Bass Coast Shire Council

Revenue and Rating Plan

Contents

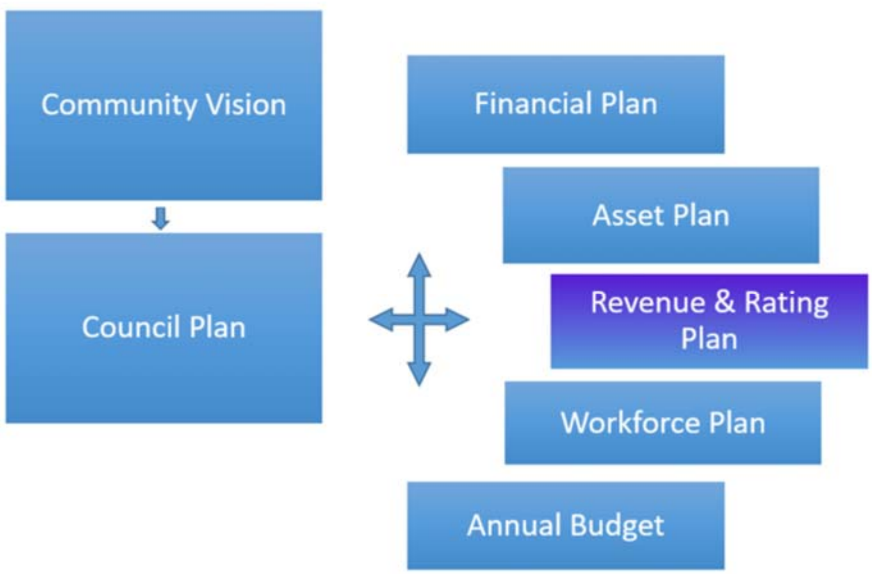
1.1 PURPOSE

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 Bass Coast Shire Council which, in conjunction with other income sources, will adequately finance the objectives set out in the Council Plan, while being aligned to the revenue assumptions that are articulated in the Long Term Financial Plan (LTFP).

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.



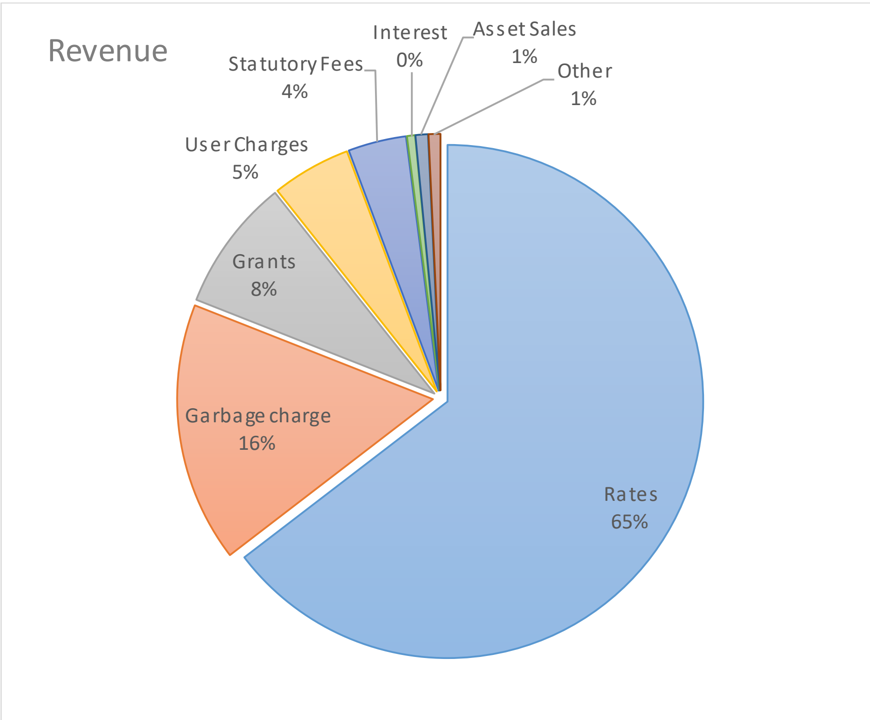
This plan will explain how Council calculates the revenue needed to fund its activities, and how it will apportion this funding burden between ratepayers and other users of Council facilities and services.

