



DRAFT – REVENUE AND RATING PLAN

June 2025

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1. EXECUTIVE SUMMARY

The Revenue and Rating Plan outlines how Gannawarra Shire Council raises revenue to fund services and infrastructure for the community.

Key Principles Behind Rate Calculation:

Fairness and Equity: Rates are based on the Capital Improved Value (CIV) of properties, reflecting the market value including land and buildings. This method is considered most equitable as it aligns with the "capacity to pay" principle.

Differential Rating: Different types of properties (residential, commercial/industrial, irrigated farm, dryland farm, recreational) are charged different rates to ensure fairness and reflect their use and impact on Council services.

Municipal Charge: A fixed charge applied to all properties to cover administration costs, ensuring each property contributes equally.

Service Charges: Fees like waste collection are charged separately on a full cost recovery basis and are not subject to rate capping.

Simplicity and Transparency: The rating system is designed to be easy to understand and administer, with clear communication to the community.

How Rates Are Calculated:

The formula to calculate general rates is:

Capital Improved Value (CIV) × Rate in the Dollar (set annually for each property type)

This figure may be combined with:

Municipal charge (fixed)

Service charges (e.g., waste collection)

The rate in the dollar for each property type is reviewed and adopted annually through the Council's budget process.

2. PURPOSE

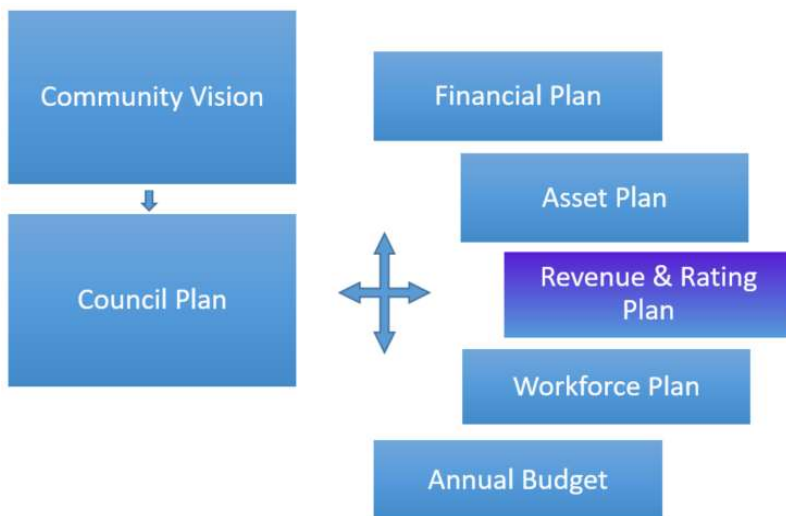
The Local Government Act 2020 requires each council to prepare a Revenue and Rating Plan to cover a minimum period of four years following each Council election. The Revenue and Rating Plan establishes the revenue raising framework within which the Council proposes to work.

The Local Government Legislative Amendment (Rating and Other Matters) Act 2022 received Royal Assent in August 2022. The Act made changes to the arrangements for unpaid rates and charges, consideration of ratepayers facing financial hardship, service rates and charges and special rates and charges

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

This plan is an important part of Council's integrated planning framework, all of which is created to help Council achieve its vision - "Our community will be proud, connected and inclusive as we actively seek opportunities that enhance lifestyle and liveability. We will recognise and appreciate the value of the natural environment and how it connects our communities. We will strive to be resilient to a changing environment through innovation and collaboration. The Gannawarra will grow through encouraging economic diversity, creating unique tourism destinations, and embracing our cultural and natural assets."

