



Moreland
City Council

Revenue and Rating Plan

2021 - 2025



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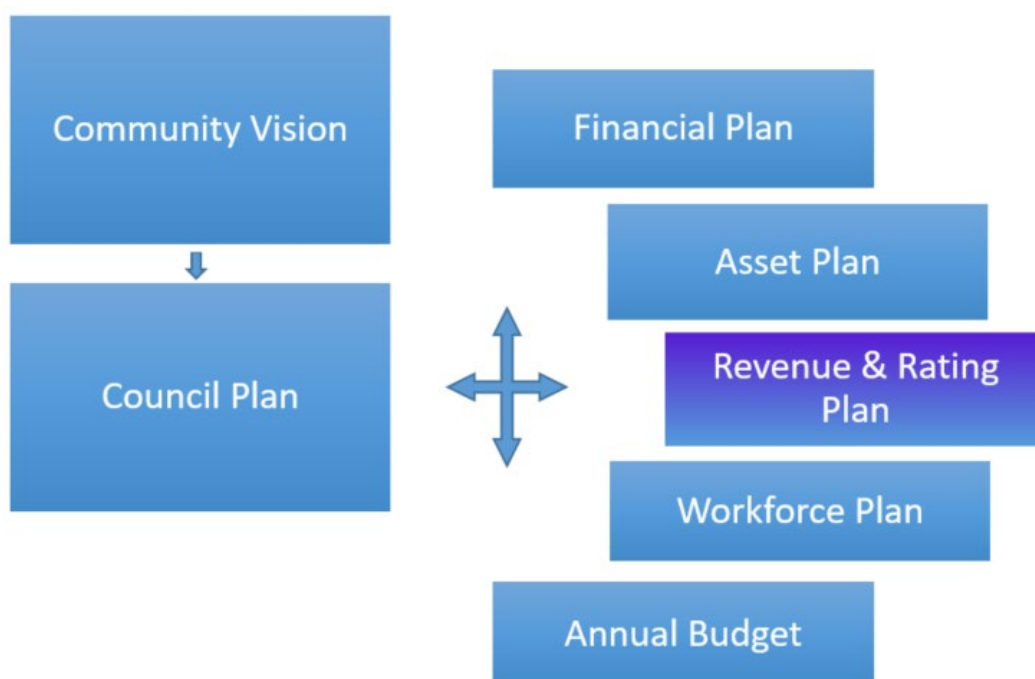
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1. Purpose

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

The purpose of the Revenue and Rating Plan is to determine the most appropriate and affordable revenue and rating approach for Moreland City Council which in conjunction with other income sources will adequately finance the objectives in the Council Plan. It provides the key strategic directions that inform Council's financial decision making to ensure that sufficient funds can be derived to enable the Council Plan and maintain financial viability over the medium and long term.

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 amongst Council's ratepayers. 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

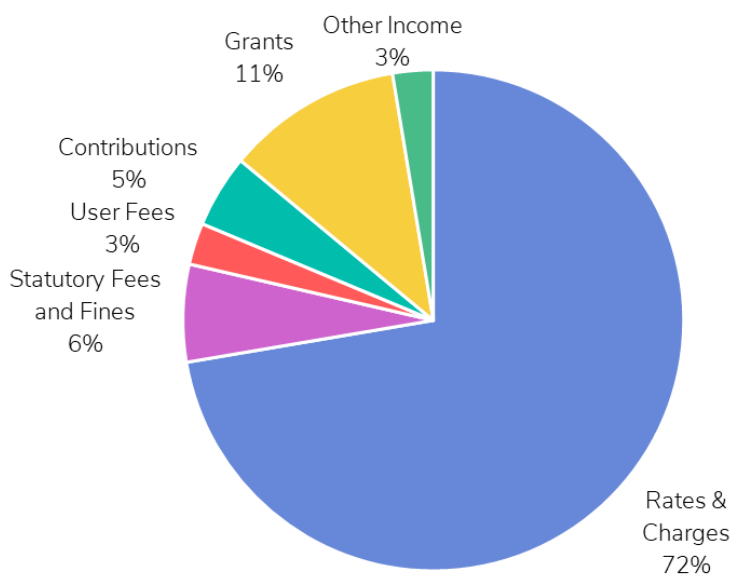
Council provides a number of services and facilities to our local community, and in doing so, must collect revenue to cover the cost of providing these services and facilities.

Council's revenue sources include:

- Rates and Charges
- Waste charges
- Grants from other levels of Government
- Statutory Fees and Fines
- User Fees
- Cash and non-cash contributions from other parties
- Interest from investments
- Sale of Assets

Rates are the most significant revenue source for Council and make up roughly 72% of its annual income as depicted by the chart below.

