Revenue and Rating Plan

2024-2028

Banyule
City Council

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1 Introduction

Council has a number of revenue streams that are used to fund the assets and services that are provided to the community.

The most significant of these streams are rates revenue, fees & charges and grants income which combined make up over 90% of Council income each year:

- Rates (approximately 63% of total revenue),
- Fees, charges & fines (approximately 15%) and
- Grants (approx. 13%).

Other streams of revenue that are not specifically covered as part of this plan include (but is not limited to); Interest income, Contributions income, Rental income and Fair value adjustments.

These items are not included as part of this plan as they are either;

Covered under other Council plans and/or strategies (see Investment Policy, Public Open Space Plan, Lease & License framework and Developer Contribution Plan),

Comparatively minor in nature, or

Council is unable to impact the revenue received.

To ensure the *Local Government Act 2020* rating objectives of stability and predictability are achieved, it is important that Banyule City Council has a Revenue and Rating Plan in place that is transparent to the community and reviewed annually as part of the budget process.

The important matters to be considered in relation to the Revenue and Rating Plan include:

- The legislative framework
- What rates and charges can be declared
- The rate base
- Uniform or Differential rates
- Cultural and Recreational Lands
- Impact of Council revaluations and supplementary valuations
- The municipal charge
- Service rates and charges
- Special rates
- Rebates and concessions
- Exempt Properties
- Collections
- Fire Services Property Levy

1.1 What is a Revenue and Rating Plan?

The *Local Government Act 2020* states that councils must adopt a Revenue and Rating Plan by the next 30 June after a general election for a period of at least the next 4 financial years. Council adopted the first Revenue and Rating Plan under the *Act 2020* in June 2021 and has determined that the Revenue and Rating Plan will be reviewed and updated each year with the annual 4-year Budget.

This Revenue and Rating Plan covers the period 1 July 2024 to 30 June 2027.

A Revenue and Rating Plan is the policy by which council systematically considers factors of importance that informs its decisions about how Council raises revenue, including by the rating system Council uses. The rating system determines how Council will raise money from properties within the municipality. It does not influence the total amount to be raised, only the share of revenue contributed by each property. The rating system comprises the valuation base and actual rating instruments allowed under the *Local Government Act 1989* to calculate property owners' liability for rates.

The *Local Government Act 2020* requires Councils to exercise sound financial management. In particular, the *Local Government Act 2020* states that the principles of sound financial management are:

a) revenue, expenses, assets, liabilities, investments and financial transactions must be managed in accordance with a Council's financial policies and strategic plans;
b) financial risks must be monitored and managed prudently having regard to economic circumstances;
c) financial policies and strategic plans, including the Revenue and Rating Plan, must seek to provide stability
d) accounts and records that explain the financial operations and financial position of the Council must be kept

Through Councils integrated planning framework Council ensures that all its activities and financial resources are aligned to meet the aspirations, needs and expectations of the Banyule community. Integrated planning documents include:

- Council Plan
- Financial Plan
- Asset Plan
- Council Budget.

1.2 Objectives of the Council Plan

When considering the Revenue and Rating Plan, Council needs to meet the objectives set out in the Council Plan, and as resourced through the Financial Plan. The Council Plan 2021-2025 was adopted in October 2021 and this plan is reviewed annually to reflect changes in Council's annual actions (Annual Action Plan).

Council's commitment to managing resources wisely will be achieved through:

- Providing exceptional customer service
- Delivering best value services and facilities
- Providing responsible financial management and business planning
- Providing good governance and be accountable
- Promoting an engaged and productive organisation
- Managing the systems and assets that support service delivery

The following table lists the Priority Themes as described in the adopted Banyule Council Plan 2021-2025.

Priority Themes	Strategic Objective
Our Inclusive and Connected Community	A safe, healthy, vibrant and connected community where people of all ages and life stages love to live, work and stay; diversity and inclusion are valued and encouraged.
Our Sustainable Environment	A progressive and innovative leader in protecting, enhancing and increasing the health and diversity of our natural environment, where we all commit to playing an active role in

	achieving environmental sustainability, waste and carbon emissions reduction.
Our Well-Built City	A well planned, sustainable and liveable place that caters for all our current and emerging communities, where our local character and environment is protected and enhanced.
Our Valued Community Assets and Facilities	As custodians of our community, assets, facilities and services, we work to ensure that they are affordable, sustainable, evenly distributed, safe and accessible for all ages and abilities and designed to provide meaningful experiences and connections.
Our Thriving Local Economy	A thriving, resilient, socially responsible local and integrated economy that encourages, supports and advocates for a diverse range of businesses and entrepreneurship, providing local investment and employment opportunities.
Our Trusted and Responsive Leadership	A responsive, innovative and engaged Council that has the trust of our community through demonstrated best practice governance, is financially sustainable, and advocates on community priorities and aspirations.

2. Rates

2.1 Rating – the Legislative Framework

The purpose of this section is to outline the legislative framework in which Council has to operate in constructing its rating system and the various issues that Council must consider in making its decision on the rating objectives.

The relevant legislation guiding councils in terms of levying property owners are the following acts:

- *Local Government Act 1989*
- *Local Government Act 2020*
- *Valuation of Land Act 1960*
- *Cultural and Recreational Lands Act 1963*

A rating review was undertaken by the Victorian government in 2019. The government's response to the review was that there will be no fundamental changes at present to the way rates are levied in Victoria, with minor changes intended to improve community understanding of the rating process, to improve the way council's budget and declare rates and to review possible changes to "smooth out" significant changes to rates as a result of atypical changes in valuations**.**

2.1.1 Objectives

The legislation specifies several major objectives for the rating system:

- the equitable imposition of rates and charges
- a reasonable degree of stability in the level of the rates effort
- contribute to the equitable and efficient carrying out of its functions
- apply principles of financial management, simplicity and transparency.

The two objectives which the rating system must have the greatest regard to are the achievement of equity and efficiency.

Council will consider the cost-of living pressures facing residents and rate payers in setting rates, fees and charges.

2.1.2 Equity

Having determined that Council must review its Revenue and Rating Plan in terms of the equitable imposition of rates and charges, it is a much more vexed question in terms of how to define and determine what is in fact equitable in the view of the Council.

Horizontal equity refers to justice or fairness in the treatment of like properties - in other words, that similar rates are paid by similar properties. There is a fundamental importance on which characteristics define similarity. On the assumption that property valuations fairly reflect the true valuation of like properties, horizontal equity will be achieved.

Vertical equity refers to justice or fairness in the treatment of properties in different circumstances (e.g. different property types – residential/commercial/ vacant land). It implies a "relativity" dimension to the fairness of the tax burden.

The three main ways in which positions can vary are:

- the benefit or user pays principle – some groups have more access to, make more use of, and benefit from more, specific council services;
- the capacity to pay principle – some ratepayers have more ability to pay rates than do others with similarly valued properties;
- the incentive or encouragement principle – some ratepayers may be doing more towards achieving council goals than others in areas such as environmental or heritage protection.

