



GLEN EIRA
CITY COUNCIL

BENTLEIGH
BENTLEIGH EAST
BRIGHTON EAST
CARNEGIE
CAULFIELD
ELSTERNWICK
GARDENVALE
GLEN HUNTLY
MCKINNON
MURRUMBEENA
ORMOND
ST KILDA EAST

GLEN EIRA CITY COUNCIL

REVENUE AND RATING PLAN 2022-23 to 2025-26

Ordinary Council Meeting
Tuesday 28 June 2022



Table of contents

1.1	PURPOSE	2
1.2	INTRODUCTION	3
1.3	COMMUNITY ENGAGEMENT	3
1.4	RATES AND CHARGES	4
1.4.1	RATING LEGISLATION	7
1.4.2	RATING PRINCIPLES	8
1.4.3	DETERMINING WHICH VALUATION BASE TO USE	9
1.4.4	MUNICIPAL CHARGE	12
1.4.5	SPECIAL CHARGE SCHEMES	12
1.4.6	SERVICE RATES AND CHARGES	13
1.4.7	COLLECTION AND ADMINISTRATION OF RATES AND CHARGES	13
1.5	OTHER REVENUE ITEMS	15
1.5.1	USER FEES AND CHARGES	15
1.5.2	STATUTORY FEES AND CHARGES	17
1.5.3	GRANTS (OPERATING & CAPITAL)	18
1.5.4	CONTRIBUTIONS – MONETARY (OPEN SPACE)	19
1.5.5	INTEREST ON INVESTMENTS	19
1.5.6	BORROWINGS	19
1.6	REFERENCES / RESOURCES	20

1.1 PURPOSE

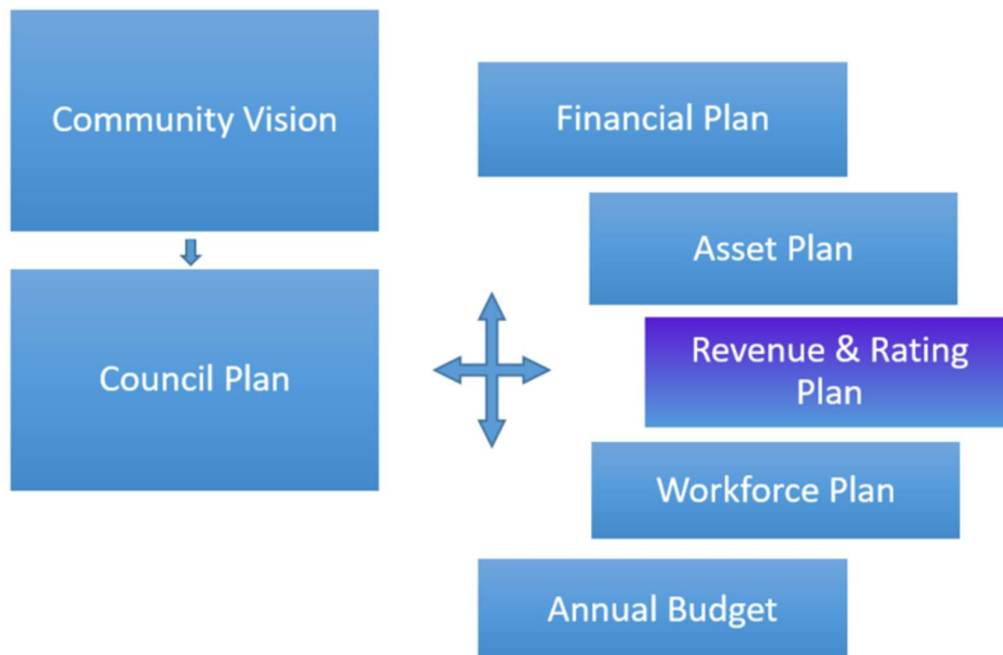
The *Local Government Act 2020* received Royal Assent on 24 March 2020. Under section 93 of the Act, a Council must prepare and adopt a Revenue and Rating Plan by the next 30 June after a general election for a period of at least the next four financial years. This Revenue and Rating Plan is an update to the previous one that was updated in June 2021. As part of the overall revenue and rating principles, this plan should be updated annually.

