SOUTH GIPPSLAND SHIRE COUNCIL

DRAFT

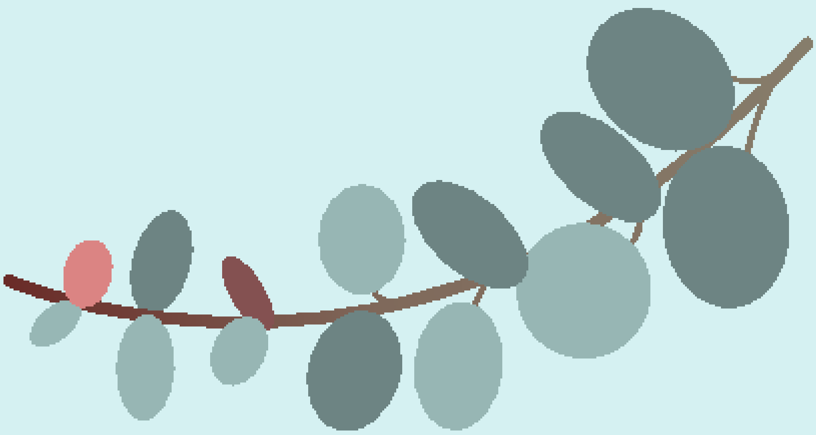
Revenue and Rating Plan 2022-2026

Managing South Gippsland's revenue and rating approach.

South Gippsland Shire Council

Acknowledgment of Country

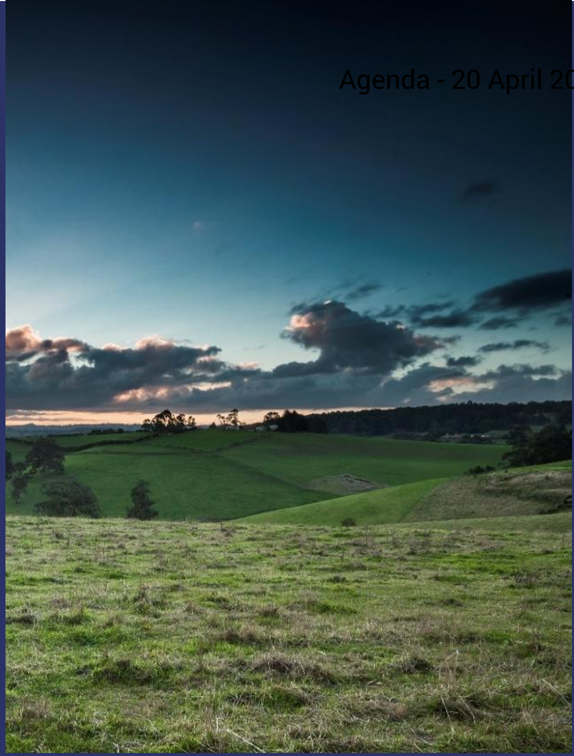
We acknowledge the Bunurong and Gunaikurnai people as the Traditional Custodians of South Gippsland and pay respect to their Elders, past, present, and future, for they hold the memories, traditions, culture, and hopes of Aboriginal and Torres Strait Islander people of Australia.



*eucalyptus, **(genus Eucalyptus)***

Purpose of this document

The purpose of the Revenue and Rating Plan (this Plan) is to determine the most appropriate and affordable revenue and rating approach for South Gippsland Shire which, in conjunction with other income sources, will adequately finance the objectives in the *Council Plan*.


