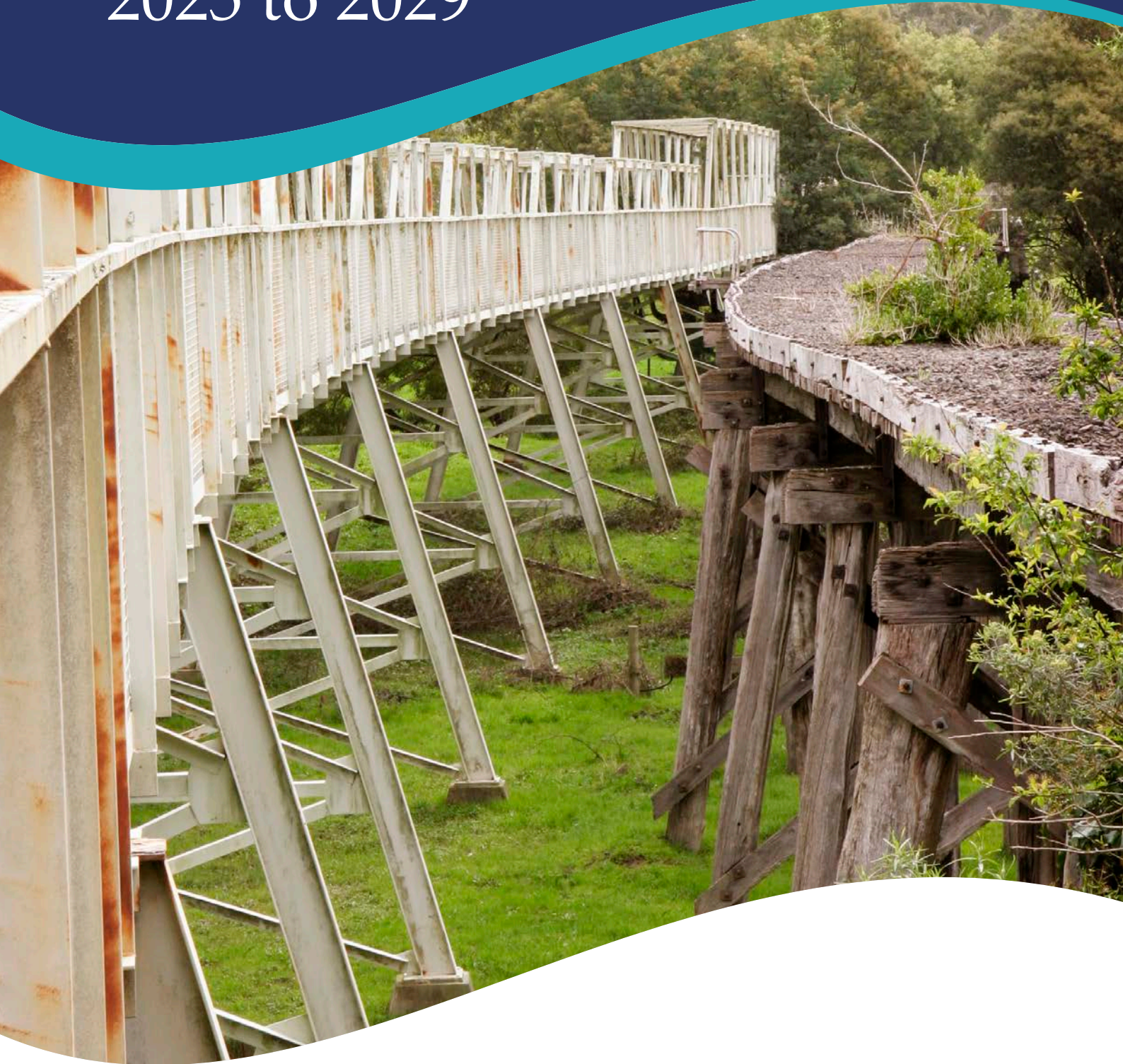


SOUTH GIPPSLAND SHIRE COUNCIL

Revenue and Rating Plan 2025 to 2029



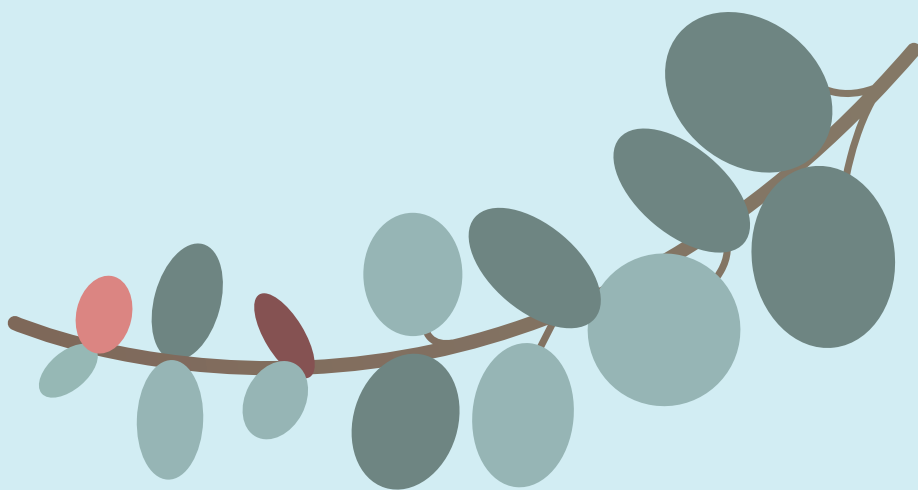
*Managing South Gippsland's revenue
and rating approach*



South Gippsland
Shire Council

Acknowledgment of Country

We acknowledge the Bunurong and Gunaikurnai people as the Traditional Custodians of South Gippsland and pay respect to their Elders, past, present, and future, for they hold the memories, traditions, culture, and hopes of Aboriginal and Torres Strait Islander people of Australia.



eucalyptus, (genus Eucalyptus)

Purpose of this Document

The purpose of the Revenue and Rating Plan is to determine the most appropriate and affordable revenue and rating approach for South Gippsland Shire Council, which will adequately finance the objectives of the Council Plan.



