

REVENUE AND RATING PLAN 2021/25

Adopted 23 June 2021



Contents

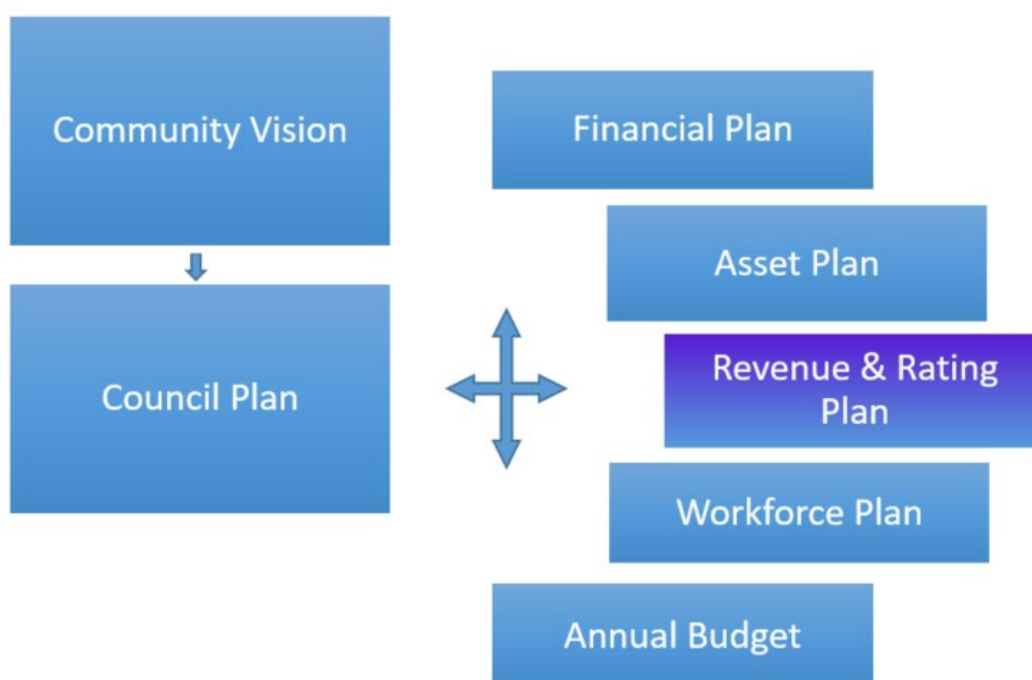
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1. Purpose

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 each council propose to work.

The purpose of the Towong Shire Revenue and Rating Plan 2021-2025 (“the Revenue and Rating Plan”) is to determine the most appropriate and affordable revenue and rating approach for Towong Shire Council (“Council”) which in conjunction with other income sources will adequately finance the objectives in the Council Plan.

Strategies outlined in this plan align with the objectives contained in the 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.



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

In particular, this plan sets 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 also sets out principles that are used in decision making for other revenue sources such as fees and charges.

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

2. Introduction

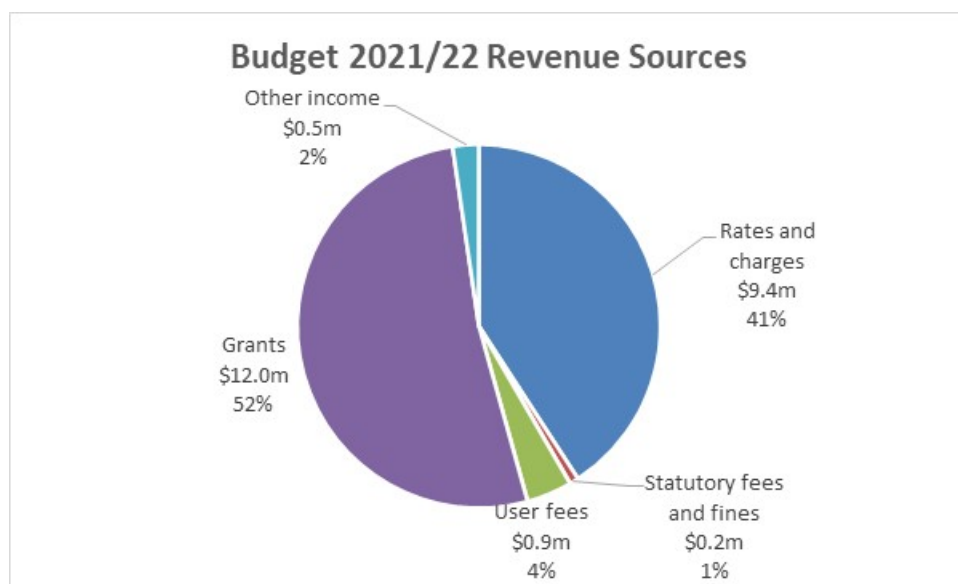
Council provides various services and facilities to the Towong Shire community, and in doing so, must collect revenue to cover the cost of providing these services and facilities.