The Revenue and Rating Plan establishes the revenue raising framework within which Council proposes to work and operate within.

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

The Revenue and Rating Plan is an important part of Council's integrated planning framework, all of which is created to help Council achieve its vision of: ***'A thriving and empowered community working together for an inclusive and sustainable future.'***

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



This Revenue and Rating 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 the Revenue and Rating 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.

1.2 INTRODUCTION

Council plays an important role in delivering a wide range of services to their local communities, as well as building and maintaining community assets and infrastructure, and enforcing various laws. In doing so, Council must collect revenue to cover costs of providing services and facilities. Council's revenue sources include:

- Rates and Charges
- Waste and Garbage Charges
- Grants from other levels of Government (operating and capital)
- Statutory Fees and Fines
- User Fees
- Contributions – Monetary (open space contributions)
- Interest from Investments

Rates are the most significant revenue source for Council and make up approximately 56 per cent of its annual income.

The introduction of the Fair Go Rates System (rate capping) has provided substantial financial challenges to Council's long-term financial sustainability and continues to restrict Council's ability to raise revenue to maintain service delivery levels and invest in community assets. This strategy will consider Council's reliance on rate income as well as other alternatives of revenue generation.

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.

1.3 COMMUNITY ENGAGEMENT

The Revenue and Rating Plan outlines Council's decision-making process on how revenues are calculated and collected. The following public consultation process will be followed to ensure due consideration and feedback is received from relevant stakeholders.

The Revenue and Rating Plan community engagement process is as follows:

- a) Draft Revenue and Rating Plan prepared by management.
- b) Draft Revenue and Rating Plan advertised for community feedback after the 26 April 2022 Council meeting.
- c) Community engagement is conducted using local news outlets, social media and information sessions until 27 May 2022.
- d) Council considers community feedback at the Council meeting on 7 June 2022.
- e) Draft Revenue and Rating Plan, including any revisions, presented to the 28 June 2022 Council meeting for adoption.

1.4 RATES AND CHARGES

(a) Rating Context

Rates are property taxes that allow Council to raise revenue to fund essential public services to cater to their municipal population.

The whole community pays taxes and rates. Of the total tax revenue collected by all levels of government, currently councils across Australia collect 3.5 per cent. The other 96.5 per cent goes to federal and state governments. The more tax revenue that federal and state governments return to local projects, the less pressure there will be on rates.

Glen Eira City Council's reliance on rates is influenced by policy and legislative factors that preclude or limit Council's ability to charge. Council does not have discretion to set user fees and charges for a range of services where this is set out in State legislation or regulation, such as prescribed fees for planning permits, or in funding agreements with other levels of Government such as those applying to aged services and maternal and child health.

Since 2016-17, Council's ability to raise revenue from rate income has been impacted by the State Government's introduction of the Fair Go Rates System (FGRS).

(b) State Taxation of Glen Eira Property

I. Fire Services Property Levy

In 2013 the Victorian State Government passed legislation requiring the Fire Services Property Levy to be collected from ratepayers. Previously, this was collected through building and property insurance premiums. The Levy is listed on Council rate notices, collected by councils, and paid to the State Government. 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. The amount of the State Levy collected in Glen Eira was \$14 million for 2020-21.

II. State Waste Levy

The State Government Waste Levy is the amount that Council pays to the State Government for every tonne of waste delivered to landfill. The government uses the levy to promote recycling and related programs and the levy reflects the government's policy to reduce waste going to landfill. The waste levy is beyond Council's control.

Since July 2020, the State Government's Waste Levy has increased from \$66 to \$121 per tonne (an 83 per cent increase).

It is estimated that Council will pay approximately \$2.7 million in 2022-23 for the State Government Waste Levy which is 12 per cent of Glen Eira's total waste collection and disposal costs.