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



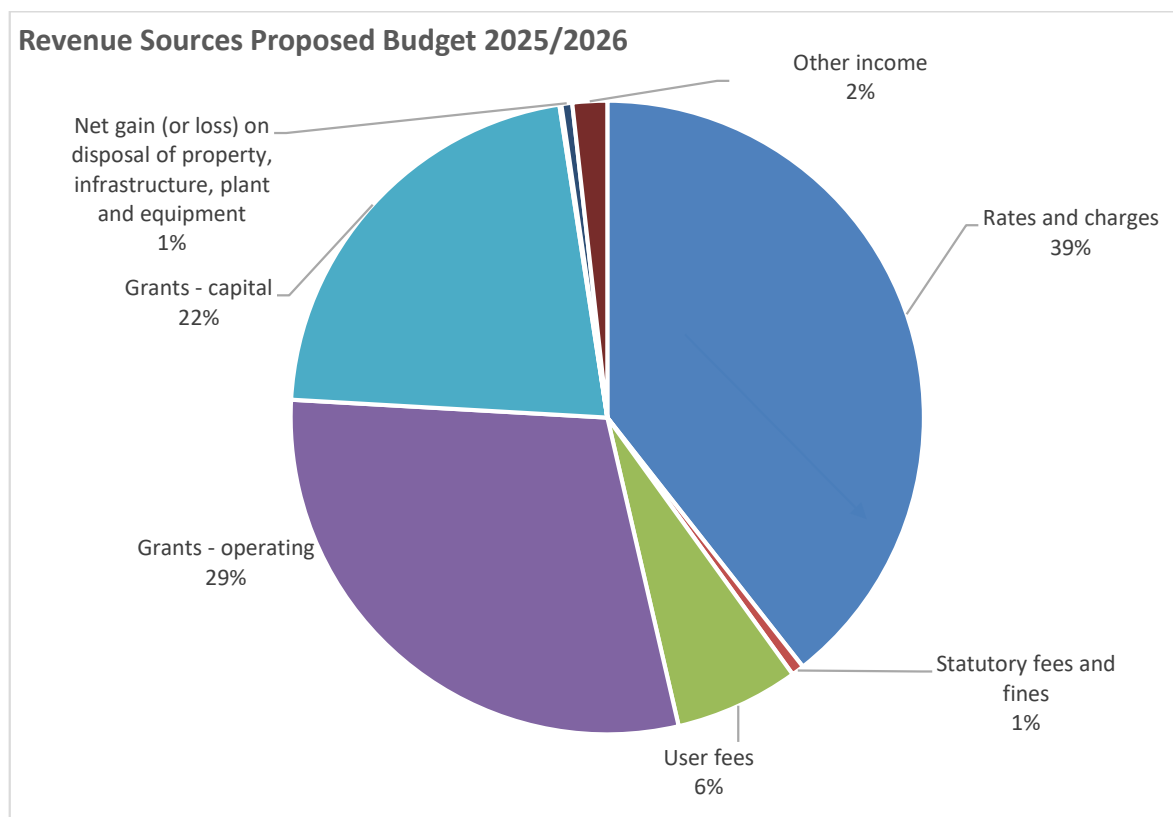
This plan will explain how Council calculates the revenue needed to fund its activities, and how the funding burden will be apportioned between ratepayers and other users of Council facilities and services.

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

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.

3. 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 (included as parts of rates & charges)
- Grants from other levels of Government
- Statutory Fees and Fines
- User Fees
- Cash and non-cash contributions from other parties (i.e. developers, community groups)
- Other Income
- Sale of Assets

Rates are the most significant revenue source for Council and make up approximately 40% of its annual operating 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 restrict Councils ability to raise revenue to maintain service delivery levels and invest in community assets. This strategy will highlight Council’s reliance on rate income.

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.

4. COMMUNITY ENGAGEMENT

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

The Communication Plan for the Council's Revenue and Rating Plan is combined with the plan for the Proposed Budget 2025/26. The Communication Plan will utilise the following methodologies in the Community Engagement Policy.

This includes:

- Draft Revenue and Rating Plan prepared by officers;
- Draft Revenue and Rating Plan placed on public exhibition at (April) Council meeting for 40 days, and allowing online submissions;
- Community engagement through local news outlets and social media;
- Information packs to community groups;
- Livestream question and answer session; and
- Draft Revenue and Rating Plan (with any revisions) presented to (June) Council meeting for adoption.

5. RATES AND CHARGES

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

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

These are:

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

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

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

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, and in applying the municipal charge, Council ensures that each rateable property in the municipality makes a contribution.

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

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

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

Rates and charges are an important source of revenue, accounting for approximately 40% operating revenue received by Council. The collection of rates is an important factor in funding Council services.