Council's revenue sources include:

- Rates and charges
- Statutory fees and fines
- User fees
- Grants from other levels of Government
- Other income such as interest from investments, rental lease income, community contributions and shared service fees

As below, within Council's Budget 2021/22, grants from other levels of Government are the most significant source of funding making up 52% of annual income. While some grants are recurrent, this percentage can fluctuate significantly from year to year depending on what non-recurrent grants are available and applicable to our communities' needs, and whether we are successful in our grant applications. It is therefore critical that we are clear as to our funding priorities, so that we can advocate for appropriate grant funding avenues and submit compelling applications as opportunities arise.

Grant applications also need to be considered carefully in the context of Council's long term financial plan, to ensure that Council's future funding sources are sufficient to cover the cost of renewing any new infrastructure that is built.



Rates is the second most significant source of funding making up 41% of annual income within Council's Budget 2021/22. Rates provide a reliable foundation of funding from which Council can support its priority facilities and services. The introduction of rate capping under the Victorian Government's Fair Go Rates System means that rate increases are generally limited to the projected inflation increase for the year ahead, unless an application is made to the Essential Services Commission for a variation.

Council provides a wide range of services to the community, often for a fee or charge. Fees in relation to statutory services are often regulated, and Council has no control over service pricing. Council generally has discretion to set its own fee or charge in relation to discretionary services and sets fees based on the principles outlined in this Revenue and Rating Plan.

3. Community Engagement

The Revenue and Rating Plan outlines Council's decision-making process as to how revenues are calculated and collected. Community engagement processes have included:

- Briefing sessions with Councillors to inform them of the Council's current revenue and rating strategies and to gather input based on community considerations and feedback;
- Feedback on the communities' aspirations, challenges and objectives sought to inform Council's integrated strategic deliverables during May 2021;
- Draft Revenue and Rating Plan prepared by officers;
- Draft Revenue and Rating Plan placed on public exhibition with a call for public submissions;
- Community advertising of the Draft Revenue and Rating Plan through local news outlets and social media;
- Hearing of public submissions;
- Draft Revenue and Rating Plan (with any revisions) presented to the June Council meeting for adoption.

4. Rates and Charges

Rates are property taxes that allow Council to raise revenue to fund essential public services to cater to its municipal community. Importantly, the rates system allows flexibility for Council to utilise different tools in its rating structure to accommodate issues of equity and 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), which are indicative of capacity to pay and form the central basis of rating under the *Local Government Act 1989*;
- **Service Charges** - A 'user pays' component for council services to reflect benefits provided by Council to ratepayers who benefit from a service; and
- **Municipal Charge** - A 'fixed rate' portion per property to cover some of the administrative costs of Council.

Striking a proper balance between these elements helps to improve equity in the distribution of the rate burden across residents.

Council makes a further distinction when applying general rates by applying rating differentials based on the purpose for which the property is used. That is, whether the property is used for residential, rural residential, rural, business or undeveloped residential purposes. This distinction is based on the concept that different property categories should pay a fair and equitable contribution, taking into account the benefits those properties derive from Council and contribute to the community, and taking into account capacity to pay of the associated ratepayer groups.

