



REVENUE AND RATING PLAN



Campaspe
Shire Council

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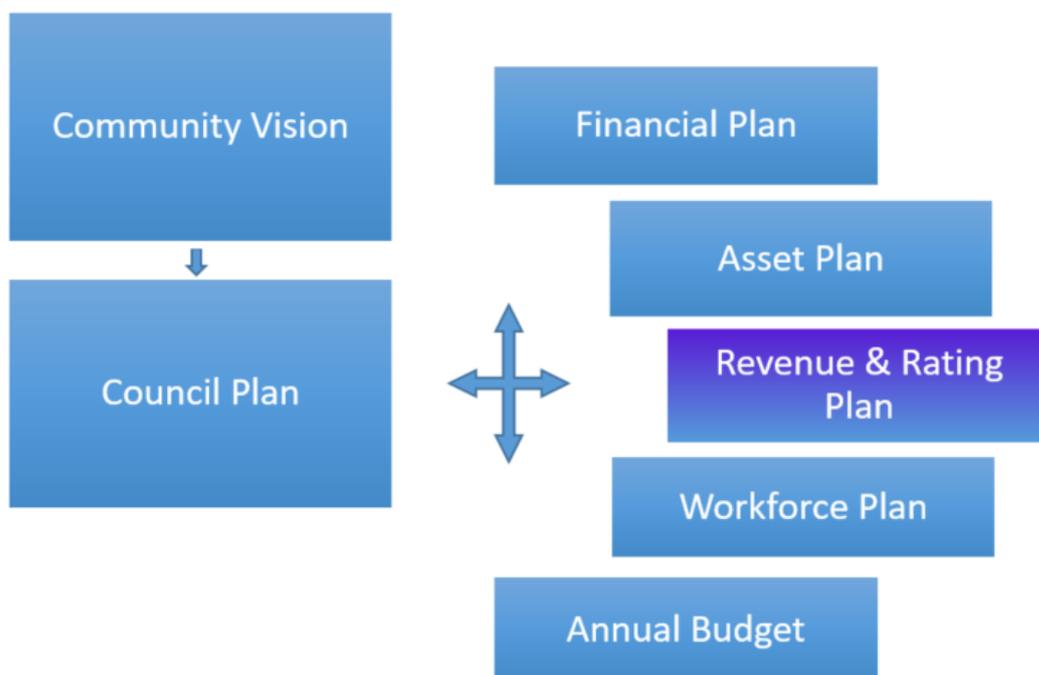
1.1 PURPOSE

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 general 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 Campaspe Shire Council (Council) which in conjunction with other income sources will adequately finance the strategic objectives in the Council Plan.

Council's current vision is that *"We are strong, supportive, vibrant and sustainable"*.

Council is currently working towards developing a Vision and new Council Plan, extensive community consultation is being carried out to inform these documents. Until the new Council Plan is in place (due October 2021), the Rating and Revenue Plan has been prepared on the existing strategic objectives of the Council Plan and will feed into Council's budgeting and long-term financial planning documents, as well as other strategic planning documents under Council's strategic planning framework.