Mirboo North View to Hallston

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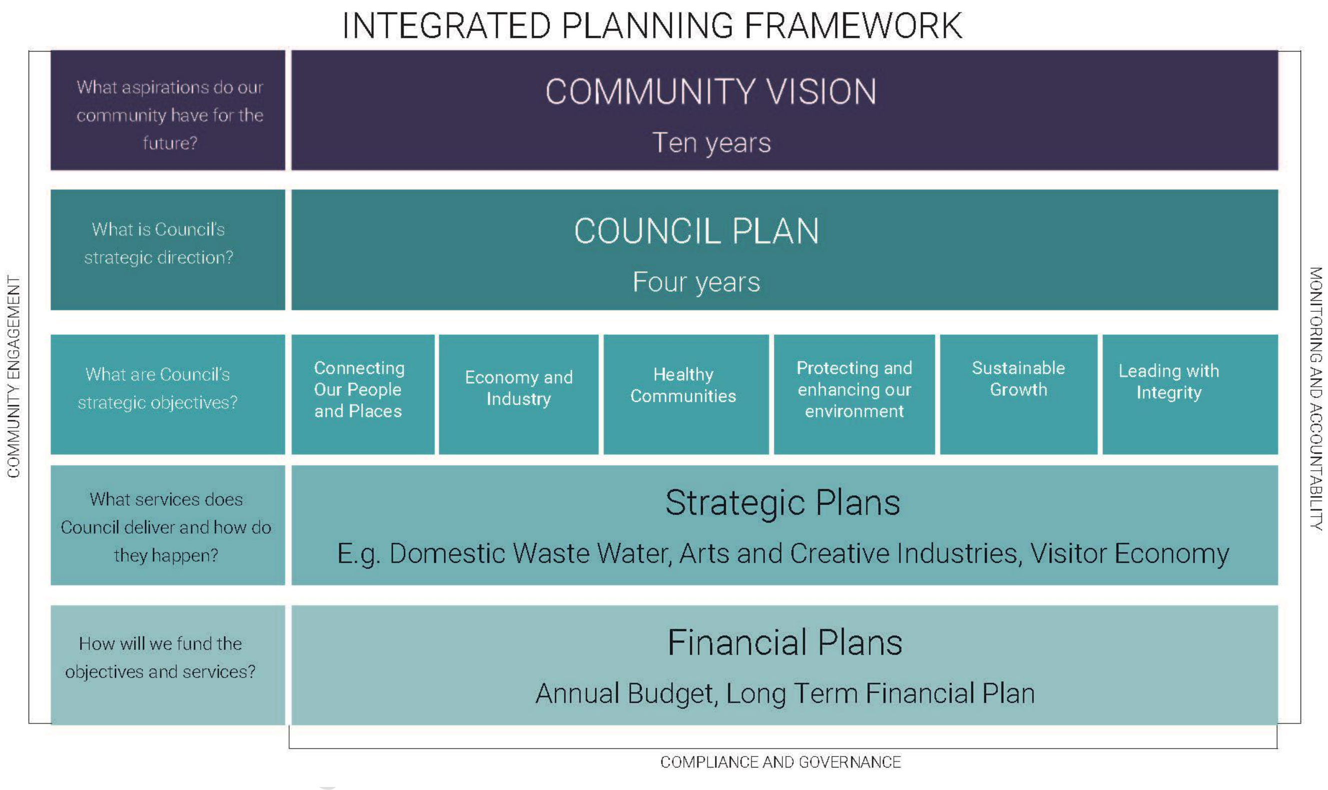
This Plan is an important part of Council's *Integrated Planning and Reporting Framework*, all of which is created to achieve the *Community Vision* and the *Council Plan*. Strategies outlined in this Plan align with the objectives contained in the *Council Plan* and will feed into our budgeting and long-term financial planning documents, as well as other strategic planning documents under Council's *Integrated Planning and Reporting Framework*.

This Framework guides the Council in identifying community needs and aspirations over the long-term through the *Community Vision* and *Financial Plan*, the medium-term through the *Council Plan*, *Workforce Plan*, and *Revenue and Rating Plan*, and short-term through the *Department Plans* and *Budget*. Council holds itself accountable through the *Organisational and Financial Performance Reports* and the *Annual Report*.

Figure 1. Council's Strategic Planning & Reporting Framework



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

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

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

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 operate.

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

Council provides a wide range of services to the community, often for a fee or charge. The nature of these fees and charges generally depends on whether they relate to statutory or discretionary services. Some of these, such as statutory planning fees are set by State Government statute and are commonly known as regulatory fees. In these cases, councils usually have no control over service pricing. However, in relation to other services, Council 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*.

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.