(c) The Rating System

The rates system is set down in State Government legislation. One of the easiest ways to explain this system is that if you own one per cent of the value of property in a municipality, you pay one per cent of the total rates.

Rates are set according to how much your property is worth compared to the rest of the municipality. For example, a \$1 million property in a wealthy municipality may be below the average house value so the owner would pay below the average rates, while a \$1 million property in a less affluent municipality might be well above the average house value so the owner would pay above average rates.

Glen Eira has established a rating structure comprised of:

i. General Rates

These are based on property values (using the Net Annual Valuation methodology), which are indicative of capacity to pay and form the central basis of rating under the *Local Government Act 1989*.

ii. Service Charges

A 'user pays' component to use service charges to reflect benefits provided by Council to ratepayers who benefit from a service.

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

Council does not make a further distinction when applying general rates by applying rating differentials based on the purpose for which the property is used, that is, whether the property is used for residential, commercial / industrial, or farming purposes. This distinction is based on the concept that different property categories should pay a fair and equitable contribution, taking into account the benefits those properties derive from the local community. The use of differential rating is dependent on the use of the Capital Improved value when raising rates.

The Glen Eira City Council rating structure comprises a uniform rate for residential, commercial and industrial properties.

Council does not levy a municipal charge. The municipal charge is a minimum rate per property and declared for the purpose of covering some of the administrative costs of Council. Applying the municipal charge would result in lesser valued properties in the municipality making a larger contribution.

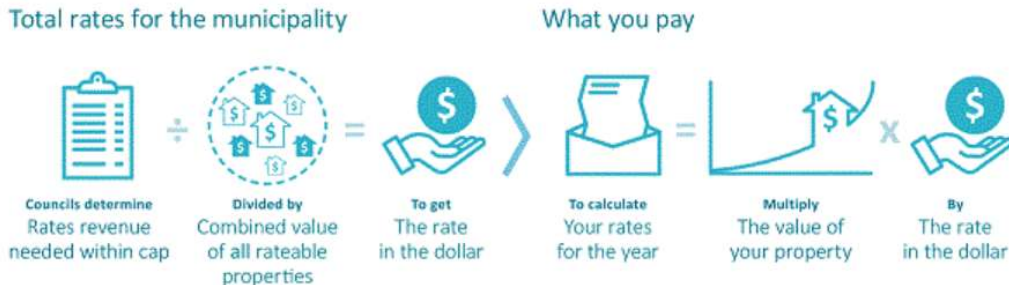
The formula for calculating General Rates, excluding any additional charges, arrears or additional supplementary rates is:

- Valuation (Net Annual Value) x Rate in the Dollar (Uniform Rate)

The diagram below shows how council rates are calculated.

How your council rates are calculated

Rates are a tax which fund council services and infrastructure. Rates are calculated based on the value of your property relative to others in the municipality.



Other factors can influence your rates, for example
Property values in the municipality may have changed relative to others.

The uniform rate in the dollar is included in Council's Annual Budget.

Rates are an important source of revenue, accounting for over 56 per cent of operating revenue received by Council. The collection of rates is an important factor in funding Council services.

Planning for future rate increases is therefore an essential component of the long-term financial planning process and plays a significant role in funding both 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 legislation, all rate increases are capped to a rate declared by the Minister for Local Government, which is usually announced in December for the following financial year.

(d) Waste Charges

Council currently utilises a service charge to fully recover the cost of Council's waste services.

Waste and recycling charges appear on your rate notice for the use of our waste collection service. These charges pay for kerbside waste collection, hard rubbish collection, recycling, waste disposal, and the State Government Waste Levy – which we must pay when depositing waste at landfill.

Waste and recycling charges are compulsory for residential properties, but optional for commercial properties. They don't apply to properties with no improvements (i.e., vacant land).

The garbage service charge is not capped under the Fair Go Rates legislation.