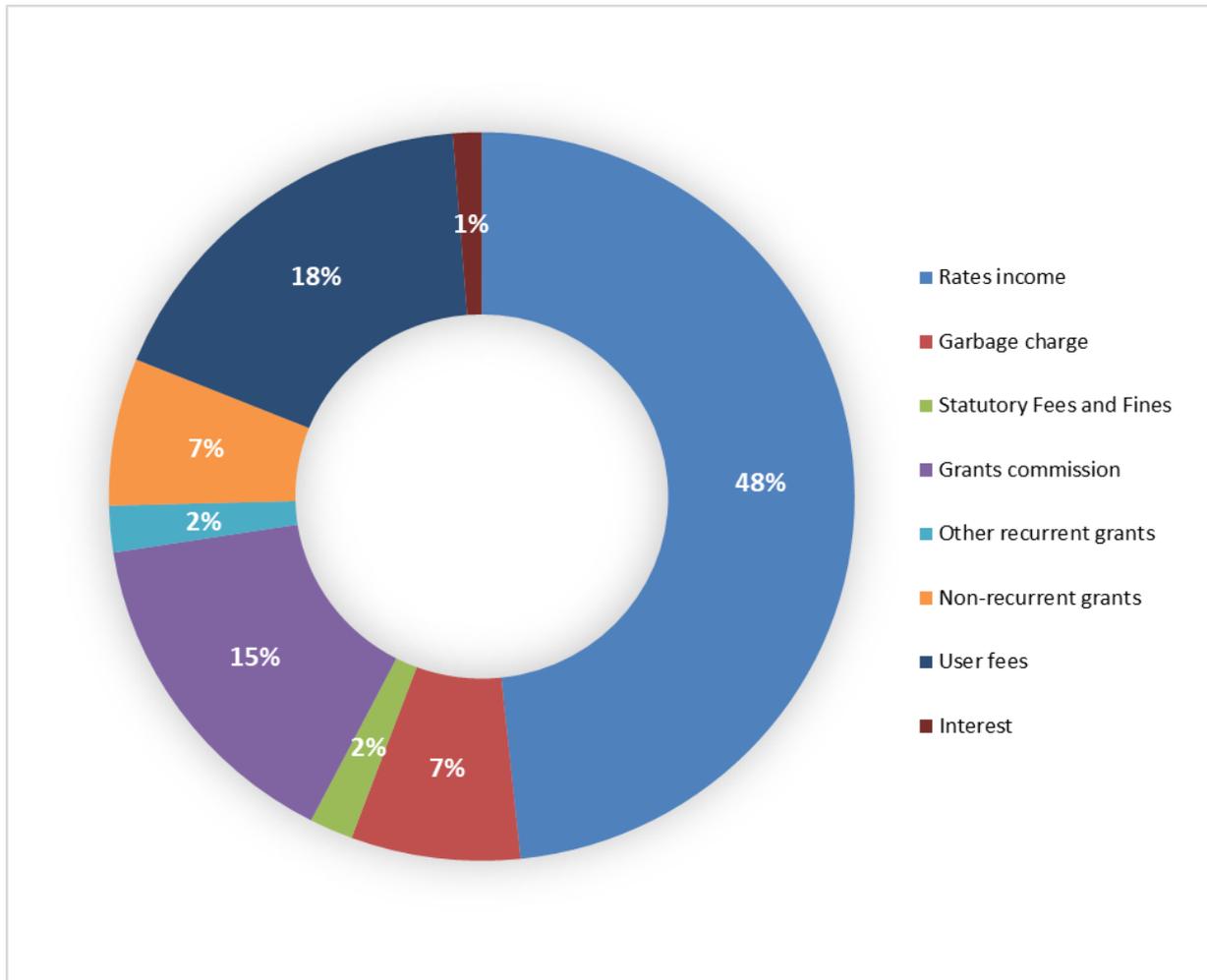
Council's Revenue and Rating Plan (the Plan) will explain how Council calculates the revenue needed to fund its activities, and how the funding burden will be apportioned between ratepayers and other users of Council facilities and services.

In particular, the 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 important to note that the Plan does not set revenue targets for Council, it outlines the strategic framework and decisions that inform how Council will calculate and collect its revenue.

1.2 INTRODUCTION

Council provides a number of services and facilities to its 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
- Interest from investments.

Rates are the most significant revenue source for Council and in 2021-22 make up 48% of its annual income.

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 contain 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 manage 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. As an example, fees connected with the statutory planning service are set by State Government statute and are commonly known as statutory fees. In these cases, councils usually have no control over service pricing. However, for some services, Council can set a fee or charge and will set that fee based on the principles outlined in the Plan.

Council revenue can also be affected by changes to funding from other levels of government. Some grants are tied to the delivery of council services and for a fixed period, 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 and expectations that grants create in the delivery of services or infrastructure.