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 will be undertaken on Council's *Revenue and Rating Plan* in accordance with Council's *Community Engagement Strategy 2020-2024*.

Revenue at a Glance

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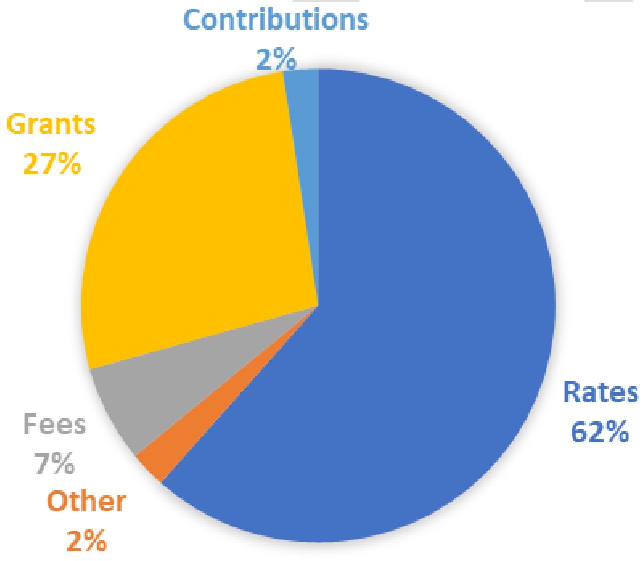
South Gippsland Shire provides a number of services and facilities to our local community, and in doing so, must collect revenue to cover the cost of providing these services and facilities.

Council's revenue sources include:

- Rates and charges (including waste charges)
- Grants from other levels of Government
- Statutory fees and fines
- User fees
- Cash and non-cash contributions from other parties (i.e. developers, community groups)
- Other



Rates and charges (including waste charges) are the most significant revenue source for Council and make up 62% of its total revenue (*2022/23 Annual Budget*).

South Gippsland Shire has established a rating structure comprised of two 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 Act; and
- Fixed Charges – a fixed service charge to recoup the full cost of waste services. The charge is not capped under the Fair Go Rates System and is applied per property depending on the type of waste service that is provided to that property. This charge does not depend on the value of the property.

Striking a proper balance between these elements will help to improve equity in the distribution of the rate burden across residents. This Plan sets out the recommendations behind this rating structure.

Rates

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3.1 Rating Framework

At present, 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 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 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. 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 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 Act

It is important to note that the focus of this Plan is different to that of the *Long-Term Financial Plan* document and *Annual Budget*. In these latter documents the key concern is the quantum of rates required to be raised for 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 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 62% of operating revenue received by Council. The collection of rates is an important factor in funding South Gippsland Shire 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.

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.

3.2 Rating Legislation

For rating purposes, the *Local Government Act 1989* continues to be the authority for this purpose. The 2020 Act empowers councils to declare general rates, municipal charges, service rates and charges and special rates and charges. The legislative framework set out in the *Local Government Act 1989* determines council's ability to develop a rating system. The framework provides significant flexibility for council to tailor a system that suits its needs.

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

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

The recommended strategy in relation to 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, specific 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 *South Gippsland Shire 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.

3.3 Rating Legislation

Taxation Principles:

When developing a *Revenue and Rating Plan*, in particular with reference to differential rates, a Council should give 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 therefore is to determine the appropriate balancing of competing considerations.

Rates and Charges Revenue Principles:

Property rates as an overall source of revenue 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 should be applied as equitably as is practical and will comply with the Ministerial Guidelines for Differential Rating 2013.

Determining which valuation base to use 4

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.

All three types of valuation method have a common basis in that rates are based on the property value which may not necessarily reflect the annual income of the ratepayer, for example pensioners and low-income earners.

4.1 Capital Improved Value (CIV)

Capital Improved Value (CIV) 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. CIV allows council to apply higher rating differentials to the vacant land sector that offsets farm land, rural and cultural and recreational 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.

4.2 Site Value (SV)

There are currently no Victorian councils that use this valuation base. With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of Site Value in a South Gippsland Shire context would cause a shift in rate burden from the vacant land sector onto the farm land, rural and cultural and recreational sectors, and would hinder Council's objective of a fair and equitable rating system.