Rolling Hills, Mirboo North

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The purpose of the Revenue and Rating Plan is to determine the most appropriate and affordable revenue and rating approach for South Gippsland Shire Council that will adequately finance the objectives in the Council Plan.

In the *2025 to 2029 Council Plan*, there are three pillars:

- Developing a Sustainable Future.
- Leading with Integrity.
- Empowering Communities.

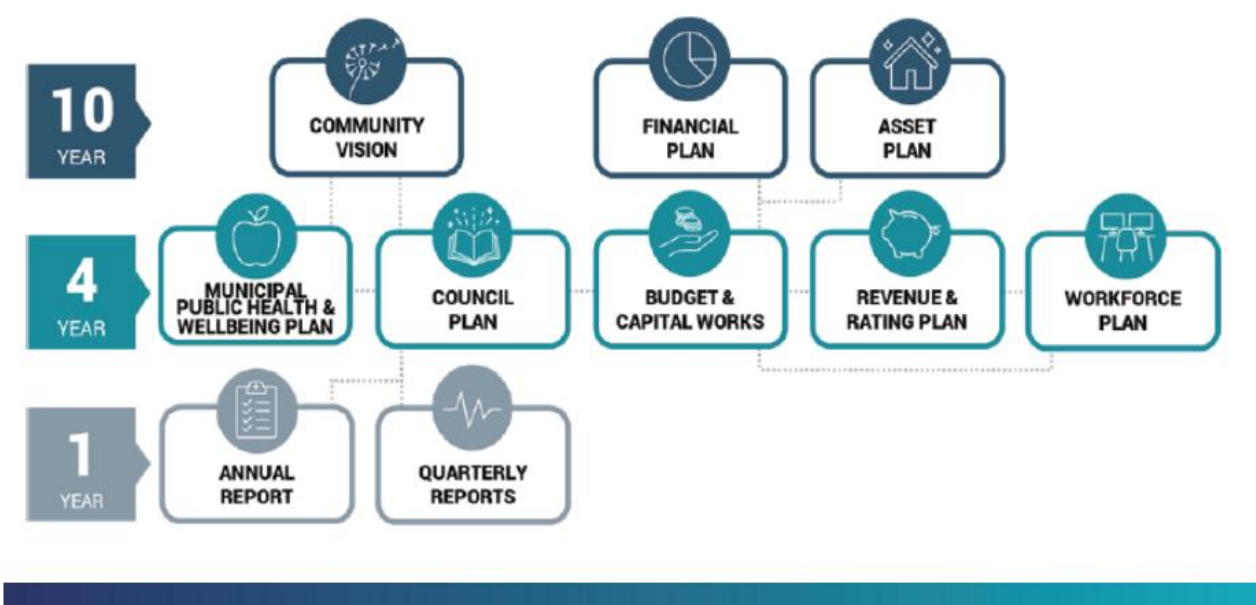
The *Local Government Act 2020* requires each Council to prepare a Revenue and Rating Plan to cover a minimum period of four years following each Council election. The Revenue and Rating Plan establishes the revenue raising framework within which the Council proposes to work. This Plan is an important part of South Gippsland Shire Council's integrated planning framework, all of which is created to achieve the Community Vision 2040.

Strategies outlined within this Plan align with the objectives contained in the Council Plan, and will feed into South Gippsland Shire Council's budgeting and long-term financial planning documents, as well as other strategic planning documents under our Council's strategic planning framework.

The Revenue and Rating Plan is an important part of South Gippsland Shire Council's Integrated Planning and Reporting Framework. All documents in this framework are created to achieve the Community Vision and the Council Plan.

The Integrated Planning and Reporting Framework (on the following page) guides South Gippsland Shire Council in identifying community needs and aspirations over the long-term through the Community Vision and Long Term Financial Plan; the medium-term through the Council Plan, Workforce Plan, and Revenue and Rating Plan; and short-term through Department Plans and the Budget. South Gippsland Shire Council holds itself accountable through the Organisational and Financial Performance Reports and the Annual Report.