1.3 COMMUNITY ENGAGEMENT

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

The Revenue and Rating Plan community engagement process included:

- Draft Revenue and Rating Plan prepared by officers.
- Draft Revenue and Rating Plan endorsed for public consultation by Council at the April 2021 Council meeting.
- Draft Revenue and Rating Plan placed on public exhibition for a period of four weeks calling for feedback.
- Feedback opportunity promoted through local news outlets, Council's website, social media and Council's Newsletter delivered to households.

At the conclusion of the consultation period, no feedback was received. As there was no feedback, the Revenue and Rating Plan is presented for Council adoption at the June 2021 Council meeting.

1.4 RATES AND CHARGES

Rates are a property tax 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 each council

to utilise different tools in its rating structure to accommodate issues of equity and to ensure fairness in rating for all ratepayers.

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

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

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

Council makes a further distinction when applying general rates by applying rating differentials based on the purpose for which the property is used, that is, whether the property is used for residential, commercial/industrial, farming, or cultural and recreation purposes. This distinction is based on the concept that different property categories should pay a fair and equitable contribution, considering the benefits those properties derive from the local community.

Council's rating structure comprises four differential rates (general, commercial/industrial, farm and cultural and recreation). These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the *Local Government Act 1989*, and the Ministerial Guidelines for Differential Rating 2013.

The differential rates are currently set as follows:

- General 100%
- Commercial/Industrial 116%
- Farm 90%
- Cultural and Recreation 50%

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

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 48% 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 future service delivery levels and managing 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 waste service charge is not capped under the Fair Go Rates legislation, and Council will continue to allocate any surplus funds from this charge to a reserve for the provision of waste services.

1.4.1 RATING LEGISLATION

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

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

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

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

In raising general rates, Council is required to 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 use. They are;

- Site Valuation (SV)
- Capital Improved Valuation (CIV); and
- Net Annual Value (NAV).

A description of the respective valuation bases are discussed in section 1.4.3 of 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 integrated planning and reporting requirements defined in the *Local Government Act 2020*.

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

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

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

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

This Plan outlines the principles and strategic framework that Council will 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 Campaspe Shire Council's annual budget.

In 2019 the Victorian State Government appointed a Ministerial Panel (the Panel) to conduct the Local Government Rating System Review. The Panel reported to the Victorian State Government the findings of their review, along with 56 recommendations. The Victorian State Government has responded to the findings and indicated that the way Council calculates rates and distributes the rating burden in the future will not substantially change. At the time of publication, no changes agreed to by the Victorian State Government had been implemented, and no timeline for implementation announced.

1.4.2 RATING PRINCIPLES

Taxation Principles:

When developing a rating strategy, in particular with reference to differential rates, a Council should consider 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

Equity should be considered from a horizontal and vertical perspective when setting rates.

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 the next, including
- be sufficient to fund current expenditure commitments, and:
 - Council's Vision, and
 - Deliverables identified in the Council Plan, Financial Plan, and Asset Plan.

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

1.4.3 DETERMINING WHICH VALUATION BASE TO USE

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

- Capital Improved 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.

Capital Improved Value (CIV)

CIV 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:

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

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

Advantages of Using Capital Improved Value (CIV)

- CIV includes all property improvements, and for this reason is often supported on the basis that it more closely reflects “capacity to pay”. The CIV rating method considers the full development value of the property, and hence better meets the equity criteria than SV and NAV.
- The concept of the market value of property is more easily understood with CIV rather than NAV or SV.
- The use of CIV allows Council to apply differential rates which greatly adds to Council's ability to equitably distribute the rating burden based on ability to afford Council rates. 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 as with pensioners and low income earners. While this is a disadvantage there are other mechanisms that enable Council to support instances of hardship and capacity to pay.

Site Value

There are currently no Victorian Councils that use this valuation base. With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of Site Value in a Campaspe Shire Council context would cause a shift in rate burden from the industrial/commercial sectors onto the residential sector and would hinder Council's objective of a fair and equitable rating system.

There would be further rating movements away from current housing development 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 valuation in the municipality of Campaspe Shire Council.

