

## Management report to Council

Agenda item 6.4  
Council  
30 October 2018

### Proposal to rectify non-compliance with the rate cap

**Presenter:** Linda Weatherson, Director City Operations

#### Purpose and background

1. The purpose of this report is to seek Council endorsement to amend the non-residential rate in the dollar adopted in the 2018 Annual Plan and Budget (2018 APB) so that the Council complies with the 2.25 percent rate cap set by the Victorian Government under the 'Fair Go Rates' system.
2. Corrections made to the 2018 General Valuation (2018 GV) have resulted in \$3.67 million of additional general rates revenue being raised. This additional revenue was not budgeted in the 2018 APB. This resulted in Council exceeding the rate cap by 1.32 per cent.
3. The audit of the 2018 GV has been completed and the Valuer General Victoria (VGV) is in the process of recommending to the Minister to issue a generally true and correct certificate.

#### Key issues

4. The Essential Service Commission (ESC) has indicated that it will find the City of Melbourne non-compliant for exceeding the rate cap which will be published in their annual compliance report.
5. Under the current system, it is likely that this issue will occur in future years, due to the fact that Council is moving to annual general valuation cycles from 2019 onwards. There is a misalignment between the date Council adopts its Annual Plan and Budget, (normally last week of June) and the VGV completes the Councils general valuations audit (normally September). The ESC has indicated that they will take a strict approach to assessing compliance with the rate cap. Therefore, if the overall valuation increases as a result of GV corrections it will render Council non-complaint. Visa versa, if the overall valuation decreases, Council will have a budget shortfall. The ESC are aware of the issue and are working with Local Government Victoria (LGV) and the VGV to try to manage the issue.
6. Management has been liaising with the ESC since the discrepancy was discovered. The ESC will provide Council with an opportunity to explain the reason for non-compliance and how they intend to rectify the matter. This explanation will be published in the annual compliance report.
7. Since the 2018 GV corrections predominantly affect the non-residential sector (99.4 percent) it is proposed that only the non-residential rate be adjusted and the \$3.67 million be refunded to the non-residential ratepayers in the 2018-19 financial year. Once this refund is processed the City of Melbourne will be compliant with the 2.25 per cent rate cap.

#### Recommendation from management

8. That Council:
  - 8.1. Reduces the non-residential rate in dollar by 0.09669 cents from 4.62094 cents to 4.52425 cents.
  - 8.2. Provides a refund applied to all non-residential assessments in the 2018-19 financial year.
  - 8.3. Notes that all non-residential ratepayers be sent a letter or email of explanation with:
    - 8.3.1 ratepayers who have already paid in full receiving a refund cheque.
    - 8.3.2 ratepayers who have an outstanding balance being advised that their refund will be applied to the next notice that is issued.

#### Attachments:

1. Supporting Attachment (Page 2 of 2)

## Supporting Attachment

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### Legal

1. The process contained in the recommendation from management will ensure Council complies with the spirit of the 'Fair Go Rates' system.

### Finance

2. Funding for the mail out to non-residential ratepayers and the additional three staff for six weeks required to manage the customer enquiries have not been provided for in the current 2018–19 budget. It is estimated to cost around \$35,000 will be found within the 2018–19 budget.
3. Supplementary valuations have been put on hold until this issue has been dealt with by Council. The impact on supplementary valuation revenue is estimate to be around \$700,000.
4. Given the \$3.67 million was not included in the 2018–19 budget, the overall impact of the recommendation from management is revenue neutral.

### Conflict of interest

5. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

### Occupational Health and Safety

6. There are no occupational health and safety issues relating to the recommendation in this report.

### Stakeholder consultation

7. Officers have consulted with Valuer General Victoria, Local Government Victoria and the Essential Service Commission to seek their advice on this matter

### Environmental sustainability

8. Where practical, the management will email non-residential ratepayers who have nominated to receive their rate notice electronically.