

# REVENUE AND RATING PLAN 2021-24

Revised May 2022

Northern Grampians  
Shire Council

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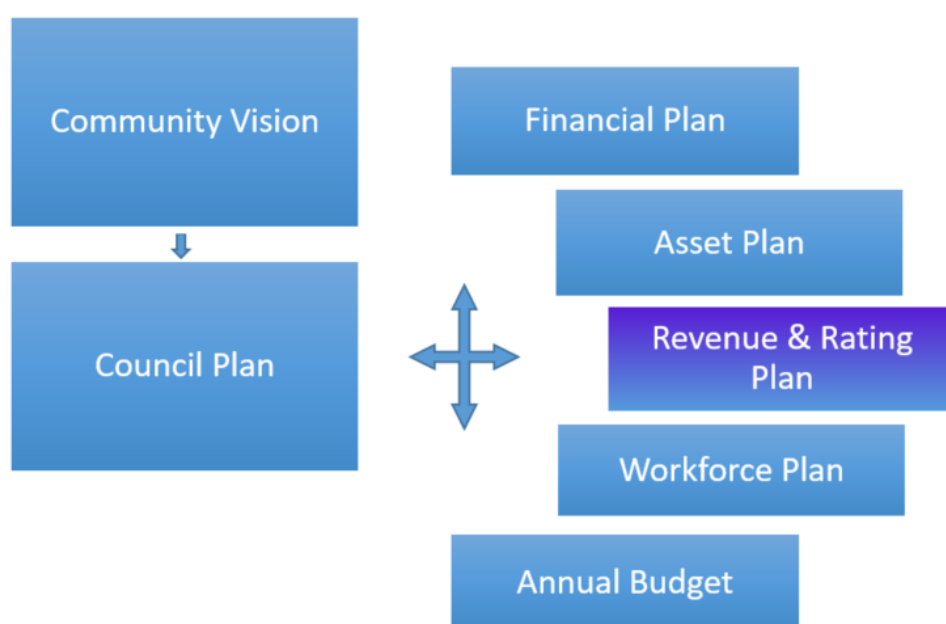
## 1 PURPOSE

The Local Government Act 2020 requires each Council to prepare a Revenue and Rating Plan (the Plan) to cover a minimum period of four years following each Council election. The Revenue and Rating Plan establishes the revenue raising framework within which the Council proposes to work.

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

This plan is an important part of Council's integrated planning framework, all of which is created to help Council achieve its vision and that of the communities.

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



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

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

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

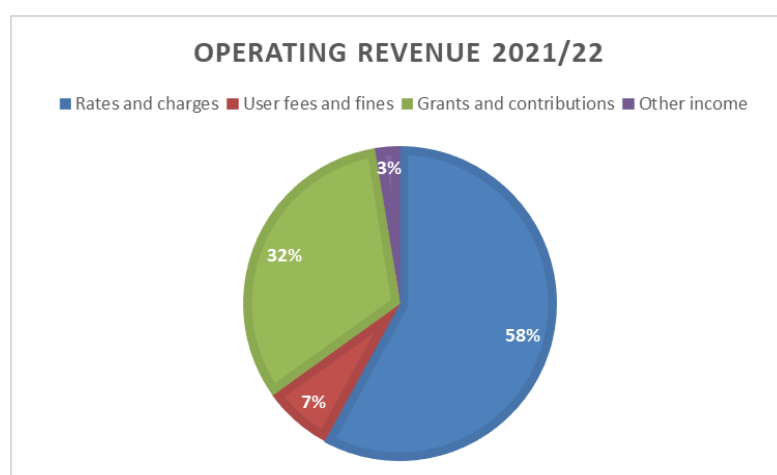
## 2 INTRODUCTION

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

Council's revenue sources include:

- Rates and Charges (includes waste and garbage)
- Grants from other levels of Government
- Statutory Fees and Fines
- User Fees
- Cash contributions from other parties (i.e. developers and community groups)
- Interest from investments
- Asset sales

The major revenue sources are demonstrated in the following pie chart:



Rates are the most significant revenue source for Council and comprise in excess of 50% of annual operating income.

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

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.

There is a significant untied grant also from the Federal Government's Assistance Grant (FAGS) which is provided to council by the Victorian Grants Commission under a complex formulae to address fiscal imbalances between Councils.

### 3 COMMUNITY ENGAGEMENT

The Revenue and Rating Plan outlines Council's decision-making process on how revenues are calculated and collected.