Net Annual Value (NAV)

NAV, in concept, represents the annual rental value of a property. However, in practice, NAV is loosely linked to capital improved value for residential and farm properties. Valuers derive the NAV directly as 5 per cent of CIV.

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

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

Based on the different valuation basis and the principle to be applied to rating, Campaspe Shire Council has chosen to apply the CIV base for rating purposes. This basis of valuation considers the total market value of the land plus buildings and other improvements.

Differential rating allows (under the CIV method) Council to shift part of the rate burden from some groups of ratepayers to others, through different “rates in the dollar” for each class of property. Section 161(1) of the *Local Government Act 1989* outlines the regulations relating to differential rates, which include:

- 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.
- If a Council declares a differential rate for any land, the Council must specify the objectives of the differential rate, which must be consistent with the equitable and efficient carrying out of the Council's functions and must include the following:
 - 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.
 - 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).
 - Specify the characteristics of the land, which are the criteria for declaring the differential rate.

Once Council has declared a differential rate for any land, 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 1989*.

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

Property Valuations

The *Valuation of Land Act 1960* is the principal legislation in determining property valuations. Under the *Valuation of Land Act 1960*, the Victorian Valuer-General conducts property valuations on an annual basis. Campaspe Shire 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 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. Valuer-General Victorian 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 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, on the prescribed form, to the Campaspe Shire Council within two (2) months of the date of issue shown on the Rate Notice. Property owners can appeal their site valuations on receipt of their Land Tax Assessment, in writing on the prescribed form, within two (2) months of receipt of their Land Tax Assessment via the State Revenue Office.

RATING DIFFERENTIALS

Council believes each differential rate will contribute to the equitable and efficient carrying out of Council functions. The advantages and disadvantages of differential rates are set out below.

Advantages of a Differential Rating System

The 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.
- Allows Council to reflect the unique circumstances of some rating categories when the application of a uniform rate may create an inequitable outcome (e.g. Farming enterprises).
- Allows Council discretion in the imposition of rates to facilitate and encourage appropriate development of its municipal district in the best interest of the community. (e.g. Vacant Commercial properties still attract the commercial differential rate).

Disadvantages of a Differential Rating System

The disadvantages in applying differential rating are:

- The justification of the differential rate can at times be difficult for the various groups to accept, giving rise to queries and complaints if 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 shift from one type to another (e.g. residential to commercial,) 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.

Council levies the following differential rates.

- General land (100% of the general rate in the dollar)
- Farmland (90% of the general rate in the dollar)
- Commercial land (116% of the general rate in the dollar)
- Industrial land (116% of the general rate in the dollar); and
- Cultural and recreational land (50% of the general rate in the dollar).

Details of the objectives of each differential rate, the classes of land which are subject to each differential rate and the uses of each differential rate are set out below.

General Rate

Definition:

General land is any rateable land which does not have the characteristics of farmland and Commercial/Industrial Land or Cultural and Recreational land, described below.

Objectives:

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations and to ensure that the differential rate in the dollar declared for defined residential land properties is fair and equitable, having regard to the cost and the level of benefits offered from the provision of Council services.

Characteristics:

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

Types and Classes:

Rateable land having the relevant characteristics described below:

- used primarily for residential purposes; or
- any land that is not defined as Farmland or Commercial/Industrial Land or Cultural and Recreational 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 Campaspe Shire Council Planning Scheme.

Geographic Location:

Wherever located within the municipal district.

Planning Scheme Zoning:

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

Types of Buildings:

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

Farm Rate**Definition:**

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; and

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; and
- That is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way that it is operating.

Objectives:

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations and to ensure that the differential rate in the dollar declared for defined farm land properties is fair and equitable, having regard to the cost and the level of benefits offered from provision of Council services with considerations to maintain agriculture as a major industry in the municipal district, to facilitate the longevity of the farm sector and achieve a balance between providing for municipal growth and retaining the important agricultural economic base.

