



# Revenue & Rating Plan

Adopted 23 June 2021

2021/22 – 2024/25

# Revenue & Rating Plan

## 2021/22 – 2024/25

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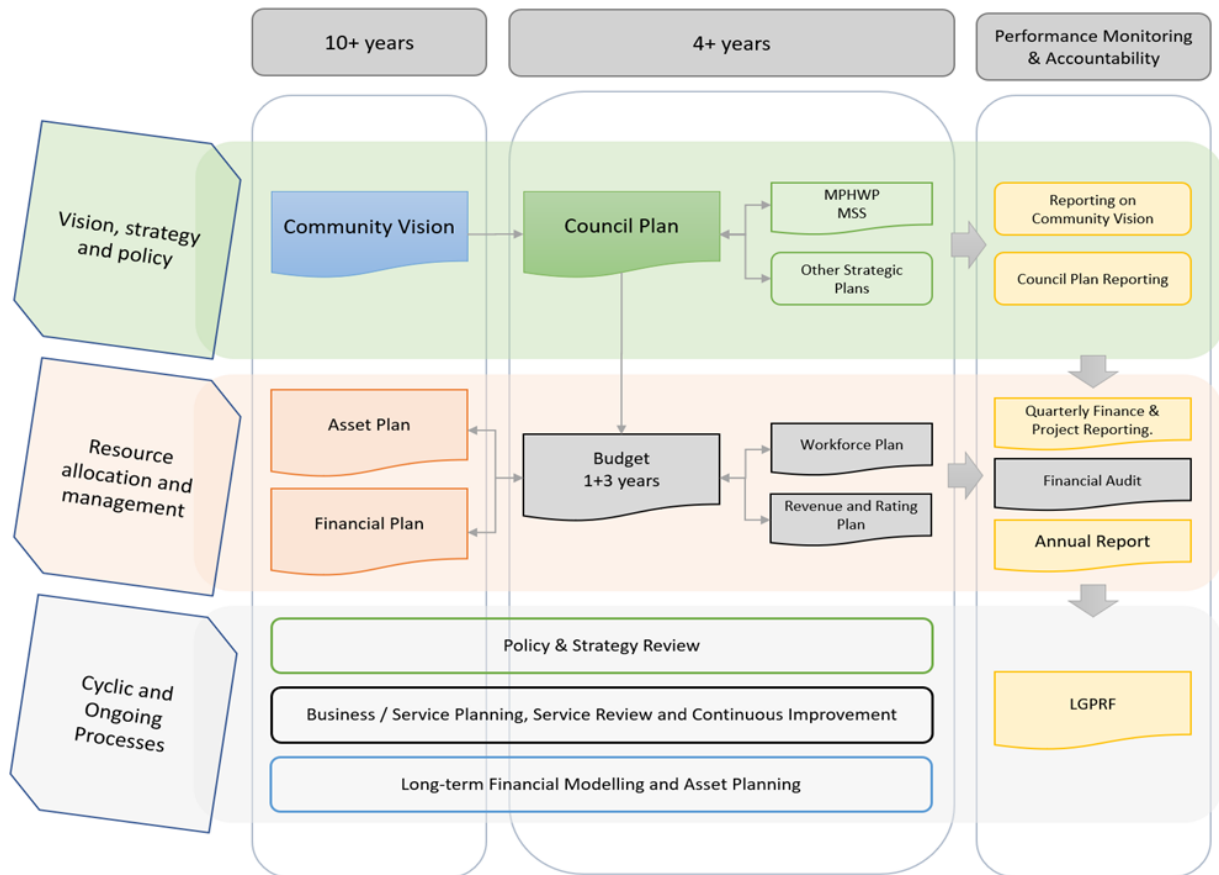
# 1. Purpose

The *Local Government Act 2020* requires each council to prepare a Revenue and Rating Plan to cover a minimum period of four years following each Council election. The Revenue and Rating Plan establishes the revenue raising framework within which the Council proposes to work.

The purpose of the Revenue and Rating Plan is to determine the most appropriate and affordable revenue and rating approach for Southern Grampians Shire Council which in conjunction with other income sources will adequately finance the strategic objectives described in the Council Plan.

This plan is an important part of Council's integrated planning framework, all of which is created to help Council achieve its vision of Council being recognised as a well-connected, dynamic Regional Centre, supporting a vibrant, healthy and inclusive community.

Strategies outlined in this plan align with the objectives contained in the current Council Plan and will feed into our budgeting and long-term financial planning documents, as well as other strategic planning documents under our Council's strategic planning framework. If required, Council will realign the Revenue and Rating Plan to encompass any additional requirements of the new Council Plan that is currently being developed for the period 2021 – 2025.



This plan will explain how Council calculates the revenue needed to fund its activities, and how the funding burden will be apportioned between ratepayers and other users of Council facilities and services.

In particular, this plan will set out decisions that Council has made in relation to rating options available to it under the *Local Government Act 2020* to ensure the fair and equitable distribution of rates across property owners. It will also set out principles that are used in decision making for other revenue sources such as fees and charges. (Reference will be made in the plan to the *Local Government Act 1989* where the current *Act* refers back to this.)

It is also important to note that this plan does not set revenue targets for Council, it outlines the strategic framework and decisions that inform how Council will go about calculating and collecting its revenue.