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.

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 and garbage charges
- Government Grants
- Statutory Fees and Fines
- User Fees
- Cash and non-cash contributions from other parties (i.e. developers, community groups)
- Interest from investments
- Property rentals
- Proceeds from Asset Sales

Rates and charges are the most significant revenue source for Council and make up roughly 80% of its annual income.

The introduction of the Fair Go Rates System (rate capping) has created 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.

1.2 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 has been carried out 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 for Councillor feedback pursuant to being released for public input and comment.
- Draft Revenue and Rating Plan placed on public exhibition at 21 April Council meeting for a period of 28 days, and calling for public submissions and feedback.
- A standard community consultation and engagement program undertaken during May to provide stakeholders with the opportunity to discuss the Revenue and Rating Plan.
- Hosting an on-line forum on Wednesday 5 May 2021 to provide resident and ratepayers with an opportunity to chat about the proposed plan or provide their input including any specific questions through a Facebook link. The date and time for the proposed session is Wednesday 5 May at www.facebook.com/basscoastshire from 6.00 p.m. to 7.30 p.m.
- Public submissions on the Plan heard and received on 26 May 2021.
- Revenue and Rating Plan (including any changes following public inputs) presented to 16 June 2021 Council meeting for adoption.

1.3 RATES AND CHARGES

Municipal rates are a property tax that provides Council with revenue to fund a range of universal and essential public services that maintain and support public amenity and provide benefits to the local population. These services include local roads and drainage, parks and recreational facilities maintenance, arts and cultural services, street and beach cleaning, town planning, public health and customer service. Noting that Council rates are a property tax, there needs be a degree of flexibility to enable councils to use 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 a ratepayer's relative capacity to pay rates. This forms the central basis of rating under the Local Government Act 1989
- **Waste Service Charges** – Council also levies a waste service charge to all households that receive a kerbside waste collection service. Revenue raised from the waste service charge is used to defray the costs of providing a whole of Council waste management service which in addition to kerbside waste collection, provides residents with access to a number of transfer station and recycling facilities, funds the cost of Council's landfill operation at Grantville, funds the cost of maintaining and rehabilitating closed landfill sites, and the cost of collecting waste from public bins.

Ensuring that these two elements are appropriately balanced will help to improve equity in the distribution of the rate burden across residents.

Council makes a further distinction when applying general rates by applying rating differentials based on the development status of the land and applies a higher differential rate of 150 % to vacant or undeveloped residential land while its applies a standard rate to all developed residential, commercial or industrial land. Council also recognises the contribution that the agricultural sector makes in managing rural landholdings in the Shire and applies a lower farm differential rate of 80%. 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.

Council also provides farmers with a land management rebate on application. This may be used to offset the costs associated with soil erosion mitigation, the eradication and control of noxious weeds and plants, and management of wildlife corridors.

The Bass Coast Shire Council rating structure comprises three differential rates (developed land, vacant land 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:

- Developed (Residential, Commercial and Industrial) 100%
- Vacant Land 150%
- Farm land 80%

Council does not levy a municipal charge. Municipal charges are a regressive form of taxation that impose a relatively higher burden on ratepayers who own land that has a relatively lower value within the municipality than a progressive ad valorem rate in the dollar system.

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

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

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

Rates and charges are an important source of revenue, accounting for over 80% 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, including those related to growth, of 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 tied to a rate cap that is usually declared in December by the Minister for Local Government, for the following financial year.

Council currently raises a waste service charge to recover the cost of Council's waste services including waste related capital expenditure and the provision for future landfill rehabilitation and remediation costs. While the waste service charge is not capped under the Fair Go Rates legislation, Council is required to report back each year to the Essential Services Commission on the revenue raised and waste related expenditure applied towards the service charge.

1.3.1 RATING LEGISLATION

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

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

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

The recommended strategy in relation to 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 they can use. They are: Site Value (SV), Capital Improved Value (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 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 the 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 use 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 Bass Coast Shire Council budget.

In 2019 the Victorian State Government carried out a review of the Local Government Rating System Review. The Victorian Government released its response to the Rating Review in December 2020 and no substantive changes have been made to the Rating System as a result of this review.

