Wellington Shire Council

Revenue and Rating Plan

2025-2029



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1. PURPOSE

The *Local Government Act 2020 Section 93* requires each newly elected council to prepare and adopt a Revenue and Rating Plan by 30 June following a general election for a period of 4 years. 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 Wellington 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 of *"..an engaged and responsible community.."*

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

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

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

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

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2. INTRODUCTION

Council provides over 110 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
- Waste and garbage charges
- Grants from other levels of Government
- Statutory Fees and Fines
- User Fees
- Cash and non-cash contributions from other parties (i.e. community groups, developers)
- Interest from investments
- Sale of Assets

Rates are the most significant revenue source for Council and make up approximately 58% of its annual 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 some options to 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.

3. COMMUNITY ENGAGEMENT

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

Revenue and Rating Plan community engagement process:

- Draft Revenue and Rating Plan prepared by officers
- Draft Revenue and Rating Plan placed on public exhibition for comment/feedback for a period of 28 days
- Community engagement through local news outlets and social media
- Consideration of feedback; and
- Draft Revenue and Rating Plan (with any revisions) presented to 17 June 2025 Council meeting for adoption.

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 broadly share rates across all ratepayers.

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

- **General Rates** – Based on property values (using the Capital Improved Valuation methodology - CIV), 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.

Wellington Shire Council does not utilise a Municipal Charge as part of its rating strategy, unlike some other Councils.

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

Council makes a further distinction when applying general rates by applying rating differentials based on the purpose for which the property is used. This distinction is based on the concept that different property categories should pay a fair and equitable contribution, taking into account the benefits those properties derive from the local community.

The Wellington Shire Council rating structure comprises two differential rates (general and farm). 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.

The differential rates are currently set as follows:

- General 100%
- Commercial 100%
- Farm land 80%

The formula for calculating 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 over 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 service charges to fully recover the cost of Council's waste services and provide for future landfill rehabilitation costs, these charges are not capped under the Fair Go Rates System.

4.1 Rating Legislation

The legislative framework set out in the *Local Government Act 1989* (remains as a saved provision under the 1989 Act), determines Council's ability to develop a rating system. The framework provides flexibility for Council to tailor a system that suits its needs.

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

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

Wellington Shire Council's 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* (currently, this remains as a saved provision under the 1989 Act), 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 bases 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:

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

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

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

This plan outlines the principles and strategic framework that Council will utilise in calculating and distributing the rating burden to property owners, however the quantum of rate revenue and rating differential amounts will be determined in the annual Wellington Shire Council budget.

4.2 Rating Principles

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

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

Wealth Tax

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

Equity

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

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

Efficiency

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

Simplicity

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

Benefit

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

Capacity to Pay

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

Diversity

The capacity of ratepayers within a group to pay rates. The rating challenge for Council therefore is to determine the appropriate balancing of competing considerations.

Rates and Charges Revenue Principles:

Property rates will:

- be reviewed annually by the Valuer General Victoria;
- not change dramatically from one year to next via the rate cap; 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.

For residential and farm properties, NAV is calculated at 5% of the Capital Improved Value. For commercial and industrial properties, NAV is calculated as the greater of the estimated annual rental value or 5% of the 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 farmland, 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 wealth and 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 the state.
- 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 land use and 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 from time

to time 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 Wellington Shire Council context would cause a shift in rate burden from the industrial/commercial sectors onto the farming and residential sectors and would hinder Council's objective of a fair and equitable rating system.

Advantages of using Site Value

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

Disadvantages of using Site Value

- Under SV, there will be a significant shift from the industrial/commercial sector onto the farming and residential sectors of council.
- 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. Large landowners, such as farmers for example, are disadvantaged by the use of site value.
- SV will reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates.
- The community may have greater difficulty in understanding the SV valuation on their rate notices, as indicated by many inquiries from ratepayers on this issue handled by council's customer service and property revenue staff each year.

Net annual value (NAV)

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

Valuers derive the NAV directly as 5% of CIV.

In contrast to the treatment of residential and farm properties, NAV for commercial and industrial properties is 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 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* (currently, this remains as a saved provision under the 1989 Act), it must adopt either of the CIV or NAV methods of rating.