The Towong Shire Council rating structure comprises five differential rates. These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the *Local Government Act 1989*, and the Ministerial Guidelines for Differential Rating 2013.

The differential rates are currently set as follows:

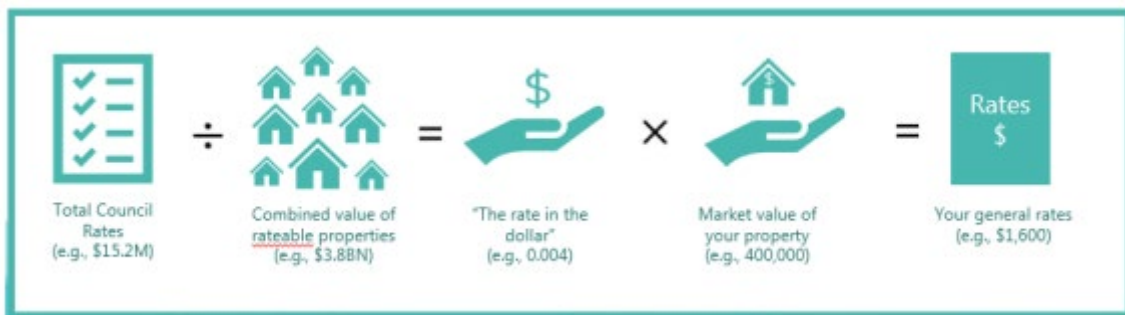
- Residential 100%
- Rural Residential 100%

- Rural 90%
- Business 95%
- Undeveloped residential 360%.

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 makes a contribution.

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.

Planning for future rate increases is an essential component of the long-term financial planning process in ensuring that Council can cover the costs of providing the facilities and services that meet community needs.

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 fully recover the cost of Council's waste services and provide for future landfill rehabilitation costs. The garbage service charge is not capped under the Fair Go Rates System, and any surplus funds from this charge are allocated to the future provision of waste services, so that waste services are funded by the charge on a cost neutral basis over the longer term.

5. 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 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 utilise. They are: Site Valuation, Capital Improved Valuation (CIV) and Net Annual Value (NAV).

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:

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

- a) *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*
- b) *that the Council has made an application to the ESC for a special order and is waiting for the outcome of the application; or*
- c) *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 the annual Towong Shire Council budget.

In 2019 the Victorian State Government conducted a Local Government Rating System Review. The Local Government Rating System Review Panel presented their final report and list of recommendations to the Victorian Government in March 2020. The Victorian Government subsequently published a response to the recommendations of the Panel's report. However, at the time of publication the recommended changes have not yet been implemented, and timelines to make these changes have not been announced.

6. Rating Principles

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

- Wealth Tax
- Equity
- Efficiency
- Simplicity

- Benefit
- Capacity to Pay
- Diversity.

Wealth Tax

The “wealth 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

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 homogenous 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 is to determine the appropriate balancing of these competing considerations.

In addition property rates will:

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

Differential rating is applied as equitably as is practical and will comply with the [Ministerial Guidelines for Differential Rating 2013](#).

7. Determining Which Valuation Base to Use

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.

For residential and farm properties, NAV is calculated at 5 per cent of the Capital Improved Value. For commercial and industrial properties, NAV is calculated as the greater of the estimated annual rental value or 5 per cent of the 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 –

- a) It uses the capital improved value system of valuing land; and
- b) 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 farm land, urban farm land 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 takes into account 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 would hinder Council’s objective of a fair and equitable rating system.

Advantages of Site Value

- There is a perception that under site value, a uniform rate would promote development of land, particularly commercial and industrial developments. There is, however, little evidence to prove that this is the case.
- Scope for possible concessions for urban farm-land and residential use land.

Disadvantages of using Site Value

- SV is a major burden on property owners that have large areas of land. Some of these owners may have much smaller/older dwellings compared to those who have smaller land areas but well developed dwellings - but will pay more in rates.
- The use of SV can place pressure on Council to give concessions to categories of landowners on whom the rating burden is seen to fall disproportionately. Large landowners, such as farmers for example, are disadvantaged by the use of site value.
- SV will reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates.
- The community may have greater difficulty in understanding the SV valuation on their rate notices.