2.1.3 The Benefit Principle

A popular complaint levelled at councils is that “the rates I pay have no correlation with the services I consume or the benefits I receive”. This argument is based on the benefit principle (the opposite of the wealth tax principle) that argues there should be a nexus between consumption/benefit and the rate effort.

Application of the benefit principle is difficult in practice because of the complexity and, in some cases, impossibility, of measuring the relative levels of access and consumption across the full range of council services. In some ways the arguing of the benefit principle with respect to council rates is like trying to do the same for the income tax that is used to fund a wide range of universally accessed services.

It is likely to be quite costly to regularly undertake in-depth analyses on service access, consumption patterns and costs in order to attempt to review the level of benefit, unless the service is widely used and measured, and the costs are understood. In any event many subjective assumptions will have to be introduced. Other pricing instruments such as user charges, special rates and charges and service rates and charges better lend themselves to dealing with the issue of benefit.

2.1.4 Capacity to Pay

Notwithstanding the practical limitations, council can make choices about the tax treatment of classes of real property in so much as they believe that a class of property will reflect the financial position of a household or business and its capacity to pay. However, the most vexed issue related to capacity to pay is assessing it across different classes of property.

While personal income tax is more reflective of the capacity to pay, it is not possible to expect a property tax system to deal practically with all aspects of capacity to pay based on individual households and businesses. It is also not practical or acceptable to shift, modify or manipulate the existing system to the benefit of one group of ratepayers at the expense of another unless such shift is widely accepted and for a proper purpose.

Council has the option of introducing a Council rebate to certain groups to reduce that property's rate effort. Presently pensioners within the municipality can access the State Government Rebate.

Consideration of capacity to pay does become relevant when determining any flat or fixed charge as these charges are regressive in nature.

2.1.5 Efficiency

Efficiency can be defined as the ratio of ends produced (output) to means used (inputs). In other words, it can be considered directly related to the cost of administering the rates system. Administration costs include the issuing of assessments, collection of rates, including maintaining and improving collection systems, monitoring outcomes, educating and informing ratepayers, and enforcement and debt recovery. It also includes the maximization of additional rate income through supplementary valuations by ensuring the timeliness and accuracy of amended rate notices.

A simple rating system is more transparent, meaning that the purpose and principles behind the design of a rate are clearer - who is liable for a particular rate and how rate liability is calculated. However, it is also possible for a simple rate system to be costly if it is unpopular and results in increased appeals and higher collection costs.

2.1.6 Anomalies with Property Taxation

Property taxes do not recognise the situation where ratepayers are "asset rich" and "income poor". In these cases, ratepayers may have considerable wealth reflected in the property they own but have a low level of income. Examples include pensioners, businesses subject to cyclical downturn, and households with large families and property owners with little equity. In a commercial sense the argument has also been expressed in terms of the ability of property to generate a reasonable return.

2.1.7 Fair Go Rates System

The State Government's Fair Go Rates System (FGRS) sets out the maximum amount councils may increase rates in a year. The cap applies to general rates and is calculated based on council's average rates and charges.

Under the Fair Go Rate Cap, the Cap is calculated by a formula provided by the Essential Services Commission (ESC) and agreed to by the State Government is:

Adopted General Rate and Municipal Charge Income +
Annualised Supplementary Rate and Municipal Charge Income

Number of Assessments as at 30 June = Base Average Rate

Base Average Rate x (1 + Prescribed Rate Cap) = Maximum allowable Capped Average Rate

The level of required rates and charges has been considered in this context, with reference to Council's other sources of income and the planned expenditure on services and works to be undertaken for the Banyule community.

Council's Long Financial Plan has forecast income rate income increasing by the rate cap. Not increasing rates by the rate cap would have a cumulative reduction in Council's ability to deliver programs and services.

In situations where the rate cap is not enough for Council's needs, Council can apply to the Essential Services Commission for a higher cap; this is known as a variation. Banyule City Council does not intend to apply for a variation to the rate cap for the duration of the Revenue and Rating Plan 2024-2028.

2.1.8 What Rates and Charges may a Council declare?

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

Rating option	Description	Banyule structure
General rate	A general rate is applied to all properties and can be set as either a uniform rate or several differential rates	Banyule applies the differential rates listed below.
Uniform rate	A uniform rate is a single rate in the dollar that is applied to the value of all properties in the municipality.	Banyule does not apply a uniform rate.
Differential Rates	Differential rates are different rates in the dollar that are applied to different classes of properties and are permitted if the Council uses Capital Improved Value as the rating valuation base. The *Local Government Act 1989* allows the use of differential rates if the Council considers that this will contribute to the equitable and efficient carrying out of its functions.	The following differential rates are levied: • Residential Improved • Commercial/Industrial Improved (set at 1.25 times the residential improved rate) • Residential Vacant Land (set at 1.5 times the residential improved rate) • Commercial/Industrial Vacant Land (set at 2 times the residential improved rate)

Rating option	Description	Banyule structure
Municipal Charge	A municipal charge to cover some of the administrative costs of the Council. This is a flat-rate charge applied to all properties excluding cultural and recreational properties.	Banyule does not levy a municipal charge.
Service rates	Service rates can be levied for provision of a water supply, collection and disposal or waste, and sewerage services as outlined in the *Local Government Act 1989*.	Banyule levies two different service rates which are designed to recover the costs of waste collection, processing and disposal, while aiming to reduce waste being generated and going to landfill. The two different rates are a: • Public waste rate; and • Kerbside waste rate
Service charges	Service rates or annual service charges (or a combination of both) can be levied for provision of a water supply, collection and disposal or waste, and sewerage services as outlined in the *Local Government Act 1989*.	Banyule does charge for the collection and disposal of refuse from non-rateable properties and for the collection of non-standard refuse from rateable properties. These charges are declared in the Schedule of Fees and Charges.
Rebates and Concessions	The *Local Government Act 1989* allows Councils to grant a rebate or concession in relation to any rate or charge to assist the proper development of all or part of the municipal district, preserve buildings or places that are of historical or environmental interest, or to restore or maintain buildings or places of historical, environmental, architectural or scientific importance.	Banyule does not offer any general council rebates. The option exists to declare a rebate to a. to assist the proper development of the municipal district; or b. to preserve buildings or places in the municipal district which are of historical or environmental interest; or c. to restore or maintain buildings or places of historical, environmental, architectural or scientific importance in the municipal district; or d. to assist the proper development of part of the municipal district.