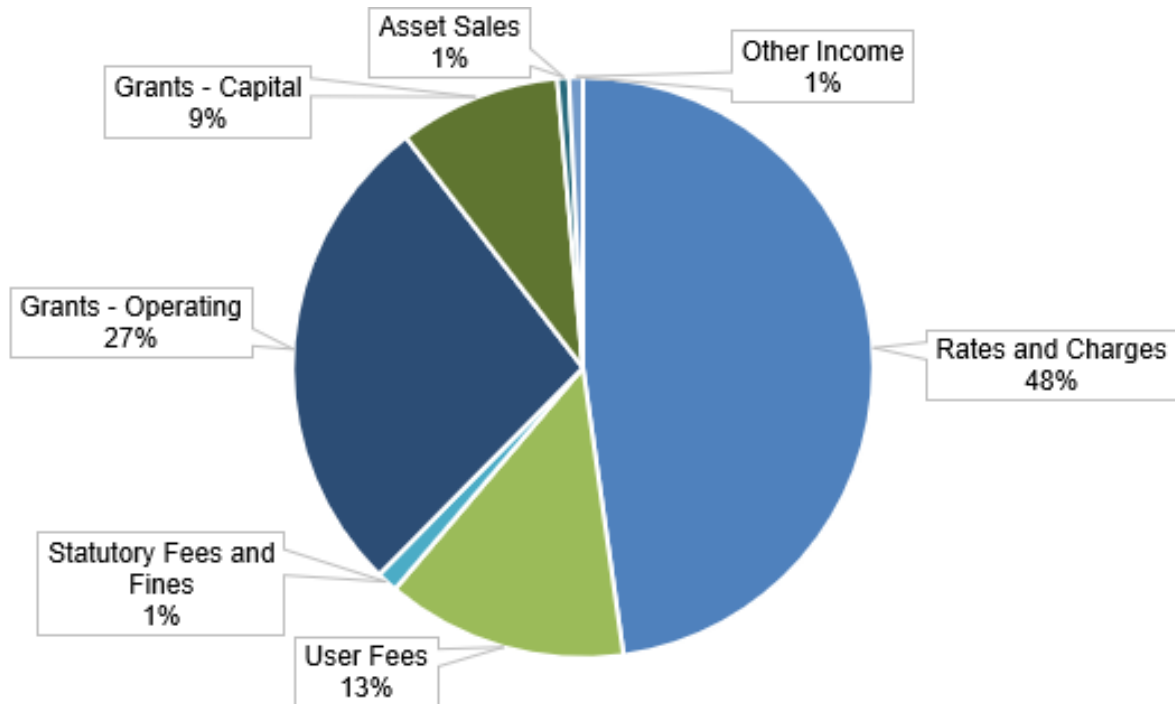
## 2. Introduction

Council provides a number of services and facilities to our local community, and in doing so, must collect revenue to cover the cost of providing these services and facilities.

Council's revenue sources include:

- Rates and Charges (inclusive of waste charges)
- Statutory Fees and Fines
- User Fees
- Grants – Operating and Capital
- Cash and non-cash contributions from other parties (i.e. developers, community groups)
- Interest from investments
- Sale of Assets

The graph below illustrates Council's revenue sources from the proposed budget for 2021/22.



Rates and charges are the most significant revenue source for Council and make up 48% of its adjusted underlying revenue.

The introduction of the Fair Go Rates System (rate capping) has provided substantial financial challenges to Council's long-term financial sustainability and continues to restrict Council's ability to raise revenue above the rate cap unless application is made to the Essential Services Commission for a variation. Maintaining service delivery levels and investing in community assets remain key priorities for Council.

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 are set by State

Government statute and are commonly known as regulatory fees. In these cases, councils usually have no control over service pricing. However, in relation to other services, Council can set a fee or charge and will set that fee based on the principles outlined in this Revenue and Rating Plan.

Council revenue can also be adversely affected by changes to funding from other levels of government. Some grants are tied to the delivery of council services and for a fixed period, whilst many are tied directly to the delivery of new community assets, such as roads or sports pavilions. It is important for Council to be clear about what grants it intends to apply for, and the obligations and expectations that grants create in the delivery of services or infrastructure.

### **3. Community Engagement**

The Revenue and Rating Plan outlines Council's decision-making process on how revenues are calculated and collected.

The following public consultation process will be followed to ensure due consideration and feedback is received from relevant stakeholders.

The Revenue and Rating Plan community engagement process:

- Draft Revenue and Rating Plan prepared by officers
- Draft Revenue and Rating Plan elements workshopped with Councillors
- Draft Revenue and Rating Plan released for public comment mid-late May
- Community engagement through Council's website and social media.
- Community feedback reviewed and presented to Council for consideration.
- Draft Revenue and Rating Plan (with any revisions) presented to 23 June 2021 Council meeting for adoption.

## 4. Rates and Charges

Rates are a property tax that allow Council to raise revenue to fund essential public services to cater to their municipal population. Importantly, it is a taxation system that includes flexibility for each council to utilise different tools in its rating structure to accommodate issues of equity and to ensure fairness in rating for all ratepayers.

Council has established a rating structure comprised of three key elements. These are:

- General Rates – Based on property values using the Capital Improved Valuation methodology, and form the central basis of rating under the *Local Government Act*.
- Municipal Charge - A 'fixed rate' portion per property to cover some of the administrative costs of Council.
- Service Charges - A 'user pays' component for council services to reflect benefits provided by Council to ratepayers who benefit from a service eg. waste services.

