

Revenue and Rating Plan 2021-25

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Table of contents

1	Purpose	3
1.1	Introduction	4
1.2	Themes and Strategic Objectives of the Council Plan	5
1.3	Community Engagement	5
2	Rates and charges	5
2.1	Rating Legislation	6
2.2	Equity	6
2.3	Declaring rates and charges	7
3	Understanding the current rating framework at Boroondara City Council	7
3.1	Determining which valuation base to use	9
3.2	Property Valuations	12
3.3	No windfall gain	12
3.4	How does this affect my rates?	12
4	Determining the rating system - uniform or differential	13
4.1	Uniform rate	13
4.2	Differential rate	13
5	Other types of charges	14
5.1	Special rates and charges	14
5.2	Municipal charge	15
5.3	Service rates and charges	15
5.4	Victorian Government Levies	16
5.5	Cultural and recreational lands (CRL)	17
6	Collection and administration of rates and charges	19
6.1	Rate payment options	19
6.2	Pensioner Rebates	20
6.3	Calculation of interest	20
6.4	Rates and Charges Deferment and Financial Hardship Policy	21
6.5	Debt recovery	21
7	Other Revenue	22
7.1	User Fees and Charges	22
7.2	Statutory Maximum or Non-Discretionary Pricing	24
7.3	Grants	25
7.4	Contributions	26
7.5	Sale of Assets	26
7.6	Other income - Leasing and licensing	27
7.7	Interest on Investments	27
8	Accountabilities	27
8.1	Related Documents	27

1 Purpose

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

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.

This plan is an important part of Council’s integrated planning framework, all of which is created to achieve our vision in the Boroondara Community Plan (incorporating the Municipal Public Health and Wellbeing Plan).

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.

It provides a medium-term plan for how Council will generate income to deliver on the Council Plan, program and services and capital works commitments over a 4-year period. It defines the revenue and rating ‘envelope’ within which Council proposes to operate.



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 the 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 the robust principles and practices for fee and charge setting and other revenue items to ensure Council's commitment to responsible financial management is achieved, while at the same time continuing to provide high quality, accessible services to the community.

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

1.1 Introduction

City of Boroondara 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
- 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)
- Sale of assets.

Rates and charges are the most significant revenue source for Council and constitutes approximately 76% of total revenue (2021-22 Budget), with 5.6% of income from operating grants, 6% of raised through user fees and charges and 7% statutory fines and charges (based on actual results prior to COVID-19).

The introduction of rate capping under the Victorian Government's Fair Go Rates System (FGRS) has brought a renewed focus on Council's long-term financial sustainability. The FGRS continues to restrict Council's ability to raise revenue above the rate cap unless application is made to the Essential Services Commission for a variation. Maintaining service delivery levels and investing in community assets remain key priorities for Council.

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, Council usually have no control over service pricing. However, in relation to other services, Council has the ability to set a fee or charge and will set that fee based on the principles outlined in this Revenue and Rating Plan.

Council revenue can also be adversely affected by changes to funding from other levels of government. Some grants are tied to the delivery of council services, whilst many are tied directly to the delivery of new community assets, such as roads or

sports pavilions. It is important for Council to be clear about what grants it intends to apply for, and the obligations that grants create in the delivery of services or infrastructure.

1.2 Themes and Strategic Objectives of the Council Plan

The Revenue and Rating Plan is required to meet the objectives set out in the Council Plan. Council needs to ensure the plan it adopts is capable of raising sufficient income to deliver the five themes set out in the Council Plan.

- Your Community, Services and Facilities
- Your Parks and Green Spaces
- The Environment
- Neighbourhood Character and Heritage
- Getting Around Boroondara
- Your Local Shops and Businesses
- Civic Leadership and Governance

1.3 Community Engagement

Deliberative community engagement is not prescribed for a Revenue and Rating Plan in either the *Local Government Act 2020*, or the *Local Government (Planning and Reporting) Regulations 2020*. However, community engagement will be undertaken on Council's Revenue and Rating Plan in accordance with Council's Community Engagement Policy 2021-2026.