Rating option	Description	Banyule structure
Special Rates and charges	A special rate or charge may be declared for purposes of: • Defraying any expenses, or • Repaying with interest any advance made or debt incurred, or loan raised by Council.	Banyule levies special rates and charges for promotional and marketing activities to assist retail associations, for street and drainage construction and to install solar panels for older ratepayers.
Cultural and Recreational Lands	In accordance with the *Cultural and Recreational Lands Act 1963* Council may levy an amount in lieu of rates on properties that meet the definition of cultural and recreational lands.	Banyule does levy an amount in lieu of rates for cultural & recreational using the following methodology: In Use Value ^{x} (Residential Improved rate ^{x} Questionnaire Weighting) ^{x} the percentage of net cost of council services available to the entity.
Electricity Generation Lands	An amount payable in lieu of rates may be levied under the *Electricity Industry Act 2000*. This amount is agreed upon between the generator and the council	There are no lands where electricity is generated in a manner and volume where this provision currently applies in Banyule.
Cladding rectification charge	A Council may enter into a cladding rectification agreement in respect of rateable land with an existing building on it, to fund works that rectify fire-prone cladding. The costs are then recovered through a charge on the property.	Council has not received any requests for a cladding rectification agreement.
Environmental Upgrade Agreement	A Council may enter into an environmental upgrade agreement in respect of rateable land with an existing building on it to fund works that improve the energy, water or environmental efficiency or sustainability of the building on that rateable land, including climate change adaptation works on the building.	Council has not entered into any environmental upgrade agreement. In Victoria, lenders providing finance for Environmental Upgrade Agreements are currently providing to commercial and industrial properties only.

2.2 Determining which valuation base to use

The purpose of this section is to outline the different methods that Council can utilise to value land and the issues that Council must consider in making its decision on the valuation method.

2.2.1 Introduction

Three methods of valuing land are allowed under the *Local Government Act 1989*:

- Site Value (SV) – Value of land only

- Net Annual Value (NAV) – rental valuation based on Capital improvement Value (CIV). For residential and farm properties, NAV is calculated at 5 per cent of the CIV. For commercial properties NAV is calculated as the greater of the estimated annual rental value or 5 per cent of the CIV.
- Capital Improved Value (CIV) – value of land and improvements upon the land

Banyule uses Capital Improved Value for rating purposes.

2.2.2 Site Value (SV)

This method places a value on the land only and does not consider any value of any buildings constructed on the land. It is not considered to result in the most equitable distribution of the rate effort.

With valuations based simply on the valuation of the land and with only very limited ability to apply differential rates, the implementation of site value in Banyule would cause a significant shift in rate effort from the business sector into the residential sector. In addition, there would be further rating movements away from modern townhouse style developments on relatively small land parcels to older established homes on the more typical quarter acre residential block.

There is no Victorian Council that currently uses this valuation base.

2.2.3 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 properties Valuers derive the NAV directly as 5 per cent of the CIV.

In contrast to the treatment of residential, NAV for business properties are assessed with regard to the actual market rental. This differing treatment of business versus residential has led to some suggestions that all properties should be valued on a rental basis. There is currently no legislation that supports this suggestion.

Where a Council utilises NAV, it may only apply three differential rates. For example, City of Melbourne utilise NAV, applying a differential rate for residential and non-residential land only.

2.2.4 Capital Improved Value (CIV)

CIV is the most commonly used valuation method by Victorian Local Government with most Councils applying this methodology. Based on the value of both land and all improvements on the land, it is relatively easy to understand by ratepayers as it equates to the market value of the property.

For CIV, business properties are valued primarily by the capitalisation method of valuation. This method of valuation is the industry standard for assessing the value of business properties and has as its base sale price and market rent of the property. For this reason, rental details are sought by Valuers every 2 years. When analysed on a per square metre basis, rents provide a means of establishing the rental market in a location.

The advantages of using CIV include:

- CIV includes all 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 or NAV.
- The concept of the market value of property is far more easily understood with CIV rather than NAV or Site Value.
- The use of CIV allows Council to apply differential rates which greatly adds to Council’s ability to equitably distribute the rating effort based on ability to afford Council rates.

The major disadvantage with CIV, and indeed all the other rating methods, is that rates are based on the property value which may not necessarily reflect the income level of the property owner as with pensioners and low-income earners.

2.3 Determining the Rating System – Uniform or differential

The purpose of this section is to outline the two rating systems (uniform or differential) that Council can utilise to apply rates and the issues that Council must consider in making its decision on the rating system.

2.3.1 Uniform rate

If a Council declares that general rates will be raised by application of a uniform rate, the Council must specify a percentage as a uniform rate. A uniform rate will apply to the value of every rateable property within the municipality.

Rates will be determined by multiplying the percentage (the rate in the dollar) by the value of the land.

Banyule believes that a uniform rate should not be applied to all properties because it is not equitable. Such a rate does not reflect the use of Council services and infrastructure, nor does it create incentive for best use of property in the municipality.

Banyule has adopted differential rating as it considers that differential rating contributes to the equitable distribution of the rating effort. Differential rating allows classes of properties to be assessed at different levels from the general rate set for the municipality. Differential rating allows Council to shift part of the rate effort from some groups of ratepayers to others, through different 'rates in the dollar' for each class of property.

Council is entitled to apply many differential rates provided it used CIV as its base for rating.

Section 161 of the Local Government Act 1989 outlines the regulations relating to differential rates. This section is outlined below:

1) A Council must raise any general rates by application of a differential rate, if it uses the CIV system of valuing rates,

    a) 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 of that rate.
        ii. An identification of the type or classes of land which are subject to the rate in respect of the uses, geographical location (other than location based on whether the land is within a specific ward in Councils district) and planning scheme zoning of the land, and
        iii. If there has been a change in the valuation system, any provision for relief from a rate to ease the transition for that land, and
    b) Specify the characteristics of the land which are the criteria for declaring the differential rate.

The maximum differential allowed is no more than 4 times the lowest differential rate. For Banyule, the lowest rate is the Residential Improved rate.

Council has the option of increasing each respective differential rate in order to influence the behaviour of landowners.

There is no theoretical limit on the number or type of differentials which can be levied.

2.3.2 Differential Rates

Advantages of a differential rating system

The perceived advantages of utilising a differential rating system are:

- There is a greater flexibility to distribute the rate effort between all classes of property and therefore link rates with the ability to pay and reflecting the tax deductibility of rates for businesses;
- Differential rates allow Council to better reflect the investment required by Council to establish infrastructure to meet the needs to the commercial and industrial sector; and
- Enables Council to encourage developments through its' rating approach e.g. encourage building on vacant land.

Disadvantages of a differential rating system

The perceived disadvantages of utilising a differential rating system are:

- The justification of the differential rate can at times be difficult for the various rating groups to understand, giving rise to queries, objections and complaints.
- Differential rating involves a degree of administrative complexity, as properties can change from one classification to another (e.g. vacant land to residential) requiring Council to process supplementary valuations.

Objectives of the rate and characteristics

Council considers that each differential rate will contribute to the equitable and efficient carrying out of Council functions.

Details of the objectives of each differential rate are set out below.

Residential/Commercial/Industrial Vacant Land

Objective:

To encourage the development of land and to ensure that such rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the:

1. Implementation of good governance and sound financial stewardship; and
2. Construction, renewal, upgrade, expansion and maintenance of infrastructure assets; and
3. Development and provision of health, environmental, conservation, leisure, recreation, youth and family community services; and
4. Provision of strategic and economic management, town planning and general support services; and
5. Promotion of cultural, heritage and tourism aspects of Council's municipal district.