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

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

Council currently utilises a service charge to fully recover the cost of Council's waste services and provides for future landfill rehabilitation costs. The garbage service charge is not capped under the Fair Go Rates legislation, and Council will continue to ensure that full cost recovery of waste services is achieved over the long term.

4 a) Rating legislation

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

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

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

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

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

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

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

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

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

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

applies for the financial year or any other financial year.

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

The 2019 Victorian State Government Local Government Rating System Review, led to the Local Government Legislation Amendment (Rating and Other Matters) Act 2022. The Act made changes to the arrangements for unpaid rates and charges, consideration of ratepayers facing financial hardship, service rates and charges and special rates and charges.

4 b) Rating Principles

Taxation Principles:

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

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

Wealth Tax

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

Equity

- Horizontal Equity – ratepayers in similar situations should pay similar amounts of rates (ensured mainly by accurate property valuations, undertaken in a consistent manner, their classification into homogenous property classes and the right of appeal against valuation).
- Vertical Equity – those who are better off should pay more rates than those worse off (the rationale applies for the use of progressive and proportional income taxation. It implies a "relativity" dimension to the fairness of the tax burden

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

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

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

Capacity to Pay - The capacity of ratepayers or groups of ratepayers to pay rates.

Diversity - The capacity of ratepayers within a group to pay rates.

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

Rates and Charges Revenue Principles:

Property rates will:

- be reviewed annually,
- not change dramatically from one year to next, and
- be sufficient to fund current expenditure commitments, and:
 - Council’s Vision, and
 - Deliverables outlined in the Council Plan, Financial Plan, and Asset Plan,

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

4 c) 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:

1. **Capital Improved Valuation (CIV)** – Value of land and improvements upon the land.
2. **Site Valuation (SV)** – Value of land only.
3. **Net Annual Value (NAV)** – Rental valuation based on CIV.

1. 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 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 or residential use land.

Advantages of using Capital Improved Value (CIV)

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

2. Site value (SV)

There are currently no Victorian Councils that use this valuation base. With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of Site Value in a Victorian City Council context would cause a shift in rate burden.

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. This may raise equity

arguments about the implementation of site valuation in Gannawarra Shire Council.

Advantages of Site Value

- There is a perception that under site valuation, 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. The percentage increases in many cases would be in the extreme range.
- SV is a major burden on property owners that have large areas of land. Some of these owners may have much smaller/older dwellings compared to those who have smaller land areas but well developed dwellings - but will pay more in rates. A typical example is flats, units, or townhouses which will all pay low rates compared to traditional housing styles.
- The use of SV can place pressure on Council to give concessions to categories of landowners on whom the rating burden is seen to fall disproportionately (e.g. Farm land and residential use properties). Large landowners, such as farmers for example, are disadvantaged by the use of site value.
- SV will reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates.
- The community may have greater difficulty in understanding the SV valuation on their rate notices.

3. 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 generally derive the directly as a percentage 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.

Recommended valuation base

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

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

Differential rating allows (under the CIV method) Council to shift part of the rate burden from some groups of ratepayers to others, through different "rates in the dollar" for each class of property.

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

- a) *A Council may raise any general rates by the application of a differential rate, if Council considers that the differential rate will contribute to the equitable and efficient carrying out of its functions.*
- b) *If a Council declares a differential rate for any land, the Council must specify the objectives of the differential rate, which must be consistent with the equitable and efficient carrying out of the 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:

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

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

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

Property Valuations

The Valuation of Land Act 1960 is the principle legislation in determining property valuations. Under the Valuation of Land Act 1960, the Victorian Valuer-General conducts property valuations on an annual basis. Gannawarra 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 principal of valuing land for its highest and best use at the relevant time of valuation.

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

Supplementary Valuations

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

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

Objections to property valuations

Part 3 of the Valuation of Land Act 1960 provides that a property owner may lodge an objection against the valuation of a property or the Australian Valuation Property Classification Code (AVPCC) within two months of the issue of the original or amended (supplementary) Rates and Valuation Charges Notice (Rates Notice), or within four months if the notice was not originally issued to the occupier of the land.

A property owner must lodge their objection to the valuation or the AVPCC via Council's website which directs the property owner to the Valuer General's objection portal. Property owners also have the ability to object to the site valuations on receipt of their Land Tax Assessment. Property owners can appeal their land valuation within two months of receipt of their Council Rate Notice (via Council) or within two months of receipt of their Land Tax Assessment (via State Revenue Office).