2 Rates and charges

The selection of rating philosophies and the choice between the limited rating options available under the *Local Government Act 1989* is a difficult one for all Councils and it is most likely that a perfect approach is almost impossible to achieve in any local government environment.

The purpose of plan is therefore to consider what rating options are available to Council under the *Local Government Act 1989*, and how Council's choices in applying these options contribute towards meeting an equitable rating strategy.

It is important to note at the outset that the focus of this Plan is very different to that of the Long Term Financial Plan document/Annual Budget. In these latter documents the key concern is the quantum of rates required to be raised for Council to deliver the services and capital expenditure required. In this Plan, the focus instead is on how the obligation to pay this quantum will be equitably distributed amongst Council's ratepayers.

Rates and charges are an important source of revenue, accounting for over 78% of operating revenue received by Council. The collection of rates is an important factor in funding Council services.

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

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

2.1 Rating Legislation

The legislative framework set out in the *Local Government Act 1989* determines council's ability to develop a rating system.

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 (CIV) and Net Annual Value (NAV).

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*.

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

In 2019 the Victorian State Government conducted a Local Government Rating System Review. The Local Government Rating System Review Panel presented their final report and list of recommendations to the Victorian Government in March 2020. The Victorian Government subsequently published a response to the recommendations of the Panel's report. However, at the time of publication the recommended changes have not yet been implemented, and timelines to make these changes have not been announced.

2.2 Equity

Having determined that Council must review its rating strategy in terms of the equitable imposition of rates and charges, it is a much more vexed question in terms of how to define and determine what is in fact equitable in the view of Council.

In considering what rating approaches are equitable, Council needs to have regard to the principles of taxation which are:

- **Equity:** does the tax burden fall appropriately across different classes of ratepayers?
 - **Benefit principle:** where the distribution of benefits is not uniform, should those who benefit more contribute more?
 - **Capacity to pay:** are those ratepayers with greater economic capacity in fact contributing more?
- **Simplicity**
 - Is the system practical and cost effective to administer and enforce? Is the system simple to understand and comply with?
- **Efficiency:** does the rating methodology significantly distort property ownership and development decisions in a way that results in significant efficiency costs?
- **Sustainability:** does the system generate sustainable, reliable revenues for Council and is it durable and flexible in changing conditions?
- **Cross-border competitiveness:** to what extent does the rating system undermine the competitiveness of Council as a place to live and/or own a property or operate a business?
- **Competitive neutrality:** are all businesses conducting similar activities treated in similar ways within the municipality?

Simultaneously applying all of these criteria it is imperative to ensure a balanced approach as possible. The rating challenge for Council therefore is to determine the appropriate balancing of competing considerations.

2.3 Declaring rates and charges

Section 158 of the *Local Government Act 1989* (the Act) provides that Council must at least once in respect of each financial year declare by 30 June the following for that year:

- a) The amount which Council intends to raise by way of general rates, municipal charges, service rates and service charges.
- b) Whether the general rates will be raised by application of:
 - i. A uniform rate, or
 - ii. Differential rates (if Council is permitted to do so under Section 161(1))
 - iii. Urban farm rates, farm rates or residential use rates (if Council is permitted to do so under Section 161A).

3 Understanding the current rating framework at Boroondara City Council

There are two key platforms that have formed the basis of the current approach to rating at Boroondara City Council:

1. That rates will continue to be based principally on an ad-valorem basis (i.e. based on the capital improved valuation) of the various properties with fixed charges for waste collection to be applied.
2. That Council will continue to apply a uniform rate against all property classes. Whilst many Councils have differential rates for commercial properties, in Boroondara the low proportion and average Capital Improved Value of commercial properties is too low to provide real benefits to residential ratepayers under any possible valuation basis scenario.

