

3.2 PROPOSED ANNUAL BUDGET 2022/23

(YN:DW:F18-4448)

Responsible Senior Officer: Danny Wain, Chief Financial Officer

RECOMMENDATION

That Council having prepared and given public notice of the proposed 2022/23 Annual Budget in accordance with Section 94 of the Local Government Act 2020 (the Act), and having conducted a consultative process, including having received and considered submissions, resolves:

- 1. to adopt 2022/23 Annual Budget, in accordance with Section 94 of the Local Government Act 2020 in the same form as the proposed 2022/23 Annual Budget of which Council gave public notice (with minor adjustments as outlined in this report);*
- 2. to apply differential rating using Capital Improved Value (CIV) as the basis of valuation to all rateable land to raise rates by 1.75 per cent in 2022/23 and the estimated amount it intends to raise by way of General Rate income is \$136,818,639, comprising:
 - a) an amount of \$135,428,796 which is intended to be raised by the General Rates;*
 - b) an estimated amount of \$1,133,220 of supplementary rate income growth*
 - c) an amount of \$256,623 in lieu of rates in accordance with the Cultural and Recreational Lands Act 1963;**
- 3. to recognise that ratepayers receiving pensions should be given assistance to remain in their homes, maintains the Council funded \$50 rate rebate to assist eligible pensioners ("eligible pensioners" within the meaning of the State Concessions Act 2004) with their Council rates;*
- 4. to apply a service charge under Section 162 of the Act, Recycling & Waste Charge of \$46 per rateable property; and also provide a \$46 waiver under Section 171 of the Local Government Act 1989 for eligible pensioners towards the Recycling & Waste Charge;*
- 5. that rates will be raised by the application of Differential Rates:
 - a) the General Residential Rate of 0.00132475 cents in the dollar applied to the Capital Improved Value (CIV) of all residential rateable land;*
 - b) the General Non-Residential Rate of 0.00153235 cents in the dollar applied to the Capital Improved Value (CIV) of all non-residential rateable land;**
- 6. that the declaration of the General Residential Rate and General Non-Residential Rate will contribute to the equitable and efficient carrying out of its functions. The Rates will be applied to all rateable properties;*
- 7. that the Rates will be separately levied in respect of each portion of rateable land for which Council has a separation valuation (unless Council has determined a charge in lieu of rate in accordance with the Cultural and Recreational Lands Act 1963);*
- 8. that Council provides a concession of 60% of the relevant rate for qualifying properties in accordance with the Cultural and Recreational Lands Act 1963 (CRLA);*

9. *in accordance with Section 167 of the Local Government Act 1989, declares the rates and charges must be paid:*
- a) in a lump sum on or before 15 February 2023; or*
 - b) by 4 instalments on or before:*
 - * 30 September 2022*
 - * 30 November 2022*
 - * 28 February 2023*
 - * 31 May 2023; or*
 - c) by 10 instalments on or before:*
 - * 01 September 2022*
 - * 01 October 2022*
 - * 01 November 2022*
 - * 01 December 2022*
 - * 03 January 2023*
 - * 01 February 2023*
 - * 01 March 2023*
 - * 01 April 2023*
 - * 02 May 2023*
 - * 01 June 2023*
10. *will apply interest to overdue rates and charges payments in accordance with Section 172 of the Local Government Act 1989, noting that the rate of the interest is payable on the rates and charges which have not been paid by the dates declared, is fixed in accordance with Section 2 of the Penalty Interest Rates Act 1983;*
11. *allows for overdue non-instalment payers, an additional 21 days from the 15 February to pay any overdue rates, before the application of the interest referred to in part 11 of this resolution; and*
12. *give public notice of its decision to adopt the 2022/23 Annual Budget in accordance with the Act.*

BACKGROUND

Council, at its meeting on Tuesday 26 April 2022, approved the proposed 2022/23 Annual Budget for the purpose of giving public notice under Council's Community Engagement Framework. The proposed 2022/23 Annual Budget for Monash City Council has been prepared in accordance with Section 94 of the *Local Government Act 2020* (the Act) and the *Local Government (Planning and Reporting) Regulations 2020* (the Regulations). The proposed 2022/23 Annual Budget also incorporates the major initiatives identified by the Council as priorities in the Council Plan, to be undertaken during the next financial year.

Public notice of the proposed 2022/23 Annual Budget was published in 'The Age' newspaper on Wednesday 27 April 2022, as well as being advertised in Council's 'Bulletin' distributed to all Monash residences, and published on the Council's website.

