adjusts the levels consistent with application of the user pays principle – that is, so far as is possible, the cost of providing a direct service will be met by the fees charged.

Council has determined that an annual assessment of all fees and charges is excessively costly and unnecessary. A rolling review process for all service areas is to be undertaken

at least once every four years.¹¹

Each department is required to:

Determine the pricing option

Fees can be statutory in nature, in which case Council has no discretion over the fee setting process and is bound to charge the prescribed fee under the respective legislation.

Where the fee is determined by Council, Council needs to determine the relationship between the fee level and the fee's associated expenses.

Options available to Council are:

- a. **Rate of Return:** Set the fee at a level that exceeds the fee's related costs. This will create a revenue flow that can assist in offsetting funds required from rates;
- b. **Full Cost Recovery:** Set the fee at a level that results in full cost recovery, making the service cost neutral; or
- c. **Partial Cost Recovery:** Set the fee at a subsidised level where Council rate funding (and/or) grants is required for the service.

All major areas of fees and charges can therefore be classified into one of the following categories:

- Statutory Pricing;
- Rate of Return Pricing;
- Full Cost Recovery Pricing; or
- Partial Cost Recovery Pricing (subsidy or market based).

Include all Direct Costs and Indirect Costs (including overheads)

In evaluating the cost of a service, both direct and indirect costs (including using an Overheads Costing model) associated with the service need to be considered.

Under National Competition Policy (NCP), Council is also obliged to apply competitively neutral pricing policies to significant business activities that compete with other external service providers.

Direct costs – those costs that can be readily and unequivocally attributed to a service or activity because they are incurred exclusively for that particular product/activity.

Examples of direct costs include labour costs of those staff directly working on the service delivery, materials and services and administration costs.

Indirect costs – those costs that are not directly attributable to an activity, but support a range of activities across Council.

¹¹ Council's 2020/21 Fees and Charges schedule were adopted with the Council Budget in August 2020 and can be viewed;
<https://www.monash.vic.gov.au/About-Us/Council/Publications/Budget>

Examples of indirect costs include: labour for management and administration, utility charges, training and development, telephones and computers, maintenance, vehicle and postage costs.

The Corporate Performance Department has developed an overhead costing model for the purposes of determining the full-cost of delivery a service (by cost-centre).

Price Monitoring

Annual reviews of fees and charges should include an assessment of:

- the full cost of delivering the service;
- benchmarking comparable prices; and
- updating/ amending current fees and charges based on movements in full costs and/or benchmark results.

Justification of Subsidy

Justification of why council should subsidise a service with rate revenue needs to be provided.

Examples of this could be:

- It is in line with a particular Council Policy
- There is a community obligation to provide the service

There are some specific policies covering methodologies associated with setting fees and charges for certain service areas.

For example, in March 2018 Council adopted a fees and charges policy for facilities occupied by sporting and recreational community groups. This policy endorses a partial cost recovery model and therefore a Council subsidy to provide the service level.

See full policy here:¹²

Council has developed a range of principles to determine the level of fees and charges to be applied to each service. These principles are;

- Fees and charges are set in line with other like services through benchmarking
- Fees and charges are set at a level that is deemed to be fair and equitable to enable the majority of residents to access the service
- In some cases no fees (or low fees) are charged to encourage participation and positive health and wellbeing outcomes
- Concessions are provided where specified in line with State or Federal Government legislation or Local Laws or a specific Council policy decision
- Fees and charges in line with State or Federal Government legislation or Local Laws

<https://www.monash.vic.gov.au/Leisure/Active-Monash/Recreation-Strategies-and-Policies#feespolicy>¹²

- Fees are charges in line with State or Federal Government funding agreements
- Rounding of fees & Charges to nearest dollar or \$0.50c for simplicity

Note: In the future, when undertaking a review of any Council's fees and charges, we will apply a gender impact analysis (and an intersectional approach where practical) to assess the equity of those charges. *The Gender Equality Act 2020*¹³ will require councils and other organisations to consider and promote gender equality in their policies, programs and services.

Recommendation 13: that Council continue to apply a range of principles to determine the level of fees and charges for each service and will apply a gender impact analysis when reviewing those charges

Advocacy

Monash is committed to rate reform advocacy. We have been trying to change the system by seeking significant changes to the valuation/rate setting processes to avoid the impacts that our community have experienced. Council has advocated, over several years, to the office of the Minister for Local Government, for rate reform.

In March 2018 Council continued its advocacy campaign around rate reform and made a submission relating to the rating section in the Local Government Bill Exposure Draft. The main point of our submission was to provide councils more flexibility to:

1. limit the increase in any individual residential ratepayer's rates, from one year to the next based on property valuation changes so that their rates cannot increase by more than double the overall percentage increase in rates for that year (i.e. for this year, 5%), and
2. cap the rate increase possible for any resident over 60 who has lived at their property for more than 10 years so they will never receive an increase above the overall percentage increase in rates (i.e. for this year, 2.5%).