Figure 1. Council's Strategic Planning & Reporting Framework



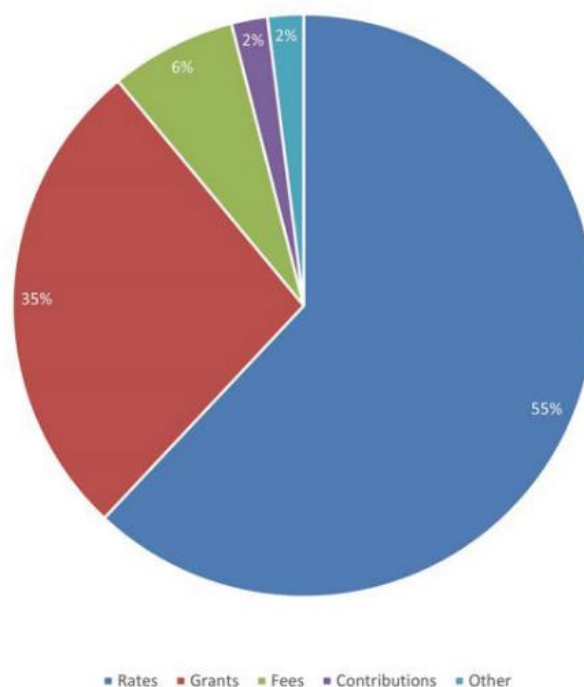
South Gippsland Shire Council provides an extensive range of services and facilities to our local community, and in doing so, must collect revenue to cover the cost of providing these services and facilities.

South Gippsland Shire Council's revenue sources include:

- Rates and charges (including waste charges).
- Grants from other levels of Government.
- Statutory Fees and Fines.
- User Fees.
- Contributions – cash and non-cash contributions from other parties (i.e. developers, community groups).
- Other Revenue – sale of assets, interest on investments.

Rates and Charges are the most significant revenue source for South Gippsland Shire Council and constitutes approximately 55 per cent of total revenue, with 35 per cent of income from Operating and Capital Grants and 6 per cent raised through User Fees, Statutory Fines and Charges (based on the 2024/25 Budget).

The introduction of the Victorian Government's Rate Capping legislation has brought a renewed focus on South Gippsland Shire Council's long-term financial sustainability. Rate capping continues to restrict Council's ability to raise revenue above the rate cap unless an 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.



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

South Gippsland Shire 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, 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 that grants create in the delivery of services or infrastructure.

2.1 Community Engagement

Deliberative community engagement is not prescribed for a Revenue and Rating Plan in either the *Local Government Act 2020* or the *Local Government (Planning and Reporting) Regulations 2020*. However, community engagement was undertaken in accordance with South Gippsland Shire Council's *Community Engagement Strategy 2020 to 2024*.

The Revenue and Rating Plan outlines South Gippsland Shire Council's decision-making process on how revenues are calculated and collected. The following public consultation process took place to ensure consideration and feedback from relevant stakeholders.

3.1 Local Government Act 2020

The *Local Government Act 2020* empowers councils to declare general rates, municipal charges, service rates and charges, and special rates and charges. The following sections of the *Local Government Act 2020* support the legislative framework that is applicable for the Revenue and Rating Plan.

Section 9 – Overarching Governance Principles

A Council is required to give effect to the following overarching governance principles:

- Priority is to be given to achieving the best outcomes for the municipal community, including future generations.
- The economic, social and environmental sustainability of the municipal district is to be promoted.
- The municipal community is engaged in strategic planning and strategic decision-making.
- The ongoing financial viability of the Council is to be ensured. In giving effect to the overarching governance principles.

Section 94 – The Budget

A Council is required to adopt a Budget by 30 June each year that includes:

- 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*.

A 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 Essential Services Commission (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.

Section 101 – Financial Management Principles

A Council is required to take into account the financial management principles that include:

- Revenue, expenses, assets, liabilities, investments and financial transactions must be managed in accordance with a Council's financial policies and strategic plans.
- Financial policies and strategic plans, including the Revenue and Rating Plan, must seek to provide stability and predictability in the financial impact on the municipal community.

3.2 Local Government Act 1989

The *Local Government Act 1989* continues to be the authority for rating purposes. The legislative framework set out in the *Local Government Act 1989* determines South Gippsland Shire 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 service rates and charges and special rates and charges are discussed later in this document.

In raising rates, South Gippsland Shire 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 the following three options in terms of which valuation base to apply:

- Site valuation.
- Capital Improved Valuation (CIV) – as applied by South Gippsland Shire Council.
- Net Annual Value (NAV).

This Revenue and Rating Plan outlines the principles and strategic framework that South Gippsland Shire 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 South Gippsland Shire Council Budget.

3.3 Rating Framework

The legislative provisions that outline rates and charges are still contained in the *Local Government Act 1989* pending transition to the *Local Government Act 2020*. The selection of rating philosophies and the choice between the limited rating options available under the Local Government Act is a difficult one for all councils, and it is most likely that a perfect approach is almost impossible to achieve in any local government environment.

The purpose of this Plan is therefore to consider what rating options are available to South Gippsland Shire Council under the *Local Government Act 1989* and how Council's choices in applying these options contribute towards meeting an equitable Revenue and Rating Plan. South Gippsland Shire Council can have influence over a limited range of options available in the legislation and include the following:

1. The choice of valuation base to be utilised (of the three available choices under the Local Government Act).
2. Uniform versus differential rating for various classes of property.
3. What is the most equitable level of differential rating across the property classes.
4. Consideration of the application of a fixed service charge for waste collection and municipal administration.
5. The application of rates and charges.
6. Other levies applied under the Local Government Act.

It is important to note that the focus of this Plan is different to that of the Long Term Financial Plan and Annual Budget. In these latter documents, the key concern is the quantum of rates required to be raised for South Gippsland Shire Council to deliver the services and capital expenditure required. In this Plan, the focus instead is on how the obligation to pay this quantum will be equitably distributed amongst Council's ratepayers.