There would be further rating movements away from modern townhouse style developments on relatively small land parcels to older established homes on larger residential blocks. In many ways, it is difficult to see an equity argument being served by the implementation of site valuation in the South Gippsland Shire.

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

- Under SV, there will be a significant shift from the industrial/commercial sector onto the residential sector of council. The percentage increases in many cases would be in the extreme range.
- 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. A typical example is flats, units, or townhouses which will all pay low rates compared to traditional housing styles.
- 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 (i.e. Farm land and residential use properties). 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, as indicated by many inquiries from ratepayers on this issue handled by council's customer service and property revenue staff each year.

4.3 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.

4.4 Recommended Valuation Base

South Gippsland Shire will apply Capital Improved Valuation as the valuation base for the following reasons:

- CIV is considered to be the closest approximation to an equitable basis for distribution of the rating burden.
- CIV provides Council with the option to levy a full range of differential rates if required and there is no limit on the number or types of differential rates that can be levied. Limited differential rating is available under the other rating bases.
- It is useful to note that most of the 79 Victorian Councils apply CIV as their rating base and as such, it has a wider community acceptance and understanding than the other rating bases.

Strategy recommendation
South Gippsland Shire will continue to apply Capital Improved Valuation as the valuation methodology to levy Council rates.

Determining the Rating System – Uniform or Differential

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Council may apply a uniform rate or differential rates to address the needs of the Council. They are quite different in application and have different administrative and appeal mechanisms that need to be taken into account.

5.1 Uniform rate

Section 160 of the *Local Government Act 1989* stipulates that if a Council declares that general rates will be raised by the application of a uniform rate, the Council must specify a percentage as the uniform rate. Rates will be determined by multiplying that percentage by the value of the land.

South Gippsland Shire does not adopt uniform rates, since amalgamation, it has instead chosen to adopt a differential rating system.

5.2 Differential rates

Differential rating allows 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* (s.161), Council is entitled to apply differential rates provided it uses CIV 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 Councils 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 of land 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 Councils district).

   b) Specify the characteristics of the land, which are the criteria for declaring the differential rate.

Advantages of a differential rating system

The advantages of utilising a differential rating system are:

- There is greater flexibility to distribute the rate burden between all classes of property, and therefore link rates with the ability to pay and reflecting the tax deductibility of rates for commercial and industrial premises.

- Differential rating allows Council to better reflect the investment required by Council to establish infrastructure to meet the needs of the commercial and industrial sector.
- Allows Council to reflect the unique circumstances of some rating categories where the application of a uniform rate may create an inequitable outcome (i.e. Farming enterprises).
- Allows Council discretion in the imposition of rates to facilitate and encourage appropriate development of its municipal district in the best interest of the community. (i.e. Vacant Commercial properties still attract the commercial differential rate).

Disadvantages of a differential rating system

The disadvantages in applying differential rating are:

- The justification of the differential rate can at times be difficult for the various groups to accept giving rise to queries and complaints where the differentials may seem to be excessive.
- Differential rates can be confusing to ratepayers, as they may have difficulty understanding the system. Some rating categories may feel they are unfavourably treated because they are paying a higher level of rates than other ratepayer groups.
- Differential rating involves a degree of administrative complexity as properties continually shift from one type to another (e.g. residential to commercial,) requiring Council to update its records. Ensuring the accuracy/integrity of Council's data base is critical to ensure that properties are correctly classified into their right category.
- Council may not achieve the objectives it aims for through differential rating. For example, Council may set its differential rate objectives to levy a higher rate on land not developed, however it may be difficult to prove whether the rate achieves those objectives.

Differential Rating at South Gippsland Shire 6

South Gippsland Shire applies rating differentials based on the purpose for which the property is used. That is, whether the property is used for general/residential, commercial, industrial, farming purposes, rural residential, vacant rural and vacant other, or cultural/recreational. 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.