Types and Classes

Any rateable land on which no dwelling or building is erected or which a dwelling or building is under construction and no Certificate of Occupancy has been issued.

Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure and Capital Works described in the Budget adopted by Council.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

The differential is designed as an incentive to develop vacant land and to reflect the typically-higher burden on Council of servicing and monitoring vacant land.

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the Banyule Planning Scheme.

Planning Scheme Zoning:

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Banyule Planning Scheme.

Commercial/Industrial Improved Land

Objective:

To ensure that such rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council having regard to the capacity of such land to be used to yield income and the demands such land makes on Council's infrastructure**.**

Those functions include the:

1. Implementation of good governance and sound financial stewardship; and
2. Construction, renewal, upgrade, expansion and maintenance of infrastructure assets; and
3. Development and provision of health, environmental, conservation, leisure, recreation, youth and family community services; and
4. Provision of strategic and economic management, town planning and general support services; and
5. Promotion of cultural, heritage and tourism aspects of Council's municipal district.

Types and Classes:

Any rateable land which is used, or designed or adapted to be used, primarily for commercial or industrial purposes.

Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure and Capital Works described in the Budget adopted by Council.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

The differential is designed to reflect the nature of the services delivered in maintaining amenity in non-residential areas.

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the Banyule Planning Scheme.

Planning Scheme Zoning:

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the Banyule Planning Scheme.

Types of Buildings:

The types of buildings on the land within a differential rate are all buildings that are now constructed on the land.

Residential Improved Land

Objective:

To ensure that such rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, having regard to the relative benefits derived from the carrying out of such functions.

Those functions include the:

1. Implementation of good governance and sound financial stewardship; and
2. Construction, renewal, upgrade, expansion and maintenance of infrastructure assets; and
3. Development and provision of health, environmental, conservation, leisure, recreation, youth and family community services; and
4. Provision of strategic and economic management, town planning and general support services; and
5. Promotion of cultural, heritage and tourism aspects of Council's municipal district.

Types and Classes:

Any rateable land which is not Vacant Land, Commercial / Industrial Vacant Land or Commercial / Industrial Improved Land.

Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure and Capital Works described in the Budget adopted by Council.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the Banyule Planning Scheme.

Planning Scheme Zoning:

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the Banyule Planning Scheme.

Types of Buildings:

The types of buildings on the land within a differential rate are all buildings that are now constructed on the land.

2.4 Cultural and Recreational Lands

Objective:

To ensure that the promotion of cultural, heritage and recreational activity occurs within Council's municipal district and that this is supported in a way that encourages appropriate activity and development.

Council has considered the service utilised by the lands and the benefit these lands provide to the community by consideration of their cultural or recreational land use, as required under the *Cultural and Recreational Land Act 1963*.

Types and Classes:

Under the provisions of the *Cultural and Recreational Land Act 1963,* the Council levies an amount in lieu of rates payable in respect of recreational lands that have the following characteristics:

Any land which is not Residential Vacant Land, Commercial / Industrial Vacant Land or Commercial / Industrial Improved Land, which is specifically set aside for the use of cultural and recreational pursuits whereby the members do not derive a financial benefit or profit from the activities.

The Cultural and Recreational Land Act 1963 effectively provides for properties used for outdoor activities to be differentially rated unless it involves land that is being leased from a private landowner. The discretion of whether to provide a cultural and recreational lands rate rests with Council

The amount in lieu of rates payable in respect of each rateable land to which the Cultural and Recreations Land rate applies is determined by the following methodology:

In Use Value X (Residential Improved rate X Questionnaire Weighting) X 36% (net cost of council services available to the entity).

In Use Value has been determined as being 70% of the Capital Improved Value.

The Questionnaire weighting determines the level of benefit these lands provide to the community.

Currently Council has five properties that are currently defined as Cultural and Recreational properties in accordance with the *Cultural and Recreational Land Act 1963*, being:

- 1 Vasey Street, Ivanhoe 3079
- 8 Main Road, Lower Plenty 3093
- 54 Cleveland Avenue, Lower Plenty 3093
- 540 The Boulevard, Ivanhoe East 3079
- 4 Stradbroke Avenue, Heidelberg 3084

2.5 The Impacts of Revaluations and Supplementary Valuations

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

2.5.1 Introduction

Under the *Valuations of Land Act 1960*, the Valuer-General revalues properties annually.

Property values are determined by qualified Valuers comparing each property to the recent sales figures of similar properties in the neighbourhood. The key factors are location, land size, type of house and condition.

Valuations are conducted using Best Practice Guidelines formulated and published by the Valuer General Victoria.

2.5.2 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 effort across all properties in the municipality. Any increase to total valuations of the municipality is offset by a reduction to the rate in dollar (ad valorem rate) used to calculate the rate for each property. Total income is fixed each year as part of the budget process

The general revaluation process enables Council to re-apportion the rate income across the municipality in accordance with movements in property values. 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.

2.5.3 Supplementary Valuations

In accordance with the *Valuation of Land Act 1960* further valuations are required to be carried out between General revaluations, these are known as Supplementary Valuations.

Supplementary Valuations are completed when properties are physically changed by buildings being erected, demolished or altered, when properties are amalgamated, subdivided, portions sold off, rezoned or roads constructed.

Supplementary Valuations are adopted to bring the value of properties into line with values assigned to other properties in the municipality. This is to ensure that as near as practicable the rating valuation reflects the current property condition at the date prescribed for the General revaluation.

Supplementary valuations are conducted by contractors appointed by the Valuer-General and are subject to the timing specified by the Valuer-General. Supplementary Valuations are conducted between July and March as the Valuer-General does not generally conduct and certify Supplementary Valuation in the latter part of the financial year.

2.6 Municipal Charge

The purpose of this section is to outline the municipal charge that Council may utilise to apply rates and the issues that Council consider when applying a municipal charge.

2.6.1 Introduction

In addition to differential rates, Council may declare a municipal charge to cover some of the administrative costs of Council. Currently the total revenue from a municipal charge must not exceed 20% of the sum of the general rates and municipal charge combined in a financial year.

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.

Banyule does not levy a Municipal Charge.

2.6.2 Advantages of a municipal charge

The arguments in favour of a municipal charge are they apply equally to all properties and are based upon the recovery of fixed costs 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 a practical method of recovering these costs.

2.6.3 Disadvantages of a municipal charge

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.

2.7 Service Charges / Service Rates

The purpose of this section is to outline the service charges that Council currently applies and new charges that could be utilised and the issues that Council must consider in making its decision when reviewing these service charges.

Section 162 of the *Local Government Act 1989* allows Council to declare a service rate or charge for specified services.

A waste service charge follows a user-pays approach, which is regressive in nature. Unlike a service rate, the service charge approach has a clear correlation with the individual ratepayer's consumption of services. In other words, ratepayers pay the same charge for the same service received, independently of the property valuation.