Striking a proper balance between these elements will help to improve equity in the distribution of the rate burden across residents and ratepayers.

Council makes a further distinction when applying general rates by applying rating differentials based on the geographical location of properties. This distinction is based on the concept that different geographical locations should pay a fair and equitable contribution, considering the benefits those properties derive from the local community.

Council also levies a municipal charge. The municipal charge is a minimum rate per property and declared for the purpose of covering some of the administrative costs of Council. In applying the municipal charge, Council ensures that each rateable property in the municipality contributes.

The formula for calculating General Rates, excluding any additional charges, arrears or additional supplementary rates is:

- Valuation (Capital Improved Value) x Rate in the Dollar (Differential Rate Type)

The rate in the dollar for each rating differential category is included in Council's annual budget.

Rates and charges are an important source of revenue, accounting for over 48% of operating revenue received by Council. The collection of rates is an important factor in funding Council services.

Planning for future rate increases is therefore an essential component of the long-term financial planning process and plays a significant role in funding both future service delivery levels and managing the increasing costs related to providing Council services.

Council is aware of the balance between rate revenue (as an important income source) and community sensitivity to rate increases. With the introduction of the State Government's Fair Go Rates System, all rate increases are capped to a rate declared by the Minister for Local Government, which is announced in December for the following financial year.



Council currently utilises a service charge to recover the cost of Council's kerbside waste services. The kerbside waste service charge is not capped under the Fair Go Rates System, and Council will continue to set this charge at a level to cover all collection and disposal costs associated with the provision of kerbside waste services. Other waste service charges (such as transfer station fees) are included under User Fees and Charges.

#### 4.1 Rating Legislation

The legislative framework set out in the *Local Government Act 1989* determines Council's ability to develop a rating system. The framework provides significant flexibility for Council to tailor a system that suits its needs.

Section 155 of the *Local Government Act 1989* provides that a Council may declare the following rates and charges on rateable land:

- General rates under section 158;
- Municipal charges under section 159;
- Service rates and charges under section 162;
- Special rates and charges under section 163;

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

In raising Council rates, Council is required to primarily use the valuation of the rateable property to levy rates. Section 157 (1) of the *Local Government Act 1989* provides Council with three choices in terms of which valuation base to be utilised. The systems of valuing land a Council:

- may use the site value (SV), net annual value (NAV) or capital improved value (CIV) system of valuation.
- must publish public notice of its decision to change its system of valuation.

The advantages and disadvantages of the respective valuation basis are discussed further in this document. Whilst this document outlines Council's strategy regarding rates revenue, rates data will be contained in the Council's Annual Budget as required by the *Local Government Act 2020*.

Section 94(2) of the *Local Government Act 2020* states that Council must adopt a budget by 30 June each year (or at another time fixed by the Minister) to include:

- the total amount that the Council intends to raise by rates and charges;
- a statement as to whether the rates will be raised by the application of a uniform rate or a differential rate;
- a description of any fixed component of the rates, if applicable;
- if the Council proposes to declare a uniform rate, the matters specified in section 160 of the *Local Government Act 1989*;
- if the Council proposes to declare a differential rate for any land, the matters specified in section 161(2) of the *Local Government Act 1989*;

Section 94(3) of the *Local Government Act 2020* also states that Council must ensure that, if applicable, the budget also contains a statement:

- that the Council intends to apply for a special order to increase the Council's average rate cap for the financial year or any other financial year; or
- that the Council has made an application to the ESC for a special order and is waiting for the outcome of the application; or
- that a special Order has been made in respect of the Council and specifying the average rate cap that applies for the financial year or any other financial year.

This plan outlines the principles and strategic framework that Council will utilise in calculating and distributing the rating burden to property owners, however, the quantum of rate revenue and rating differential amounts will be determined in Southern Grampians Shire Council's annual budget.

## 4.2 Rating Principles

When developing a rating strategy, in particular with reference to differential rates, a Council should give consideration to the following good practice taxation principles:

- Tax
- Equity
- Efficiency
- Simplicity
- Benefit
- Capacity to Pay
- Diversity

### **Tax**

The "Tax" principle implies that the rates paid are dependent upon the value of a ratepayer's real property and have no correlation to the individual ratepayer's consumption of services or the perceived benefits derived by individual ratepayers from the expenditures funded from rates.

### **Equity**

Equity should be considered from a horizontal and vertical perspective when setting rates.

Horizontal equity – ratepayers in similar situations should pay similar amounts of rates (ensured mainly by accurate property valuations, undertaken in a consistent manner, their classification into property classes and the right of appeal against valuation).

Vertical equity – those who are better off should pay more rates than those worse off (the rationale applies for the use of progressive and proportional income taxation. It implies a "relativity" dimension to the fairness of the tax burden).

### **Efficiency**

Economic efficiency is measured by the extent to which production and consumption decisions by people are affected by rates.

### **Simplicity**

How easily a rates system can be understood by ratepayers and the practicality and ease of administration.

**Benefit**

The extent to which there is a nexus between consumption/benefit and the rate burden.

**Capacity to Pay**

The capacity of ratepayers or groups of ratepayers to pay rates.

**Diversity**

The capacity of ratepayers within a group to pay rates.

The rating challenge for Council therefore is to determine the appropriate balancing of competing considerations.

### 4.3 Rates and Charges Revenue Principles

Property rates will:

- be reviewed annually,
- not change dramatically from one year to the next; and
  - be sufficient to fund current expenditure commitments and deliverables outlined in the Council Plan, Financial Plan, and Asset Plan.