1.3.2 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 – Rates are a form of wealth tax based on relative value of property within the municipality
- Equity
- Efficiency
- Simplicity
- Benefit
- Capacity to Pay
- Diversity

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

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
- be sufficient to fund current operating and capital expenditure commitments, including:
    - Costs associated with developing Council's Vision, and
    - Deliverables outlined in the Council Plan, Long Term 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.

1.3.3 DETERMINING WHICH VALUATION BASE TO USE

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

- **Capital Improved Valuation (CIV)** – Value of land and improvements to the land
- **Site Valuation (SV)** – Value of land only
- **Net Annual Value (NAV)** – Rental valuation based on market rental assessment

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

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

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

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

Advantages of using Capital Improved Value (CIV)

- CIV includes all property improvements, and hence is often supported on the basis that it more closely reflects "capacity to pay". The CIV rating method takes into account the full developed value of the property, and is a better proxy for the equity criteria than Site Value and NAV
- With the increased frequency of valuations (previously biennial now annual) the market values are more predictable and has reduced the number of objections resulting from valuations
- The concept of the market value of property is more easily understood with CIV compared to NAV or SV
- Most councils in Victoria have now adopted CIV which makes it easier to compare relative movements in rates and valuations across councils
- The use of CIV allows Council to apply differential rates which greatly adds to Council's ability to adjust the distribution of the rating burden between different classes of ratepayers in accordance with policy objectives and equity concerns. CIV allows Council to apply higher rating differentials to the commercial and industrial sector that offset residential rates

Disadvantages of using CIV

- The main disadvantage with CIV is the fact that rates are based on the total property value which may not necessarily reflect the income level of the property owner. This could have result in so called 'asset rich/cash poor' ratepayers including pensioners being required to pay higher levels of rates due to the wealth tax characteristics of property rates.

Site Value (SV)

No Victorian Councils currently use this valuation method. 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 Bass Coast Shire Council context would cause a shift in the rate burden from developed property assessments in the inland parts of the Shire to the coastal parts of the Shire including Phillip Island and Inverloch that have higher relative land values.

There would be further rating movements away from modern townhouse style developments on relatively small land parcels to older established homes on quarter acre residential blocks. In many ways, it is difficult to see an equity argument being served by the implementation of Site Value in the Bass Coast Shire Council.

Advantages of 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
- Scope for possible concessions for urban farm land and residential use land

Disadvantages in using Site Value

- Under SV, there will be a significant shift from the Industrial/Commercial sector onto the residential sector 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 (e.g. Farm land and residential use properties). Large landowners, such as farmers for example, are disadvantaged by the use of SV
- 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

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 and generally assessed by Valuers as being 5 per cent of CIV.

In contrast to the treatment of residential and farm properties, NAV for commercial and industrial properties are assessed on 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.

The use of NAV is not supported as while it may have an in-built differential for commercial and industrial properties, Council is unable to apply differential rating in fostering its policy objectives and ensuring equity between different ratepayer classes. In addition, the valuation used for NAV is likely to cause confusion in the community.

Recommended Valuation System

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

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

Differential rating allows 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 161of the *Local Government Act 1989* outlines the regulations relating to differential rates, which include:

(1) 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

(2) 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 Councils functions and must include the following:

   i. A definition of the types of classes of land which are subject to the rate and a statement of the reasons for the use 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:

- Specify the objectives of the differential rates
- 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.

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 for the determination of property valuations. Under the *Valuation of Land Act 1960*, the Victorian Valuer-General conducts property valuations annually. Bass Coast Shire Council applies a Capital Improved Valuation (CIV) to all properties within the municipality to take into account the full developed 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 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. O*bjections 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 Bass Coast Shire Council. Property owners also have the ability to object to the site valuations on receipt of their Land Tax Assessment. Property owners can appeal their land valuation within two months of receipt of their Council Rate Notice (via Council) or within two months of receipt of their Land Tax Assessment (via State Revenue Office).