4 d) Gannawarra Shire Council current rating system

Gannawarra Shire currently has five (5) property types and comprises five (5) differential rates (general, commercial/industrial, irrigated farm and dryland farm) and a rate concession for recreational land. 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 different property types are listed below:

- General Residential land is any land, which is:
 - Occupied for the principle purpose of physically accommodating persons; or
 - Unoccupied but zoned residential under the Gannawarra Planning Scheme and which is not business.
 - Any land not included in the definition of any other rating type.
- Commercial/Industrial land is any land which is:
 - Occupied for the principal purpose of carrying out the manufacture or production of, or trade in goods; or
 - Unoccupied but zoned commercial or industrial under the Gannawarra Planning Scheme.
- Farmland (irrigated >10ha) land is any land, which is:
 - Farmland that is irrigated and greater than 10ha and farmland as defined in the Valuation of Land Act 1960, that is in the irrigation district defined by the relevant Water Authority within the Gannawarra Shire Council boundaries: or unoccupied but zoned farmland under the Gannawarra Planning Scheme and which is not commercial/industrial land, general/residential land or farmland (dryland).
- Farmland (dryland) is any land, which is:
 - Farmland (dryland) is any land which is farmland as defined in the Valuation of Land Act 1960, that is not defined as farmland irrigation district: or unoccupied but zoned farmland under the Gannawarra Planning Scheme and which is not commercial/industrial, general/residential or farmland (irrigated>10ha) land.
- Cultural and Recreational land is any land upon which sporting, recreational or cultural activities are conducted, including buildings which may be ancillary to such activities. Profits from recreational land must be applied in promoting its objectives. The definition of "recreational lands" is per section 2 of the Cultural and Recreational Lands Act 1963.

4 e) 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.

a) General rate

General land is the balance of land defined by exception to the general rate. The exceptions to the general rate included in the Gannawarra rating system include commercial/industrial, irrigated farm, dryland farm and recreational land. General land therefore predominately consists of residential properties.

The actual rating burden applying to general properties is an outcome determined initially by the 60/40 split and then by decisions to apply either higher or lower rates in the dollar of property value to other classes of property. The equity of the general rate is therefore a by-product of the equity inherent in the setting of those other rates. In the setting of differential rates Council consciously considers their relativity to the general rate.

The actual rating burden applying to general properties is an outcome of the Rating Principles as detailed above at 4b). In particular the principles of equity, benefit and capacity to pay are of higher relevance. The existing

rating structures have been broadly accepted by the community and any move to alter the structures in the past has encountered resistance. In the setting of differential rates Council consciously reviews the relativity of the general rate to the other differential rates.

b) Farm land rates

Principle 1.

A lower differential for farmland properties has traditionally been based on the premise that farmland properties due to their larger areas and relatively higher valuations place less demand and use on the range of Council services. Council considers that a lower differential compared to the general rate will ensure that the farming communities can continue to pursue viable farming activities.

Principle 2.

A discounted differential of less than the irrigated farm land will be available for eligible dryland properties. Council considers that there is a difference in the category of road infrastructure accessible to persons who own properties in the Shire's irrigation district than compared to those individuals who own land in the dryland farming areas. Whilst many roads in the Shires irrigation district are sealed to enable the efficient movement of milk tanker trucks most roads within the dryland farming district remain unsealed.

This differential will be set as part of the annual budget process.

c) Commercial and Industrial

Principle: *A higher differential of greater than 100% will be set for commercial and industrial property types.*

A higher differential for these property types has traditionally been based on the premise that commercial and industrial properties generally place greater demands on Council services. Council considers that a higher differential compared to the general rate will ensure that Council's commitment to Economic Development and Tourism is financially supported by those who receive direct benefits.

This differential will be set as part of the annual budget process.

d) Recreation Land Rate

Principle: *A discounted differential of less than 100% will be available for eligible recreational lands.*

Recreational land that exists for the purpose of providing out-door sporting recreation or for the purpose of providing cultural activities are important aspects of the Gannawarra Shire Council. Council believes a lower differential compared to the general rate will ensure that this land is retained for this purpose and the open space is preserved.

