

## **12 COMPLIANCE WITH RATE CAP**

FILE REFERENCE INT1878378

RESPONSIBLE GENERAL MANAGER Jenny Scicluna

AUTHOR Doug Evans

### **RECOMMENDATION**

That Council resolves to:

- Adjust the rate in the dollar for the 2018/19 financial year to bring the rate increase for the current financial year into compliance with the rate cap of 2.25% as detailed in the table below:

<b>Differential rate Category</b>	<b>Current Rate \$/CIV</b>	<b>Adjusted Rate \$/CIV</b>
Agricultural Land	0.002048	0.002045
Base Rate	0.002728	0.002726
Lakeside Residential	0.002948	0.002946
Lakeside Vacant Land	0.006367	0.006365
Urban Agricultural Land	0.002320	0.002318
Urban Commercial and Industrial Land	0.003958	0.003956
Urban Rate	0.002893	0.002891
Urban Vacant Land	0.006249	0.006246

- Apply this correction to the third (February 2019) instalment notice;
- Send a SMS/Email notification to Flexipay and BPay customers advising that their scheduled payments will be automatically adjusted to reflect the new (reduced) amount.
- If a 'paid in full' ratepayer's additional payment exceeds \$35 customers will be provided with the option between a credit or refund. For 'paid in full' ratepayers where the additional amount is less than \$35 this will be applied as accredit to their 2019/2020 rates
- That the Essential Services Commission be advised accordingly.

### **Attachments**

1 Letter from Essential Services Commission 1 Page

### **EXECUTIVE SUMMARY**

As part of the Essential Services Commission's (ESC) annual compliance process, it has been brought to Council's attention that Cardinia is currently "immaterially non-compliant" with the Fairer Victoria rate cap that was set at 2.25%.

Council was found to have a rate increase of 2.33% or a total of \$52,765 over the 2.25% cap, this equates to an average of \$1.22 per rateable assessment.

To ensure compliance with the rate cap, it is recommended that council undertakes a minor adjustment to the rates in the dollar. As this adjustment is deemed immaterial, it will not require the Council to revise the adopted budget.

Details of the proposed adjusted rates are as follows:

Category	Number	Capital Improved Value (CIV) \$	Current Rate \$/CIV	Adjusted Rate \$/CIV	Adjusted rate income
Agricultural Land	1,154	1,488,380,000	0.002048	0.002045	\$3,043,737
Base Rate	15,492	9,340,788,750	0.002728	0.002726	\$25,462,990
Lakeside Residential	2,402	1,246,420,000	0.002948	0.002946	\$3,671,953
Lakeside Vacant Land	8	2,710,000	0.006367	0.006365	\$17,249
Urban Agricultural Land	17	80,375,000	0.002320	0.002318	\$186,309
Urban Commercial and Industrial Land	1,389	1,335,800,000	0.003958	0.003956	\$5,284,424
Urban Rate	20,080	10,569,855,000	0.002893	0.002891	\$30,557,450
Urban Vacant Land	2,738	1,030,430,000	0.006249	0.006246	\$6,436,065
<b>Total</b>	<b>43,280</b>	<b>25,094,758,750</b>			<b>\$74,660,180</b>

## BACKGROUND

There are several contributing factors which have resulted in Council being "immaterially non-compliant" with the 2.25% rate cap, including:

- Fewer new rateable properties than projected;
- The late receipt of approved valuation data from the Valuer General
- Higher than anticipated valuations.

Through the development of the 2018/19, budget estimated valuation figures and estimated assessment numbers were used to calculate the various rates in the dollar advertised in the draft budget. Once valuation data was received from the Valuer General's Office, a correction to reduce the rates in the dollar for the various categories of properties was moved at the Council Meeting when the budget was adopted. Unfortunately this reduction in the rate in the dollar was not sufficient to bring the total rateable income under the rate cap.

To avoid a recurrence of this situation in the future, Council officers will now use 'point in time' data to inform rating calculations, instead of projections. Point in time figures will be revisited throughout the budget process, allowing for the rate in the dollar to be adjusted accordingly.

## POLICY IMPLICATIONS

The State Government Rate capping policy was introduced into the Local Government Act in 2015 and has applied for the last two financial years.

## RELEVANCE TO COUNCIL PLAN

Nil

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## CONSULTATION/COMMUNICATION

Ratepayers will be advised of adjustments to the rate in the dollar through numerous channels, including:

- The rate adjustment will be listed and applied to the third (February 2019) instalment notice;
- SMS/Email notification to Flexipay and BPay customers advising that their scheduled payments will be automatically adjusted to reflect the new (reduced) amount.
- Ratepayers who have paid in full will be credited on their 2019-20 rates notice. If the additional amount paid exceeds \$35, customers will be provided with the option between a credit or refund. (Processing/administration costs for refunds for amounts below \$35 are cost-prohibitive).

## FINANCIAL AND RESOURCE IMPLICATIONS

There will be only a minimal impact on the adopted budget, the \$52,765 will be offset by higher than budgeted income from supplementary rates. Other costs (staff, SMS, postage etc) can be accommodated within existing operational budgets.

## CONCLUSION

It is recommended that Council make a minor adjustment to the rate in the dollar to ensure compliance with the 2.25% rate cap. Adjustments, refunds or credits would be applied as outlined above.



22/10/2018

RM/18/26837

Carol Jeffs  
Chief Executive Officer  
Cardinia Shire Council  
PO Box 7  
Pakenham VIC 3810

Dear Carol,

Cardinia Shire Council provided the annual compliance information to us on 26 September 2018. Based on this information, we would report Council as immaterially non-compliant with an average rate increase of 2.33 per cent in our annual compliance report to be released in early December.

A number of councils have adjusted their rates in the dollar over the last few months to ensure compliance with the rate cap (without revising their budgets). We would like to make you aware of this situation and see whether you would like to follow a similar course of action.

If Council were to adjust its rates in the dollar in line with the 2.25 per cent rate cap, we would report Council as compliant. Council would need to do the following prior to us releasing our annual compliance report in early December:

- Provide evidence of adjusting its rates in the dollar e.g. council resolution
- Provide information about how it will implement the adjusted rates in the dollar including for ratepayers that pay by instalments and ratepayers that have paid up-front
- Resubmit the annual compliance information for 2018-19.

Any council we report as non-compliant would have the opportunity to explain the reason for non-compliance and we would publish this in our annual compliance report. We would also provide any council we report as non-compliant with an embargoed copy of relevant sections of our report prior to releasing publicly.

**Essential Services Commission** | Level 37 / 2 Lonsdale Street | Melbourne Victoria 3000  
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Could you please advise us by COB Tuesday 30 October whether Council intends to adjust its rates in the dollar and when Council will discuss the matter?

If you have any questions, please do not hesitate to contact me on 9032 1326.

Kind regards

**Marcus Crudden**  
Director, Price Monitoring and Regulation