Council engaged with the community by way of press releases, social media for the purposes of the 2021/22 Revenue and Rating Plan. This subsequent revision of the Plan came after Council held in person consultation sessions and an online submission process to capture the views of the community regarding Council's differential rating structure.

Consultation regarding future revisions of the Revenue and Rating Plan will be the subject of ongoing review.

### 4 RATES AND CHARGES

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

Council has established a rating structure comprised of three key elements. These are:

- **General Rates** – Based on property values (using the Capital Improved Valuation methodology), which are indicative of capacity to pay and form the central basis of rating under the *Local Government Act 1989*;
- **Service Charges** - A 'user pays' component for Council services to reflect benefits provided by Council to ratepayers who benefit from a service; and
- **Municipal Charge** - A 'fixed rate' portion per property to cover some of the administrative costs of Council.

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

Council makes a further distinction when applying general rates by applying rating differentials based on the purpose for which the property is used. That is, whether the property is used for residential, 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.

These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the *Local Government Act 1989*, and the Ministerial Guidelines for Differential Rating 2013.

Council also levies a municipal charge. The municipal charge is a minimum rate per property and declared for the purpose of covering some of the administrative costs of Council. In applying the municipal charge, Council ensures that each ratable property in the municipality makes a contribution.

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

- Valuation (Capital Improved Value) x Rate in the Dollar (Differential Rate Type)

The rate in the dollar for each rating differential category is included in Council's annual budget.

Rates and charges are an important source of revenue, accounting for in excess of 50% 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 System, all rate increases are capped to a rate declared by the Minister for Local Government, which is announced in December for the following financial year.

Council currently utilises a service charge to fully recover the operating cost of Council's waste services and provides funding for the Waste Action Plan. The garbage service charge is not capped under the Fair Go Rates System, and Council will continue to allocate any surplus funds to the waste reserve.

## 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 significant flexibility for Council to tailor a system that suits its needs.

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

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

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

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

The advantages and disadvantages of the respective valuation basis are discussed further in this document. Whilst this document outlines Council's strategy regarding rates revenue, rates data will be contained in the Council's Annual Budget as required by the *Local Government Act 2020*.

Section 94(2) of the *Local Government Act 2020* states that Council must adopt a budget by 30 June each year (or at another time fixed by the Minister) to include:

- the total amount that the Council intends to raise by rates and charges;
- statement as to whether the rates will be raised by the application of a uniform rate or a differential rate;
- a description of any fixed component of the rates, if applicable;
- if the Council proposes to declare a uniform rate, the matters specified in section 160 of the *Local Government Act 1989*;
- if the Council proposes to declare a differential rate for any land, the matters specified in section 161(2) of the *Local Government Act 1989*.

Section 94(3) of the *Local Government Act 2020* also states that Council must ensure that, if applicable, the budget also contains a statement:

- that the Council intends to apply for a special order to increase the Council's average rate cap for the financial year or any other financial year; or
- that the Council has made an application to the Essential Services Commission for a special order and is waiting for the outcome of the application; or
- that a special Order has been made in respect of the Council and specifying the average rate cap that applies for the financial year or any other financial year.

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 will be compliant with rate capping guidelines.

In 2019 the Victorian State Government conducted a Local Government Rating System Review. The Local Government Rating System Review Panel presented their final report and list of recommendations to the Victorian Government in March 2020. The Victorian Government subsequently published a response to the recommendations of the Panel's report.

## 4.2 RATING PRINCIPLES

### Taxation Principles

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

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

#### **Wealth Tax**

The "wealth tax" principle implies that the rates paid are dependent upon the value of a ratepayer's real property and have no correlation to the individual ratepayer's consumption of services or the perceived benefits derived by individual ratepayers from the expenditures funded from rates.

#### **Equity**

Horizontal equity – ratepayers in similar situations should pay similar amounts of rates (ensured mainly by accurate property valuations, undertaken in a consistent manner, their classification into homogenous property classes and the right of appeal against valuation).

Vertical equity – those who are better off should pay more rates than those worse off (the rationale applies for the use of progressive and proportional income taxation. It implies a "relativity" dimension to the fairness of the tax burden).

#### **Efficiency**

Economic efficiency is measured by the extent to which production and consumption decisions by people are affected by rates.

#### **Simplicity**

How easily a rates system can be understood by ratepayers and the practicality and ease of administration.