Differential rating should be applied as equitably as is practical and will comply with the Ministerial Guidelines for Differential Rating 2013.

## 5. Determining the Valuation Base

Under the *Local Government Act 1989*, Council has three options as to the valuation base it elects to use. They are:

- Capital Improved Value (CIV) – Value of land and improvements upon the land.
- Site Value (SV) – Value of land only.
- Net Annual Value (NAV) – Rental valuation based on CIV

### Capital Improved Value (CIV)

Capital Improved Value is the most commonly used valuation base by local government with over 90% of Victorian councils applying this methodology. Based on the value of both land and all improvements on the land, it is generally easily understood by ratepayers as it equates to the market value of the property. Section 161 of the *Local Government Act 1989* provides that a Council may raise any general rates by the application of a differential rate if:

- it uses the capital improved value system of valuing land; and
- it considers that a differential rate will contribute to the equitable and efficient carrying out of its functions.

Where a council does not utilise CIV, it may only apply limited differential rates in relation to farmland, urban farmland or residential use land.

### Advantages of using Capital Improved Value (CIV)

- CIV includes all property improvements, and hence is often supported on the basis that it more closely reflects “capacity to pay”. The CIV rating method considers the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.
- With the increased frequency of valuations (previously two-year intervals, now annual intervals) the market values are more predictable and has reduced the level of objections resulting from valuations.
- The concept of the market value of property is more easily understood with CIV rather than NAV or SV.
- Most councils in Victoria have now adopted CIV which makes it easier to compare relative movements in rates and valuations across councils.
- The use of CIV allows council to apply differential rates which greatly adds to council’s ability to equitably distribute the rating burden based on ability to afford council rates.

### Disadvantages of using CIV

- The main disadvantage with CIV is the fact that rates are based on the total property value which may not necessarily reflect the income level of the property owner as with pensioners and low-income earners.

### Site value (SV)

There are currently no Victorian councils that use this valuation base. With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of Site Value in a Southern Grampians Shire Council context would cause a shift in rate burden, and would hinder Council’s objective of a fair and equitable rating system.

### **Net annual value (NAV)**

NAV, in concept, represents the annual rental value of a property. However, in practice, NAV is loosely linked to capital improved value for residential and farm properties. Valuers derive the NAV directly as a percentage of CIV.

In contrast to the treatment of residential and farm properties, NAV for commercial and industrial properties are assessed with regard to actual market rental. This differing treatment of commercial versus residential and farm properties has led to some suggestions that all properties should be valued on a rental basis.

Overall, the use of NAV is not largely supported. For residential and farm ratepayers, actual rental values pose some problems. The artificial rental estimate used may not represent actual market value, and means the base is the same as CIV but is harder to understand.

### **Recommended valuation base**

In choosing a valuation base, Councils must decide on whether they wish to adopt a differential rating system (different rates in the dollar for different property categories) or a uniform rating system (same rate in the dollar). If a Council was to choose the former, under the *Local Government Act 1989* it must adopt either of the CIV or NAV methods of rating.

Based on the different valuation basis and the principle to be applied to rating, Southern Grampians Shire Council has chosen to apply the CIV base for rating purposes. This basis of valuation considers the total market value of the land plus buildings and other improvements.

Differential rating allows (under the CIV method) Council to shift part of the rate burden from some groups of ratepayers to others, through different “rates in the dollar” for each class of property. Section 161(1) of the *Local Government Act 1989* outlines the requirements relating to differential rates, which include:

- A Council may raise any general rates by the application of a differential rate, if Council considers that the differential rate will contribute to the equitable and efficient carrying out of its functions.
- If a Council declares a differential rate for any land, the Council must specify the objectives of the differential rate, which must be consistent with the equitable and efficient carrying out of the Councils functions and must include the following:
  - A definition of the types or classes of land which are subject to the rate and a statement of the reasons for the use and level of that rate.
  - An identification of the type or classes of land which are subject to the rate in respect of the uses, geographic location (other than location based on whether the land is within a specific ward in Council’s district).
  - Specify the characteristics of the land, which are the criteria for declaring the differential rate.

Once the Council has declared a differential rate for any land, the Council must:

- Specify the objectives of the differential rates;
- Specify the characteristics of the land which are the criteria for declaring the differential rate.

The purpose is to ensure that Council has a sound basis on which to develop the various charging features when determining its revenue strategies and ensure that these are consistent with the provisions of the *Local Government Act 1989*.

The general objectives of each of the differential rates are to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council. There is no limit on the number or types of differential rates that can be levied, but the highest differential rate can be no more than four times the lowest differential rate.

### **Property Valuations**

The *Valuation of Land Act 1960* is the principle legislation in determining property valuations. Under the *Valuation of Land Act 1960*, the Victorian Valuer-General conducts property valuations on an annual basis.

Southern Grampians Shire Council applies a Capital Improved Value (CIV) to all properties within the municipality to consider the full development value of the property. This basis of valuation considers the total market value of the land including buildings and other improvements. The value of land is always derived by the principal of valuing land for its highest and best use at the relevant time of valuation.

Council needs to be mindful of the impacts of revaluations on the various property types in implementing the differential rating strategy outlined in the previous section to ensure that rises and falls in council rates remain affordable and that rating 'shocks' are mitigated to some degree.

There is a common misconception that as property values increase, Council receives a 'windfall gain' of additional revenue. This is not so as the revaluation process simply results in a redistribution of the rate burden across all properties in the municipality.