1.3.4 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

Developed land is any land that does not have the characteristics of Farm Land or Vacant Land and on which a building is erected, which building is:

- Lawfully used primarily for residential, commercial or industrial purposes, and
- Designed for permanent occupation

Objectives

The objective of this differential rate is to ensure that such land makes an equitable financial contribution to the cost of carrying out the functions of Council. Those functions include the:

- implementation of good governance and sound financial stewardship, and
- construction, renewal, upgrade, expansion and maintenance of infrastructure assets, and
- development and provision of health, environmental, conservation, leisure, recreation, youth and family community services, and
- provision of strategic and economic management, town planning and general support services, and
- promotion of cultural, heritage and tourism aspects of Council's municipal district

Characteristics

Developed land is any land that does not have the characteristics of Farm Land or Vacant Land and on which a building is erected, which building is:

- lawfully used primarily for residential, commercial or industrial purposes, and
- designed for permanent occupation

Types and Classes

Developed land having the relevant characteristics described below:

- used primarily for residential, commercial or industrial purposes; or
- any land that is not defined as Farm Land or Vacant Residential 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 Bass Coast Shire Council Planning Scheme.

Geographic Location

Wherever located with 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 Bass Coast 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.

Vacant Land

Definition
Vacant Land is any land which does not have the characteristics of Farm Land or Developed Land.

Objectives
The objective of this differential rate is to:

- encourage the development of land, and
- ensure that such land makes an equitable financial contribution to the cost of carrying out the functions of Council. Those functions include the:
    - implementation of good governance and sound financial stewardship, and
    - construction, renewal, upgrade, expansion and maintenance of infrastructure assets, and
    - development and provision of health, environmental, conservation, leisure, recreation, youth and family community services, and
    - provision of strategic and economic management, town planning and general support services, and
    - promotion of cultural, heritage and tourism aspects of Council's municipal district

Characteristics
Vacant land is any land that does not have the characteristics of Farm Land or Developed Land.

Types and Classes
Vacant land having the relevant characteristics described above and is not used 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
150 % of General Rate.

Use of Land
Any use permitted under the Bass Coast Shire Council Planning Scheme.

Geographic Location
Wherever located with 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 Bass Coast Shire Council Planning Scheme.

Farm Rate

Definition

Any land which is "Farm Land" within the meaning of Section 2(1) of the Valuation of Land Act 1960.

- Farm Land means any rateable land that is 2 or more hectares in area
- 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

That is used by a business:

- That has a significant and substantial commercial purpose of character
- That seeks to make a profit on a continuous or repetitive basis from its activities on the land
- 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

Objectives

The objective of this differential rate is to: -

- identify land used for primary production; and
- ensure that such land makes an equitable financial contribution to the cost of carrying out the functions of Council. Those functions include the:
    - implementation of good governance and sound financial stewardship, and
    - construction, renewal, upgrade, expansion and maintenance of infrastructure assets, and
    - development and provision of health, environmental, conservation, leisure, recreation, youth and family community services, and
    - provision of strategic and economic management, town planning and general support services, and
    - promotion of cultural, heritage and tourism aspects of Council's municipal district

Characteristics

Farm Land is any land which is 'farm land' under the meaning of *Section 2(1) of the Valuation of Land Act 1960*.

The characteristics of the planning scheme zoning are applicable to the determination of farm land which will be subject to a differential rate of 80 per cent of the developed land 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

Farm Land having the relevant characteristics described below:

- used primarily for primary production purposes, or
- any land that is not defined as Developed Land or Vacant Residential 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 Bass Coast Shire Council Planning Scheme.

Geographic Location
Wherever located with 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 Bass Coast 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.

Recreational Land

Definition
Recreational Land is any land that has the characteristics of 'recreational lands' as defined by the *Cultural and Recreational Lands Act 1963*

Characteristics
The types and classes of rateable land within this differential are those having the relevant characteristics described above with the additional basis that the land and facilities contribute towards the enjoyment of residents and visitors to the municipal district.

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
60% of the General Rate.

Use of Land
Any use permitted under the Bass Coast Shire Council Planning Scheme.

Geographic Location
The geographic location of the land within this differential rate is wherever it is located within the municipal district, without reference to ward boundaries.