Rates are property taxes that allow South Gippsland Shire Council to raise revenue to fund essential public services and major initiatives to benefit the municipal population. Importantly, it is a taxation system that includes flexibility for councils to utilise different tools in its rating structure to accommodate issues of equity and to ensure fairness in rating for all ratepayers. Rates and charges are an important source of revenue, accounting for 55 per cent of operating revenue received by Council. The collection of rates is an important factor in funding South Gippsland Shire 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 additional service delivery and the increasing costs related to providing Council services.

South Gippsland Shire 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 Victorian 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.

3.4 Taxation Principles

The Victorian Government's *Local Government Better Practice Guide: Revenue and Rating Strategy 2014* states that when developing a Rating Strategy, in particular with reference to differential rates, the Council should give consideration to the following key good practice taxation principles:

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

Wealth Tax

This 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 homogeneous 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 South Gippsland Shire Council therefore is to determine the appropriate balance of competing considerations.

3.5 Rate Capping

The Fair Go Rates System sets out the maximum amount councils may increase rates in a year.

The cap applies to both general rates and municipal charges, and is calculated on the basis of Council's average rates and charges.

From the 2019 year, general revaluations of all properties have been undertaken on an annual basis. As a result, the actual rate increase for an individual rateable property may differ from the rate cap percentage due to changes in its valuation. Where the change in an individual property valuation is higher than the average for all rateable properties, the rate increase for that property may be greater than the cap. Where the change in the property valuation is lower than the average for all properties, the rate increase may be lower than the cap.

4.1 Rates and Charges Revenue Principles

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

Property rates as an overall source of revenue 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, Long Term Financial Plan and Asset Plan.

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

4.2 Valuation Method

Under Section 157 of the *Local Government Act 1989*, Council may use the Site Value, Net Annual Value or Capital Improved Value system of valuation. For the purposes of calculating the Site Value, Net Annual Value or Capital Improved Value of rateable land, a Council must use the current valuations made in respect of the land under the *Valuation of Land Act 1960*.

Policy

South Gippsland Shire Council uses the Capital Improved Value system of valuation. Capital Improved Value is the most commonly used valuation base by local government with over 90 per cent 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 use Capital Improved Value, it may only apply limited differential rates in relation to farm land, urban farm land or residential use land.

4.3 Impact of Revaluations

The purpose of this section is to provide an overview of the rate revaluation and supplementary valuation processes.

Key Points:

- Property revaluations are undertaken annually and do not generate extra revenue for South Gippsland Shire Council. Valuations can, however, have a significant impact on the rates that individual properties are allocated, as the total rates pool is redistributed based on the updated property values.
- Valuations are undertaken as at 1 January each year and will be in effect for the rates levied from 1 July for a period of one year.
- Ratepayers can object to their property valuation.

4.3.1 Property Valuations

The *Valuation of Land Act 1960* is the principle piece of legislation in determining property valuations. Under the Valuation of Land Act, the Victorian Valuer-General conducts property valuations on an annual basis. South Gippsland Shire Council applies a Capital Improved Value to all properties within the municipality to take into account 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 principle of valuing land for its highest and best use at the relevant time of valuation.

South Gippsland Shire 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.

4.3.2 No Windfall Gain

There is a common misconception that if a property's valuation rises, then Council receives and 'windfall gain' with additional income. This is not so, as the revaluation process results in a redistribution of the rate levied across all properties in the municipality. Any increase to total valuations of the municipality is offset by a reduction to the rate-in-the-dollar used to calculate the rate for each property. Rates collected by South Gippsland Shire Council are capped at an annual increase rate as set out by the Minister for Local Government.

4.3.3 How This Affects Rates

The general revaluation process enables South Gippsland Shire Council to re-apportion the rate income across the municipality in accordance with movements in property value. Properties which have increased in value by more than the average will receive a rate increase less than the headline rate.

4.3.4 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 Three of the *Valuation of Land Act 1960*. Any objections must be lodged with Council within two months of the issue of the supplementary rates notice.

4.3.5 Objections to Property Valuations

Part Three 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 Australian Valuation Property Classification Code in writing to South Gippsland 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).

4.4 Differential Rates

Differential rating allows South Gippsland Shire Council to shift part of the rates levied from some groups of ratepayers to others, through different 'rates in the dollar' for each class of property.

Under the *Local Government Act 1989* (Section 161), South Gippsland Shire Council is entitled to apply differential rates, provided it uses Capital Improved Value as its base for rating. The maximum differential allowed is no more than four times the lowest differential. The regulations relating to differential rates is outlined below.

1. A Council may raise any general rates in 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.
2. If a Council declares a differential rate for any land, the Council must:
 - a) Specify the objectives of the differential rate, which must be consistent with the equitable and efficient carrying out of the Council's functions and must include the following:
 - i) A definition of the types of classes of land which are subject to the rate and a statement of the reasons for the use and level of that rate.
 - ii) An identification of the type of classes which are subject to the rate in respect of the uses, geographic location (other than location on the basis of whether or not the land is within a specific ward in Council's district).
 - b) Specify the characteristics of the land, which are the criteria for declaring the differential rate.

South Gippsland Shire Council must have regard to any Ministerial Guidelines before declaring a differential rate for any land. The Minister issued Guidelines in April 2013. These Guidelines attempt to spell out clearly what types and classes of land may be considered for differentials, and also those that are not appropriate or need to be 'carefully considered'. The highest differential rate must be no more than four times the lowest differential rate.

Policy

South Gippsland Shire Council applies rating differentials based on the purpose for which the property is used. 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 the local community.