#### **Benefit**

The extent to which there is a nexus between consumption/benefit and the rate burden.



**Capacity to Pay**

The capacity of ratepayers or groups of ratepayers to pay rates.

**Diversity**

The capacity of ratepayers within a group to pay rates.

The rating challenge for Council therefore is to determine the appropriate balancing of competing considerations.

**Rates and Charges Revenue Principles**

Property rates will:

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

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

#### 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 Value (CIV) – Value of land and improvements upon the land.
- Site Value (SV) – Value of land only.
- Net Annual Value (NAV) – Rental valuation based on CIV.

**Capital Improved Value (CIV)**

Capital Improved Value is the most commonly used valuation base by local government with over 90% of Victorian Councils applying this methodology. Based on the value of both land and all improvements on the land, it is generally easily understood by ratepayers as it equates to the market value of the property.

Section 161 of the *Local Government Act 1989* provides that a Council may raise any general rates by the application of a differential rate if –

- a) It uses the capital improved value system of valuing land; and
- b) It considers that a differential rate will contribute to the equitable and efficient carrying out of its functions.

Where a Council does not utilise CIV, it may only apply limited differential rates in relation to farm land, urban farm land or residential use land.

### Advantages of using Capital Improved Value (CIV)

- CIV includes all property improvements, and hence is often supported on the basis that it more closely reflects “capacity to pay”. The CIV rating method takes into account the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.
- With the increased frequency of valuations (previously two year intervals, now annual intervals) the market values are more predictable and has reduced the level of objections resulting from valuations.
- The concept of the market value of property is more easily understood with CIV rather than NAV or SV.
- Most Councils in Victoria have now adopted CIV which makes it easier to compare relative movements in rates and valuations across Councils.
- The use of CIV allows Council to apply differential rates which greatly adds to Council’s ability to equitably distribute the rating burden based on ability to afford Council rates.

### Disadvantages of using CIV

- The main disadvantage with CIV is the fact that rates are based on the total property value which may not necessarily reflect the income level of the property owner as with pensioners and low-income earners.

### **Site value (SV)**

There are currently no Victorian Councils that use this valuation base. With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of Site Value in a Northern Grampians Shire Council context would cause a shift in rate burden and would hinder Council’s objective of a fair and equitable rating system.

### Advantages of using Site Value (SV)

- There is a perception that under site value, a uniform rate would promote development of land, particularly commercial and industrial developments. There is however, little evidence to prove that this is the case.

### Disadvantages of using SV

- Under SV, there will be a significant shift from the residential, commercial and industrial sectors to the farm sector of the Shire. The percentage increases in many cases would be in the extreme range.
- SV is a major burden on property owners that have large areas of land. Some of these owners may have much smaller/older dwellings compared to those who have smaller land areas but well developed dwellings – but will pay more in rates. A typical example is flats, units or townhouses which will all pay low rates compared to traditional housing styles.
- The use of SV can place pressure on Council to give concessions to categories of landowners on whom the rating burden is seen to fall disproportionately, for example farmland and residential properties. Large landowners such as farmers, are disadvantaged by the use of site value.

- SV will reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates.
- The community may have greater difficulty in understanding the SV valuation on their rates notices, as indicated by many inquiries from ratepayers on this issue handled by Council's customer support and property and revenue staff each year.

### **Net annual value (NAV)**

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.

NAV, in concept, represents the annual rental value of a property. However, in practice, NAV is loosely linked to capital improved value for residential and farm properties.

In contrast to the treatment of residential and farm properties, NAV for commercial and industrial properties are assessed with regard to actual market rental. This differing treatment of commercial versus residential and farm properties has led to some suggestions that all properties should be valued on a rental basis.

Overall the use of NAV is not largely supported. For residential and farm ratepayers, actual rental values pose some problems. The artificial rental estimate used may not represent actual market value, and means the base is the same as CIV but is harder to understand.

### **Recommended valuation base**

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 either of the CIV or NAV methods of rating.

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

Differential rating 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.

Section 161(1) of the *Local Government Act 1989* outlines the requirements relating to differential rates, which include:

- a) A Council may raise any general rates by the application of a differential rate, if Council considers that the differential rate will contribute to the equitable and efficient carrying out of its functions.

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

Once the Council has declared a differential rate for any land, the Council must:

- a) Specify the objectives of the differential rates;
- b) Specify the characteristics of the land which are the criteria for declaring the differential rate.