A waste service rate based on property valuation follows a wealth-tax approach in the same way general rates are determined by multiplying the percentage (the rate in the dollar) by the value of the land. This approach is progressive in nature.

A waste service rate has no correlation with the individual ratepayer consumption of services.

2.7.1 Advantages of a Service Charge or Service Rate

If a Service Charge or Service Rate is levied for collection and disposal of refuse it is easily understood by the residents as a user-pays system. There is also the ability to identify and apportion the costs of this service.

Service Rates or Service Charges are also able to be levied on only those properties that receive a service, meaning that relief is provided to ratepayers who aren't able to use a particular service.

Service Rates or Service Charges are also not subject to the Fair Go Rate Cap, other than in the year of their introduction. This means that as costs of a service move outside of inflation, these costs can be effectively quarantined from within the Rate Cap.

Service rates apply proportionally in the same way general rates are applied proportionally, in that properties with lower values pay lower rates.

They are a form of taxation aimed at accumulating revenue so that broad range of facilities and services can be provided for the benefit of the community.

2.7.2 Disadvantages of a Service Charge or Service Rate

A Service Charge is regressive in nature and would result in lower valued properties paying relatively higher rates and charges in the year of introduction, compared to higher valued properties. The equity objective in levying rates against property values is lost in a service charge as it is levied uniformly across all assessments.

A Service Rate will result in ratepayers using the same service paying different amounts dependent on their property's values. This service rate needs to be considered as a way to raise revenue to fund relevant waste management services for the community as a whole and should not be considered as a fee for service.

2.7.3 Current use of Service Rates

Banyule levies Service Rates in two different forms, both relating to waste collection, processing and disposal. The two Rates are:

- Public Waste Rate
- Kerbside Waste Rate

The General and Waste Rates are not charged on properties deemed non-rateable under Section 154 of the *Local Government Act 1989.* Both rates are calculated on the Capital Improved Value of properties to which the rate applies.

2.7.4 Application of Service Rates

Banyule levies the Public Waste Rate to all properties within Banyule and is in place to fund the provision of infrastructure and services to support:

- Street-sweeping
- Dumped rubbish collections
- Laneway clearance
- Litter and public realm refuse collection and disposal

- Park litter collection and disposal

Banyule levies the Kerbside Waste Rate on properties that are used wholly or partly for residential purposes that are able to receive a standard kerbside waste collection. The Kerbside Waste Rate is not levied on properties that do not receive a kerbside waste service due to conditions imposed under the *Planning and Environment Act 1987*, through locational constraints or other factors that make kerbside waste collection impractical.

The Kerbside Waste Rate is levied each year and is subject to addition or removal via a supplementary adjustment process on a monthly basis from July through to May the following year. Adjustments are not performed in June as these impact Council's ability to transparently budget for waste-related income and expenses.

2.7.5 Current use of Service Charges

A service charge for non-standard refuse collection (e.g. larger bins) from rateable properties is charged in addition to the Kerbside Waste Rate. These charges are declared in Council's Schedule of Fees and Charges each year and are designed to recoup the additional costs of disposing of additional waste and providing a non-standard waste service. These Service Charges are only levied on ratepayers who have elected to have a non-standard waste service.

A kerbside waste service charge is also levied on properties deemed non-rateable under section 154 of the *Local Government Act 1989* where a kerbside waste service is provided. An additional service charge for non-standard refuse collection (e.g. larger bins) is charged in addition to the Kerbside Waste Rate where ratepayers have elected to have a non-standard waste service.

In planning for future waste service provision for Multi-Unit Developments (MUDS), Council is conscious of the need to provide an alternative service model that will be framed around a full-cost recovery charging regime.

2.7.6 Monitoring of General Rates, Service Rates and Service Charges

All rates, fees and charges are declared as part of Council's budgeting process. The Essential Services Commission monitors, analyses and determines any application from councils for a variation of the Fair Go Rate Cap. While Services Rates and Services Charges sit outside the Cap, the Commission requires councils to supply information relating to Services Rates and Services Charges and reports on any significant breaches of the income generated from Services Rates and Services Charges exceeding costs of supplying the relevant service.

2.8 Special Rate or Charge

The purpose of this section is to outline the special rates and charges that Council currently applies and new charges that could be utilised.

2.8.1 Introduction

Section 163 of the *Local Government Act 1989* permits councils to declare a special rate in relation to the performance of a function where Council considers that the function is or will be of special benefit to the persons required to pay the special rate.

2.8.2 Special Rates Schemes

Council currently has 12 Special Rate and or Charge schemes in operation, 11 are Promotional Schemes and one is an Aged Services Solar Program

Scheme Name	Finish Date
Rosanna Special Charge	June-2025
Heidelberg Central Special Charge Scheme	June-2026
The Mall and Bell Street Mall Special Rate	June-2025
Montmorency Shopping Village Special Charge	June-2024*

Watsonia Special Charge	June-2027
Macleod Village Special Charge Scheme	June-2027
Greensborough Town Centre Special Rate and Charge	June-2027
Eaglemont Village S/C Special Charge	June-2027
Ivanhoe Shopping Centre Special Rate	June-2028
East Ivanhoe Special Charge	June-2028
Lower Plenty Special Charge	June-2025
Aged Services Solar Program Special Charge	December-2027

** Proposed to be renewed in 2024/2025*

2.8.3 Promotional Schemes

These schemes are declared for strip shopping centres within the City. They are primarily for the encouragement of commerce, retail activity and employment opportunities in and around the scheme area.

Council considers that there would be a special benefit to the area as the viability of the Precinct as a business, commercial, retail and professional area the value and the use, occupation and enjoyment of the properties and the businesses included in the scheme area will be maintained or enhanced through increased economic activity.

The amount collected from the scheme is matched by council (to declared capped amounts) and payments are made to the traders on a quarterly basis.

A decision to review Special Rates and or Charge Schemes occurs at the expiry of the current scheme, not during the budget discussions and is subject to extensive consultation with stakeholders and separate Council discussion and approval.

Council works with traders' associations and may introduce new promotional schemes after a consultation period with traders. Any new schemes are revenue-neutral for Council as all monies raised by these schemes are spent either directly on promotional activities to support businesses, or through a trader's association that promotes businesses in a particular precinct.

2.8.4 Construction Schemes

These schemes are declared when there is something constructed that would be of special benefit to the persons required to pay it. For example road, drain and car parking construction

These schemes are declared as required following extensive consultation with stakeholders and do not form part of the budget process.

2.8.5 Aged Services Solar Scheme

This scheme is declared for the purposes of assisting older ratepayers to purchase roof-top solar panels. The Aged Services Solar Program runs for 10 years however there is no financing surcharge applied.

These schemes do not form part of the budget process.

2.9 Rebates and Concessions

The purpose of this section is to outline the rebates and concessions that could be utilised and the issues that Council must consider in making its decision when reviewing these rebates and concessions.