South Gippsland Shire Council's rating structure comprises differential rates that are structured in accordance with the requirements of Section 161 of the *Local Government Act 1989*, and the *Ministerial Guidelines for Differential Rating 2013*. Council believes each differential rate will contribute to the equitable and efficient carrying out of Council's functions. Details of the definitions and objectives of each differential rate, the classes of land that are subject to each differential rate, and the uses of each differential rate are set in the Annual Budget.

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

Property 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 South Gippsland Shire Council's Annual Budget.

South Gippsland Shire Council utilises the Australian Valuation Property Classification Codes (AVPCC) to assist in informing a property's rating classification. Each property is assigned a code by the Valuer based upon their knowledge of the property. A ratepayer has the right to object to a classification code if they feel the current code is not applicable or no longer applicable.

4.5 Cultural and Recreational Lands Act Properties

The *Cultural and Recreational Lands Act 1963* requires South Gippsland Shire Council to undertake a separate process for the purpose of setting an applicable charge 'in lieu of rates' for eligible properties.

South Gippsland Shire Council can determine an applicable charge payable by all Cultural and Recreational Land Act properties after considering the services they receive from Council and the benefit the properties (e.g. sporting clubs) provide to the community.

Legislation

Cultural and Recreational Land is any land that has the characteristics of 'recreational lands' as defined by Section 2 of the *Cultural and Recreational Lands Act 1963*. This includes:

- a) *Lands which are –*
 - i) *Vested in or occupied by any body corporate or unincorporate which exists for the purpose of providing or promoting cultural or sporting recreational or similar facilities or objectives and which applies its profits in promoting its objectives and prohibits the payment of any dividend or amount to its members; and*
 - ii) *Used for outdoor sporting recreational or cultural purposes or similar outdoor activities; or*
- b) *Lands which are used primarily as agricultural showgrounds.*

South Gippsland Shire Council is required to consider, in accordance with the Cultural and Recreational Lands Act, an appropriate charge in lieu of rates. The Act refers at Section 4:

Rates

1) *Notwithstanding the provisions of any Act or enactment relating to the making and levying of rates that would otherwise be payable to the municipal council in respect of recreational lands there shall be paid to the municipal council as rates in each year such amount as the municipal council thinks reasonable having regard to the services provided by the municipal council in relation to such lands and having regard to the benefit to the community derived from such lands.*

The objective of cultural and recreational land is to encourage the outdoor sporting, recreational and cultural pursuits.

Policy

Pursuant to the *Cultural and Recreational Lands Act 1963* Section 4, there are two elements that South Gippsland Shire Council has considered in order to set a Cultural and Recreational Lands Act 'in lieu of rates' charge.

Element One: The amount of the Levy '*having regard to the services provided by the municipal council*'

This refers to the services that South Gippsland Shire Council provides to Cultural and Recreational Lands Act properties. Council has deemed these services to include all available Council services with the exception of services that are levied separately, including waste collection.

This equates to 100 per cent of total South Gippsland Shire Council expenditure being applicable to the land.

Element Two: The amount of '*benefit to the community derived from such lands*'

Community benefit provided by Cultural and Recreational Lands Act properties may include:

- Sporting programs.
- Cultural promotion.
- Social interaction.
- Environmental benefits.
- Community development.
- Meeting places.

The Cultural and Recreational Lands Act charges are calculated by applying the above two elements on the basis that each Cultural and Recreational Lands Act property are charged for their services provided to the land, having made suitable allowance for the community benefit each provides.

Each Cultural and Recreational Lands Act property is charged 50 per cent of the rates that would have been payable had they been rated under the *Local Government Act 1989*:

- **Element One:** Properties are deemed to receive all services that are currently available to rateable properties. Therefore, Cultural and Recreational Lands Act properties are deemed to pay 100 per cent of the general rate before consideration of community benefit.
- **Element Two:** Properties are afforded a 50 per cent reduction to the amount payable applied to each property (Element One) after consideration by South Gippsland Shire Council of a suitable allowance for the community benefit that each provides.

The resultant Cultural and Recreational Lands Act charge is therefore calculated by a 50 per cent reduction to 100 per cent, that equals 50 per cent of the general rate.

The list of Cultural and Recreational Lands Act properties and the resultant 'in lieu of rates' levied is included in the Annual Budget.

4.6 Other Types of Charges

4.6.1 Service Rates and Charges

Section 162 of the *Local Government Act 1989* provides South Gippsland Shire 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.

Policy

South Gippsland Shire Council applies a service charge for the collection and disposal of refuse on properties that fall within the collection area, and providing waste services for the municipality (street litter bins). South Gippsland Shire Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste services, including providing for the cost of rehabilitation of Council's landfill once it reaches the end of its useful life.

It is recommended that South Gippsland Shire Council retain the existing 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 – 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.

4.6.2 Municipal Charge

Legislation

Pursuant to Section 158 of the *Local Government Act 1989*, a Council may declare a municipal charge to cover some of the administrative costs of Council. The legislation is not definitive on what comprises administrative costs and does not require 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 Capital Improved Value 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 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 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 South Gippsland Shire Council's administrative costs can be seen as an equitable method of recovering these costs.

The argument against a municipal charge is that this charge is regressive in nature and would result in lower-valued properties paying higher overall rates and charges than they do at present. The equity objective in levying rates against property values is lost in a municipal charge as it is levied uniformly across all assessments.

Policy

South Gippsland Shire Council does not levy a municipal charge due to its regressive nature, in that it impacts lower-valued properties which have a lesser capacity to pay.