Wellington 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 considers 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 objectives of each of the differential rates are 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 principal legislation in determining property valuations. Under the *Valuation of Land Act 1960*, the Victorian Valuer-General conducts property valuations on an annual basis. Wellington 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 always derived by the principle 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

Supplementary valuations are carried out for a variety of reasons including rezoning, subdivisions, amalgamations, renovations, new constructions, extensions, occupancy changes and corrections. The Victorian Valuer-General is tasked with undertaking supplementary valuations and advises council on a monthly basis of valuation and Australian Valuation Property Classification Code (AVPCC) changes.

Supplementary valuations bring the value of the affected property into line with the general valuation of other properties within the municipality. Objections to supplementary valuations can be lodged in accordance with Part 3 of the *Valuation of Land Act 1960*. Any objections must be lodged with the Valuer General within two months of the issue of the supplementary rate notice.

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.

A property owner must lodge their objection to the valuation or the AVPCC via the Rating Valuation Objections Portal. 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 Valuation Notice (via the online Objection Portal) 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 out below.

General Rate

Definition:

General land is any rateable land which does not have the characteristics of Farm Rate land, and includes residential and commercial/industrial properties, both vacant and improved.

Objectives:

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations and to ensure that the differential rate in the dollar declared for defined general rate land properties is fair and equitable, having regard to Council's activities in the municipality.

Characteristics:

The characteristics of the planning scheme zoning are applicable to the determination of vacant land which will be subject to the rate of residential or commercial/ industrial land. The vacant land affected by this rate is that which is zoned residential or commercial/industrial under the Wellington Shire Council Planning Scheme. The classification of the land will be determined by the occupation of that land for its best use and have reference to the planning scheme zoning.

Types and Classes:

Rateable land having the relevant characteristics described below:

a. used primarily for residential or commercial/ industrial purposes; or
b. any land that is not defined as Farm Land.

Use of Rate:

The differential rate will be used to fund items of expenditure 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.

Level of Rate:

100% of General Rate.

Use of Land:

Any use permitted under the Wellington Shire Council Planning Scheme.

Geographic Location:

Wherever located within the municipal district.

Planning Scheme Zoning:

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

Types of Buildings:

All buildings which are already constructed on the land or which are constructed prior to the end of the financial year.

Farm Rate

Definition:

In order for a property to be classified under the Differential Farm rate land must fulfil the following Definition and Criteria and be rated as such.

Any land which is "Farm Land" within the meaning of Section 2(1) of the *Valuation of Land Act 1960* and the additional criteria as defined below:

a. Farm Land means any rateable land that is 2 or more hectares in area;
b. used primarily for primary producing purposes from its activities on the land; 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;
c. that is used by a business:
    - That has a significant and substantial commercial purpose or character;
    - That 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 if it continues to operate in the way that it is operating.

Council criteria:

The ratepayer is a Primary Producer with the Australian Taxation Office and has registered ABN and, a commercial intent as outlined by a business in part c above.
That the land is within a Farm Zone in accordance with Council's planning scheme, or have a permit from Council to operate a farming business on that land or meets the criteria for pre-existing use as a farm.
The Farm Rate is assigned to land upon review of an application or extended to new properties acquired by businesses previously granted the Farm Rate.

Objectives:

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations and to ensure that the differential rate in the dollar declared for defined farmland properties is fair and equitable, having regard to Council's activities in the municipality.

The farm rate endeavours to:

- maintain agriculture as a major industry in the municipal district
- facilitate the longevity of the farm sector
- recognise that large land areas are generally required to maintain a viable farming business
- achieve a balance between providing for municipal growth and retaining the important agricultural economic base.

Characteristics:

The characteristics of the planning scheme zoning are applicable to the determination of farmland which will be subject to the differential farm rate. The classification of the land will be determined by the occupation of that land for its best use and have reference to the planning scheme zoning.

Types and Classes:

Farmland having the relevant characteristics described below:

a. used primarily for primary production purposes; or
b. any land that is not defined as General Land.

Use of Rate:

The differential rate will be used to fund items of expenditure 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.

Level of Rate:

80% of the General Rate.

Use of Land:

Any use permitted under the Wellington Shire Council Planning Scheme.

Geographic Location:

Wherever located within the municipal district.

Planning Scheme Zoning:

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

Types of Buildings:

All buildings which are already constructed on the land or which are constructed prior

to the end of the financial year.