Characteristics:

The characteristics of the planning scheme zoning are applicable to the determination of farm land which will be subject to the rate of farm land. 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 General land, Commercial/Industrial land or Cultural and Recreational 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:

90% of the General Rate.

Use of Land:

Any use permitted under the Campaspe Shire Council Planning Scheme.

Geographic Location:

Wherever located within the municipal district.

Planning Scheme Zoning:

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

Commercial/Industry Rate**Definition:**

Commercial/Industrial Land is any land, which is:

- Used primarily for carrying out the manufacture or production of, or trade in goods or services (including tourist facilities and in the case of a business providing accommodation for tourists, is prescribed accommodation under the Public Health and Wellbeing Act (Vic) 2008; or
- Unoccupied building erected which is zoned Commercial or Industrial under the Campaspe Shire Council Planning Scheme; or
- Unoccupied land which is zoned Commercial or Industrial under the Campaspe Shire Council Planning Scheme

Objectives:

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations and to ensure that the differential rate in the dollar declared for

defined Commercial/Industrial land properties is fair and equitable, having regard to the cost and the level of benefits offered from provision of Council services.

The commercial and industrial businesses of Campaspe Shire Council benefit from ongoing significant investment by Council in services and infrastructure. Council also notes the tax deductibility of Council rates for commercial and industrial properties which is not available to the residential sector, and also the income generating capability of commercial and industrial based properties.

The Commercial and Industrial differential rate is applied to promote the economic development objectives of the Campaspe Shire Council as outlined in the Council Plan. These objectives include an ongoing investment to create a resilient economy and includes the maintenance and improvement of tourism infrastructure, construction and maintenance of public infrastructure, development and provision of health and community services and supporting strong business networks in the municipality.

Characteristics:

The characteristics of the planning scheme zoning are applicable to the determination of vacant land which will be subject to the rate applicable to Commercial/Industrial Land. 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:

Commercial/Industrial land having the relevant characteristics described below:

- used primarily for commercial or industrial purposes; or
- any land that is not defined as General land, Farm land or Cultural and Recreational 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:

116% of the General Rate.

Use of Land:

Any use permitted under the Campaspe Shire Council Planning Scheme.

Geographic Location:

Wherever located within the municipal district.

Planning Scheme Zoning:

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

Types of Buildings:

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

Cultural and Recreational Land**Definition:**

Cultural and recreational land is any land (as defined by the *Cultural and Recreational Lands Act 1963*), which is:

- vested in or occupied by any body corporate or unincorporate which exists for the purpose of providing or promoting cultural or sporting recreational or similar facilities or objectives and which applies its profits in promoting its objects and prohibits the payment of any dividend or amount to its member.
- used for out-door sporting recreational or cultural purposes or similar outdoor activities.
- lands which are used primarily as agricultural showgrounds.

Objectives:

The differential rate will be waived in accordance with Council's Rates and Charges Policy except when the land is;

- subject to a grazing lease, in which case it will attract the general rate (or farm rate if applicable).
- The land is used for housing gaming machines, in which case the portion of premises used for housing gaming machines will attract the commercial rate.

Level of Rate:

50% of the General Rate.

Use of Land:

As defined by the *Cultural and Recreation Land Act 1963*.

1.4.4 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 a council to specify what is covered by the charge.

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

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

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

Campaspe Shire Council has determined to use this rating option and applies a municipal charge to all properties. A defined single farm enterprise, comprised of multiple properties can apply for an exemption to only pay one municipal charge.

1.4.5 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 benefit from that work.

The purposes for which special rates and special charges may be used include road construction, kerb and channelling, footpath provision, drainage, and other capital improvement projects.

The special rate or special charges may be declared on the basis of any criteria specified by the council who is applying the rate (Section 163 (2)). In accordance with Section 163 (3), a council must specify:

- the wards, groups, uses or areas for which the special rate or charge is declared; and
- 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; and
- 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 that “special benefit” applies to those being levied. For example, they could be used to fund co-operative fire prevention schemes. This would ensure that there were no “free-riders” reaping the benefits but not contributing to fire prevention.