The South Gippsland Shire rating structure comprises seven (7) differential rates that 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 (as per the *2022/23 Annual Budget*):

Type or Class of Land	2022/23 Rates in $/CIV	% to General Rate 2022/23
General / Residential	0.00324737	100.0%
Industrial	0.00340974	105.0%
Commercial	0.00340974	105.0%
Farm	0.00227316	70.0%
Vacant Rural	0.00227316	70.0%
Vacant other	0.00649474	200.0%
Cultural and Recreational	0.00162369	50.0%

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 Council's *Annual Budget*.

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.

South Gippsland Shire 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 a classification code if they feel the current code is not applicable or no longer applicable.

6.1. General / Residential Land

Definition:

General / Residential Land is any rateable land which does not have the characteristics of lands eligible for the other differential rates (commercial, industrial, vacant land, farm land, cultural and recreational, rural vacant land).

Objectives:

To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the:

- construction and maintenance of infrastructure assets;
- development and provision of health and community services; and
- provision of general support services.

Types and Classes:

The types and classes of rateable land within this differential rate are those having the relevant characteristics described in the definition above.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the *Budget* by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

Level of Rate:

100% of General Rate.

Geographic Location:

The geographic location of the land within this differential rate is land wherever located within the municipal district, without reference to ward boundaries.

Use of Land:

The use of the land within this differential rate is, in the case of improved land, any use of land creating the relevant characteristics described in the definition above.

Types of Buildings:

The types of buildings on the land within this differential rate are all buildings which are present on the land at the date of declaration of rates for the relevant financial year.

Consideration:

Council has considered this differential rate in the context of the range of revenue instruments available to it and has determined that this differential rate is the most appropriate means of meeting Council's stated objectives.

6.2. Commercial Land

Definition:

Commercial Land is any land which is used predominantly for commercial purposes and to which any of the following AVPCC codes, or AVPCC codes in the following ranges, have been allocated: AVPCC 202-299, 656, 657, 669-672, 674, 675, 684, 687, 688, 690, 696, 711, 715, 803-816, 818-820, 822, 823, 825, 827 and 828.

Objectives:

The objectives of this differential rate, having regard to principles of equity including the capacity to pay of those levied the rate, is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the:

- construction and maintenance of infrastructure assets;
- development and provision of health and community services; and
- provision of general support services.

Types and Classes:

The types and classes of rateable land within this differential rate are those having the relevant characteristics described in the definition above.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the *Budget* by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

Level of Rate:

105% of General Rate.

Geographic Location:

The geographic location of the land within this differential rate is land wherever located within the municipal district, without reference to ward boundaries.

Use of Land:

The use of the land within this differential rate is, in the case of improved land, any use of land giving rise to the allocation of a relevant AVPCC code specified in the definition above.

Planning Scheme Zoning:

The land affected by this rate is that which is in any zone where commercial development is permitted by the South Gippsland Planning Scheme and which displays the characteristics described in the definition above.

Types of Buildings:

The types of buildings on the land within this differential rate are all buildings which are present on the land at the date of declaration of rates for the relevant financial year.

Consideration:

Council has considered this differential rate in the context of the range of revenue instruments available to it and has determined that this differential rate is the most appropriate means of meeting Council's stated objectives.

6.3. Industrial Land

Definition:

Industrial Land is any land which is used predominantly for industrial purposes and to which any of the following AVPCC codes, or AVPCC codes in the following ranges, have been allocated: AVPCC 303-399, 400-481, 483-499, 602-612, 615-623, 626-637, 639-644, 647-649, 659, 661-664, 666, 667, 673, 676-679, 681-683, 685, 689, 691 and 693-699.

Objectives:

The objectives of this differential rate, having regard to principles of equity including the capacity to pay of those levied the rate, is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the:

- construction and maintenance of infrastructure assets;
- development and provision of health and community services; and
- provision of economic development and general support services.

Types and Classes:

The types and classes of rateable land within this differential rate are those having the relevant characteristics described in the definition above.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the *Budget* by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

Level of Rate:

105% of General Rate.

Geographic Location:

The geographic location of the land within this differential rate is land wherever located within the municipal district, without reference to ward boundaries.