2.9.1 Introduction

Under the *Local Government Act 1989*, Council has the power to grant a rebate or concession in relation to any rate or charge to assist 'proper' development and the preservation of buildings or places of historical, environmental, architectural or scientific importance within the municipality.

While the original intent of the term 'proper' development has a land use perspective, Councils have been known to use the provision to assist economic development. Rebates and concessions should be used with respect to individual properties within a property class. The legislation intended that differential rates be used to achieve an outcome for a class of properties.

The granting of rebates and concessions results in a higher rating effort being applied to other properties to raise the same level of rate revenue.

2.10 Pensioner Rebate

2.10.1 State Government Pensioner Rebate

Pensioners may qualify for a maximum 50% State Government rate rebate (to a gazetted maximum) for the home in which they are living. A rebate will apply for the Fire Services Property Levy. To be eligible, a ratepayer must hold one of the following concession cards:

- Pensioner Concession Card from Centrelink or Veterans' Affairs
- Gold Card from Department of Veterans Affairs specifying War Widow (WW) or Totally and Permanently Incapacitated (TPI).

Other than administrative costs this State Government Rebate scheme is cost neutral to Council as this is fully funded by the State Government.

2.10.2 Council Pensioner Rebate

Council has the option of introducing a pensioner rebate to complement the existing State Government rebate. A Council Pensioner rate rebate redistributes the rate effort with other ratepayers bearing the cost by way of higher rates and charges. The rate effort for non-pensioners is likely to be greater as the number of pensioners increases.

Council does not grant any further rebates or concessions than those afforded by the State Government Pensioner Rebate scheme.

2.10.3 Environmental Benefit Rebates

Council has the option of introducing rebates under section 169 of the *Local Government Act 1989*. The legislative framework includes provisions specifying:

- The number of rateable properties that can receive a rebate (not exceeding a third of all rateable assessments)
- The requirement to specify the community benefit that will be needed to receive a rebate in a resolution of Council.
- The requirement to repay a rebate if the conditions are not met.

Council could consider a rebate for properties providing significant environmental benefit to the community, such as having a pre-determined percentage of tree or vegetation cover. Council has not implemented a rebate for environmental reasons as it would need to consider:

- The impact on Council's budget of a rebate.
- The costs or assessing and administering a rebate.
- The costs of monitoring properties that have received a rebate to ensure the benefit being sought is actually delivered.
- The issue of equity for those ratepayers who could not receive the rebate due to the nature of their property, such as those living in multi-unit developments.

2.11 Properties Exempt from Rates

The purpose of this section is to raise awareness of non-rateable properties.

2.11.1 Introduction

The *Local Government Act 1989* provides for properties where the use is charitable, to be non-rateable.

Legal precedent has determined that charitable uses include those providing health services, education, religion and services to the needy.

Application for exemption from rating may be made at any time during the financial year and will be assessed based on the usage of the property. Council does not generally allow for any retrospective claims.

2.11.2 Department of Families, Fairness and Housing (formerly Department of Health and Human Services)

In relation to the Department of Families, Fairness and Housing (DFFH) owned housing, properties are rated if occupied. Properties are not rated if unoccupied or not habitable.

There are a number of organisations providing housing for people with low-income, on a voluntary and not for profit basis. The provisions of The Act preclude such residential housing from being non-rateable, even though their use may be regarded as charitable, in the everyday sense of the word.

The *Local Government Act 1989* allows Council to grant a rebate or concession in relation to any rate or charge, to support the provision of affordable housing, to a registered agency.

Council does not provide a rate rebate to support the provision of affordable housing by registered agencies. Assistance for low income households is provided through the State Government pensioner rebate.

A pre-existing agreement is in place for the provision of a 50% rate rebate in relation to certain DFFH elderly persons units. This agreement has no sunset clause subject to the units remaining as housing for the elderly. This agreement is not open to other parties or to other properties.

2.12 Collections

The purpose of this section is to outline the rate payment options and processes that are in place in relation to payment of rates. It also includes the support provided to ratepayers facing hardship. Council must consider fairness, compassion, confidentiality and compliance with statutory requirements when reviewing these arrangements.

2.12.1 Liability to Pay Rates

The owner of the land is liable to pay the rates and charges on that land. In certain cases, the occupier, mortgagee or licensee holder is liable to pay the rates.

The *Local Government Act 1989* declares the unpaid rate or charge, interest and costs to be the first charge upon the land, when the land is sold; ensuring Council receives the outstanding monies prior to the discharge of any mortgage and or charges on the land.

2.12.1 Payment Dates for Rates

Council, in accordance with the *Local Government Act 1989* must allow for the payment of rates by four instalments per annum. The mandatory instalment payments are required at the end of September, November, February and May each year in accordance with the Gazette dates. Council may allow a person to pay a rate or charge in a single lump sum payment.

Banyule City Council offers payment by instalments only.

2.12.2 Payment Methods

Council offers a range of payment options including

- Weekly Direct Debit

- Fortnightly Direct Debit
- Monthly Direct Debit
- Direct Debit (Instalment)
- BPay
- Council's website for MasterCard and Visa payments
- Australia Post billpay (phone & internet)
- Mail
- over the counter services at Council Service Centres or Australia Post agencies.

As an incentive to encourage payments made by weekly, fortnightly or monthly Direct Debit, interest will not be charged on rates and charges paid by weekly, fortnightly or monthly direct debit until 30 June each financial year. Dishonour fees will be charged where a payment dishonours to recover the costs incurred by Council in administering a dishonour.

2.12.3 Incentives for Prompt Payment

Section 168 of the *Local Government Act 1989* provides that incentives may be offered by Council for payment of rates and charges before the due dates.

No incentives are offered by Council for the payment of rates and charges before the dates.

2.12.4 Refunding rate payments

General Information

Refunds are processed when requested by the owner or the payer if the rate assessment is in credit, or if the payment has been made on an incorrect rate assessment.

Owner Request

Where the payment is obviously an error, a request by an owner is sufficient to trigger the refund. Where an owner may not have made the payment, that is, they are unable to give any details, or the amounts do not tie back to any previously issued account proof of payment will be required before processing the refund.

In addition, if the refund is to go to only one of multiple owners then written authorisation from all of the other owners must be obtained. This can be in the form of an email stating that the other owners agree.

Payer Request

Where the credit balance is being refunded to someone other than the owner, for example a previous owner, proof of payment is generally required. Where the credit balance is a result of a sale and settlement, authorisation from the conveyancer may also be required.

Refunds to a Managing Agent can be made if Council has a managing agent authority for the property concerned.

Proof of Payment

Proof of payment would generally be a sighting of a bank statement showing the transaction and the appropriate reference numbers or an email or confirmation from the conveyancer.

Assessment not in credit

Refunds where the assessment is not in credit, for example where two instalments have been paid instead of one would generally not be refunded. Exceptions to this is where the owner is in financial hardship and this claim is supported by a request in writing or a financial hardship application. Where the assessment is not in credit and the owner/agent insists on a refund, a processing fee as declared in Council Fees and Charges will be charged.