The purpose is to ensure that Council has a sound basis on which to develop the various charging features when determining its revenue strategies and ensure that these are consistent with the provisions of the *Local Government Act 1989*.

The general objective of each differential rate is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council. There is no limit on the number or types of differential rates that can be levied, but the highest differential rate can be no more than four times the lowest differential rate.

### **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.

Northern Grampians Shire Council applies a Capital Improved Value (CIV) to all properties within the municipality to take into account the full development value of the property. This basis of valuation takes into account the total market value of the land including buildings and other improvements.

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

Council needs to be mindful of the impacts of revaluations on the various property types in implementing the differential rating strategy outlined in the previous section to ensure that rises and falls in Council rates remain affordable and that rating 'shocks' are mitigated to some degree.

## **Supplementary Valuations**

The Valuation of Land Act 1960 allows Council's to have its Valuer make regular inspections and to carry out Supplementary valuations for a variety of reasons including rezoning, subdivisions, consolidations, renovations, new constructions, building extensions, occupancy changes and corrections. The Victorian Valuer-General is tasked with undertaking supplementary valuations. Council generally requests that Supplementary valuations be undertaken quarterly but maintains discretion in the frequency that they be required.

Supplementary valuations bring the value of the affected property into line with the general valuation of other properties within the municipality and ensure that rates are levied equitably and transparently for any properties that have changes.

## **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 Northern Grampians Shire Council. Property owners also have the ability to object to the site valuations on receipt of their Land Tax Assessment. Property owners can appeal their land valuation within two months of receipt of their Council Rate Notice (via Council) or within two months of receipt of their Land Tax Assessment (via the State Revenue Office).

## 4.4 RATING DIFFERENTIALS

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

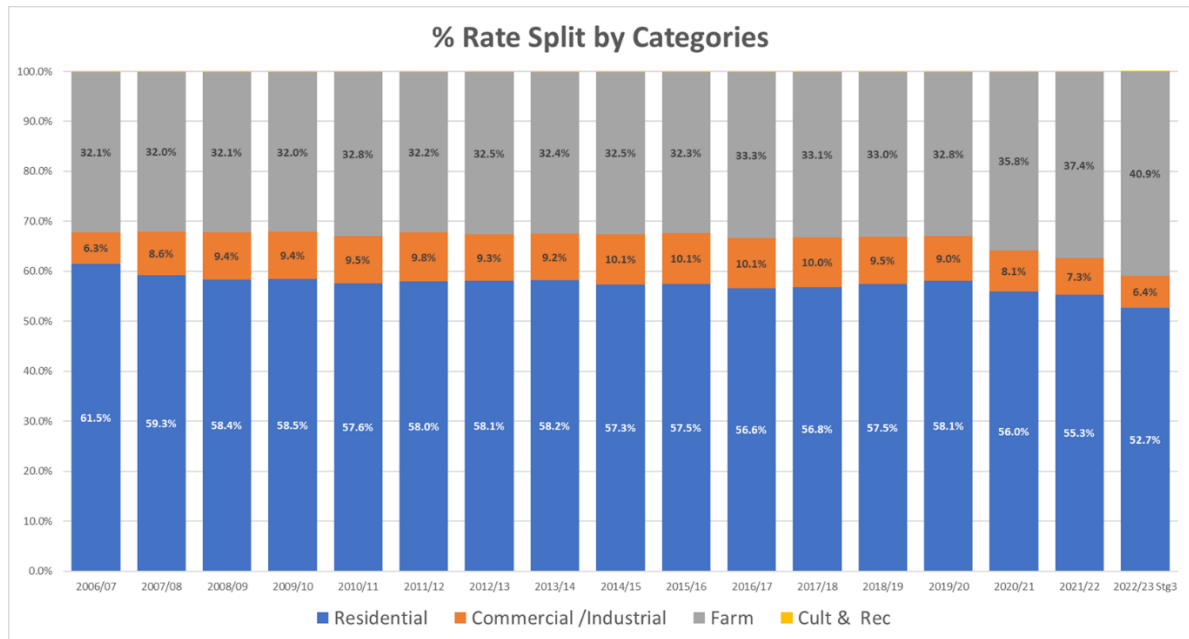
Details of the objectives of each differential rate, the classes of land which are subject to each differential rate and the uses of each differential rate are set later in this section below.