Cultural and Recreational Land

Currently Council levies a general rate on land which has the following characteristics:

- Land which is controlled by a non-profit organisation which exists for the purpose of providing or promoting culture or sporting and recreation facilities which is used for sporting, recreation or cultural purposes or which is used for agricultural showgrounds.

The provision of rate relief to recreational land can also be provided by the *Cultural and Recreational Lands Act 1963*. This Act provides for properties used for outdoor activities to be differently rated unless it involves land that is being leased from a private landowner. The discretion of whether to provide a cultural and recreational land rate rests with Council.

A rebate system applies to these properties and is reassessed regularly. The level of rebate granted is determined by the number of members, annual profit/loss and hours of operation for each applicant. Rebates of 100%, 75%, 50% or 25% of the general rate are granted on this basis.

Advantages of a differential rating system

The advantages of utilising a differential rating system summarised below are:

- There is greater flexibility to distribute the rate burden between all classes of property.
- Allows Council to reflect the unique circumstances of some rating categories where the application of a uniform rate may create an inequitable outcome (e.g. Farming enterprises).
- Allows Council discretion in the imposition of rates to facilitate and encourage appropriate development of its municipal district in the best interest of the community.

Disadvantages of a differential rating system

The disadvantages in applying differential rating are summarised below:

- The justification of the differential rate can at times be difficult for the various groups to accept giving rise to queries and complaints where the differentials may seem to be excessive.
- Differential rates can be confusing to ratepayers, as they may have difficulty understanding the system. Some rating categories may feel they are unfavourably treated because they are paying a different level of rates than other ratepayer groups.
- Differential rating involves a degree of administrative complexity as properties continually shift from one type to another (e.g. residential to farming) requiring Council to update its records. Ensuring the accuracy/integrity of Council's data base is critical to ensure that properties are correctly classified into their right category.

4.5 Inappropriate Subdivisions

The Ninety Mile Beach subdivision is a 25-kilometre strip of land located between Bass Strait and Lake Reeve, which extends north of the Honeysuckles to Paradise Beach.

The land was subdivided into about 11,800 small lots from 1955 to 1969 prior to the introduction of planning controls. Much of the area is now inappropriate for development (e.g. due to flooding, lack of services etc). Areas unsuitable for development are contained in the Rural Conservation Zone. In contrast, land contained in the Low Density Residential Zone in the Honeysuckles and Golden Beach/Paradise Beach settlements can be developed with planning permit approval.

Due to the complex history of the Ninety Mile Beach subdivisions (and associated landowner concerns), the Victorian Ombudsman prepared a report which was tabled in the Victorian Parliament. A copy of the Ombudsman report can be accessed via the Victorian Ombudsman website.

Council welcomed the independent review of the complex issues associated with the Ninety Mile Beach subdivisions and supported each of the three (3) recommendations made for Council at its meeting of 3 December 2019.

Council does not send notices for any of the undevelopable Ninety Mile Beach subdivided lots, this started from 1 July 2019, no further rate notices will be issued for undevelopable blocks. These blocks are now part of a compulsory acquisition process managed by the Department Energy Climate Change Action.

4.6 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*, (currently, this remains as a saved provision under the 1989 Act), Council may declare a municipal charge to cover some of the administrative costs of the Council. The legislation is not definitive on what comprises administrative costs and does not require Council to specify what is covered by the charge.

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

Under the *Local Government Act 1989*, a council's total revenue from a municipal charge in a financial year must not exceed 20 per cent of the combined sum total of the Council's total revenue from the municipal charge and the revenue from general rates (total rates).

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

Wellington Shire Council does not apply a Municipal Charge.

Advantages of Applying the Municipal Charge

A municipal charge applies equally to all properties and is based upon the recovery of a fixed cost of providing administrative services irrespective of property valuation. The same contribution amount per property can be seen by some as an equitable method of recovering these costs.

Disadvantages of Applying the 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 properties.

Wellington Shire Council does not utilise a Municipal Charge as part of its rating strategy.

Rebates and Concessions

Section 169(1) of the Act allows Council to grant a rebate or concession –

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.

A Council resolution granting a rebate or concession must specify the benefit to the community as a whole resulting from the rebate or concession.