2.12.5 Late Payment of Rates

Council has determined that the application of penalty interest will be applied on the sixth business day from the gazette due date. The grace period was adopted by Council July 2014 and will remain in place unless revoked and this will be declared as part of the annual Declaration of Rates and Charges.

Interest penalties will be in accordance with Section 172 (2) of the *Local Government Act 1989*, which allows interest to be imposed on unpaid rates at the rate fixed under Section 2 of the *Penalty Interest Rates Act 1983,* should no maximum rate have been prescribed under section 172A of the *Local Government Act 1989* or under section 172A of the *Local Government Act 1989* if a maximum rate has been prescribed.

Council cannot apply an alternative rate but has the power to exempt any person from paying the whole or part of any interest amount generally or specifically payable.

2.12.6 Payment Plans

Payment Plans are available under Section 171A of the Local Government Act 1989. Council will allow Payment Plans via direct debit where the direct debit will pay the debt in full, inclusive of any newly declared overdue rates and charges:

- if there are no arrears (from previous financial years) outstanding by the 30th June of the next rate year. Ie giving the current rate year and 1 full future rate year to satisfy the debt.
- if there are arrears outstanding by the 30th June of the subsequent rate year. Ie giving the current rate year and 2 full future rate years to satisfy the debt.
- the direct debit amount will be adjusted when new rates and charges are levied.

A Payment Plan will be cancelled when three direct debits are dishonoured within the term of the plan.

2.12.7 Debt Recovery - Collection of Overdue Rates

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. Section 122 of the *Local Government Act 2020* requires the purchaser of property, or their agents to notify Council by way of notices of acquisition.

If an account becomes overdue, Council has established procedures and guidelines for the collection of the debt. This creates a consistent approach to debt collection and ensures that all ratepayers are treated equally and fairly.

The purpose of the collection guidelines is to act as a genuine deterrent to ratepayers who might otherwise fail to pay rates on time, to allow Council to recover the administrative cost of following up unpaid rates and to recover any interest cost the Council may incur due to lost investment opportunities. The principle in providing for such penalty is that ratepayers who pay within the required timeframe should not have to subsidise or bear any cost of ratepayers who default in payment. Details of Council's collection framework is contained in Council's Debt Collection Policy.

2.15.8 Waiver/Deferment of Interest, Rates and Charges under Financial Hardship

Council acknowledges that some ratepayers will have trouble from time to time in meeting rate payments due to any number of reasons. Council further understands that relief measures have a cost to Council which must be borne by other ratepayers in either the short or long term.

Waivers are not generally granted. However, in cases such as those associated with severe hardship, Council may grant waivers through the Hardship Assistance Policy, which is updated annually, taking in to account the economic conditions at the time and other assistance measures in place across state and commonwealth government agencies.

Council recognises there are cases of genuine financial hardship requiring respect and compassion in special circumstances. In accordance with the *Local Government Act 1989*, Council has established a Rates Hardship Assistance Policy which includes provisions for the waiver of rates, interest or deferment of rates and charges;

2.12.9 Special Circumstances Waiver

Council acknowledges that ratepayers will experience circumstances where they may fail to make payment of their instalment and that this failure to pay on time is a departure from their usual pattern. In these circumstances, upon receipt of a written request from the ratepayer Council may waive interest or associated charges levied in the current financial year as a "one-off" special circumstance's waiver. This waiver is only available upon application by the ratepayer, not a managing agent.

2.13 Fire Services Property Levy

The Victorian Government introduced a property-based levy to fund Fire Rescue Victoria (FRV) and the Country Fire Authority (CFA) from 1 July 2013.

The Fire Services Property Levy replaced the insurance-based funding model as recommended by the Victorian Bushfires Royal Commission.

Under the property-based levy:

- councils collect the levy through rates notices;
- the levy is calculated based on the capital improved value of a property;
- the levy consists of a fixed component plus a variable component calculated as a percentage of capital improved property values;
- the fixed component varies for residential properties and non-residential properties; and
- the levy rate varies for different property types such as residential, industrial, commercial and primary production.

The fire services property levy is shown separately on rate notices.

It is important to note that Council is not raising any additional revenue from the levy; it is merely acting as a collection agency on behalf of the State Government.

2.14 Ministerial Guidelines Relating to Payment of Rates and Charges

The Victorian Ombudsman's 2021 "*Investigation into how local councils respond to ratepayers in financial hardship*" recommended that the Victorian Government provide clear, consistent definition of 'financial hardship' and issue guidelines regarding rates hardship relief. At the time of exhibition of this Plan, these guidelines have not been released, other than in draft form.

Once these guidelines have been published, Council will consider any additional provisions that may be required in Council's Revenue and Rating Plan, Rates Hardship Assistance Policy and Debt Collection Policy.

3. Government Grants

Council pursues all avenues to obtain external grant funds for prioritised works. Government Grants make up approximately 10% of Council's yearly revenue and the largest proportion (20%) of government grants is made up of the Financial Assistance grant provided by the Commonwealth Government under the *Local Government (Financial Assistance) Act 1995* (Commonwealth) Grants Commission Scheme and distributed annually to 79 local governing bodies within Victoria via the Victorian Local Government Grants Commission.

The Financial Assistance Grant (VLGGC) program consists of two components:

- A general-purpose component, which is distributed between the states and territories according to population (i.e. on a per capita basis), and
- An identified local road component, which is distributed between the states and territories according

to fixed historical shares.

Both components of the grant are untied in the hands of local government, allowing councils to spend the grants according to local priorities. Council applies the local roads component to road rehabilitation projects in its Capital Works Program and utilises the general-purpose component to fund Council operations and Capital works.

In addition to financial assistance grants, each year Council receives several other grants from the State & Federal Government. Grants received may be to help fund capital works and short-term initiative projects or to help fund the provision of regular Council services. These grants are split into two categories based on whether they are of a recurrent (received each year) or non-recurrent (once-off) nature.

The volume of non-recurrent grants fluctuates from year to year and typically represent grants received towards the funding of capital projects or small ad-hoc initiatives. Government departments generally designate a total pool of funding available and eligibility criteria to access the funding. Council is responsible for identifying funding that it may be eligible for and then making appropriate applications.

Recurrent grants are relatively consistent from year to year and are typically granted to Council to help fund the provision of specific services (Home Care, Child Care, Maternal & Child Health, School Crossings, etc.). The grants may designate specific obligations tied to the funding such as the requirement for Council to delivering a minimum amount of service levels. If these obligations are not fully met, a portion of the funding may be forfeited and need to be returned.

Council has no control over the available funding put forward by State and Federal Government. However, Council is able to exercise an element of control over grant funding by; ensuring that applications are made for all applicable grant funding pools, all funding obligations are met and the prioritization of capital works takes into account each projects eligibility for grant funding.

4. Fees and Charges

Council provides a wide mix of goods and services to the community. All council services can be reviewed to assess whether they are appropriate to attract user fees and charges. Council services which are deemed public infrastructure are generally provided free of charge and associated expenditure is fully funded by rates and/or grants. This includes the provision of roads, parks, footpaths, drainage, trees, etc.