This differential will be set as part of the annual budget process.

4 f) Municipal charge

Another principle rating option available to Councils is the application of a municipal charge. Under Section 159 of the Local Government Act (1989), Council may declare a municipal charge to cover some of the administrative costs of the Council. The legislation is not definitive on what comprises administrative costs and does not require Council to specify what is covered by the charge.

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, 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 Councils administrative costs can be seen as an equitable method of recovering these costs.

4 g) Special charge schemes

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

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

The special rate or special charges may be declared on the basis of any criteria specified by the Council in the rate (Section 163 (2)).

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

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

The Local Government Legislative Amendment (Rating and Other Matters) Act 2022 amends section 163 of the Local Government Act 1989 to ensure timely levying of special rates or charges - a declaration of a special rate or charge made under section 163(1) will expire 12 months after the date of declaration if a Council does not send a levy notice to all persons that are liable to pay that rate or charge within that 12 month period.

Gannawarra Shire Council Policy no. 090 provides guidance on how Council will implement and administer a Special Rate or Special Charge Scheme for request for infrastructure projects (e.g. footpaths and urban drainage) and marketing, promotion and development projects (e.g. marketing and promotion for the retail/commercial/industrial sector).

4 h) Service rates and charges

Section 162 of the Local Government Act (1989) as amended by the Local Government Legislation Amendment (Rating and Other Matters) Act 2022 provides Council with the opportunity to raise service rates and charges for any of the following services:

- a) Waste, recycling or resource recovery services
- b) Any other prescribed service.

Council currently applies a service charge for the purpose of waste, recycling or resource recovery services on urban properties (compulsory) and rural properties (optional).

Since the introduction of the Minister’s Good Practice Guidelines for the use of Service Rates and Charges in March 2024, Council’s service charge for the collection (and subsequent management) of waste per occupancy will be recalculated as part of the 2025/26 budget process. Community waste services that includes services to keep public spaces clean, such as the provision and maintenance of public bins, street sweeping and litter removal will not be recovered as part of this charge and will be funded through general rate revenue. The cost recovery of household collection services varies in terms of service level (for example, by bin size and collection frequency).

Council’s waste service charges are set at full cost recovery and will now include the following costs-

- Kerbside collection of garbage, recycling and green waste

- Operational costs of the landfill and transfer station
- Landfill remediation and rehabilitation costs
- New landfill cell construction cost

It is recommended that Council retain the 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 – 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.

4 i) 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.

The Local Government Legislative Amendment (Rating and Other Matters) Act 2022 makes changes to the arrangements for unpaid rates and charges, consideration of ratepayers facing financial hardship, service rates and charges and special rates and charges.

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

In addition to the above instalment payments, new Section 171(B) allows Council to enter into payment plans for unpaid rates and charges upon application by the person - this applies even if there is an existing payment by instalment, deferral or waiver. Council can determine terms of the payment plan i.e. duration, amount, frequency and other terms which must be specified in the payment plan. Payment plan may include a component of reasonable interest. Council may cancel the payment plan in the event of non-compliance with the terms. Council can commence proceedings under Section 180 for an unpaid rate and charge that was subject to a payment plan after 24 months from cancellation.

Council offers a range of payment options including:

- In person at Council offices (cheques, money orders, EFTPOS, credit/debit cards and cash),
- Direct debit (on prescribed instalment due dates or monthly),
- Centrepay,
- 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 Local Government Legislative Amendment (Rating and Other Matters) Act 2022 amends section 172 of the Local Government Act 1989 to enable a Council to charge interest on unpaid rates and charges which have not been paid by the date specified in a payment plan. The section prohibits a Council from charging interest on an unpaid amount that is interest already charged under the Act.

Amendment to section 172(2)(a) of the Local Government Act 1989 provides that interest payable on unpaid rates and charges is to be calculated at or below the rate fixed by the Minister under section 172A(1). New section 172A will require the Minister to fix the maximum interest rate on unpaid rates or charges. Subsection

(2) provides that where the Minister has not yet fixed a maximum interest rate under section 172A, or the first fixed rate has not yet taken effect, interest on unpaid rates and charges is to be calculated at the rate fixed under section 2 of the Penalty Interest Rates Act 1983. This will replace the requirement for interest to be calculated at the rate fixed under section 2 of the Penalty Interest Rates Act 1983.