### **Floating differential**

From the 2022/23 rating year, Council is introducing a 'floating differential' model to reduce the impact of year-on-year rates variations caused by disproportionate valuation movements between property types. The intent this new model is to fix the proportion of rates paid by each property type.

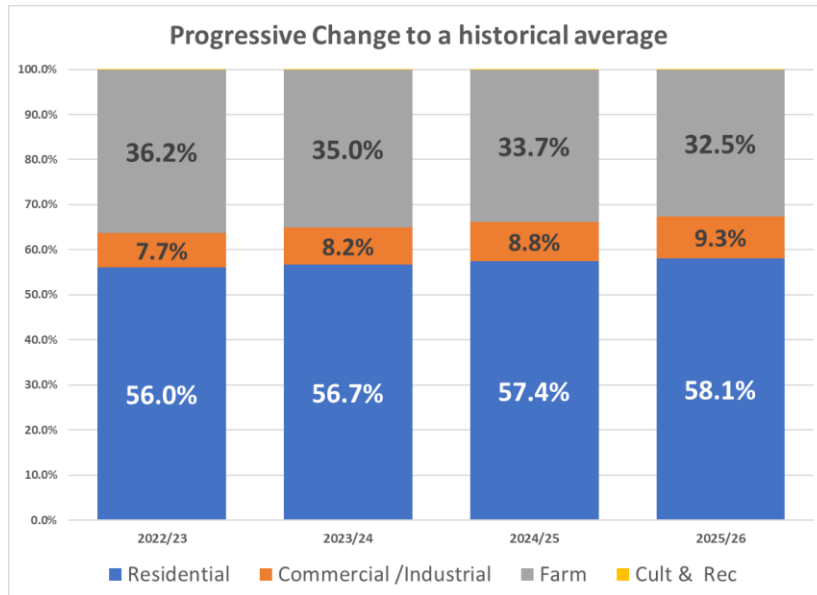
Since 2020/21 there have been significant property valuation movements between the differential categories.

The following graph shows the historical amount of rates paid by each category in percentage terms, and highlights the impact large valuation movements have had on farm properties, leading to farms paying a greater proportion of total rates.



Council proposes to return to the historical average of the percentage paid by each category by progressively phasing in the floating differential model over the next four years.

The following graph shows the proposed plan to return to historical averages:



The percentage allocation per category will be confirmed in the Annual Budget each year. Council will model the impact of the proposed changes after each annual revaluation and may readjust the percentages to ensure an equitable outcome is maintained.

## Rates to be levied

Council has a general rate, a commercial differential rate for commercial properties, a industrial differential rate for industrial properties, a farm land differential rate for eligible farm properties, and a concession rate for eligible rateable recreational properties.

From the 2022/23 year, Council is proposing the following floating differentials for each of the property types listed in the table below.

<b>Property type</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
Residential	56.02%	56.715%	57.41%	58.10%
Commercial/Industrial*	7.70%	8.200%	8.80%	9.30%
Farm	36.20%	35.000%	33.70%	32.50%
Recreation & Cultural	0.080%	0.085%	0.09%	0.10%
<b>Total</b>	<b>100.00%</b>	<b>100.000%</b>	<b>100.00%</b>	<b>100.00%</b>

\*floating differential between Commercial and Industrial categories will be split annually by Capital Improved Values.

Each rate will be determined by multiplying the Capital Improved Value (CIV) of each rateable land (categorised by the characteristics described below) by the rate in the dollar. The rate in the dollar is calculated by multiplying the total rates to be collected by the floating differential amounts indicated above, then dividing by the total CIV value of the category.

In accordance with the Local Government Legislation Amendment (Miscellaneous) Act 2012, Council has considered the Ministerial Guidelines with regards to the setting of differential rates and believes its farm land differential rate to be consistent with the guidelines. Council considers that the differential rate will contribute to the equitable and efficient carrying out of Council functions.

### General Rate Land

#### Definition

General Rate Land means any rateable land which is not farm land, commercial, industrial or recreational and cultural land.

Council applies its general rate to all residential and non-farm land.

The purpose of the General Rate is to ensure that Council has adequate funding to undertake its strategic and statutory service provision and community services obligations.

### Commercial Rate Land

#### Definition

Commercial land is any land which is used or adapted to be used primarily for business and/or administrative purposes.

The purpose of the Commercial differential rate is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Northern Grampians Shire Council. The differential recognises the impact that commercial land use places on Council infrastructure and seeks to achieve vertical equity due to the tax-deductible nature of rates on commercial properties.