Table 1 - Current rating framework

Rating option/ LG Act reference	Description	Comments
General rate S158	A general rate is applied to all properties and can be set as either a uniform rate or a number of differential rates.	
Uniform rate S160	A uniform rate is a single rate in the dollar that is applied to the value of all properties in the municipality.	Boroondara applies a uniform rate.
Differential rates S161	Differential rates are different rates in the dollar that are applied to different classes of properties and are permitted if the Council uses Capital Improved Value as the rating valuation base. The Act allows the use of differential rates if the Council considers that this will contribute to the equitable and efficient carrying out of its functions.	Boroondara does not apply differential rates.
Municipal charge S159	A municipal charge to cover some of the administrative costs of the Council. This is a flat-rate charge applied to all properties.	Boroondara does not levy a municipal charge.
Service rates and charges S162	Service rates or annual service charges (or a combination of both) can be levied for provision of a water supply, collection and disposal or waste, and sewerage services.	Boroondara levies a service charge to all residential property and businesses that elect to use Council's waste service. As part of the service charge an environmental levy for certain properties is levied as a contribution to waste and rubbish collection from public spaces for: <ul style="list-style-type: none"> • residential properties required to service their own refuse disposal as a condition of a planning permit • commercial properties that use their own waste service.

Rating option/ LG Act reference	Description	Comments
Incentives for prompt payment S168	Council may declare that incentives will be given by it for the payment of rates and charges, in full, before the due date.	An early payment rate discount of 2.0% is provided to rate payments made in full by 28 August.
Rebates and concessions S169	The Act allows Councils to grant a rebate or concession in relation to any rate or charge to assist the proper development of all or part of the municipal district, preserve buildings or places that are of historical or environmental interest, or to restore or maintain buildings or places of historical, environmental, architectural or scientific importance.	Boroondara does not provide rebates or concessions under this section of the Act.
Special rates and charges S163	A special rate or charge may be declared for purposes of: <ul style="list-style-type: none"> • defraying any expenses, or • repaying with interest any advance made or debt incurred or loan raised by Council. 	Boroondara levies special rates and charges for promotional and marketing activities to assist retail associations. Currently there are eight special rates schemes for Ashburton, Glenferrie, Camberwell, Greythorn, Maling, Kew Junction, Burwood Village and Balwyn North Shopping Centres.
<i>Cultural and Recreational Lands Act 1963</i>	The <i>Cultural and Recreational Lands Act 1963</i> (CRLA) requires a council to levy rate equivalent amounts in lieu of rates in respect of any “recreational lands” which would otherwise be rateable land under the Act.	Council will declare rate equivalent amounts calculated by having regard to the services provided to eligible CRL properties and the benefit to the community derived from them, at the times and in the manner prescribed by the CRLA.

3.1 Determining which valuation base to use

The *Local Government Act 1989* and the *Valuation of Land Act 1960* are the principle Acts in determining property valuations. The purpose of this section is to outline the different methods that Council can utilise to value land and the issues that Council must consider in making its decision on the valuation method.

Under section 157 (1) of the *Local Government Act 1989*, Council has three options as to the valuation base it elects to use. They are:

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

Capital Improved Value (CIV)

Capital Improved Value is the most commonly used valuation base by Victorian 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.

For CIV, business properties are valued primarily by the capitalisation method of valuation. This method of valuation is the industry standard for assessing the value of business properties and has as its base sale price and market rent of the property.

The 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 frequency of valuations now conducted annually (previously two year intervals) the market values are more predictable and has reduced the level of objections resulting from valuations.
- The concept of the market value of property is more easily understood with CIV rather than NAV or SV.
- Most councils in Victoria have now adopted CIV which makes it easier to compare relative movements in rates and valuations across councils.
- The use of CIV allows councils 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 councils 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.

Site value (SV)

There are 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 would cause a massive shift in rate burden from the industrial/commercial sectors onto the residential sector.

There would be further rating distribution movements away from modern townhouse style developments on relatively small land parcels to older established homes on the more typical quarter acre residential block.