4.6.3 Special Rates and Charges

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

The special rates or charges may be declared on the basis of any criteria specified by South Gippsland Shire Council in the rate (Section 163(2)). In accordance with Section 163(3), Council must specify:

- a) The wards, groups, uses or areas for which the special rate or charge is declared;
- b) The land in relation to which the special rate or charge is declared;
- c) The manner in which the special rate or charge will be assessed and levied; and
- d) Details of the period for which the special rate or charge remains in force.

There are detailed procedural requirements that South Gippsland Shire Council needs to follow to introduce a special rate or charge, including how Council can apply funds derived from this source.

Section 185 of the *Local Government Act 1989* provides appeal rights to the Victorian Civil and Administrative Tribunal in relation to the imposition of a special rate or charge. The Tribunal has wide powers, which could affect the viability of the special rate or charge. It can set the rate or charge completely aside if it is satisfied that certain criteria are met. South Gippsland Shire Council should be particularly mindful of the issue of proving that special benefit exists to those that are being levied the rate or charge.

In summary, differential rates are much simpler to introduce and less subject to challenge. There may be instances however where a special charge is desirable, if raising the levy by use of the Capital Improved Value is not equitable.

Policy

South Gippsland Shire Council applies special rates and charges in instances that fit the following circumstances:

- Funding narrowly defined capital projects (e.g. Streetscape works, private road sealing), where special benefit can be shown to exist to a grouping of property owners.
- Raising funds for a dedicated purpose where the use of Capital Improved Value is not the most equitable method of calculating property owner contributions.

In circumstances outside of the above two scenarios, South Gippsland Shire Council will use differential rating to achieve its objectives.

4.6.4 Victorian Government Charges

South Gippsland Shire Council is required to collect charges on behalf of the Victorian Government. These charges will be separated clearly from Council charges on the rates notice.

Charges include the Landfill Levy and an Emergency Services Volunteer Fund (ESVF) Levy, explained further in Section 5.6.

These levies are not included in the rate cap and increases are at the discretion of the Victorian Government.

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

5.1 Rate Payment Options

Pursuant to Section 167 of the *Local Government Act 1989*, South Gippsland Shire Council must allow rates and charges to be paid in four instalments. Council may also allow rates and charges to be paid in a lump sum.

Policy

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:

- **First instalment:** 30 September.
- **Second instalment:** 30 November.
- **Third instalment:** 28 February.
- **Fourth instalment:** 31 May.

Alternatively, payment can be made annually, due on 15 February, or via a nine-month instalment plan.

South Gippsland Shire Council offers a range of payment options, including:

- In-person at Council offices (cheques, money orders, EFTPOS, credit/debit cards and cash).
- Online via Council's website.
- Online via Forms Express eNotices payment portal.
- PostBillPay.
- By mail (cheques and money orders only).
- BPay.
- Australia Post (over the counter or over the phone via credit card).

5.2 Interest on Arrears and Overdue Rates

Interest may be 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.

5.3 Debt Recovery

South Gippsland Shire 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 2020* Section 122 requires a person who acquires any land in a municipal district to give an acquisition notice to the Chief Executive Officer of the Council of the municipal district in which the land is located, in a prescribed form containing prescribed particulars of the *Local Government (Land Information) Regulations 2021* Section 7.

In the event that an account becomes overdue, South Gippsland Shire Council will issue an overdue reminder notice which will include accrued penalty interest. If 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, South Gippsland Shire Council may take action to sell the property in accordance with the *Local Government Act 1989* Section 181.

5.4 Rebates and Exemptions

A rebate is a mechanism through which a targeted group receives a discount or concession to achieve certain objectives. Essentially rebates are funded through the general rate pool. More specifically, the amount required to fund the rebate is calculated and incorporated into the total rates and charges requirement. For transparency, the amount of any rebate or concession funded by ratepayers should be declared on an annual basis.

South Gippsland Shire Council may grant rebates or concessions in accordance with the *Local Government Act 1989* to assist the proper development of the municipal district, to preserve, maintain and restore historical, environmental, architectural or scientific buildings or places of interest important within and to the municipality, or to generally assist the proper development of all or part of the municipal district. Generally, conditions or undertakings are required and if not met, require the rebate or concession to be repaid in part or in full, as the case may be.

5.4.1 Pensioner Rebates

Holders of a Centrelink, Veteran Affairs Pension Concession Card or a Veteran Affairs Gold Card which stipulates Totally and Permanently Incapacitated (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, 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 South Gippsland Shire Council on verification of eligibility criteria. For periods prior to this, claims may be approved by the relevant government department.

5.4.2 Exemptions

South Gippsland Shire Council provides some rate exemptions (i.e. non-rateable properties) under provisions contained in Section 154(1) and (2) of the *Local Government Act 1989*. Exceptions include land owned by the government, land used for public or municipal purposes, land used for charitable purpose (does not include retail sale of goods or business for profit), the residence of a practicing Minister of Religion, Mining and Forestry Land, and defined Service Clubs.

5.5 Rates and Charges Financial Hardship Policy

Sections 170, 171 and 171A of the *Local Government Act 1989* give South Gippsland Shire Council the power to defer and/or waive in whole or part, the payment of rates and charges if Council determines the enforcement of the requirement to pay would cause hardship to the ratepayer.

Whilst South Gippsland Shire Council must consider its overall revenue requirements from a strategic perspective taking into account the needs of the community as a whole, it is important that Council has a further mechanism to consider the needs of individuals who are suffering financial hardship.