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 5 per cent 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

Towong Shire Council applies Capital Improved Value (CIV) to all properties within the municipality to take into account the fully developed value of the property. This basis of valuation takes into account the total market value of the land plus buildings and other improvements.

Differential rating, allowed for under the CIV method, enables 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.

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. Victorian City Council applies a Capital Improved Value (CIV) to all properties within the municipality to take into account the full development value of the property. This basis of valuation takes into account 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.

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 Australian Valuation Property Classification Code (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.

A property owner must lodge their objection to the valuation or the AVPCC in writing to Towong Shire Council. Property owners also have the ability to object to the site valuations on receipt of their Land Tax Assessment. Property owners can appeal their land valuation within two months of receipt of their Council Rate Notice (via Council) or within two months of receipt of their Land Tax Assessment (via the State Revenue Office).

8. Rating Differentials

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

Residential Rate (General Rate)

Definition:

The Residential Rate (also known as the General Rate) is applicable to any land which is:

- Less than 0.4 hectares in size, and
- Not classified as rural, business or undeveloped residential.

Objectives:

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations and to ensure that the differential rate in the dollar declared for defined residential properties is fair and equitable, having regard to the cost and the level of benefits derived from provision of Council services.

Use of Rate:

The rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the rate is the level which Council considers is necessary to achieve the objectives specified above.

Level of Rate:

The Residential Rate is the reference rate against which other differential levels are expressed. As such the level of the Rate is 100% for comparative purposes.

Rural Residential Rate**Definition:**

The Rural Residential Rate is applicable to any land which is:

- From 0.4 hectares to 40 hectares in size, and
- Not classified as rural, business or undeveloped residential.

Objectives:

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations and to ensure that the differential rate in the dollar declared for defined rural residential properties is fair and equitable, having regard to the cost and the level of benefits derived from provision of Council services.

Use of Rate:

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Level of Rate:

100% of the General Rate.

Rural Rate**Definition:**

The Rural Rate is applicable to any land which is greater than 40 hectares in size.

Objectives:

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations and to ensure that the differential rate in the dollar declared for defined rural properties is fair and equitable, having regard to the cost and the level of benefits derived from provision of Council services.

Consideration is given to the maintenance of agriculture as a major industry in the municipal district, and to avoid providing incentive for farmers to seek to subdivide parcels.

Use of Rate:

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Level of Rate:

90% of the General Rate.

Business Rate

Definition:

The Business Rate is applicable to any land which is:

- Occupied for the principal purpose of carrying out the manufacture or production of, or trade in goods or services, or
- Unoccupied but zoned commercial or industrial under the Towong Planning Scheme.

Objectives:

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations and to ensure that the differential rate in the dollar declared for defined business properties is fair and equitable, having regard to the cost and the level of benefits derived from provision of Council services.

Consideration is given to encouraging development of the economy and associated employment opportunities across the Shire.

Use of Rate:

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Level of Rate:

95% of the General Rate.

Undeveloped Residential Rate

Definition:

The Undeveloped Residential Rate is applicable to any land which is:

- Within a residential, low density residential, mixed use or township zone, and
- Within a sewerred area, and
- Able to be developed as residential land within the planning scheme, and
- Land that has not been issued with an occupancy permit.

Objectives:

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations.

Consideration is given to encouraging residential development on undeveloped land to provide housing opportunities across the Shire.

Use of Rate:

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Level of Rate:

360% of the General Rate.

Advantages of a differential rating system

Council has taken into account the following advantages of utilising a differential rating system:

- There is greater flexibility to distribute the rate burden between all classes of property, and therefore link rates with the ability to pay.
- There is greater ability to reflect the unique circumstances of some rating categories where the application of a uniform rate may create an inequitable outcome (eg. farming enterprises).
- There is greater discretion in the imposition of rates to facilitate and encourage appropriate development of the municipal district in the best interest of the community.