In many ways it is difficult to see an equity argument being served by the implementation of Site Value in Boroondara City Council.

Advantages of Site Value

- There is a perception that under site value, a uniform rate would promote development of land, particularly commercial and industrial developments. There is, however, little evidence to prove that this is the case.
- Scope for possible concessions for urban farm-land and residential use land.

Disadvantages of 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, as indicated by many inquiries from ratepayers on this issue handled by council's customer service and property revenue staff each year.

Net annual value (NAV)

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

Summary

City of Boroondara will apply Capital Improved Valuation as the valuation base for the following reasons:

- CIV is considered to be the closest approximation to an equitable basis for distribution of the rating burden.
- CIV provides Council with the option to levy a full range of differential rates if required. Limited differential rating is available under the other rating bases.
- It should be noted that most of the 79 Victorian Councils apply CIV as their rating base and as such, it has a wider community acceptance and understanding than the other rating bases.

All three types of valuation method have a common basis in that rates are based on the property value which may not necessarily reflect the annual income of the ratepayer for example pensioners and low income earners.

Strategy recommendation

City of Boroondara will continue to apply Capital Improved Valuation as the valuation methodology to levy Council rates.

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

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

3.3 No windfall gain

There is a common misconception that if a property's valuation rises then Council receives a "windfall gain" with additional income. This is not so as the revaluation process results in a redistribution of the rate levied across all properties in the municipality. Any increase to total valuations of the municipality is offset by a reduction to the rate in dollar used to calculate the rate for each property.

3.4 How does this affect my rates?

The general revaluation process enables Council to re-apportion the rate income across the municipality in accordance with movements in property value. Properties which have increased in value by more than the average will receive a rate increase of more than the headline rate. Properties with an increase in value less than the average will receive a rate increase less than the headline rate.

Strategy recommendation

That the City of Boroondara monitors the effect on rates of geographical and property type valuations over time.

4 Determining the rating system - uniform or differential

Council may apply a uniform rate or differential rates to address the needs of the Council. They are quite different in application and have different administrative and appeal mechanisms that need to be taken into account.

4.1 Uniform rate

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

City of Boroondara, since its inception, has adopted uniform rating as it considers that uniform rating contributes to the equitable distribution of the rates levied. Boroondara is largely a residential area with a relatively small proportion of rateable land used for non-residential purposes.

4.2 Differential rate

Differential rating allows Council to shift part of the rates levied from some groups of ratepayers to others, through different “rates in the dollar” for each class of property.

Under the *Local Government Act 1989 (S161)*, Council is entitled to apply differential rates provided it uses CIV as its base for rating. The maximum differential allowed is no more than four times the lowest differential.

Ministerial Guidelines released in April 2013 state that:

It is **not appropriate** to declare a differential rate that is defined narrowly and applied specifically or exclusively to the following types and classes of land:

- electronic gaming machine venues or casinos
- liquor licensed venues or liquor outlet premises
- business premises defined whole or in part by hours of trade
- fast food franchises or premises
- tree plantations in the farming and rural activity zones, and
- land within the Urban Growth Zone without an approved Precinct Structure Plan in place.

As per these *Ministerial Guidelines* above Boroondara has considered differentials for retirement villages in previous strategies however as a whole there is little to differentiate these complexes apart from other medium density residential development.

Council has always considered that a uniform rate is the most equitable method of apportioning rates across the municipality based on capital improved valuation of properties, irrespective of property type including retirement villages.

Disadvantages of differential rating

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

- The justification of the differential rate can at times be difficult for the various groups to accept giving rise to queries and complaints where the differentials may seem to be excessive.
- Differential rates can be confusing to ratepayers, as they may have difficulty understanding the system. Some rating categories may feel they are unfavourably treated because they are paying a higher level of rates than other ratepayer groups.
- Differential rating involves a degree of administrative complexity as properties continually shift from one type to another (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.

Strategy recommendation

That the City of Boroondara continues to apply uniform rating as its rating system.