Pensioner rebates

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

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

Rates Subsidy

Under Section 169 of the Local Government Act 1989, a Council may grant a rebate or concession in relation to any rate or charge to

- Assist the proper development of the municipal district; or
- Preserve buildings or places in the municipal district which are of historical or environmental interest; or
- Restore or maintain buildings or places of historical, environmental, architectural or scientific importance in the municipal district; or
- Assist the proper development of part of the municipal district.

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

New subsection (1AA) enables Councils to grant a rebate or concession in relation to any rate or charge if all of the following are satisfied:

- the land is being used for a public benefit (Examples of a public benefit are charitable, religious, educational or social support services); and
- the land is being used for the direct provision of goods or services that are available to the public, or a substantial portion of the public, free of charge or for a nominal charge; and
- the land is not being, or will not be, used primarily for the purposes of the distribution of profit to owners, members or shareholders of the entity from the operation of the entity, the winding up of the entity or the estimated annual value of the land.

Council Policy no. 104 provides 50% rate subsidy to eligible organisations that provide either health, education, counselling, sporting, and cultural or other charitable services to the community. Where full payment of rates are made by the end of May each year, Council will issue a refund in June of that financial year.

Rates Relief Policy

Under Section 170 and 171 of the Local Government Act 1989, Council may provide relief to the ratepayer by way of rate deferral or waiver.

New Section 181AA empowers the Minister for Local Government to make Ministerial Guidelines on unpaid rates and charges and hardship to ensure greater consistency across councils in how they deal with ratepayers experiencing financial hardship. The matters for which guidelines may be made include the meaning of hardship and financial hardship for the purposes of sections 170, 171, 171A and 172A, the content of hardship policies and financial hardship policies, the process for applying for payment plans, and the circumstances in which relief may be provided to ratepayers.

The purpose of Council's Rate Relief Policy no. 034 is to assist ratepayers who are experiencing general and financial hardship to make payment of rates and charges raised by Council. The Policy allows Council to consider

an application (in writing) for deferral or waiver for all or part of the rate or charge levied.

Ratepayers seeking to apply for relief under this policy will be required to demonstrate hardship via a Certified Statement of Financial Position signed by a qualified accountant or financial counsellor.

Debt recovery

Council makes every effort to contact ratepayers at their correct address but it is the ratepayers' responsibility to properly advise Council of their contact details. The Local Government Act 1989 Section 230 and 231 requires both the vendor and buyer of property, or their agents (e.g. solicitors and or conveyancers), to notify Council by way of notice disposition or acquisition of an interest in land.

New section 180A(1) prevents Council from commencing a proceeding under section 180(1) for an unpaid rate or charge that has not been deferred under section 170 or been subject to a payment plan unless—

- the Council notifies the person in writing and advises them of available payment options, including deferrals and payment plans; and
- it has been at least 24 months since that occurred and the person has not deferred the payment, entered into a payment plan or used any other available payment option.

New section 180A(2) prevents a Council from commencing a proceeding under section 180(1) to recover an unpaid rate or charge deferred under section 170 unless the Council has sent a notice to the person under section 170 requiring the person to make payment and the person has failed to make payment as required by that notice.

New section 180A(3) prevents a Council from commencing a proceeding under section 180(1) for an unpaid rate or charge that is subject to a payment plan. A Council will not be able to commence a proceeding for an amount subject to a payment plan unless the person is not complying with the terms of the plan and the Council has cancelled the plan. New section 180A(4) prevents a Council from commencing a proceeding under section 180(1) for an unpaid rate or charge that was subject to a payment plan unless it has been at least 24 months since the plan was cancelled.

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 (From 1 July 2025, the Fire Services Property Levy (FSPL) will be replaced by the Emergency Services and Volunteers Fund (ESVF).

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 the Metropolitan Fire Brigade (MFB) and Country Fire Authority (CFA), and all levies collected by Council are passed through to the State Government. Refer to <https://www.dtf.vic.gov.au/emergency-services-and-volunteers-fund> for details on changes.

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.