A copy of the 2022/23 Draft Budget was put on display at eight locations throughout the municipality and made available for public inspection between 27 April and 3rd June 2022 (both dates inclusive).

Council must declare its rates and charges in accordance with Section 158 of the *Local Government Act 1989*. Council needs to declare, amongst other things, that the rates will be raised by the application of a “uniform rate” or “differential rate”, applied to the Capital Improved Value (CIV) applicable to all rateable land within its municipal district. The 2022 valuation data is subject to approval by the Valuer- General Victoria. In addition, this declaration is in accordance with Part 8A (RATE CAPS) of the Act (noting that the Minister has set the rate cap for 2022/23 at 1.75 per cent).

DISCUSSION

Fair Go Rates System Compliance

The proposed Annual Budget 2022/23 has been prepared in accordance with the State Government’s *A Fair Go Rates System* (FGRS). The proposed Annual Budget incorporates a rate increase of 1.75 per cent for the 2022/23 year. This represents the 1.75 per cent rate cap determined by the Minister for Local Government in December 2021 to apply to all Councils for the 2022/23 financial year. This rate is a forecast movement of 1.75 per cent in the Consumer Price Index (CPI), as determined by the Department of Treasury & Finance.

Recycling & Waste Charge

For 2022/23 Council will again apply a service charge under Section 162 of the *Local Government Act 1989* to recover the additional costs of recycling, e-waste contracts 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 that can’t/couldn’t be funded from rate revenue under the government’s annual rate cap. For 2022/23 Council will continue to charge a “Recycling & Waste Charge” which is a service charge to meet those increased costs and also cover significant increases to the State’s Waste landfill levy. The current contract with Visy Recycling is in place until April 2023. 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 and waste levy, a service charge introduced to meet increased costs in recycling and the State Government’s landfill levy, will increase from \$42 to \$46 with provision to provide a waiver (\$46) for every eligible pensioner ratepayer.

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.

For 2022/23 Council will again provide a waiver under Section 171 of the *Local Government Act 1989* to all eligible pensioner ratepayers from paying the Recycling & Waste Levy (\$46)

which has been applied to all ratepayers to recover the additional costs of recycling & the State's Waste Levy.

Differential Rates

In 2022/23, Council will raise its rate revenue by the application of differential rating using Capital Improved Value (CIV) as the basis of valuation. Differential rates will apply to all rateable land and include a rate in the dollar to raise rates by an average (across all rateable properties) of 1.75 per cent in 2022/23. The final valuation certification signed by the Minister has resulted in an amendment to the rate in the dollar to ensure compliance with the rate cap requirements for 2022/23.

The rating structure comprises differential rates that Council believes will contribute to a more equitable distribution of the rating burden. Differential rating allows particular classes of properties to be assessed at different levels from the general rate set for the municipality. The rate and amount of rates payable in relation to land in each category of differential are:

- A Residential Rate of 0.132475 per cent (0.00132475 cents in the dollar of CIV) for all rateable residential properties; and
- A Non-Residential Rate of 0.153235 per cent (0.00153235 cents in the dollar of CIV) for all non-residential rateable properties.

Underpinning the rationale for differential rates is the recognition that rates are becoming increasingly harder for people to pay, and this tends to hit residents the hardest – particularly residents like pensioners who are living off low, fixed incomes. Given the shift in rate burden over the past six years away from commercial and industrial ratepayers and to the disadvantage of residential ratepayers, it is fair and reasonable that Council should use a differential to address that trend.

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. Such a determination and its rationale must be disclosed in the Council's proposed budget. Section 161(2A) of the *Local Government Act 1989* requires that councils must have regard to the Ministerial Guidelines on Differential Rates (the Guidelines) before declaring a differential rate for any land.

The foundational criteria for differential rating category of "Residential Rate" and Non-Residential Rate" is based on the Valuer General Victoria (VGV) Australian Valuation Property Classification Code (AVPCC) categorisation, submitted by the VGV annually with each revaluation return and throughout the rating year.

Eligible Pensioner Rebate

In 2015/16 Council introduced a new initiative to assist eligible pensioners, with a \$50 rebate on their council rates. The key rationale for introducing a pensioner rate rebate of \$50 was because the level of rate increases in Monash (like other councils') has risen above the cost of living since the mid-1990s. Monash Council has approximately 10,700 eligible pensioner ratepayers; approximately 14 per cent of total residential ratepayers in Monash. It is proposed that the \$50 rebate for eligible pensioners will continue for the 2022/23 year.