Total income from rates is determined by the Council, during the budget process. In order to generate the same amount of rate revenue, in simple terms, as property values increase, the rate in the dollar decreases.

### **Supplementary Valuations**

Supplementary valuations are carried out for a variety of reasons including rezoning, subdivisions, amalgamations, renovations, new constructions, extensions, occupancy changes and corrections. The Victorian Valuer-General is tasked with undertaking supplementary valuations and advises council on a monthly basis of valuation and Australian Valuation Property Classification Code (AVPCC) changes.

Supplementary valuations bring the value of the affected property into line with the general valuation of other properties within the municipality. Objections to supplementary valuations can be lodged in accordance with Part 3 of the *Valuation of Land Act 1960*. Any objections must be lodged with Council within two months of the issue of the supplementary Rate Notice.

### **Objections to Property Valuations**

Part 3 of the *Valuation of Land Act 1960* provides that a property owner may lodge an objection against the valuation of a property or the AVPCC within two months of the issue of the original or amended (supplementary) Rates and Valuation Charges Notice (Rates Notice), or within four months if the notice was not originally issued to the occupier of the land.

## 6. Rating Differentials

Council believes each differential rate will contribute to the equitable and efficient delivery of Council functions. The purpose of levying differential general rates is to recognise the following inherent characteristics and historical circumstances:

- the different standard of municipal services provided to the residents and ratepayers in different areas of the Shire,
- the different range of municipal services available to the residents and ratepayers in different areas of the Shire,
- differences in the accessibility to municipal services for the residents and ratepayers in different areas of the Shire.

Southern Grampians Shire Council levies the following differential rates and will ensure that the total rate revenue before applying the municipal charge will maintain a 40% allocation of the total rate revenue in differential rate 1 and a combined 60% allocation of the total rate revenue in differential rates 2 and 3.

### **General Rate 1**

Differential General Rate No.1 – will be levied on the capital improved valuation of all rateable land in the parishes of North Hamilton and South Hamilton, excluding farm land (as defined in the Valuation of Land Act 1960) comprising all or part of a single farm enterprise with an area of 40 hectares or more.

### **General Rate 2**

Differential General Rate No.2 – will be levied on the capital improved valuation of all rateable farm land (as defined in the Valuation of Land Act 1960) in the parishes of North Hamilton and South Hamilton comprising all or part of a single farm enterprise with an area of 40 hectares or more.

### **General Rate 3**

Differential General Rate No.3 – will be levied on the capital improved valuation of all other rateable land in the Shire.

Differential Rates Nos. 2 and 3 will be fixed at the same rate and will fluctuate to maintain the 40 / 60 total rate revenue apportionment only. The differential will always be lower for general rates 2 and 3.

## 7. Municipal Charge

Another principal rating option available to Councils is the application of a municipal charge. Under Section 159 of the *Local Government Act 1989*, Council may declare a municipal charge to cover some of the administrative costs of the council. The legislation is not definitive on what comprises administrative costs and does not require a council to specify what is covered by the charge.

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.

Under the *Local Government Act 1989*, a Council's total revenue from a municipal charge in a financial year must not exceed 20% of the combined sum total of the Council's total revenue from the municipal charge and the revenue from general rates (total rates).

The municipal charge applies equally to all properties and is 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 Council's administrative costs can be seen as an equitable method of recovering these costs.

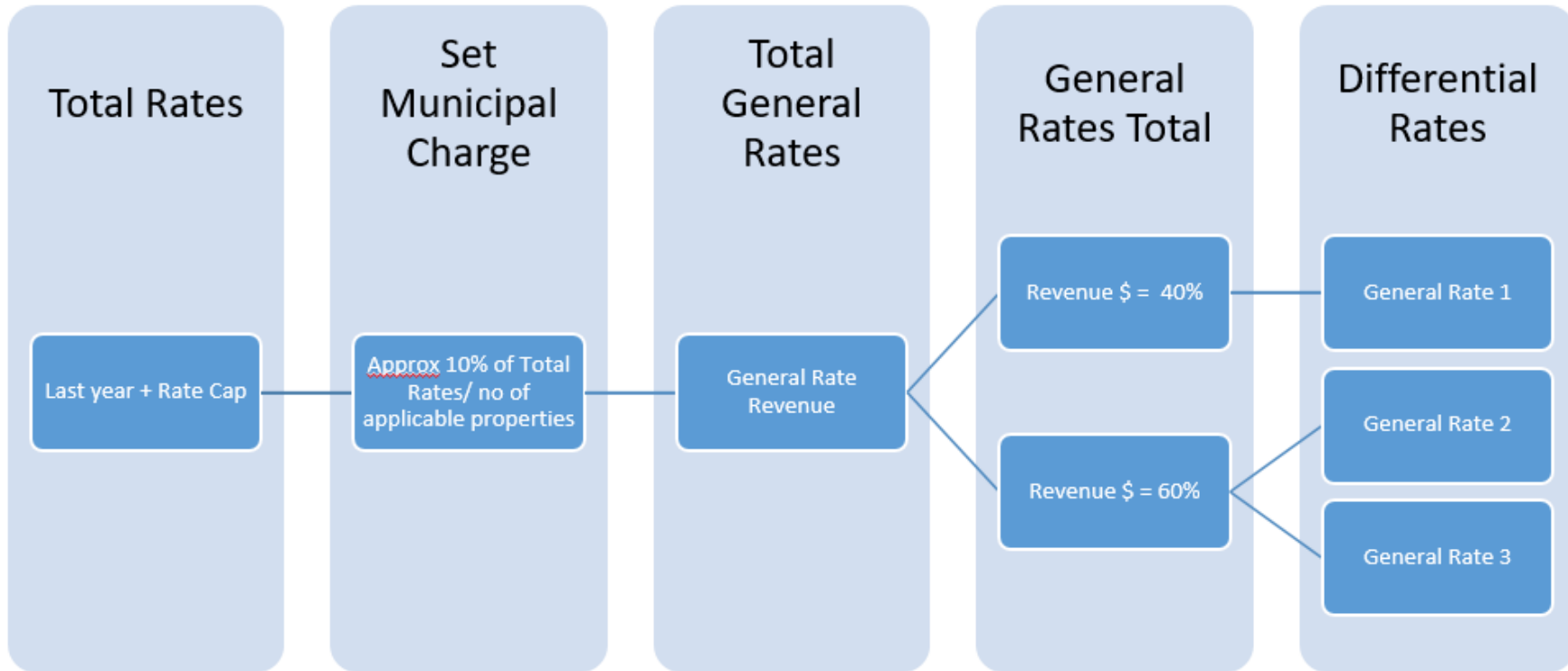
Southern Grampians Shire Council has determined to use this rating option and applies a municipal charge to all properties. A defined single farm enterprise, comprised of multiple properties can apply for an exemption to only pay one municipal charge.