Rates Rebate for Land with a Deed of Covenant for Conservation Purposes

Council currently offers a rates rebate for land with a signed Deed of Covenant for Conservation purposes (Trust for Nature). Property owners must apply for the rebate and provide a copy of their Deed. A rate per hectare is determined by Council annually and is applied to reduce the general rates charged to those properties.

4.7 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; and
b) the land in relation to which the special rate or special charge is declared;
c) the manner in which the special rate or special charge will be assessed and levied; and
d) details of the period for which the special rate or special charge remains in force.

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 localized areas could also be funded using special rates or charges.

4.8 Service Rates and Charges

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

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

Kerbside Collection (Garbage) Charge

Wellington Shire Council provides a kerbside collection (garbage) service to around half of its ratepayers within designated areas, based on full cost recovery of the waste function. Applying the equity principle, those who do not receive this service should not have to pay for it through general rates.

Council calculates the cost of this service and applies a 'user pays' charge to those who receive the service, or to whom the service is available - a resident may not opt out of this service where they are in a collection zone. Commercial ratepayers, where they can provide evidence of an alternative, commercially provided waste collection service may opt out.

Waste Infrastructure Charge

Council applies a Waste Infrastructure Charge to all properties within the Shire (only excluding those within the inappropriate subdivision), to fund the provision of future waste management infrastructure e.g. tip cells, transfer station infrastructure, sorting and handling capacity. All funds collected through this charge are placed in the waste infrastructure reserve and are only applied to this purpose.

EPA Levy Charge

Environment Protection Authority (EPA) requirements under the *Environment Protection Act 1970* require Council to provide financial assurances for rehabilitation, remedial works and aftercare for all licensed landfills. In addition, there are strict guidelines for future landfill siting, design and management.

Changes for Council's levies to the EPA are adjusted annually or as necessary. This separate cost is shown on Rates Notices in the interests of greater transparency. The cost of the levy is influenced by two drivers – one is the volume of waste going into our landfill, and the second is the price per tonne levied by the EPA. While we can do little regarding the price, we can certainly, as a community, make greater efforts to recycle more and reduce the volume of waste to landfill.

4.9 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* ratepayers have the option of paying rates and charges by way of four instalments. Payments are due on the prescribed dates below:

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

Council offers a range of payment options including:

- in person at Council offices (cheques, money orders, EFTPOS, credit/debit cards and cash),
- Payble – online customer managed payment plans and one off payments
- BPAY,
- Australia Post (over the counter, over the phone via credit card and on the internet),
- by mail (cheques and money orders only).

Interest on arrears and overdue rates

Statutory interest is charged on overdue rates in accordance with the *Local Government Act 1989* (as amended) that do not have an approved payment plan.

Pensioner rebates

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

Eligible pensioners may gain a municipal rates concession up to a maximum cap as

stipulated by the State Government, and updated annually.

With regards to new applicants, after being granted an eligible Concession Card, pensioners can then apply for the rebate at any time throughout the rating year. Retrospective claims up to a maximum of one previous financial year can be approved by Council on verification of eligibility criteria, for periods prior to this, claims may be approved by the relevant government department.

Financial Hardship

Council recognises that there are cases of genuine financial hardship requiring respect and compassion. All applications will be treated in a consistent, equitable and confidential manner.

Section 171(A) of the Act allows Council to consider applications by a ratepayer who –

a) is suffering financial hardship; or
b) would suffer financial hardship if they paid their rates and charges in full;

to have all or part of the rates and charges or late payment interest waived.

Rates and charges will not be waived as this places an unfair burden on all other ratepayers. The financial circumstances of each ratepayer in hardship will determine the course of action with their property.

Penalty interest waivers can be applied for under the following categories:-

1. Administrative Waiver – where an administrative error or omission which is proven to have caused or significantly contributed to the failure to pay rates, a waiver of interest, in full or in part, may be applied.
2. Compassionate Grounds – Ratepayers may have interest waived on their principal place of residence where they have demonstrated compassionate grounds. Acceptable compassionate grounds would generally relate to family illness or death. The ratepayer will need to agree to an acceptable payment arrangement to pay the outstanding amount. Waivers shall be applied on a one-off basis and ratepayers will need to apply on each occasion such a waiver is sought.
3. Financial Hardship or Hardship - Applications must demonstrate that the ratepayer is experiencing financial hardship; and the ratepayer must enter into an acceptable payment arrangement and perform against such an arrangement. Under a financial hardship arrangement, whilst rates and interest will still accrue, no further legal action shall be taken. Periodic confirmation will be sought from either the ratepayer or nominated representative that financial hardship conditions still exist. Financial hardship arrangements will be withdrawn automatically upon sale of the property. Financial hardship waivers will not be granted for investment properties or holiday homes.