The purpose of the *Rates and Charges Hardship Policy (C53)* is to provide South Gippsland Shire Council with a policy framework to provide rate relief to individuals who need assistance. Under the *Local Government Act 1989*, Council may defer a whole or part of any rate, charge or interest if a person is suffering financial hardship. The *Local Government Act* goes on to say that Council may waive, in whole or part, any payment due on the grounds

of hardship. The difference between a deferral and a waiver is that a deferral suspends payment for a period of time, whereas a waiver permanently exempts payment of the fee or charge under discussion. South Gippsland Shire Council will not waive rates, municipal charges or services charges, but will consider applications to waive or inhibit interest and/or legal charges.

Ratepayers seeking to apply for such provision will be required to submit an application form, which is available at the South Gippsland Shire Council offices, on the Council website or posted upon request.

5.6 Emergency Services and Volunteers Fund

The Fire Services Property Levy will be renamed the Emergency Services and Volunteers Fund effective from 1 July 2025. The new levy is expanded to fund the State Emergency Service, Triple Zero Victoria, the State Control Centre, Forest Fire Management Victoria and Emergency Recovery Victoria.

The *Fire Service Property Levy Act 2012* requires 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 and Country Fire Authority, and all levies collected by Council are passed through to the Victorian 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 Victorian Government.

6.1 Pricing Policy

The following pricing principles provide guidance for South Gippsland Shire Council's approach in setting appropriate levels of fees, fines and charges, taking into account community benefit, user groups and Community (Council) Plan objectives. This policy applies to all fees and charges that are listed in the Fees and Charges Schedule, which is published in the Annual Budget.

This policy seeks to ensure that the following key objectives are met:

- **Efficiency** – the fees are simple to understand and administer.
- **Equity** – the fees are fairly applied across a range of users and consider users' capability to pay.
- **Effectiveness** – the fees provide appropriate signals to users, value for money and ensure that everyone contributes appropriately to the delivery of services.
- **Transparency** – the method of determining pricing is consistent.

6.1.1 Pricing Options

The first step is to consider whether the fee is statutory in nature (in which case South Gippsland Shire Council has no discretion over the fee setting) or whether the fee and fee level is resolved by Council.

Where the fee is a South Gippsland Shire Council discretionary fee, Council then needs to primarily determine the relationship between the fee levels and the associated expenditure with which the fee is related to.

The options available to South Gippsland Shire Council are to either:

- Set the fee at a level that exceeds related costs therefore creating a revenue flow for Council that assists in offsetting funds required from rates; or
- Set the fee at a level that results in full cost recovery, therefore making the respective service revenue neutral for Council; or
- Set the fee at a subsidised level where Council rate funding (and/or grants) is required for the service.

In providing services to the community, South Gippsland Shire Council determines the extent of cost recovery for particular services consistent with the level of both individual and collective benefit that the services provided are in-line with the community's expectations.

Services are therefore provided on the basis of one of the following pricing methods:

- Statutory Pricing.
- Market Pricing.
- Incentive Pricing.
- Full Cost Pricing.
- Accessible Pricing (partial / subsidised cost pricing).

Statutory Pricing

Pricing applied for fees and charges are generally advised by the Victorian Government department responsible for the corresponding services or legislation. Generally, councils will have limited discretion in applying these fees.

Market Pricing

Price set above full cost recovery and in-line with benchmarked market prices where the service is considered discretionary and without strong community benefit. Market price often represents full cost recovery plus an allowance for profit.

Market prices will be used when other providers exist in the given market, and South Gippsland Shire 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.

Incentive Pricing

Price set above full cost recovery to encourage certain behaviours (e.g. additional cost for late health premises registration).

Full Cost Pricing

Priced to ensure South Gippsland Shire Council recovers all direct and indirect overhead costs of a service. 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.

Accessible Pricing (Partial / Subsidised Cost Pricing)

The price is set between full subsidy (no charge) and full cost recovery based on the level of community benefit and accessibility of the service (e.g. recreation facilities). Accessible pricing applies where South Gippsland Shire Council subsidises a service by not passing the full cost of that service onto the customer. Subsidies may range from full subsidies (i.e. 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 Australian and Victorian Government funding programs. Full Council subsidy pricing and partial cost pricing should be based on knowledge of the full cost of providing a service.

South Gippsland Shire Council considers the following criteria when determining the level of subsidy applied to fees and charges.

1. Is the service designed as a benefit to the community (public good)?
2. Is the service private in nature but has public benefits?
3. Is there a need for the service?
4. Can the community pay for the service?
5. What is the nature of the service?

6.1.2 National Competition Policy (Australian Government) and Competitive Neutrality Policy (Victorian Government)

South Gippsland Shire Council's policy framework is to be assessed in the context of both the Australian Government and Victorian Government guidance material regarding competitive neutrality. In setting its pricing, Council is required to price services that compete in the open market on a 'level playing field' basis and to be transparent in regards to any decision to depart from a commercial basis for pricing. Competitive neutrality requires that Council's business activities should not enjoy a net competitive advantage over their private sector competitors as a result of public sector ownership. Where there are significant competitors in the marketplace, Council is required to consider and justify any subsidy in the case of significant services which compete with the private sector.

6.2 User Fees and Charges

For user chargers, fees and fines not regulated by statute, South Gippsland Shire Council considers the following factors in selecting the most appropriate pricing method to meet the objectives for each service.