Council's current position is that the Municipal Charge will be set to general approximately 10% of rate revenue.



## 8. Current Rate Setting Process

The following diagram depicts how Council sets the municipal charge and the differential rates for the year.



## 9. Special Charges Schemes

The *Local Government Act 1989* recognises that Councils need help to provide improved infrastructure for their local communities. Legislation allows Councils to pass on the cost of capital infrastructure to the owner of a property that generally receives a unique benefit from the construction works. The technical explanation of a Special Charge comes from legislation, under the *Local Government Act 1989*, that allows Councils to recover the cost of works from property owners who will gain special benefit from that work.

The purposes for which special rates and special charges may be used include road construction, kerb and channelling, footpath provision, drainage, and other capital improvement projects.

The special rate or special charges may be declared based on any criteria specified by the council in the rate (Section 163 (2)). In accordance with Section 163 (3), council must specify:

- the wards, groups, uses or areas for which the special rate or charge is declared; and
- the land in relation to which the special rate or special charge is declared;
- the way the special rate or special charge will be assessed and levied; and
- details of the period for which the special rate or special charge remains in force.

The special rates and charges provisions are flexible and can be used to achieve a wide range of community objectives. The fundamental principle of special rates and charges is proof “special benefit” applies to those being levied. For example, they could be used to fund co-operative fire prevention schemes. This would ensure that there were no ‘free-riders’ reaping the benefits but not contributing to fire prevention.

Landscaping and environmental improvement programs that benefit small or localised areas could also be funded using special rates or charges.

## 10. Service Rates and Charges

Section 162 of the *Local Government Act 1989* provides council with the opportunity to raise service rates and charges for any of the following services:

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

Council currently applies a service charge for the kerbside collection and disposal of refuse in urban areas and some rural areas (Recycling, FOGO and Refuse).

Council retains the objective of setting the service charge for kerbside waste collection at a level that fully recovers the cost of the kerbside waste services, including disposal of the waste.

Other costs relating to the disposal of the waste include the provision for the cost of rehabilitation of the Council's landfill as it reaches the end of its useful life.

It is recommended that Council retain the existing kerbside waste service charge – should Council elect not to have a waste service charge, this same amount would be required to be raised by way of an increased general rate on applicable properties– meaning that residents in higher valued properties would substantially pay for the waste service of lower valued properties.

Whilst this same principle applies for rates in general, the mix of having a single fixed charge combined with valuation driven rates for the remainder of the rate invoice provides a balanced and equitable outcome.

## 11. Collection & Administration of Rates & Charges

The purpose of this section is to outline the rate payment options, processes, and the support provided to ratepayers facing financial hardship.

### Payment Options

In accordance with the *Local Government Act 1989*, Section 167(1) & (2A), ratepayers have the option of paying rates and charges by way of four instalments or in full. Payments are due on the prescribed dates below, or alternatively a payment in full can be made by 30 September to receive a 2% discount:

- 1<sup>st</sup> Instalment: 30 September
- 2<sup>nd</sup> Instalment: 30 November
- 3<sup>rd</sup> Instalment: 28 February
- 4<sup>th</sup> Instalment: 31 May.

Council offers a range of payment options including:

- in person at Council offices (EFTPOS, credit/debit cards and cash, cheques, money orders);
- online via Council's website, direct debit;
- Centrepay;
- BPAY;
- Australia Post (over the counter, over the phone via credit card and on the internet) or
- by mail (cheques and money orders only).

### Interest on Arrears and Overdue Rates

Interest is charged on all overdue rates in accordance with Section 172 of the *Local Government Act 1989*. The interest rate applied is fixed under Section 2 of the *Penalty Interest Rates Act 1983*, which is determined by the Minister and published by notice in the Government Gazette.

Currently Council has adopted the COVID Hardship Policy which has allowed some relief from interest charges during the financial year 2020/21.