Use of Land:

The use of the land within this differential rate is, in the case of improved land, any use of land giving rise to the allocation of a relevant AVPCC code specified in the definition above.

Planning Scheme Zoning:

The land affected by this rate is that which is in any zone where industrial development is permitted by the South Gippsland Planning Scheme and which displays the characteristics described in the definition above.

Types of Buildings:

The types of buildings on the land within this differential rate are all buildings which are present on the land at the date of declaration of rates for the relevant financial year.

Consideration:

Council has considered this differential rate in the context of the range of revenue instruments available to it and has determined that this differential rate is the most appropriate means of meeting Council's stated objectives.

6.4. Vacant Land

Definition:

Vacant Land is any land which is vacant, to the extent that no buildings are erected on it, and to which any of the following AVPCC codes, or AVPCC codes in the following ranges, have been allocated: AVPCC 100-108, 150, 151, 200, 201, 300, 301, 482, 600, 601, 700-706, 782 or 800-802.

Objectives:

The objectives of this differential rate, having regard to principles of equity including the capacity to pay of those levied the rate, are to:

- promote responsible land management through appropriate maintenance and development of the land;
- ensure that foregone community and economic development resulting from underutilisation of land is minimised; and
- ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited) to the:
    - construction and maintenance of infrastructure assets;
    - development and provision of health and community services; and
    - provision of economic development and general support services.

Types and Classes:

The types and classes of rateable land within this differential rate are those having the relevant characteristics described in the definition above.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the *Budget* by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

Level of Rate:

200% of General Rate.

Geographic Location:

The geographic location of the land within this differential rate is land wherever located within the municipal district, without reference to ward boundaries.

Planning Scheme Zoning:

The vacant land affected by this rate is that which is located in any zone under the South Gippsland Planning Scheme and which displays the characteristics described under the definition above.

Consideration:

Council has considered this differential rate in the context of the range of revenue instruments available to it and has determined that this differential rate is the most appropriate means of meeting Council's stated objectives.

6.5. Farm Land

Definition:

Farm Land is any land on which the business of farming is being carried out, and which:

- has a total area of less than 2 hectares and is –
  - used predominantly for farming purposes; AND
  - forms part of a farm business which straddles the boundary with an adjoining municipality; OR
  - (where the farm business is entirely within the municipality) to which any of the following AVPCC codes, or AVPCC codes in the following range, have been allocated: AVPCC 540-543 or 564; OR
  - used predominantly for farming purposes; AND
  - is operated in combination with other property within Council's municipal district which, when combined, have a total area exceeding 20 hectares, to which AVPCC codes in the following range apply: AVPCC 570-572; OR
- has a total area of between 2 and 20 hectares and –
  - is used predominantly for farming purposes; AND
  - if there is a dwelling situated on the land, or a current planning permit for construction of a dwelling on the land, has applied to it an AVPCC code within the following range: AVPCC 540-583; OR
  - if there is no dwelling situated on the land, and no current planning permit for construction of a dwelling on the land, has applied to it an AVPCC code within the following range: AVPCC 500-583; OR
- has a total area exceeding 20 hectares and –
  - used predominantly for farming purposes; AND
  - has applied to it an AVPCC code within the following range: AVPCC 500-583.

To avoid doubt, 'business' for the purposes of identifying Farm Land, has the same meaning as that given to it by section 2(1) of the *Valuation of Land Act 1960* for the same purpose, being a business that: has a significant and substantial commercial purpose or character; and seeks to make a profit on a continuous or repetitive basis from its activities on the land; and is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way that it is operating.

Objectives:

The objectives of this differential rate, having regard to principles of equity including the capacity to pay of those levied the rate, are to:

- ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the:
  - construction and maintenance of public infrastructure assets;
  - development and provision of health, environmental and community services; and
  - provision of general support services; encourage and support the business of primary production; and retain and, where appropriate, expand the business of primary production.

Types and Classes:

The types and classes of rateable land within this differential rate are those having the relevant characteristics described in the definition above.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the *Budget* by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

Level of Rate:

70% of General Rate.

Geographic Location:

The geographic location of the land within this differential rate is land wherever located within the municipal district, without reference to ward boundaries.