Planning Scheme Zoning
The characteristics of planning scheme zoning are applicable to the determination of vacant land which will be subject to the rate applicable to vacant land. The classification of land which is improved will be determined by the occupation of that land and have reference to the planning scheme zoning.

Types of Buildings

The types of buildings on the land within this differential rate are all buildings already constructed on the land or which will be constructed prior to the expiry of the 2021/22 financial year..

Advantages of a differential rating system

The advantages of using 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/or specific Council policy objectives
- Differential rating allows Council to incentivise the development of vacant residential land.
- Allows Council to reflect the unique circumstances of some rating categories where the application of a uniform rate may create an inequitable outcome (eg. 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 summarised below are:

- 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 to understand 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 (e.g. vacant residential to developed) 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
- 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 may be difficult to prove whether the rate achieves those objectives

1.3.5 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 benefits 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:

- the wards, groups, uses or areas for which the special rate or charge is declared
- the land in relation to which the special rate or special charge is declared
- the manner in which the special rate or special charge will be assessed and levied
- 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 the proof that "special benefit" applies to those being levied. For example, they could be used to fund drainage and street upgrades in a particular township.

Landscaping and environmental improvement programs that benefit small or localised areas could also be funded using special rates or charges.

1.3.6 SERVICE RATES AND CHARGES

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

- the provision of a water supply
- the collection and disposal of refuse
- the provision of sewerage services
- any other prescribed service

Council currently applies a service charge for the collection and disposal of refuse on urban properties and providing waste services for the municipality (street litter bins, transfer station and recycling facilities). Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste services, including providing for the cost of rehabilitation and remediation of the Council's Landfill once it reaches the end of its useful life.

It is recommended that Council retain the existing waste service charge – Should Council elect not to have a waste service charge, this same amount would be required to be raised by way of an increased general rate. This will result in a shift in the rates burden to farms and vacant land assessments that are not currently required to contribute to the waste service charge.

Whilst this same principle applies for rates in general, the mix of having a single fixed charge combined with valuation driven rates for the remainder of the rate invoice provides a balanced and equitable outcome.

1.3.7 COLLECTION AND ADMINISTRATION OF RATES AND CHARGES

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

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 15 February.

- 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 website, direct debit (will be made available as part of the banking tender)
- 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 (currently 10%) 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 prior 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 eligible ratepayers whose property is their sole place of residency, allowing ratepayers an extended period of time to make payments or alternatively to forestall payments on an indefinite basis until the ratepayer ceases to own or occupy the land in respect of which rates and charges are to be levied.

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 reasons 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 ratepayer's 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 *Section 181* of the *Local Government Act 1989*

Fire Services Property Levy

In 2012 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 Fire Services Victoria 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.

1.4 OTHER REVENUE ITEMS

1.4.1 USER FEES AND CHARGES

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

Examples of User Fees and Charges include:

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

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

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

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

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

- **Market price**
- **Full cost recovery price**
- **Subsidised price**

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

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 or grants.

Full Council Subsidy Pricing and Partial Cost Pricing should always be supported by knowledge of the full cost of providing a service, including the extent of any subsidy.

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 ahead of the release 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 fee changes are finalised.

1.4.2 STATUTORY FEES AND CHARGES

Statutory fees and fines are those that Council collects under the direction of legislation or other government directives. The rates used for statutory fees and fines are generally advised by the relevant State Government department or following the release of the State budget.

Examples of Statutory Fees and Fines include:

- Planning and subdivision 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.

One penalty unit is currently $165.22, from 1 July 2020 to 30 June 2021.

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 value of one fee unit is currently $14.81. This value may increase at the beginning of a financial year, at the same time as penalty units.

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

1.4.3 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 the grants that it wishes to apply for. Council will only apply for and accept external funding if it is consistent with the Community Vision/Council Plan and does not lead to a distortion of the 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.

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

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

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

1.4.5 INTEREST ON INVESTMENTS

Council receives interest on funds managed as part of its investment portfolio. These include funds are held in advance of expenditure, or for special purposes. The investment portfolio is managed in accordance with Council's investment policy, which seeks to earn the best return on funds, whilst minimising risk.

1.4.6 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
  - debt servicing cost <5% of total revenue (excluding capital revenue).