Where a service is provided on an individual basis, they may often attract a fee or charge. The ability for Council to set the fees and charges for these services may be impacted by state and/or federal government legislation of funding conditions that either prohibit or sets ceilings for pricing. Some of these, such as planning fees, are set by state government statute and are commonly known as ‘statutory fees’. In these cases, councils usually have no control over the setting of the fee price.

For fees & charges other than ‘statutory fees’, each service is analysed as to whether it is of a commercial or community-benefit nature. Services are deemed to be of a community-benefit nature if the provision of the service delivers benefits to the wider community, and if the most at-risk members of our community would be unfairly disadvantaged if they could not access the service. There are also some fees and charges charged by Council not explicitly for the provision of a service, but of a punitive nature (e.g. fines) with the explicit purpose of discouraging and deterring certain behaviours.

Each year as part of the budget process, Council reviews all fees and charges and adjusts the levels as appropriate. Community-benefit fees are kept low, such that the cost of the service is not fully recovered but is instead subsidised by Councils other revenue streams. Other commercial fees & charges are set consistent with application of the user pays principle – that is, so far as is possible, the cost of providing a direct service will be offset by the fees charged.

A schedule of the current user fees and charges is presented for public consultation and feedback as part of Council's annual budget process.

4.1 Cost recovery

Setting fees and charges is often determined by a notion that the fee charged for a service should correspond with the cost of providing the service – that is the costs borne by Council in providing the service are fully recovered by the fees & charges. However this notion is balanced with Council's wish for some essential services to be accessible by the most disadvantaged members of our community as well as the commercial reality, that our fees need to be consistent with other providers in the market to remain competitive, as well as the supply and demand realities that if the costs are set too high, the usage of the service will drop, reducing our overall income.

The full cost of delivering a service or providing a facility includes both:

- Direct Costs – those costs that can be readily and unequivocally attributed to the delivery of a service or activity because they are incurred exclusively for that particular product/activity.
- Indirect Costs (often referred to as overheads) – those costs that are not directly attributable to a single activity but support a range of activities across Council (e.g. Information Technology costs).

4.1.1 Direct Costs

In line with sounds financial management principles Council's systems are set up to allocate direct costs straight to the business unit providing the service. These costs include:

1. Labour – the wages and salaries of all staff directly working on that service.
2. Materials and supplies – supplies used in providing the service. This may include utilities, contractor costs and car operating expenses.
3. Administrative expenses – the office support for a service. Typically, an operational unit provides a number of services, so the administrative costs of that unit will need to be allocated across the different services.
4. Equipment used in providing the service – this may include the purchase of equipment, plant hire, leasing of equipment, etc.

These costs include staff on-costs, such as allowing for annual leave, sick leave, workers' compensation payments and long service leave.

4.1.2 Indirect Costs (Overheads)

Council has a range of "back office" operations that are not directly tied to any service delivery (e.g. IT, Customer Service and HR). Nonetheless, these involve real costs that are incurred in supporting the delivery of Council's services.

Council allocates indirect costs to the services it provides using a pro-rata approach. That is to say, Council allocates indirect costs on a proportionate basis by using measures that are easily available, such as staff involved in the activity as a percentage of total staff, total number of computers or the service unit's share of total office floor space.

There are alternative ways to allocate indirect costs such as using Activity based costing, however this process can be very labour intensive and costly, while a pro rata approach delivers similar results with less effort.

4.2 Fee setting

The responsibility for setting of fees & charges resides with the managerial unit responsible for delivering the service. The fee setting is done as part of the budget process, where the impact of changing fees can be seen against the unit's bottom line.

When setting the fees & charges for the new year, the following questions must be asked.

- Do any external constraints apply? Possibilities include:
    - Other levels of Government setting a statutory price for that service, or
    - Does Council need to take into account competitive neutrality adjustments
- Would setting a price based on recovering the full cost of the service be competitive with other supplies (nearby councils and/or private competitors)?
- How will a change in price impact volume of usage of that service?
- Does Council have a strategy to either:
    - Subsidise the cost of this service (setting prices below full costs)?
    - Use the service as a taxation mechanism (setting prices above the full cost level)?

4.3 Competitive Neutrality

Compared to the private sector, government departments have a number of competitive advantages and disadvantages when providing services in a competitive market. Competitive benefits may arise due to Council's taxation status or ability to subsidise a service with rates. Conversely Council may be disadvantaged due to increased red tape (additional reporting costs and legislation to comply with), limited flexibility in restructuring or comparative employment awards between the private and public sectors.

If Council deems that in the provision of any of its significant business activities it has a significant competitive advantage (or disadvantage) over the market due to its public sector ownership, then a competitive neutrality assessment may be required to be undertaken.

To undertake this assessment, the following steps are recommended by the Victorian Government's Competitive Neutrality Policy:

- Determine whether the operation is a "significant business activity" and whether Council has a net competitive advantage compared to the private sector.
- Weigh up the expected benefits and costs of introducing competitive neutrality policy measures.
- Determine if the public interest is served by implementing competitive neutrality policy measures.

If this analysis shows that a significant business activity of Council does enjoy a net competitive benefit, Council is expected to set prices that include competitive neutral adjustments.

However, under the policy, this is not required if:

The costs of applying competitive neutrality outweigh the benefits, or

Council conducts and documents a "public interest test", which involves public consultation on costed options, and identifies clear public policy objectives for providing the service at below competitive neutral prices.

Council will conduct a competitive neutrality assessment of its services on a rolling basis. To date, no services have been identified as being a significant business activity where Council has a significant net competitive advantage over the private sector. As such no competitive neutrality adjustments have been required to be implemented to increase user fees.

4.4 Fee & Charge Principles

Council has developed a range of principles to determine the level of fees and charges to be applied to each service. Fees and charges will be reviewed on an annual basis in line with these principles:

- Fees are charged in line with State and Federal government legislation or Local Laws.
- Fees and charges are set at a level that is deemed to be fair and equitable to enable the majority of residents to access the services.
- Fees and charges are set to remain competitive with other 'like-services' available in the market.
- No fees (or low fees) are charged for some services with an aim to encourage community participation and positive health and wellbeing outcomes.
- Fees and charges that are punitive in nature, are set at a level significant enough to deter the targeted behaviour without being overly burdensome.

5. Review Period

This Revenue and Rating Plan covers the four-year period July 2024- June 2028. It will be reviewed and amended during this 4-year period, annually.

6. Related Documents

Public Open Space Plan 2016-2031 (D16/126502)

Development Contributions Plan (D18/200154)

Lease and Licence Framework (CD17128)

Rates Hardship Assistance Policy (CD17663)

Debt Collection Policy (CD17122)

7. Related Legislation

Local Government Act 2020

Local Government Act 1989

Penalty Interest Rates Act 1983

Cultural and Recreational Lands Act 1963

Valuation of Land Act 1960

Victorian Competitive Neutrality Policy