### Industrial Rate Land

#### Definition

Industrial land is any land which is used primarily for or is capable of being used for industrial purposes, which includes manufacturing, processing, repairing and servicing.

The purpose of the Industrial differential rate is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Northern Grampians Shire Council.

### Farm Rate Land

#### Definition

Farm Rate Land is any rateable land, which is all of the following:

- is two or more hectares in area; **and**
- qualifies as a farm under the definition of Farm Land as prescribed in the Valuation of Land Act 1960; **and**
- qualifies as farm land in accordance with Council's Farm Land Rate Differential Policy.

Farm land under the Act, means land that it is not less than 2 hectares in area and is used primarily for grazing (including agistment), dairying, pig farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities.

In addition the Act clearly states that the property must be used by a business that has a significant and commercial purpose or character and seeks to make a profit on a continuous or repetitive basis from its activities on the land, and that is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land.

Council's Farm Land Rate Differential Policy gives guidance to the community on what Council has determined are properties that are eligible for the farm land rate differential. In order for a property to receive this rate it needs to be more than 150 hectares in land size or a property of a commercial farming nature that meets the farming criteria within the policy.

The purpose of the Farm Rate is to assist farmers who, unlike other businesses, require a large amount of land to generate their income. Farm profitability is affected by the



vagaries of weather and international markets and agricultural producers are unable to pass on increases in costs like other businesses. In this sense farms are seen to be more susceptible or fragile than other commercial and industrial operations. The farm land rate is only applied to genuine commercial farming operations as distinct from hobby or rural lifestyle properties.

The objective of the farm land rate differential is to provide a more equitable rating system to ensure that these properties do not pay disproportionately higher rates due to the larger land component that they require.

### **Recreational and Cultural Rate Land**

Under the Cultural and Recreational Land Act 1963, provision is made for a Council to grant a rating concession to any recreational lands which meet the criteria of being rateable land under the Local Government Act 1989.

These lands must be occupied by a body which exists for an outdoor recreational purpose and which applies its profits in promoting the furthering of its purpose. The lands must be owned by the body or owned by the Crown or Council to be eligible.

Provision is made to levy the rate for recreational lands at an amount that Council believes is reasonable having regard to the services provided by Council in relation to such lands and having regard to the benefit to the community derived by such recreational lands.

## 4.5 MUNICIPAL CHARGE

Another principal 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. A council's total revenue from a municipal charge in a financial year must not exceed 20 per cent of the sum total of the council's total revenue from a municipal charge and total revenue from general rates (total rates).

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

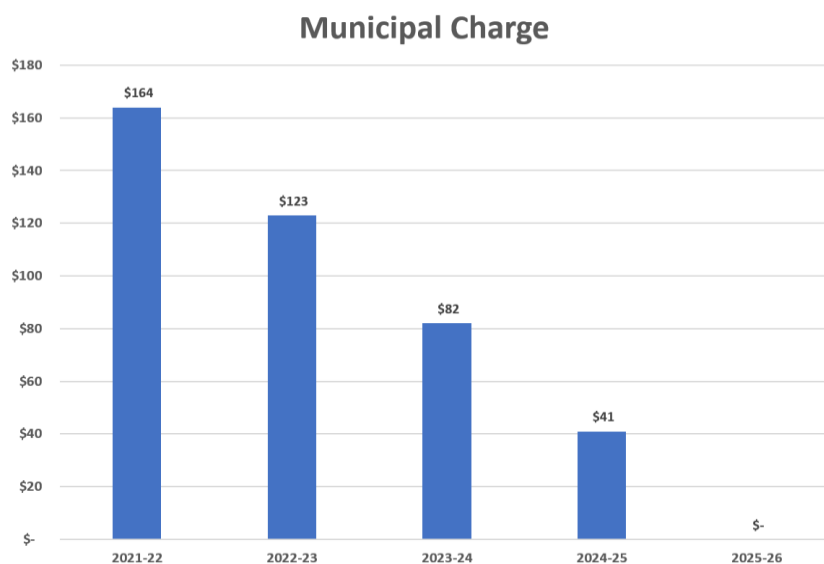
The municipal charge applies equally to all properties with the exception of some farm properties and is based upon the recovery of a fixed cost of providing administrative services irrespective of valuation. The same contribution amount per assessment to cover a portion of Council's administrative costs can be seen as an equitable method of recovering these costs.