1.4.1 RATING LEGISLATION

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

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

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

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

In raising Council rates, Council is required to primarily use the valuation of the rateable property to levy rates. Section 157 (1) of the *Local Government Act 1989* provides Council with three choices in terms of which valuation base to utilise. They are: Site Valuation, Capital Improved Valuation and Net Annual Value.

Glen Eira Council has adopted the Net Annual Value as the valuation base. Whilst this document outlines Council's strategy regarding rates revenue, rates data will be contained in the Council's Annual Budget as required by the *Local Government Act 2020* and the integrated planning and reporting requirements of the Act.

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 applications; 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 Glen Eira City Council budget.

1.4.2 RATING PRINCIPLES

(a) Taxation Principles:

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

- 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.

(b) Rates and Charges Revenue Principles:

- They should be reviewed annually;
- They should not change dramatically from one year to the next;
- They should be sufficient to fund current expenditure commitments, and:
 - Council's Vision, and
 - Deliverables outlined in the Council Plan, Long-Term Financial Plan, and Asset Plan.

1.4.3 DETERMINING WHICH VALUATION BASE TO USE

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

- Capital Improved Valuation (CIV) – Value of land and improvements upon the land.
- Site Valuation (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.

Glen Eira Council has adopted the following valuation base:

(a) Net Annual Value (NAV)

NAV, in concept, represents the annual rental value of a property. However, in practice, NAV is closely 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.

Glen Eira City Council has adopted the Net Annual Value (NAV) system for rating purposes. NAV for non-residential properties is the assessed rental value. In accordance with legislation this must be at least 5 per cent of the Capital Improved Value (CIV) for any property. For residential properties it is fixed at 5 per cent of the CIV, but for commercial or industrial properties there is no set amount and will generally be higher.

Council calculates the general rate in the dollar by dividing the total rate revenue by the Net Annual Value (NAV) of all rateable assessments (properties). Council then applies this rate to all rateable assessments. For example, if total rate revenue is \$40 million and our rateable assessments have a total NAV of \$950 million, the rate in the dollar is 0.042105 rate in the dollar of NAV.

(b) Recreational Land

Council provides rate relief to recreational land as provided under the *Cultural and Recreational Lands Act 1963*. This Act effectively provides Council with the power to apply a discount to Cultural and Recreational properties.

(c) Recommended Valuation Base

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

Glen Eira Council applies a Net Annual Valuation (NAV) to all properties within the municipality to take into account the fully developed value of the property. This basis of valuation also takes into account the annual rental value of commercial or industrial properties. A uniform rate is applied to each properties Net Annual Value.

Differential rating allows (under the CIV method) Council to shift part of the rate burden from some groups of ratepayers to others, through different 'rates in the dollar' for each class of property.

(d) 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. Council applies a Net Annual Value (NAV) to all properties within the municipality. This basis of valuation considers the total market value of the land including buildings and other improvements and the annual rental value for commercial and industrial properties only.