At the August 2016 Council meeting, following consideration of a Notice of Motion, from the Mayor of the day, Cr Lake, regarding the unfairness of significant rate fluctuations as a result of property revaluations, Council resolved to do a number of things, including:

- writing to all ratepayers with more than a 6% rate increase in 2016/17 to express regret and apologies for the increase, noting that it was a consequence of the State Government's rating framework which is underpinned by the biennial property revaluation process;

¹³ <https://www.genderequalitycommission.vic.gov.au/about-gender-equality-act-2020>

The *Gender Equality Act 2020* comes into operation on 31st March 2021

- writing to the Minister for Local Government to reiterate Council’s previous representations that the government should urgently review its Rating Framework to allow greater equity, transparency and reduced year to year fluctuations in the calculation of rate assessments (refer to “Minister’s Response” below); and
- writing to other Victorian local governments seeking support for Council’s advocacy campaign.

To support the Rate Reform campaign, Council started a petition for ratepayers to show their support for Council’s position. Council received over 1,000 responses in support of that position. Meetings with the Minister of the day Council reiterated our stance wanting the State Government to change Victoria’s rating system to give councils the flexibility to:

- limit the increase in any individual residential ratepayer’s rates from one year to the next based on property valuation changes so that their rates cannot increase by more than double the overall percentage increase in rates for that year (i.e. for this year, 5%), and
- cap the rate increase possible for any resident over 60 who has lived at their property for more than 10 years so they will never receive an increase above the overall percentage increase in rates (i.e. for this year, 2.5%).

The Minister advised acknowledgement of our rate reform advocacy however repeated the advice previously provided to Council that there is currently a range of mechanisms available in the *Local Government Act* 1989 to enable an equitable imposition of the rate burden, including provisions for councils to manage requests for financial hardship consideration.

Council is already utilising the mechanisms suggested by the Minister to address rate inequities. Notably, the following measures are applied at Monash:

1. Financial Hardship & Rate Payment Arrangements

Council adopted a Financial Hardship Policy in June 2015 for the purpose of enabling a person (liable for rates and other charges) and experiencing “hardship”, to make application to Council for assistance relating to any unpaid rates or charges levied on a property under the Act. The Policy provides for rate deferrals, waivers and interest relief. The policy was further amended in September 2016 providing additional relief for applicants in the form of reduced interest (down from 4.75% to 2.5%) on rate arrears for ratepayers and nil interest for eligible pensioner ratepayers (persons over the age of 65 who can prove they have lived in their home for more than 10 years).

2. Differential Rates

Council also introduced differential rating in the 2015/16 rating year by adopting two differential rates:

- a Residential rate; and
- a Non-Residential rate (commercial, industrial and primary production).

That mechanism provides for a greater contribution from non-residential properties easing the burden for all residential properties.

3. Council Funded Pensioner Rebate (\$50)

To assist vulnerable rate payers Council also introduced a \$50 Council funded pensioner Rebate in 2015/16. Council introduced this initiative to assist eligible pensioners with a \$50 subsidy, using the waiver provisions of the Act. This is funded from total rate revenue raised and is paid by all ratepayers. In addition in 2018/19 Council also provided every pensioner ratepayer with a \$27 subsidy to offset the Council's Recycling & Waste Levy (\$27).

Rate System Review

The State Government has conducted a "Ministerial Panel for the Victorian Local Government Rating System Review". Part of the scope of the Review was to examine the current application of rates and charges by local government in Victoria, including current local government rates and related charges including those made under the Act, *City of Melbourne Act 2001* and *Cultural and Recreational Land Act 1963*.

The scope does not include reviewing the rate capping provisions or valuations. Recommendation 7 of the Review, which has been supported by the State Government, is to examine the merits of a valuation averaging mechanism to reduce the impact of large changes in valuations on rates. This reform has the potential to address the uncertainty caused by rate volatility arising from large movements in valuation year on year. This recommendation addresses one of Monash Council's key advocacy points for rate reform and we look forward to its implementation at some future stage.

Recommendation 14: that Monash continue to advocate for rate reform to assist the more vulnerable members of the community.

Charter of Human Rights & Responsibilities

Statement of Human Rights Assessment

In meeting the requirements of the *Charter of Human Rights and Responsibilities Act 2006*, a review of the Revenue and Rating Plan 2021-2025 has been undertaken which did not find any impacts on human rights under the Human Rights Charter.

Gender Equity Act

In meeting the requirements of the *Gender Equity Act 2020*, a review of the Revenue and Rating Plan 2021-2025 has been undertaken and any recommendations have been incorporated in the Plan.

Review Period

The *Local Government Act 2020* requires councils to take an integrated approach to strategic planning and reporting. A key part of that approach is delivering a Revenue and Rating Plan (s 93) for a four-year 'block' period following each general election. It is to be prepared by 30 June in the year following every election for the subsequent four years.

As this is Council's first Revenue & Rating Plan (outside of the previous Budget process that included documenting the rating policies related to that year) a review will be undertaken following adoption of the new Council Vision, Plan and Finance Plan (due by October 2021), to ensure consistent linkage to other integrated strategic documents.