Chart 1: Financial Revenue by Percentage – Source: Budget of for financial year 2021/22



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

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/was 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 (March 2021)
- Draft Revenue and Rating Plan placed on public exhibition (17 May – 31 May 2021)
- Community engagement through local news outlets and social media (May 2021)
- Feedback Forum (8 June 2021)
- Draft Revenue and Rating Plan (with any revisions) presented to Council meeting for adoption (24 June 2021)

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 two key elements. These are:

- General Rates – Based on property values (using the Capital Improved Valuation methodology), which are indicative of capacity to pay and form the central basis of rating under the 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

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

Council has a uniform rate in the dollar for each rating category.

Rates and charges are an important source of revenue, accounting for over 72% of operating revenue received by Council. The collection of rates is an important factor in funding Council services.

Planning for future rate increases is therefore an essential component of the long term financial planning process, and plays a significant role in funding both additional service delivery and the increasing costs related to providing Council services.

Council is aware of the balance between rate revenue (as an important income source) and community sensitivity to rate increases. With the introduction of the State Government's Fair Go Rates legislation, all rate increases are capped to a rate declared by the Minister for Local Government, which is usually announced in December for the following financial year.

Council currently utilises a service charge to fully recover the cost of Council's waste services and provides for future landfill rehabilitation costs. The garbage service charge is not capped under the Fair Go Rates legislation, and Council will continue to allocate surplus funds from this charge towards the provision of waste services.

4.1 Rating legislation

The legislative framework set out in the *Local Government Act 1989* determines councils 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 and Net Annual Value.

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* and the integrated planning and reporting requirements of the act.

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

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

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

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

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

4.2 Rating principles

Taxation Principles

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

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

Wealth Tax

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

Equity

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

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

Efficiency

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

Simplicity

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

Benefit

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

Capacity to Pay

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

Diversity

The capacity of ratepayers within a group to pay rates.

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

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 all relevant Plans.

4.3 Determining the Rating System – Uniform or Differential?

As highlighted in Section 3, Council may apply a uniform rate or differential rates to address the needs of the Council. They are quite different in application and have different administrative and appeal mechanisms that need to be considered.

Uniform rate

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

Differential Rates

Advantages of a Differential rating system

The perceived advantages of utilising a differential rating system are:

- There is greater flexibility to distribute the rate burden between all classes of property, and therefore link rates with the ability to pay and reflecting the tax deductibility of rates for commercial and industrial premises;
- Differential rating allows Council to better reflect the investment required by Council to establish infrastructure to meet the needs of the commercial and industrial sector;
- Enables Council to encourage developments through its rating approach e.g. encourage building on vacant blocks;
- Allows Council to reflect the unique circumstances of some rating categories where the application of a uniform rate may create an inequitable outcome; this is however limited by the new requirements introduced under section 161 (2A) and (2B) of the Act.
- 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 perceived disadvantages in applying differential rating are:

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

Summary

Moreland City Council applies uniform rating (a uniform rate in the dollar) across all rateable properties. Uniform rating ensures all ratepayer groups are treated equally, as differential rating may be seen as unfair and excessive towards certain ratepayer groups.

4.4 Determining which valuation base to use

As outlined, under the *Local Government Act 1989*, Council has three options under the *Local Government Act* as to the valuation base it elects to use.

They are:

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

Capital Improved Value (CIV)

Capital Improved Valuation is the most commonly used valuation base by Victorian Local Government with more than 70 Councils applying this methodology. Based on the value of both land and all improvements on the land, it is relatively easy to understand by ratepayers as it equates to the market value of the property.

The key driver of using CIV is the ability to apply differential rates (should this rating option be used). 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 –

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

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

Advantages of using Capital Improved Valuation (CIV)

The main advantages of using Capital Improved Valuation are:

- Capital-improved value includes all improvements, and hence is often supported on the basis that it more closely reflects “capacity to pay”. The CIV rating method takes into account the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.
- With the current frequency of valuations (every two year), the market values are more predictable which has an impact on the number of objections resulting from valuations.
- The concept of the market value of property is far 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.

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)

Although the Act provides for Councils to use Site Value as the basis of valuation, very few Councils have done so due to the very limited ability to apply differential rates.

Advantages of Site Value

- There is a perception that under site valuation, a uniform rate would promote development of land.
- Scope for possible concessions for urban farm land and residential use land.