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

1.4.6 SERVICE RATES AND CHARGES

Section 162 of the *Local Government Act 1989* provides a 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.

Campaspe Shire Council currently applies a service charge for the collection and disposal of refuse and provides waste services for the municipality (street litter bins for instance). 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 any remediation works required on existing Council’s Landfill sites.

It is recommended that Council retain the existing waste service charge. If Council elected not to have a waste service charge, this same amount would be required to be raised by way of an increased general rate, meaning that residents in higher valued properties would substantially pay for the waste service of lower valued properties.

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.

1.4.7 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) & (2A), ratepayers have the option of paying rates and charges by way of four instalments or in full. 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 accepts payment of rates in the following ways:

- in person at Council offices (cheques, money orders, EFTPOS, credit/debit cards and cash);
- online via Council's website, direct debit;
- BPAY;
- Australia Post (over the counter) or
- 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.

Council sets the penalty interest rate at the highest allowable rate.

Pensioner Rebates

Holders of a Centrelink or Veteran Affairs Pension Concession card or a Veteran Affairs Gold card which stipulates Total Permanent Incapacity 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 claim may be approved by the Department of Human Services.

Revenue and Debt Collection 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 Revenue and Debt Collection 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 negotiate a rate payment plan with Council. Ratepayers seeking to apply for such provision will need to complete a Rate Arrangement Application which is available at the council offices, website or can be posted upon request.

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 who's property is their sole place of residency, allowing the ratepayer 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 and in accordance with Council's Revenue and Debt Collection Policy. If an application for deferral of rates or charges is approved, interest will continue to be levied on the outstanding balance of rates and charges but at an interest rate fixed annually by Council.

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's website or can be posted upon request.

Debt Recovery

Council makes every effort to contact ratepayers at their correct address however 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 (eg. 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 a final notice which will include accrued penalty interest. Council encourages ratepayers to contact Council if they are experiencing financial hardship and to make some form of payment arrangement.

In the event that the account remains unpaid and a payment arrangement has not been entered into, 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 CIV 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.

1.5 OTHER REVENUE ITEMS

1.5.1 USER FEES AND CHARGES

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

Examples of user fees and charges include:

- Kindergarten and Childcare fees
- Leisure Centre, Gym, and Pool visitation and membership fees
- Waste Management 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 that it provides 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 is when 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 aims to recover all direct and indirect costs incurred by Council. This pricing should be used in particular when a service provided by Council benefits individual customers specifically, rather than the community as a whole. Fees and charges should be set at a level that recovers the full cost of providing the services unless there is an overriding imperative in favour of subsidisation.

Subsidised Pricing is when Council subsidises a service by not passing the full cost of that service onto the customer. Subsidies may range from full subsidies (e.g. Council provides the service free of charge) to partial subsidies when 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 Government funding.

Council Subsidy Pricing (partial or full) is based on knowledge of the full cost of providing a service.

When setting fees Council considers;

- Both direct and indirect costs of the service being provided.
- Accessibility, affordability and efficient delivery of the service being provided.
- 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.

1.5.2 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 advised by the state government department responsible for the corresponding services or legislation, and Council will have limited discretion in applying these fees.

Examples of Statutory Fees and Fines include:

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

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.

1.5.3 GRANTS

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

Council will proactively 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 will consider 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.

1.5.4 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 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.

1.5.5 INTEREST ON INVESTMENTS

Council receives interest on funds managed as part of its investment portfolio, when 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.

1.5.6 BORROWINGS

Whilst not a source of income, borrowings can be an important cash management tool in appropriate circumstances. Loans can only be approved by Council resolution. The following financial sustainability principles must be adhered to with new borrowings:

- Borrowings must only be applied for if 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 if the benefits are provided to future generations.
 - Council will maintain its debt at levels which are sustainable, with:
 - indebtedness <40% of rate and charges revenue, and
 - debt servicing cost <5% of total revenue (excluding capital revenue).