6. OTHER REVENUE ITEMS

5 a) 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
- Swimming pool fees

- Waste Management charges
- Aged and health care services
- Recreation Reserve
- Facility hire charges
- Food Act Registrations
- Public Health & Wellbeing Act Registrations
- Local Laws fees

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

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

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

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

- a. Market Price
- b. Full Cost Recovery Price
- c. Subsidised Price

Market pricing (A)

is where Council sets prices based on the benchmarked competitive prices of alternate suppliers. In general market price represents full cost recovery plus an allowance for profit. Market prices will be used when other providers exist in the given market, and Council needs meet its obligations under the government's Competitive Neutrality Policy. It should be noted that if a market price is lower than Council's full cost price, then the market price would represent Council subsidising that service. If this situation exists, and there are other suppliers existing in the market at the same price, this may mean that Council is not the most efficient supplier in the marketplace. In this situation, Council will consider whether there is a community service obligation and whether Council should be providing this service at all.

Full Cost recovery price (B)

aims to recover all direct and indirect costs incurred by Council.

This pricing should be used in particular where a service provided by Council benefits individual customers specifically, rather than the community as a whole. In principle, fees and charges should be set at a level that recovers the full cost of providing the services unless there is an overriding policy or imperative in favour of subsidisation.

Subsidised pricing (C)

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

Full Council Subsidy Pricing and Partial Cost Pricing should always be based on knowledge of the full cost of providing a service.

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

- Both direct and indirect costs to be taken into account when setting prices

- Accessibility, affordability and efficient delivery of services must be taken into account
- Competitive neutrality with commercial providers.

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

Council's Waste Management Charges is set at full cost recovery

5 b) Statutory fees and charges

Statutory fees and fines are those which Council collects under the direction of legislation or other government directives. The rates used for statutory fees and fines are generally advised by the state government department responsible for the corresponding services or legislation, and generally councils will have limited discretion in applying these fees.

Examples of Statutory Fees and Fines include:

- Planning & subdivision fees
- Building and inspection fees
- Infringements and fines
- Land Information Certificates
- Animal Registrations
- Cemetery 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 \$197.59 as at 1 July 2024.

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 \$16.33. 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.

5 c) Grants

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

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

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

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

Council's recurrent grants include:

- Federal Assistance Grants received from the Victoria Grants Commission for general purpose and local roads funding.
- Victorian Department for Health & Human Services grants Maternal & Child Health program.
- Roads to Recovery funding from the Commonwealth Government to support the maintenance of Council's local road network.
- Victorian Department for Education grants for children's services.
- Public Libraries funding from the Victorian Government.
- Roadside Weed & Pest Control grant from the Victorian Government.
- Municipal Emergency Resourcing Program (MERP) funding from the Victorian Government to support their strategic emergency management work.

5 d) 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 signed agreement outlining the contribution details is in place.

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

5 e) Other Income

Other income represents interest from investments, rental from investment properties and private works.

Council services provided under private works programs are set at full cost recovery.

Council receives interest on funds managed as part of its investment portfolio, where funds not required to fulfil short term operational commitments are considered surplus and are invested to generate interest revenue. The investment portfolio is managed per Council's Investment Policy no. 110 to achieve maximum return on investments that minimise risk and ensure the ongoing sustainability of Council funds.

Council Private Works Policy no. 135 provides guidance and direction for providing services or undertaking private works. Undertaking private works will not take precedence over the completion of Council's annual capital works and operational works programs or cause disruption to Council's core activities. Private works will be undertaken on a full cost recovery basis and include a profit margin. Private works will generally include the provision of labour, materials, plant and equipment.

5 f) Sale of Assets

Sale of assets include trade-in or auction of vehicles/plant as part of cyclical replacement of fleet/plant, land exchange and sale of industrial estate lots. Section 114 of the Local Government Act 2020, stipulates that sale or exchange of land must be advertised and the process must be in accordance with the community engagement policy.

Council Asset Disposal and Rationalisation Policy no. 128 provides guidance on due diligence and procedural direction to undertake this process.

5 g) 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. Key benchmarks and targets are:
 - Indebtedness : (Non-current liabilities compared to own source revenue) <60% and

Loans and Borrowings : (Loans and borrowing repayments compared to rate revenue) <10% of total revenue (excluding capital revenue).