A ratepayer may apply to Council for an exemption from the payment of the municipal charge if the rateable land is farm land, forms part of a single farm enterprise and an exemption is not claimed in respect of at least one other rateable property which forms part of the single farm enterprise. In the case where a single farm enterprise is occupied

by more than one person, an exemption cannot be claimed in respect of more than one principle place of residence.

Council proposes to reduce the municipal charge. This will have the effect of benefiting low valued properties.

The graph below shows the proposed reductions to the municipal charge:



The municipal charge will be confirmed each year as part of the Annual Budget.

#### 4.6 SPECIAL CHARGE SCHEMES

The *Local Government Act 1989* recognises that Councils need help to provide improved infrastructure for their local communities. Legislation allows Councils to pass on the cost of capital infrastructure to the owner of a property that generally receives a unique benefit from the construction works. The technical explanation of a Special Charge comes from legislation (under the *Local Government Act 1989*) that allows Councils to recover the cost of works from property owners who will gain special benefit from that work.

The purposes for which special rates and special charges may be used include road construction, kerb and channelling, footpath provision, drainage, and other capital improvement projects. The special rate or special charges may be declared on the basis of any criteria specified by the Council in the rate (Section 163 (2)).

In accordance with Section 163 (3), Council must specify:

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

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. For example, they could be used to fund co-operative fire prevention schemes. This would ensure that there were no ‘free-riders’ reaping the benefits but not contributing to fire prevention. Landscaping and environmental improvement programs that benefit small or localised areas could also be funded using special rates or charges.

#### 4.7 SERVICE RATES AND CHARGES

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

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

Council currently only applies a service charge for the collection and disposal of refuse on urban properties (compulsory) and rural properties (optional).

Council retains the objective of setting the service charges for waste at a level that fully recovers the cost of waste services, including providing for the cost of rehabilitation of closed landfill sites.

#### 4.8 COLLECTION AND ADMINISTRATION OF RATES AND CHARGES

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

##### **Payment options**

In accordance with section 167(1) of the *Local Government Act 1989* a Council must allow ratepayers the option of paying rates and charges by way of four instalments and may also allow rates and charges to be paid in a lump sum. Northern Grampians Shire has elected to allow ratepayers to pay in four instalments only.

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),
- via direct debit (on prescribed instalment due dates, monthly or fortnightly),
- online via BPAY,
- Australia Post (over the counter, over the phone via credit card and on the internet),
- by mail (cheques and money orders only)

- Centrepay (for eligible DHHS recipients).

### **Interest on arrears and overdue rates**

Interest is charged on all overdue rates in accordance with Section 172 of the *Local Government Act 1989*. The interest rate applied is fixed under Section 2 of the Penalty Interest Rates Act 1983, which is determined by the Minister and published by notice in the Government Gazette.

### **Pensioner rebates**

Holders of a Centrelink or Veteran Affairs Pension Concession card or a Veteran Affairs Gold card which stipulates TPI or War Widow may claim a rebate on their sole or principal place of residence. Upon the approval of an initial application, ongoing eligibility is maintained, unless rejected by Centrelink or the Department of Veteran Affairs during the annual verification procedure. Upon confirmation of an eligible pensioner concession status, the pensioner rebate is deducted from the rate account before payment is required by the ratepayer.

Pensioners can apply for the rebate at any time throughout the rating year. Retrospective claims for one prior year can be approved by Council upon verification of eligibility criteria.

### **Deferred payments**

Under Section 170 of the **Local Government Act 1989**, Council may defer the payment of any rate or charge for an eligible ratepayer whose property is their sole place of residency, allowing ratepayers an extended period of time to make payments or alternatively to forestall payments on an indefinite basis until the ratepayer ceases to own or occupy the land in respect of which rates and charges are to be levied.

A deferral suspends the requirement to pay for a specified period and may be provided in whole or in part, subject to the conditions set by Council. To receive a deferral, a person must demonstrate that payment of the rates or charges would cause hardship.

### **Financial Hardship**

It is acknowledged at the outset that various ratepayers may experience financial hardship for a whole range of issues and that meeting rate obligations constitutes just one element of a number of difficulties that may be faced.

Council has a Personal Financial Hardship Policy whose purpose is to provide options for ratepayers facing such situations to deal with the situation positively and reduce the strain imposed by financial hardship. Ratepayers may elect to either negotiate a rate payment plan or apply for a rate deferral for varying timeframes. Interest may also be waived and in some circumstances and waste collection fees may be waived upon approval of Council's Chief Executive Officer.