Disadvantages in using Site Value

- SV does not consider the value of improvements. It shifts more of the burden to property owners that have larger areas of land. Typically, flats, units and townhouses will pay lower rates compared to stand alone houses on a suburban block of land, as the underlying land area is smaller.
- 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 rate-paying community has 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 Citizen Services and Property Revenue staff each year.

In very many ways, it is difficult to see an equity argument being served by the implementation of Site Valuation in Moreland City Council, therefore this method is not recommended.

Net Annual Value (NAV)

Net annual value, in concept, represents the annual rental value of a property. However, in practice, NAV is closely linked to capital improved value for residential. Valuers derive the NAV of residential properties directly as 5 per cent of CIV. In contrast to the treatment of residential properties, Net Annual Value for commercial and industrial properties is assessed with regard to actual market rental. This differing treatment of commercial versus residential and farms has led to some suggestions that all properties should be valued on a rental basis.

Overall, the use of NAV is not supported. For residential 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. 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 Act it must adopt either of the CIV or NAV methods of rating

Summary

Moreland City Council applies Capital Improved Value (CIV) to all properties within the municipality to consider the fully developed value of the property. This basis of valuation considers the total market value of the land plus buildings and other improvements. CIV is considered to be the closest approximation to an equitable basis for distribution of the rating burden. It should be noted that more

than 70 Victorian Councils apply CIV as their rating base and as such, it has a wider community acceptance and understanding than the other rating bases.

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

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

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

Supplementary Valuations

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

Supplementary valuations bring the value of the affected property into line with the general valuation of other properties within the municipality. Objections to supplementary valuations can be lodged in accordance with Part 3 of the *Valuation of Land Act 1960*. Any objections must be lodged with Council 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 (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 Victorian City 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 State Revenue Office).

4.5 Municipal charge

Another rating option available to Councils is the application of a municipal charge. Under Section 159 of the *Local Government Act 1989*, a 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 combined sum total of the Council's total revenue from the municipal charge and the revenue from general 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 arguments in favour of a municipal charge are similar to waste charges. They apply equally to all properties and are based upon the recovery of a fixed cost of providing administrative services irrespective of valuation. The same contribution amount per assessment to cover a portion of Councils administrative costs can be seen as an equitable method of recovering these costs.

The argument against a municipal charge is that this charge is regressive in nature and would result in lower valued properties paying higher overall rates and charges than they do at present. The equity objective in levying rates against property values is lost in a municipal charge as it is levied uniformly across all assessments.

This rating and revenue plan acknowledges that Council does not currently utilise Municipal Charge, however may consider this option in future where appropriate.

4.6 Special charge schemes

Special rates and charges are covered under Section 163 of the *Local Government Act 1989* which enables Council to declare a special rate or charge or a combination of both for the purposes of:

- Defraying any expenses; or
- Repaying with interest any advance made or debt incurred, or loan raised by Council;

In relation to the performance of a function or the exercise of a power of the Council, if Council considers that the performance of the function or the exercise of the power is or will be of special benefit to the persons required to pay the special rate or special charge.

There are detailed procedural requirements that Council needs to follow to introduce a special rate or charge, including how Council can apply funds derived from this source.

Section 185 of the *Local Government Act* provides appeal rights to VCAT in relation to the imposition of a special rate or charge. The Tribunal has wide powers, which could affect the viability of the special rate or charge. It can set the rate or charge completely aside if it is satisfied that certain criteria are met.

Council should be particularly mindful of the issue of proving that special benefit exists to those that are being levied the rate or charge.

In summary, differential rates are much simpler to introduce and less subject to challenge. There may be instances however where a special charge is desirable if raising the levy by use of CIV is not equitable.

Moreland City Council generally applies special rate/charge schemes to commercial centres. The purpose of these schemes is to ensure the future prosperity and viability of commercial centres across the Moreland City Council, and the special rates/charges are raised to assist Council in conjunction with business associations to carry out promotional, marketing and business development activities within commercial activity centres. In some instance schemes may apply to infrastructure projects that are narrowly defined.

4.7 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 sewerage services;
- d) any other prescribed service.

Moreland City Council currently applies a Service Charge for the collection and disposal of refuse on properties within the municipality (the Waste Services charge). Moreland City Council's current waste services charges reflect the full cost of the service.

The advantages of the waste services charge is that it is readily understood and accepted by residents as a fee for a direct service that they receive. It further provides equity in the rating system in that all residents who receive exactly the same service level all pay an equivalent amount.

The disadvantage of the waste service charge is similar to the municipal charge in that it is regressive in nature. A fixed charge to a property with a low value comprises a far greater proportion of the overall rates than it does to a property with a higher value.