Deferred Payments

Under Section 170 of the *Local Government Act 1989*, Council may defer the payment of any rate or charge, allowing ratepayers an extended period 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.

Deferral of rates and charges are available to all ratepayers who have been granted Hardship or can prove extenuating circumstances on their primary place of residence. Where Council approves the deferral of rates or charges, interest will continue to be levied on the outstanding balance of rates and charges.

Debt recovery

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

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

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

Council has a formal Policy (Rates, Hardship and Debt Collection Policy) which discusses all the debt collection actions that may be taken. This Policy can be found on Council's website in the Council Policy Manual.

Fire Services Property Levy

In 2016 the Victorian State Government passed legislation requiring the Fire Services Property Levy to be collected from ratepayers. Previously this was collected through building and property insurance premiums. The Fire Services Property Levy helps fund the services provided by the Metropolitan Fire Brigade (MFB) and Country Fire Authority (CFA), and all levies collected by Council are passed through to the State Government.

The Fire Services Property Levy is based on two components, a fixed charge, and a variable charge which is linked to the Capital Improved Value of the property. This levy is not included in the rate cap and increases in the levy are at the discretion of the State Government.

The State Government is reviewing the Fire Service Levy, the name may change to Essential Services Volunteer Fund from 1 July 2025.

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:

- Waste Management fees
- Leisure Centre, Gym, and Pool visitation and membership fees
- Entertainment Centre Ticket Sales, Performance and Venue Hire fees
- Yard Dues, Droving fees, and related Saleyards charges
- 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.

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 a contribution profit margin. Market prices will be used when other providers exist in the given market, and Council needs to meet its obligations under the government's Competitive Neutrality Policy.

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

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

Subsidised pricing (C) is where Council subsidises a service by not passing the full cost of that service onto the customer. Subsidies may range from full subsidies (i.e. Council provides the service free of charge) to partial subsidies, where Council provides the service to the user with a discount. The subsidy can be funded from Council's rate revenue or other sources such as Commonwealth and state funding programs. Full Council subsidy pricing and partial cost pricing should always be based on knowledge of the full cost of providing a service.

As per the Victorian Auditor General's Office report "Fees and charges – cost recovery by local government" recommendations, Council's user fee pricing policy guides the fair and equitable setting of prices. The process for setting fee prices includes such principles as:

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

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

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. Council has little discretion to set these fees.

Examples of statutory fees and fines include:

- Planning and subdivision fees
- Animal registration fees
- Caravan park registration fees
- Building and Inspection fees
- Infringements and fines
- Land Information Certificate fees

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

Penalty units

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

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

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 will pro-actively advocate to other levels of government for grant funding support to deliver important infrastructure and service outcomes for the community. Council may use its own funds to leverage higher grant funding and maximise external funding opportunities.

When preparing its financial plan, Council considers its project proposal pipeline, advocacy priorities, upcoming grant program opportunities, and co-funding options to determine what grants to apply for. Council will only apply for and accept external funding if it is consistent with the Community Vision and does not lead to the distortion of Council Plan priorities.

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

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 handovers.

Examples of contributions include:

- Contributions from user groups towards upgrade of facilities
- Contributions from other Councils to complete mutually beneficial projects
- Contributions from individuals or estates towards purchase of artwork
- Assets handed over to Council from developers at the completion of a subdivision, such as roads, drainage, and streetlights.
- Monies collected from developers under planning and development agreements
- Monies collected under developer contribution plans and infrastructure contribution plans.

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
- Borrowings must not be used to fund ongoing operations
- Borrowings are appropriate for funding large capital works where the benefits are provided to future generations.
- Council will maintain its debt at levels which are sustainable, with:
    - indebtedness <60% of rate and charges revenue, and
    - debt servicing cost <5% of total revenue (excluding capital revenue).