Use of Land:

The use of the land within this differential rate is any use of land creating the relevant characteristics described in the definition above.

Planning Scheme Zoning:

The land affected by this rate is that which is in any zone where farming is permitted by the South Gippsland Planning Scheme and which displays the characteristics described in the definition above.

Types of Buildings:

The types of buildings on the land within this differential rate (if any) are all buildings which are present on the land at the date of declaration of rates for the relevant financial year.

Consideration:

Council has considered this differential rate in the context of the range of revenue instruments and options available to it and has determined that this differential rate is the most appropriate means of meeting Council's stated objectives.

6.6. Cultural and Recreational Land

Definition:

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*.

Objectives:

The objectives of this differential rate, having regard to principles of equity including the capacity to pay of those levied the rate, are to:

- ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the:
  - construction and maintenance of public infrastructure assets;
  - development and provision of health, environmental and community services; and
  - provision of general support services; and
- encourage the provision of land and facilities for the enjoyment of residents of and visitors to the municipal district.

Types and Classes:

The types and classes of rateable land within this differential rate are those having the relevant characteristics described in the definition above.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the *Budget* by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

Level of Rate:

50% of General Rate.

Geographic Location:

The geographic location of the land within this differential rate is land wherever located within the municipal district, without reference to ward boundaries.

Use of Land:

The use of the land within this differential rate is any use of land creating the relevant characteristics described in the definition above.

Planning Scheme Zoning:

The land affected by this rate is that which is located in any zone under the South Gippsland Planning Scheme and which displays the characteristics described in the definition above.

Types of Buildings:

The types of buildings on the land within this differential rate (if any) are all buildings which are present on the land at the date of declaration of rates for the relevant financial year.

Consideration:

Council has considered this differential rate in the context of the range of revenue instruments and options available to it and has determined that this differential rate is the most appropriate means of meeting Council's stated objectives.

6.7. Rural Vacant Land

Definition:

Rural Vacant Land is any land that is vacant, to the extent that no buildings are erected on it, and to which any of the following AVPCC codes, or AVPCC codes in the following ranges, have been allocated: AVPCC 100-108, 150, 151, 200, 201, 300, 301, 482, 600, 601, 700-706, 782 or 800-802.

Objectives:

The objectives of this differential rate, having regard to principles of equity including the capacity to pay of those levied the rate, are to:

- promote responsible land management through appropriate maintenance and development of the land;
- ensure that foregone community and economic development resulting from underutilisation of land is minimised; and
- ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the:
  - construction and maintenance of public infrastructure assets;
  - development and provision of health, environmental and community services; and
  - provision of general support services; encourage and support the business of primary production; and retain and, where appropriate, expand the business of primary production.

Types and Classes:

The types and classes of rateable land within this differential rate are those having the relevant characteristics described in the definition above.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the *Budget* by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

Level of Rate:

70% of General Rate.

Geographic Location:

The geographic location of the land within this differential rate is rural land wherever located within the municipal district, without reference to ward boundaries.

Planning Scheme Zoning:

The rural vacant land affected by this rate is that which is located in a farming or rural activity zone under the South Gippsland Planning Scheme and which displays the characteristics described under the definition above.

Consideration:

Council has considered this differential rate in the context of the range of revenue instruments available to it and has determined that this differential rate is the most appropriate means of meeting Council's stated objectives.

Strategy recommendation

South Gippsland Shire will continue to apply differential rating as its rating system.

Understanding the Impacts of Council Revaluations

7

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

Key points:

- Property revaluations, undertaken annually, do not generate extra revenue for 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.

7.1. 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. South Gippsland Shire 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.

7.2. No windfall gain

There is a common misconception that if a property's valuation rises then Council receives a "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 dollar used to calculate the rate for each property. Rates collected by Council are capped at an annual increase rate as set out by the Minister for Local Government.

7.3. How does this affect rates?

The general revaluation process enables 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 of more than the headline rate. Properties with an increase in value less than the average will receive a rate increase less than the headline rate.

7.4. 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 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.