- Recovery of the service costs in order to deliver the services.
- Balancing individual and community benefit.
- Users' ability to pay.
- Market pricing (the pricing of comparable services offered by other providers).
- Competitive neutrality (where relevant).
- Budget implications.

The reason for the subsidy or return provides guidance in determining the method of pricing to select. The four types of non-statutory pricing are as follows per the pricing policy principles described above:

- Full cost pricing.
- Accessible pricing (partial / subsidised cost pricing).
- Market pricing.
- Incentive pricing.

Examples of user fees and charges include:

- Leisure centre and recreation fees.
- Waste management fees.
- Aged and Health Care service fees.
- Leases and facility hire fees.

The provision of infrastructure and services form a key part of South Gippsland Shire 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.

As per the Victorian Auditor-General's Office report *Fees and Charges – Cost Recovery by Local Government* recommendations, South Gippsland Shire Council promotes the fair and equitable setting of fee prices by promoting principles such as:

- Both direct and indirect costs to be taken into account when setting prices;
- Accessibility, affordability and efficient delivery of services must be taken into account; and
- Competitive neutrality with commercial providers.

South Gippsland Shire Council prepares a table of fees and charges as part of its Annual Budget each year. Proposed pricing changes are included in this table and are communicated to stakeholders before the Budget is adopted, giving them the chance to review and provide valuable feedback prior to approval.

6.3 Statutory Fees and Charges

Statutory fees and charges are those that South Gippsland Shire Council collects under the direction of legislation, or other government directives. The rates used for statutory fees and charges are generally advised by the Victorian Government department responsible for the corresponding services or legislation, and generally councils will have limited discretion in applying these fees.

For statutory fees and fines, South Gippsland Shire Council is required to apply fees set or controlled under statute or funding agreement. These fees may only provide a partial recovery of the cost of providing the service. Examples include Environmental Health and Statutory Planning fees. In addition, there are a range of conditions Council must consider when setting fees for certain purposes, for example under Funding and Service Agreements or Grant Agreements. In these cases, Council must comply with the relevant terms of the agreement, for example there may be an upper limit on the fee Council may charge.

Examples of statutory fees and charges include:

- Planning and subdivision fees.
- Building and inspection fees.
- Infringements and fines.
- Land Information Certificate fees.

7.1 Government Grants

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.

Grants (operating and capital) represent significant opportunities to South Gippsland Shire Council in supporting the delivery of services to the community, and funding capital works projects. Some Council services have long standing co-funded programs with the Australian and Victorian Governments. Council may use its own funds to leverage higher grant funding and maximise external funding opportunities.

When preparing its Long Term Financial Plan, South Gippsland Shire Council considers its project proposal pipeline, advocacy priorities, upcoming grant program opportunities and co-funding options to determine what grants are sought. Council will only apply for and accept external funding if it is consistent with the Community Vision, aligns to the Council Plan priorities, and in accordance with Council's *External Funding Applications Policy (C97)*.

Attention is also given to any funding matching requirements or administrative overheads. Grant funding is used for the specific purpose it was applied and approved for, and managed in accordance with the requirements of the related Grant Funding Agreement.

Grant assumptions are then detailed in South Gippsland Shire Council's Annual Budget. No project that is reliant on grant funding will proceed until a signed funding agreement is in place.

7.2 Contributions

Contributions represent funds received by South Gippsland Shire Council, usually from non-government sources, and are often linked to projects. Contributions can be made to Council in the form of either cash payments or non-cash, in-kind transactions such as asset handover from developers.

Examples of contributions include:

- Monies collected from developers under planning and development agreements.
- Monies collected under developer 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. South Gippsland Shire 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 developers can be received well before any South Gippsland Shire Council expenditure occurs. In this situation, the funds will be identified and held separately for the specific works identified in the agreements.

South Gippsland Shire Council earns other sources of revenue from sale of assets, lease and licensing, interest on investments and interest on rate arrears. The amount of revenue earned from these sources fluctuates from year-to-year, such as the level of cash and investments, and outstanding rates and charges balances.

8.1 Sale of Assets

Assets will only be considered for disposal where there is no clear South Gippsland Shire Council or community need for that asset in the foreseeable future. All property considered for disposal will undergo an evaluation based on both financial and community benefit factors.

Existing holdings or strategic acquisitions must meet existing needs, new identified needs or adopted strategies. To enhance community benefit opportunities for the alternative use of property (including asset realisation) will be investigated.

Regular reviews of asset holdings will be conducted to identify opportunities for asset realisation and consolidation. Asset management plans, asset usage, the ability for Council to maintain assets, land use planning documents and community benefit will be considerations in such reviews.

8.2 Leasing and Licensing

South Gippsland Shire Council provides a range of assets for use by the public, community groups and other organisations to contribute to the achievement of Council's strategic objectives and desired service delivery.

Sources of income may be received from leasing and licensing arrangements managed through South Gippsland Shire Council's *Leasing Policy (C62)*. The Policy applies to all Council-managed assets, including Council-owned, Crown Land (where Council is the appointed Committee of Management) and any other land Council has control over, where an occupancy agreement is to be offered to a community group or other organisation. The Leasing Policy outlines what occupancy agreements are covered.

8.3 Interest on Investments

South Gippsland Shire 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 *Treasury Management Policy (C24)*, which seeks to provide maximum returns for ratepayers with consideration of an acceptable risk.

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South Gippsland
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