Cultural and Recreational Land (CRL) Properties

Council is required to undertake a separate process to assess the charges applicable in lieu of rates for Cultural & Recreational land use properties. Adoption of the budget will incorporate the charges in lieu of rates for those properties.

Leases over Council Properties

Under the Act, Council is required to include any proposal to lease land in a financial year in the budget, where the lease is for;

- a) one year or more and
 - i. the rent for any period of the lease is \$100 000 or more a year; or
 - ii. the current market rental value of the land is \$100 000 or more a year; or
- b) for 10 years or more.

Council has a number of leases due to expire in the financial year 2022/23 and intends to enter into new lease agreements. The list of tenants is included in the 2022/23 Annual Budget. Subject to mutual agreement, the new tenancy arrangements will be in place for the financial year 2022/23.

Capital Works Programs

The 2022/23 Annual Budget identifies the financial and resource requirements including provision for funding of capital works programs as part of Council's financial planning considerations. A major element of the Annual Budget is the 4-year Renewal and New/Upgrade/Expansion Capital Works Programs.

The Renewal Capital Program provides annual funding for a broad range of works necessary to preserve and maintain the functionality and serviceability of Council's growing and ageing asset base. The Renewal Capital Program is reviewed and updated annually to reflect revised priorities, refurbishment need, compliance obligations, changes in external funding and updated cost estimates.

The Capital Works Program in 2022/23 totals \$90.6M including \$10.9M of carry forward projects, with proposed funding for renewal capital works of nearly \$56.6M. The total Capital Works funding has been increased by \$34.6M compared to the 2020/21 forecast budget.

SOCIAL IMPLICATIONS

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. Under the *Local Government Act 1989* (the Act), Council must also ensure the equitable imposition of rates and charges (Section 3C (f)).

Keeping these statutory provisions in mind, the purpose of the Draft Budget is therefore to advise the proposed rating options, fee setting and spends by Council and how these contribute towards meeting those supporting principles.

HUMAN RIGHTS & GENDER EQUITY CONSIDERATIONS

Officers have conducted a review of the proposed Budget and determined that there are no implications arising from the *Charter of Human Rights and Responsibilities Act 2006*.

Monash City Council is committed to meaningful progress through the completion of Gender Impact Assessments. We are in the beginning stages of this work to develop a systematic way to consider the impact of Council's budget, and whether it will have equitable outcomes. We will continue to learn and evolve through the process. The Gender Equality Commissioner will provide more guidance around Gender Responsive Budgeting in the future.

We have made some progress towards promoting gender equality such as through the introduction of the GIA Fees and Charges Checklist, but more work in this area needs to be completed over time.

A Gender Impact Assessment (GIA) was undertaken on the draft Budget 2022/23, which highlighted the importance of continued reflection on available data, and consultation processes. A process including Gender Impact Assessment Review, as part of the setting of annual fees and charges by services, such as libraries, has been implemented. As an example, the new Active Monash pricing model has assisted in improving accessibility for the aged, older, disabled, women and families, by reducing pricing as a barrier.

SUBMISSIONS

Council appointed a Committee of Council, comprising all councillors to consider submissions received on the proposed 2022/23 Annual Budget. Council received eleven (11) written submissions in response to the proposed budget.

The submission hearing was held on Tuesday 14 June 2022. The committee gave consideration to the matters raised by the submitters. A report from the committee is presented to council at this council meeting for consideration.

BUDGET CHANGES

Since the adoption of the Draft Budget for consultation the following immaterial changes will be incorporated into the Budget document;

- Capital Works budget changes:
 - Additional \$1.9M of capital works budget across a number of projects were recognised to be carried forward to 2022/23.
- Rate Income and rate in the dollar changes
 - The allowed rate income that was proposed to be raised by Council has decreased by an amount of \$28,473 due to supplementary valuations that decreased in the current 2021 CIV total base upon which the allowed rate revenue is determined.
 - This reduction in income also reduced the differential rates in the dollar that are to be applied to rateable properties in 2022/23 to ensure Rate Cap compliance.

CONCLUSION

The proposed Annual Budget 2022/23 has been prepared in accordance with legislative requirements. Council should now resolve to adopt the proposed budget, together with the immaterial changes to the proposed budget contained in this report.