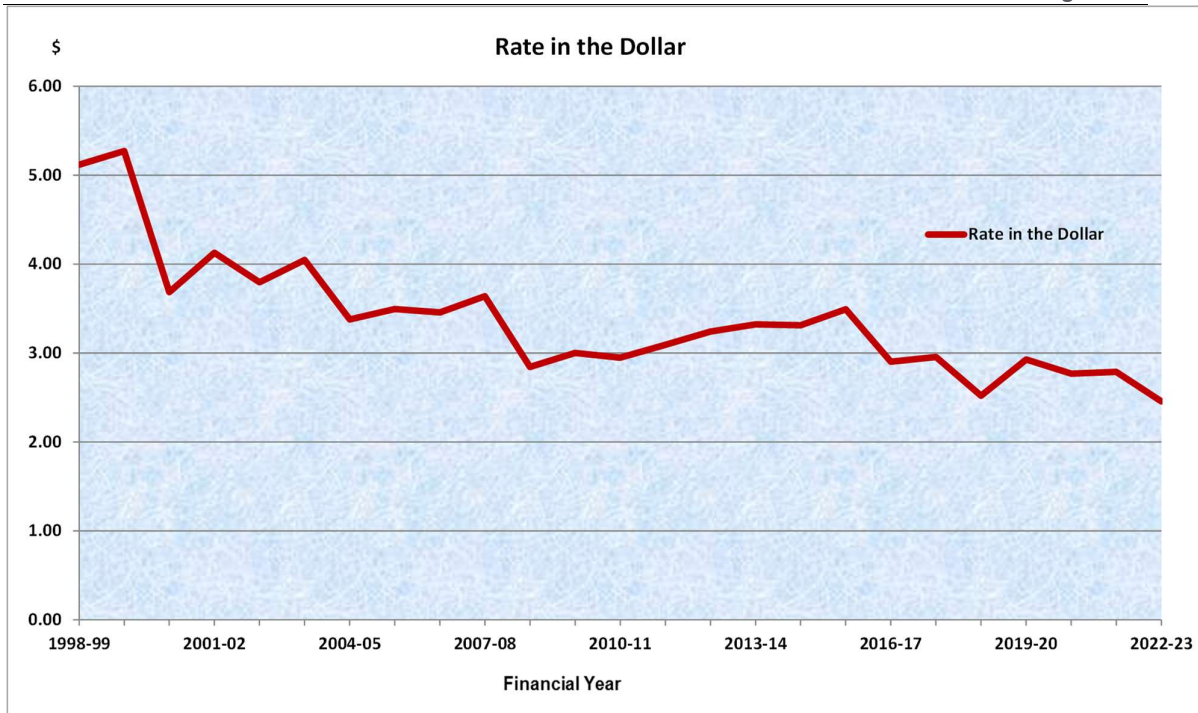
The value of land is always derived by the principal of valuing land for its highest and best use at the relevant time of valuation.

As of 1 July 2018, the Valuer-General has been conducting a revaluation of all properties every year. The current revaluation is effective as at 1 January 2021. The current capital improved value of all rateable property is approximately \$73.0 billion.

The property values are used by:

- State Government to levy land tax (SV) and the Fire Services Property Levy (CIV - effective 1 July 2013); and
- Council to levy rates (NAV).

A revaluation has no effect on Council's total rate income. Rising property values do not impact on Council's total revenue collection. They usually result in the adjustment, by Council, of a lower rate in the dollar to offset the overall increase in property values. For example, the rate in the dollar in 1998–99 was 5.1183 of net annual value compared to 2.4565 in 2022-23.



A revaluation can affect the rates on an individual property. Rates are redistributed according to the shift in property values that have occurred in different parts of the municipality. In a revaluation year some ratepayers may experience a change in their rates depending on the type of property they own, where it is located and how its value has moved relative to the average.

(e) 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 revaluations 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 the Valuer-General within two months of the issue of the supplementary rate notice.

(f) 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 Valuer-General. 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 State Revenue Office).

1.4.4 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 NAV valuation method.

Under the Local Government Act, 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 Councils administrative costs can be seen as an equitable method of recovering these costs.

Glen Eira Council does not raise a Municipal Charge.

1.4.5 SPECIAL CHARGE SCHEMES

The *Local Government Act 1989* allows Councils to recover the cost of a special rate or charge scheme introduced from property owners who will gain special benefit from that scheme.

The purposes for which special rates and special charges may be used include road construction, kerb and channelling, footpath provision, drainage, and other adopted 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:

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

The special rates and charges provisions are flexible and can be used to achieve a wide range of community objectives. The fundamental principle of special rates and charges is proof "special benefit" applies to those being levied.

Glen Eira Council currently has three special charge schemes for the marketing and promotion of the Bentleigh, Carnegie and Elsternwick shopping centres by their respective Traders Associations.

1.4.6 SERVICE RATES AND CHARGES

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

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

Council currently applies a service charge for the collection and disposal of refuse for residential properties (compulsory) and non-residential properties (optional), and providing waste services for the municipality (street litter bins, etc). Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste services.