Council encourages those ratepayers experiencing severe financial hardship to be assessed and assisted by a trained financial counsellor and will provide referrals for this purpose.

### **Debt recovery**

Council has a Rates and Charges Debt Collection policy to guide the decision making around the collection of overdue debts.

Council makes every effort to contact ratepayers at their correct address and with the contact details previously provided, but it is the ratepayers' responsibility to properly advise Council of any changes to their contact details.

In the event that an account becomes overdue, Council will issue an overdue reminder notice which will include accrued penalty interest. If the ratepayer has not contacted Council to set up a suitable repayment arrangement, then the account may be referred to a debt recovery agency. The procedures to be followed are set out in Council's Rates and Charges Debt Collection policy. At all times during recovery, a debtor may contact Council to set-up a repayment arrangement.

If the matter proceeds to a point where legal action is undertaken, all fees and court costs incurred will be allocated to the rate assessment and will remain as a charge on the property until settled.

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

### **Fire Services Property Levy**

In 2013 the Victorian State Government passed legislation requiring the Fire Services Property Levy to be collected from ratepayers. Previously the levy was collected through building and property insurance premiums. The Fire Services Property Levy helps fund the services provided by the Fire Rescue Victoria (FRV) 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.

## 5 OTHER REVENUE ITEMS

### 5.1 USER FEES AND CHARGES

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

Examples of user fees and charges include:

- Kindergarten and Childcare fees
- Leisure Centre, Gym, and Pool visitation and membership fees
- Aged and Health Care service fees
- Leases and facility hire fees.

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

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

In providing services to the community, Council must determine the extent of cost recovery for particular services consistent with the level of both individual and collective benefit that the services provide and in line with the community's expectations.

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

- a. Market price
- b. Full cost recovery price
- c. Subsidised price

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

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

Subsidised pricing (c) is where Council subsidises a service by not passing the full cost of that service onto the customer. Subsidies may range from full subsidies (ie Council provides the service free of charge) to partial subsidies, where Council provides the service to the user with a discount. The subsidy can be funded from Council's rate

revenue or other sources such as 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.

## 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.

Examples of statutory fees and fines include:

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

## 5.3 GRANTS

Grant revenue represents income usually received from other levels of government. Some grants are singular and attached to the delivery of specific projects, whilst others can be of a recurrent nature and may or may not be linked to the delivery of projects.

Council pro-actively advocates 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.

## 5.4 CONTRIBUTIONS

Contributions represent funds received by Council, usually from non-government sources, and are usually linked to projects.

Contributions can be made to Council in the form of either cash payments or asset hand-overs.

Examples of contributions include:

- Contributions from user groups towards upgrade of facilities
- Monies collected from developers under planning and development agreements
- Assets handed over to Council from developers at the completion of a subdivision, such as roads, drainage, and streetlights.

Contributions should always be linked to a planning or funding agreement. Council will not undertake any work on a contribution-funded project until a signed agreement outlining the contribution details is in place.

Contributions linked to developments can be received well before any Council expenditure occurs. In this situation, the funds will be identified and held separately for the specific works identified in the agreements.

## 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.

## 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. The following financial sustainability principles must be adhered to with new borrowings:

- Borrowings must only be applied for where it can be proven that repayments can be met in the Long Term Financial Plan
- Council will maintain its debt at levels which are sustainable and within prudent financial obligations.

## 5.7 RATES IN LIEU

The *Electricity Industry Act 2000* provides for privatised electricity generation companies to negotiate an agreement with councils to make payments in lieu of rates.

The Victorian Government Gazette notice contains a number of formulae for determining rates based on power generation capacity output, rather than the property value.

Council has an agreement with two windfarm operators. By entering into these agreements, Council is agreeing to apply the Victorian Government gazetted formulae in the calculation of its annual revenue generated from wind farms.



**Legislation**

*Local Government Act 2020*

*Local Government Act 1989*

*Cultural & Recreational Lands Act 1963*

*Penalty Interest Rates Act 1983*

*Fire Services Property Levy Act 2012*

*Valuation of Land Act 1960*

*Ministerial Guidelines for Differential Rating (2013)*

**References**

*Council Farm Land Rate Differential policy*

*Personal Financial Hardship policy*

*Rates and Charges Debt Collection policy*

*Annual Budget*

*Council Plan*

*Strategic Risk Register*