7.5. 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 the South Gippsland Shire. 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).

Other Types of Charges 8

8.1. 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.

South Gippsland Shire currently 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). 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 the council's landfill once it reaches the end of its useful life.

It is recommended that 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.

Strategy recommendation

That South Gippsland Shire continues to apply a Waste Service charge as part of its Revenue and Rating Plan based on full cost recovery of the waste function.

8.2. Municipal Charge

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

The application of a municipal charge represents a choice to raise a portion of the rates by a flat fee for all properties, rather than sole use of the CIV valuation method.

Under the *Local Government Act 1989*, a council's total revenue from a municipal charge in a financial year must not exceed 20 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 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.

Strategy recommendation

That South Gippsland Shire does not utilise a Municipal Charge as part of its Revenue and Rating Plan.

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

The special rate or special charges may be declared on the basis of any criteria specified by the 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; and

b) the land in relation to which the special rate or special charge is declared;

c) the manner in which the special rate or special charge will be assessed and levied; and

d) details of the period for which the special rate or special charge remains in force.

There are detailed procedural requirements that 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 VCAT 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. 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 CIV is not equitable.

Strategy recommendation

That South Gippsland Shire use special rates and charges in instances that fit the following circumstances:

- Funding of 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 CIV is not the most equitable method of calculating property owner contributions.

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

Collection and Administration Rates and Charges

9

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

9.1. Rate 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

Alternatively, payment can be made annually, due on 28 February, or via a nine-month instalment plan.

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).

Strategy recommendation

That South Gippsland Shire continues to provide the current range of rate payment options in future years.

9.2. 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.

9.3. 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 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, 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.

9.4. 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 is 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.

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.

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.

Exemptions

Council provide some Rate exemptions (i.e. non-rateable properties) under provisions contained in section 154(1) & (2) of the *Local Government Act 1989*. Exceptions include land owned by 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 Services Clubs.

Strategy recommendation

That South Gippsland Shire continues to promote the pensioner rebate provided by the Victorian Government to ratepayers who apply and qualify for the rebate.

That South Gippsland Shire review on an ongoing basis non-rateable properties to ensure that they qualify for exemption from rating.

9.5. Rates and Charges Financial Hardship Policy

Sections 170, 171 and 171A of the *Local Government Act 1989* give 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 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 this *Rates and Charges Hardship Policy (C53)* is to provide 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 or charge or interest if a person is suffering financial hardship. The Act goes on to say 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 service 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 Council offices, on the Council website or which can be posted upon request.

Strategy recommendation
That South Gippsland Shire continues to maintain the rates arrangements, deferral and waiver procedures as documented in the *Rates and Charges Hardship Policy (C53)*.

9.6. Fire Services Property Levy

The *Fire Service Property Levy Act 2012* requires 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.

Other Revenue 10

10.1. User Fees and Charges

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

Examples of user fees and charges include:

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

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

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

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

Full cost recovery price (B) aims to recover all direct and indirect costs incurred by council. This pricing should be used 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 (C) is where 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 Commonwealth and State funding programs. Full council subsidy pricing and partial cost pricing should always be based on knowledge of the full cost of providing a service.

As per the Victorian Auditor General's Office report "Fees and charges – cost recovery by local government" recommendations, 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.

Council will develop 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.

10.2. Statutory Fees and Charges

Statutory fees and charges are those which Council collects under the direction of legislation or other government directives. The rates used for statutory fees and charges 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 charges include:

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

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

Penalty Units

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

One penalty unit is currently $181.74, from 1 July 2021 to 30 June 2022.

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

Fee Units

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

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

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

10.3. 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.

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.

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

10.4. Contributions

Contributions represent funds received by Council, usually from non-government sources, and are usually linked to projects. Contributions can be made to Council in the form of either cash payments 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.

10.5. Sale of Assets

Assets will only be considered for disposal where there is no clear Council or community need for that asset in the foreseeable future. All property considered for disposal will undergo a thorough 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. Asset management plans, asset usage, land use planning documents and community benefit will be considerations in such reviews.

10.6. Leasing and Licensing

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 the Council 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.

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

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