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.

1.4.7 COLLECTION AND ADMINISTRATION OF RATES AND CHARGES

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

a. Payment Options

In accordance with the *Local Government Act 1989*, Section 167(1), Ratepayers have the option of paying rates and charges by way of four instalments. Payments are due on the prescribed dates below:

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

Council offers a range of payment options including:

- In person at Council offices (cheques, money orders, EFTPOS, credit/debit cards and cash)
- Telephone credit card payments (Visa or Mastercard)
- Online via Council's payment portal (Visa or Mastercard)
- Monthly Direct debit
- BPAY
- Australia Post – in person only by cash, cheque or EFTPOS
- By mail (cheques and money orders only).

b. 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. Over the last two years (2020-21 and 2021-22), Council approved the deferral of interest on overdue rates due to the impact of COVID-19.

c. 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 process. Upon confirmation of an eligible pensioner concession status, the pensioner rebate is deducted from the rate account before payment is required by the ratepayer.

The available State Government concession is 50 per cent of rates to a maximum amount determined each year. Glen Eira City Council is one of the few Councils to provide an additional rebate to further assist all who are eligible for the State Government rebate. The maximum total Council and State Government rebate granted is \$270 meaning Council's contribution is \$270 less the State rebate amount.

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. Claims prior to this period are required to be approved by the relevant government department up to maximum of an additional three years.

d. Deferred Payments

Under Section 170 of the *Local Government Act 1989*, Council may defer the payment of any rate or charge for an eligible ratepayer, allowing ratepayers an extended period of time to make payments.

e. Rates Assistance

It is acknowledged that various ratepayers may experience financial hardship for a variety of reasons and that meeting rate obligations constitutes just one element of a number of difficulties that may be faced. There are options available for ratepayers facing such situations to deal with the situation positively and reduce the strain imposed by financial hardship.

Where there are genuine circumstances of financial difficulty, Council will negotiate changes to the timing of payments via a payment arrangement that will still achieve the objectives of the Payment of Rates policy while avoiding as far as possible undue financial stress on the ratepayer. Under no circumstances will the principal component of a Rates debt be waived.

f. Debt Recovery

Council makes every effort to contact ratepayers at their correct address, but it is the ratepayer's responsibility to properly advise Council of their contact details. The *Local Government Act 2020* Section 122 requires the buyer of a property, or their agent (e.g., solicitors and or conveyancers), to notify Council by way of a notice of acquisition of an interest in land.

In the event that an account becomes overdue, Council will issue an overdue reminder notice which will include accrued penalty interest. In the event that the account remains unpaid, Council may take legal action without further notice to recover the overdue amount. All fees and court costs incurred will be recoverable from the ratepayer.

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

1.5 OTHER REVENUE ITEMS

1.5.1 USER FEES AND CHARGES

User fees relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services.

User fees and charges are an important source of revenue. Properly designed fees enable residents to make efficient decisions about how much of a service to consume and for Council it is about how much of the service to provide. Under-pricing (or not charging) for services, may lead to over-consumption and place pressure on Council to absorb more costs.

Examples of User Fees and Charges include:

- Early Learning Centre Fees and Kindergarten fees
- Leisure Centre, Gym, and Pool visitation and membership fees
- Waste Management Fees
- Aged and Health Care Service Fees
- Leases and Facility Hire Fees of Council Buildings.

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.

The setting of fees and charges are to be set with reference to:

- User capacity to pay
- Community service obligations
- Cost recovery principles
- Benchmarking of similar services
- Utilisation
- Statutory limitations.

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. To deliver appropriate community outcomes, Council may develop concessional fees for each service. These fees will be determined by taking the following into account:

- Type of service being provided
- Balancing individual and community benefit
- Users' ability to pay
- Market pricing - the pricing of comparable services offered by other providers
- Competitive neutrality (where relevant).