The waste services charge has been designed to encourage ratepayers to reduce their waste management behaviour through the use of pricing signals. The smaller the bin size, the lower the proportional cost of each litre of bin capacity (the lower the waste services charge). This is due to the cost to Council (and thus ratepayers) of managing waste to landfill and recycling material.

4.8 Non-rateable Properties

Section 154 of the *Local Government Act 1989* provides for non-rateable properties as follows:

- (1) Except as provided in this section, all land is rateable.
- (2) The following land is not rateable land -
 - (a) land which is unoccupied and is the property of the Crown or is vested in a Minister, a Council, a public statutory body or trustees appointed under an Act to hold that land in trust for public or municipal purposes;
 - (b) any part of land, if that part—
 - (i) is vested in or owned by the Crown, a Minister, a Council, a public statutory body or trustees appointed under an Act to hold that land in trust for public or municipal purposes; and
 - (ii) is used exclusively for public or municipal purposes;
 - (c) any part of land, if that part is used exclusively for charitable purposes;
 - (d) land which is vested in or held in trust for any religious body and used exclusively—
 - (i) as a residence of a practising Minister of religion; or
 - (ii) for the education and training of persons to be Ministers of religion; or
 - (iii) for both the purposes in subparagraphs (i) and (ii);
 - (e) land which is used exclusively for mining purposes;
 - (f) land held in trust and used exclusively—
 - (i) as a club for or a memorial to persons who performed service or duty within the meaning of section 3(1) of the *Veterans Act 2005*; or
 - (ii) as a sub-branch of the Returned Services League of Australia; or
 - (iii) by the Air Force Association (Victoria Division); or
 - (iv) by the Australian Legion of Ex-Servicemen and Women (Victorian Branch).
- (3) For the purposes of subsections (2)(a) and (2)(b) any part of the land is not used exclusively for public or municipal purposes if—
 - (a) it is used for banking or insurance; or
 - (b) a house or flat on the land—

- (i) is used as a residence; and
 - (ii) is exclusively occupied by persons including a person who must live there to carry out certain duties of employment; or
 - (c) it is used by the Metropolitan Fire Brigades Board.
- (3A) For the purposes of subsection (2)(b), any part of land does not cease to be used exclusively for public purposes only because it is leased—
- (a) to a rail freight operator within the meaning of the Transport Act 1983; or
 - (b) to a passenger transport company within the meaning of that Act.
- (4) For the purposes of subsections (2)(c) and (2)(d), any part of the land is not used exclusively for charitable purposes if it is in any of the following categories—
- (a) it is separately occupied and used for a purpose which is not exclusively charitable;
 - (b) a house or flat on the land—
 - (i) is used as a residence; and
 - (ii) is exclusively occupied by persons including a person who must live there to carry out certain duties of employment;
 - (c) it is used for the retail sale of goods;
 - (d) it is used to carry on a business for profit (unless that use is necessary for or incidental to a charitable purpose).

As listed above, the Act has limited provisions for properties that should be exempted from paying rates. Council reviews the non-rateable properties on a bi-annual basis.

It should be noted that whilst the Act provides criteria for land which cannot be rated, it does not stop Council allowing additional specific exemptions to specific properties or uses. Given the importance of rates revenue to Council, it is recommended that specific additional exemptions be avoided, and other means of support used to assist organisations deemed worthy of support by Council.

4.9 Cultural & Recreational Lands – a charge in lieu of the general rate

Council declares the Cultural and Recreation land in accordance with the *Cultural and Recreational Land Act 1963* – Section 4.

The *Cultural and Recreational Land Act 1963* provides that “an amount be payable in lieu of rates in each year being such amount as the municipal council thinks reasonable having regard to the services provided in relation to such lands and having regard to the benefit to the community derived from such recreational lands”.

Council currently has two properties that are classified as cultural and recreational land.

- a) 47-97 Glenroy Road, Glenroy (Northern Golf Club)

Benefit to the Community

The club operates on a membership basis and most of its services are not available to the general public, with the exception of some large functions e.g. wedding receptions. The club has approximately 1,300 members, with 50% of them being Moreland residents. This equates to approx. 0.4% of total population and 0.9% of total number of households.

On the other hand, the club's contribution to the preservation of the natural environment needs to be acknowledged and reflected in Council's decision on the amount to be charged in lieu of rates.