### Pensioner rebates

Holders of a Centrelink or Veteran Affairs Pension Concession card or a Veteran Affairs Gold card which stipulates Total Permanent Incapacity (TPI) or War Widow may claim a rebate on their sole or principal place of residence. Upon initial application, ongoing eligibility is maintained, unless rejected by Centrelink or the Department of Veteran Affairs during the annual verification procedure. Upon confirmation of an eligible pensioner concession status, the pensioner rebate is deducted from the rate account before payment is required by the ratepayer.

With regards to new applicants, after being granted a Pensioner Concession Card (PCC), pensioners can then apply for the rebate at any time throughout the rating year. Retrospective claims up to a maximum of one previous financial year can be approved by Council on verification of eligibility criteria, for periods prior to this claim may be approved by the Department of Human Services.

### **Deferred payments**

Under Section 170 of the *Local Government Act 1989*, Council may defer the payment of any rate or charge for an eligible ratepayer whose property is their sole place of residency, allowing the ratepayer an extended period of time to make payments or alternatively to forestall payments on an indefinite basis until the ratepayer ceases to own or occupy the land in respect of which rates and charges are to be levied.

Deferral of rates and charges are available to all ratepayers who satisfy the eligibility criteria and have proven financial difficulties. Where Council approves an application for deferral of rates or charges, interest will continue to be levied on the outstanding balance of rates and charges but at an interest rate fixed annually by Council. This deferred interest rate will typically be well under the penalty interest rate levied by Council on unpaid rates and charges.

Ratepayers seeking to apply for such provision will be required to submit a Rates Hardship Application form which is available at the council offices, on the Council's website or can be posted upon request.

### **Rates Assistance**

It is acknowledged at the outset that various ratepayers may experience financial hardship for a whole range of issues and that meeting rate obligations constitutes just one element of several difficulties that may be faced. The purpose of rates assistance is to provide options for ratepayers facing such situations to deal with the situation positively and reduce the strain imposed by financial hardship.

Ratepayers may elect to either negotiate a rate payment plan or apply for a rate deferral with Council. Ratepayers seeking to apply for such provision will be required to submit a Rate Hardship or Rate Arrangement Application form which is available at the council offices, website or can be posted upon request.

### **Debt Recovery**

Council makes every effort to contact ratepayers at their correct address however it is the ratepayers' responsibility to properly advise Council of their contact details. The *Local Government Act 1989* Section 230 and 231 requires both the vendor and buyer of property, or their agents (eg. solicitors and or conveyancers), to notify Council by way of notice disposition or acquisition of an interest in land.

In the event that an account becomes overdue, Council will issue a final notice which will include accrued penalty interest. Council encourages ratepayers to contact Council if they are experiencing financial hardship and to make some form of payment arrangement.

If the account remains unpaid and a payment arrangement has not been entered into, Council may take legal action without further notice to recover the overdue amount. All fees and court costs incurred will be recoverable from the ratepayer.

If an amount payable by way of rates in respect of land has been in arrears for three years or more, Council may act to sell the property in accordance with Section 181 of the *Local Government Act 1989*.

**Fire Services Property Levy**

In 2012 the Victorian State Government passed legislation requiring the Fire Services Property Levy to be collected from ratepayers. Previously this was collected through building and property insurance premiums. The Fire Services Property Levy helps fund the services provided by the Metropolitan Fire Brigade (MFB) and Country Fire Authority (CFA), and all levies collected by Council are passed through to the State Government.

The Fire Services Property Levy is based on two components, a fixed charge, and a variable charge which is linked to the Capital Improved Value of the property. This levy is not included in the rate cap and increases in the levy are at the discretion of the State Government.

## 12. Other Revenue Items

### 12.1 User Fees and Charges

User fees and charges are those that Council will charge for the delivery of services and use of community infrastructure. These account for 13% of Council's total revenue.

Examples of user fees and charges include:

- Childcare fees
- Leisure Centre, Gym, and Pool visitation and membership fees
- Aged Care service fees
- Leases and facility hire fees
- Local Laws Fees

The provision of infrastructure and services form a key part of council's role in supporting the local community. In providing these, council must consider a range of 'Best Value' principles including service cost and quality standards, value-for-money, and community expectations and values. Council must also balance the affordability and accessibility of infrastructure and services with its financial capacity and in the interests of long-term financial sustainability.

Councils must also comply with the government's *Competitive Neutrality Policy* for significant business activities they provide and adjust their service prices to neutralise any competitive advantages when competing with the private sector.

In providing services to the community, council must determine the extent of cost recovery for services consistent with the level of both individual and collective benefit that the services provide and in line with the community's expectations.

Services are provided based on one of the following pricing methods:

- a. Market Price
- b. Full Cost Recovery Price
- c. Subsidised Price
- d. Regulatory
- e. Zero Cost Price

Market pricing (a) is where Council sets prices based on the benchmarked competitive prices of alternate suppliers. In general, market price represents full cost recovery plus an allowance for profit. Market prices will be used when other providers exist in the given market, and Council needs to meet its obligations under the government's *Competitive Neutrality Policy*.

It should be noted that if a market price is lower than Council's full cost price, then the market price would represent Council subsidising that service. If this situation exists, and there are other suppliers existing in the market at the same price, this may mean that Council is not the most efficient supplier in the marketplace. In this situation, Council will consider whether there is a community service obligation and whether Council should be providing this service at all.