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

- a) Market Pricing
- b) Full Cost Recovery Pricing
- c) Subsidised Pricing

a) Market Pricing

This is where Council sets prices based on the benchmarked competitive prices of alternate suppliers. In general, market price represents full cost recovery plus an allowance for profit. Market prices will be used when other providers exist in the given market, and Council needs 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.

b) Full Cost Recovery

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

Cost Recovery Principles promote equity and efficiency and enable Council's fees and charges to be transparent and be calculated on a consistent basis. Cost recovery is about recouping all costs associated with the service provided. Allocations of internal overheads are apportioned including:

- Information Technology Costs - charges for Information Technology recurrent expenditure are charged to business units based on each department's use of IT equipment. Types of equipment include desktop computers and laptops
- Human Resources - calculated based on the number of employees
- Treasury & Finance - calculated based on the number of employees
- Payroll - calculated based on the number of employees
- Accounts Payable - calculated based on the number of vouchers and corporate card transactions processed
- Accounts Receivable - calculated based on the number of invoices processed

- Mail Services - calculated based on the number of employees and mail usage
- Service Centre - calculated based on the number of service requests
- Risk Management (public liability) - calculated based on the number of new public liability claims.
- Payroll Tax Costs - Local Government is exempt from payroll tax. These charges are calculated based on a percentage of salaries, wages and leave costs.

c) Subsidised Pricing

This 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 has developed a user fee pricing policy to help guide the fair and equitable setting of prices. The policy outlines the process for setting fee prices and includes such principles 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
- Competitive neutrality with commercial providers.

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

1.5.2 STATUTORY FEES AND CHARGES

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

For some fees and charges, Council's role is to administer services and 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 of Statutory Fees and Fines include:

- Animal Registrations
- Building and Inspections
- Food Act Registration
- Freedom of Information
- Infringements and fines
- Land Information Certificates
- Planning and subdivision
- Public Health Act Registration
- Magistrate Court fees
- Voting Infringements

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

a. Penalty units

Penalty units are used to define the amount payable for fines for many offences. 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 occur on 1 July each year.

b. 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.

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.

1.5.3 GRANTS (OPERATING & CAPITAL)

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.

Council's advocacy objectives include:

- Provide clarity on the advocacy agenda and priorities for the City.
- Identify priority projects to generate economic activity, employment growth, improved productivity and community benefit.
- Increase levels of funding for infrastructure and services from other levels of government to meet community needs and aspirations now and into the future.
- Influence state and federal legislation, policy, standards and guidelines to improve our City and the health and wellbeing of our residents.
- Keep the community informed about Council advocacy activities through regular reporting.

1.5.4 CONTRIBUTIONS – MONETARY (OPEN SPACE)

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 handovers.

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; and
- 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 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.

Council's Public Open Space Reserve can be used to fund projects that meet the conditions of the Strategy which is mainly focused on increasing open space in identified gap areas and to localities with forecast population growth. Contributions to the public open space reserve during each financial year relate to contributions received as public open space levies pursuant to the provisions of Section 18 of the *Subdivision Act 1988*.

1.5.5 INTEREST ON INVESTMENTS

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

- All funds are invested in accordance with legislative and Council requirements;
- Effective internal controls are in place to minimise investment risk;
- The financial yield is managed through prudent investment of funds whilst ensuring sufficient liquidity for Council's day to day operational commitments;
- Investment decisions are based on the security of funds by limiting unnecessary exposure to risk; and
- Environmental, social and governance risks and opportunities are appropriately considered when investing Council funds.

1.5.6 BORROWINGS

Whilst not a source of income, borrowings can be an important cash management tool in appropriate circumstances. Loans can only be approved by Council resolution. Council's Borrowings Strategy is detailed in the Long-Term Financial Plan.

1.6 REFERENCES / RESOURCES

- *Cultural and Recreational Lands Act 1963*
- *Local Government Act 1989*
- *Local Government Act 2020*
- *Local Government (Planning and Reporting) Regulations 2020*
- *Penalty Interest Rates Act 1983*
- *Valuation of Land Act 1960*