Council has purchased around 1.8 hectares of land from Northern Golf Club, which will allow substantial land for open space and public use. Council has also obtained the Right of First Refusal to purchase all or part of the additional land. There are benefits to Council (and thus the Moreland community) arising from the purchase of this land and the Right of First Refusal.

Services Provided

Council services provided to Northern Golf Club are primarily in the form of community infrastructure, which is no different to any other non-residential properties in the municipality that are levied 100% of the general rate.

b) Res 1 Outlook Road, Coburg (Coburg Basketball Stadium)

Benefit to the Community

The Coburg Basketball Stadium is managed by Sports Stadium Victoria and runs inclusive basketball programs for the community. It is well acknowledged by the community for its inclusive programs covering a broad age range from young children to adults.

Services Provided

Council services provided to the Coburg Basketball Stadium are primarily in the form of community infrastructure, which is no different to any other non-residential properties in the municipality that are levied 100% of the general rate.

In accordance with section 4(1) of the *Cultural and Recreational Land Act 1963*, the following rebate percentages are applied to the general rates declared:

- a) 47-97 Glenroy Road, Glenroy
 - Northern Golf Club 90%
- b) Res 1 Outlook Road, Coburg
 - Coburg Basketball Stadium 75%

It is recommended that Council continues to treat all eligible recreational land in accordance with the *Cultural and Recreational Land Act 1963*.

4.10 Considerations Given to Retirement Villages

The Minister, in the final Guidelines for Differential Rate (April 2013), states that "Council must give consideration to reducing the rate burden through use of a reduced differential rate include (but are not limited to):

- Farm land (as defined by the Valuation of Land Act 1960); and
- Retirement village land (as defined by the Retirement Villages Act 1986)."

Moreland does not have farm land so this does not apply.

Council has considered whether a differential rate should be applied to retirement village land. Council has decided that it is not appropriate to apply a lower differential rate to retirement villages for the following reasons:

1. Retirement villages receive Council services and have access to community infrastructure in the same way as other residents. In particular, retirement village residents often access Council provided aged services, which is heavily subsidised by rates.
2. Local government rates are a type of tax and not a fee for service. Rates are required to subsidise the delivery of services and capital works that would otherwise be unaffordable if charged on a case by case basis.

4.11 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 the Local Government Act 1989, Section 167(1), Ratepayers have the option of paying rates and charges by way of four instalments. Payments are due on the prescribed dates below, or alternatively a payment in full can be made by 30 September.

- 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),
- online via Council's ratepayer portal, direct debit (on prescribed instalment due dates or monthly),
- 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

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 initial application, ongoing eligibility is maintained, unless rejected by Centrelink or the Department of Veteran Affairs during the annual verification procedure. Upon confirmation of an eligible pensioner concession status, the pensioner rebate is deducted from the rate account before payment is required by the ratepayer.

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

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 forego 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 satisfy the eligibility criteria and have proven financial difficulties. Where Council approves an application for deferral of rates or charges, interest will continue to be levied on the outstanding balance of rates and charges but at an interest rate fixed annually by Council. This deferred interest rate will typically be well under the penalty interest rate levied by Council on unpaid rates and charges.

Ratepayers seeking to apply for such provision will be required to submit a Rates Deferment Application form which is available at the council offices, on the Council website or which can be posted upon request.

Rates Assistance Policy

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. The purpose of the Rates Assistance Policy 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. Ratepayers seeking to apply for such provision will be required to submit a Rates Deferment Application form or a Rate Arrangement Application which is available at the council offices, website or can be posted upon request.

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 1989 Section 230 and 231 requires both the vendor and buyer of property, or their agents (e.g. solicitors and or conveyancers), to notify Council by way of notice disposition or 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.

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.

Moreland City Council currently applies the Capital Improved Valuation methodology to levy its rates.

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
- Aged Services fees
- Registration Fees
- Building Service 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 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 has developed a user fee pricing policy to help guide the fair and equitable setting of prices. The policy outlines the process for setting fee prices and includes such principles as:

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

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

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 Town planning fees
- Infringements and fines
- Land & Property 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.

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

Fee units

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

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

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

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 pursues all avenues to obtain external grant funds for 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:

- Monies collected under Developer Contribution Plans (DCP)
- Monies collected under the Open Space Contribution
- Contributions from user groups towards upgrade of facilities
- Assets handed over to council from developers at the completion of a subdivision, such as roads, drainage, and streetlights.

Contributions should always be linked to a planning or funding agreement. Council will not undertake any work on a contribution-funded project until 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 in a restricted reserve for the specific works identified in the agreements. Restricted reserves are held for Developer Contribution Plan (DCP) and Open Space Contributions.

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.