Full cost recovery price (b) aims to recover all direct and indirect costs incurred by council. This pricing should be used where a service provided by Council benefits individual customers specifically, rather than the community as a whole. In principle, fees and charges should be set at a level that recovers the full cost of providing the services unless there is an overriding policy or imperative in favour of subsidisation.

Subsidised Pricing (c) is when Council subsidises a service by not passing the full cost of that service onto the customer. Subsidies may range from full subsidies (e.g. Council provides the service free of charge) to partial subsidies when Council provides the service to the user with a discount. The subsidy can be funded from Council's rate revenue or other sources such as Commonwealth and State Government funding.

Council Subsidy Pricing (partial or full) is based on knowledge of the full cost of providing a service. When setting fees Council considers;

- Both direct and indirect costs of the service being provided.
- Accessibility, affordability and efficient delivery of the service being provided.
- Competitive neutrality with commercial providers.

Regulatory (d) refers to the situation where the price or fee for a service is set by legislation and Council cannot charge outside this framework.

Zero Cost Pricing (e) is based on no charge being levied for the provision of the service.

Council will develop a schedule of fees and charges as part of its annual budget each year. Proposed pricing changes will be included in this table and will be communicated to stakeholders before the budget is adopted, giving them the chance to review and provide valuable feedback before the fees are locked in.

## 12.2 Statutory Fees and Charges

Statutory fees and fines are those which Council collects under the direction of legislation or other government directives. The rates used for statutory fees and fines are advised by the state government department responsible for the corresponding services or legislation, and generally Council will have limited discretion in applying these fees. These fees and charges account for 1% of Council's total revenue.

Examples of Statutory Fees and Fines include:

- Planning and subdivision fees
- Building and Inspection fees
- Infringements and fines
- Land Information Certificate fees

Penalty and fee units are used in Victoria's Acts and Regulations to describe the amount of a fine or a fee.

### Penalty Units

Penalty units are used to define the amount payable for fines for many offences. For example, the fine for selling a tobacco product to a person aged under 18 is four penalty units.

One penalty unit is currently \$165.22, from 1 July 2020 to 30 June 2021.

The rate for penalty units is indexed each financial year so that it is raised in line with inflation. Any change to the value of a penalty unit will happen on 1 July each year.

### Fee Units

Fee units are used to calculate the cost of a certificate, registration or licence that is set out in an Act or Regulation. For example, the cost of depositing a Will with the supreme court registrar of probates is 1.6 fee units.



The value of one fee unit is currently \$14.81. This value may increase at the beginning of a financial year, at the same time as penalty units.

The cost of fees and penalties is calculated by multiplying the number of units by the current value of the fee or unit. The exact cost may be rounded up or down.

### 12.3 Grants

Grant revenue represents income usually received from other levels of government. Operating grants account for 27% of Council's total revenue. Some grants are singular and attached to the delivery of specific projects, whilst others can be of a recurrent nature and may or may not be linked to the delivery of projects, both operational and capital in nature.

Council will proactively advocate to other levels of government for grant funding support to deliver important infrastructure and service outcomes for the community. Council may use its own funds to leverage higher grant funding and maximise external funding opportunities.

When preparing its financial plan, Council will consider its project proposal pipeline, advocacy priorities, upcoming grant program opportunities, and co-funding options to determine what grants to apply for.

Council will only apply for and accept external funding if it is consistent with the Community Vision and does not lead to the distortion of Council Plan priorities.

Grant assumptions are clearly detailed in Council's budget document. No project that is reliant on grant funding will proceed until a signed funding agreement is in place.

### 12.4 Contributions

Contributions represent funds received by Council, usually from non-government sources, and are usually linked to projects. Contributions can be made to Council in the form of either cash payments (monetary contributions) or asset hand-overs (non-monetary contributions). Contributions account for 1% of Council's total revenue.

Examples of Contributions include:

- Monies collected from developers under planning and development agreements
- Monies collected under developer contribution plans and infrastructure contribution plans
- Contributions from user groups towards upgrade of facilities
- Assets handed over to Council from developers at the completion of a subdivision, such as roads, drainage, and streetlights.

Contributions should always be linked to a planning or funding agreement. Council will not undertake any work on a contribution-funded project until a signed agreement outlining the contribution details is in place.

Contributions linked to developments can be received well before any Council expenditure occurs. In this situation, the funds will be identified and held separately for the specific works identified in the agreements.

## 12.5 Other Income

Council receives interest on funds managed as part of its investment portfolio, when funds are held in advance of expenditure, or for special purposes. The investment portfolio is managed in accordance with Council's Investment Policy, which seeks to earn the best return on funds, whilst minimising risk.

## 12.6 Sale of Assets

Sale of assets include trade-in or auction of vehicles/plant as part of cyclical replacement of fleet/plant, land exchange and sale of industrial estate lots. Section 114 of the *Local Government Act 2020*, stipulates that sale or exchange of land must be advertised and the process must be in accordance with the community engagement policy.

## 12.7 Borrowings

Whilst not a source of income, borrowings can be an important cash management tool in appropriate circumstances. Loans can only be approved by Council resolution and are included in the adopted annual budget and long term financial plan.

The following financial sustainability principles must be adhered to with new borrowings:

- Borrowings must only be applied for if it can be proven that repayments can be met in the Long Term Financial Plan
- Borrowings must not be used to fund ongoing operations
- Borrowings are appropriate for funding large capital works if the benefits are provided to future generations.
- Council will maintain its debt at levels which are sustainable and within prudential guidelines.