Disadvantages of a differential rating system

Council has also considered the following disadvantages of utilising a differential rating system:

- The justification of differential rates can at times be difficult for various ratepayers to understand and accept giving rise to queries and complaints.
- Differential rating involves a degree of administrative complexity and potential for error as properties shift from one type to another, requiring Council to update its records. Ensuring the accuracy and integrity of Council data is critical.
- Council may not achieve the desired objectives of differential rating, or may find it difficult to measure success; for example, it may be difficult to prove whether the undeveloped residential rate achieves the objective of encouraging residential development.

9. Municipal Charge

Council applies a municipal charge to offset some of its administrative costs. 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 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 (total 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 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 councils administrative costs can be seen as an equitable method of recovering these costs.

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:

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

Council currently applies service charges for the collection and disposal of refuse from properties and for the provision of waste services for the municipality. Council retains the objective of setting the service charges for waste at levels that fully recovers the cost of the waste services, including providing for the cost of rehabilitation of the council's landfill once it reaches the end of its useful life.

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 – 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 and Administration of Rates and 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 section 167(1) of the *Local Government Act 1989* ratepayers have the option of paying rates and charges by way of four instalments. Payments are due on the prescribed dates below:

- 1st Instalment: 30 September
- 2nd Instalment: 30 November
- 3rd Instalment: 28 February
- 4th Instalment: 31 May

Council offers a range of payment options including:

- In person at Council offices (cheque, cash or EFTPOS; Visa and Mastercard may be available but may attract a service charge),
- BPAY,
- Australia Post (over the counter, over the phone via credit card and on the internet),
- By mail (cheques 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.

Pensioner rebates

Holders of a Centrelink or Veteran Affairs Pension Concession card or a Veteran Affairs Gold card which stipulates 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 claims may be approved by the relevant government department.

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 ratepayers 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.

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.

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 a number of difficulties that may be faced. Council will 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.

Debt recovery

Council makes every effort to contact ratepayers at their correct address but 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 (e.g. solicitors and or conveyancers), to notify Council by way of notice of disposition or acquisition of an interest in land.

In the event that an account becomes overdue, Council will issue an overdue reminder notice which will include accrued penalty interest. In the event that the account remains unpaid, 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 to land has been in arrears for three years or more, Council may take action to sell the property in accordance with the *Local Government Act 1989* Section 181.

Fire Services Property Levy

In 2016 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

User Fees and Charges

User fees and charges are those that Council will charge for the delivery of services and use of community facilities.

Examples of user fees and charges include:

- Kindergarten and childcare fees
- Swimming pool visitation and membership fees
- Waste management fees
- Facility hire fees

In providing facilities and services, 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 facilities 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 particular 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 on the basis of one of the following pricing methods:

- a. *Market Price*
- b. *Full Cost Recovery Price*
- c. *Subsidised Price*

Market pricing 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 pricing aims to recover all direct and indirect costs incurred by Council. This pricing should be used in particular 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 is where Council subsidises a service by not passing the full cost of that service onto the customer. Subsidies may range from full subsidies (ie council provides the service free of charge) to partial subsidies, where 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 State and Federal funding programs. Full Council subsidy pricing and partial cost pricing should always be based on knowledge of the full cost of providing a service.

Council develops a table 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.

Statutory Fees and Fines

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 generally advised by the state

government department responsible for the corresponding services or legislation, and generally Councils will have limited discretion in applying these fees.

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 and the corresponding amounts are as described by Victoria's Acts and Regulations.

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.

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 fee units 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.

Grant Revenue

Grant revenue represents income usually received from other levels of government. 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.

Council will pro-actively 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 considers 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.

Confirmed grants are detailed in Council's Budget. No project that is reliant on grant funding will proceed until a signed funding agreement is in place.

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 or asset hand-overs.

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.

Interest on Investments

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

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.

Borrowings may be appropriate when used to fund new infrastructure or services which will independently generate sufficient revenue to fund the associated debt repayments; or where there are large capital works with intergenerational benefits, which will support the repayment of the debt over the longer term.

Borrowings must be at a level which are sustainable in the context of Council's Long Term Financial Plan.