5 Other types of charges

5.1 Special rates and charges

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

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

Or where Council considers that the performance of the function or the exercise of the power is or will be of special benefit to the persons required to pay the special rate or special charge.

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

Section 185 of the Act provides appeal rights to the Victorian Civil and Administrative Tribunal (Tribunal) in relation to the imposition of a special rate or charge. The Tribunal has wide powers, which could affect the viability of the special rate or charge scheme.

At Boroondara special rates and charges are raised at the request of Traders Associations in eight of the major shopping centres across the City. The funds raised are transferred to the Trader Associations in full upon receipt of evidence that marketing and other programs have been undertaken for the collective benefit of all traders in each scheme.

It is recommended that Council utilises special rates and charges only in the instances outlined below.

Strategy recommendation

That Council uses special rates and charges for raising funds such as trader association marketing and promotion schemes.

5.2 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 about what comprises administrative costs and does not require Council to specify what is covered by the charge.

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

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

The municipal charge applies equally to all properties and is based upon the recovery of a fixed cost of providing administrative services irrespective of valuation.

A municipal charge is seen to be a regressive tax as its application would result in lower valued properties paying higher overall rates and charges than they do with uniform rates applicable to all properties.

For this reason, this strategy recommends that Council continue to not apply a municipal charge.

Strategy recommendation

That the City of Boroondara not utilise a Municipal Charge as parting of its Rating Strategy.

5.3 Service rates and charges

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

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

Boroondara currently applies a service charge for the collection and disposal of refuse. Council retains the objective of setting the service charge for waste at a level

that fully recovers the cost of the waste function. Further information is provided under Section 7.

The current structure of the waste charge allows users of the service to select the cost of the service through choosing between the three bin sizes subject to conditions which determine eligibility for 240l domestic refuse bins.

In addition Council charges an environmental levy as part of the waste charge and:

- Residents of apartments that through the terms of the planning permit supply their own waste collection service.
- Commercial properties that use their own waste collection service.

This ensures that all residents contribute toward waste management in public places.

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

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 pay substantially more for the waste service than lower valued properties.

The mix of having a fixed charge for waste services combined with valuation driven rates for the remainder of the rate invoice provides for a more balanced and equitable outcome.

Strategy recommendation

That the City of Boroondara continues to apply a waste service charge as part of its Rating Strategy based on full cost recovery of the waste function.

5.4 Victorian Government Levies

In recent years, Council has seen an increased propensity for State Government to view Local Government as a means of collecting State taxes under the branding of Council's rate notice.

This occurred with the now defunct State Deficit Levy in the 1990's and has in recent times been revived with Councils as the landfill levy with Councils having to collect this amount from ratepayers (which for Boroondara is contained in the waste charge) and paid to the landfill operator who pays the levy to the State Government.

Council is also required to collect a Fire Services Property Levy (FSPL) on behalf of the State Government which has added a considerable amount to the average ratepayer's account.

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, on a quarterly basis. This levy is not included in the rate cap and increases in the levy are at the discretion of the State Government.

Strategy recommendation

It is recommended from a rating policy outcome that Council adopt the following view:

- a) That the Victorian Government taxes are best collected by the Victorian Government using its own available resources such as the State Revenue Office.
- b) That in the event that Council is required to collect such Victorian Government taxes that these taxes be clearly identified as state charges.

That the Victorian Government fully reimburse local government for the cost of collecting state taxes

5.5 Cultural and recreational lands (CRL)

The *Cultural and Recreational Lands Act 1963* (CRLA) provides that an amount be payable in lieu of rates in each year in respect of any “recreational lands” which would otherwise be rateable land under the Act.

Section 2 of the CRLA relevantly defines “recreational lands” (i.e. CRL properties) as lands which are:

- vested in or occupied by any body corporate or unincorporated body 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 members; and
- used for outdoor sporting recreational or cultural purposes or similar outdoor activities; or
- used primarily as agricultural showgrounds

Under the CRLA, provision is made for a Council to effectively grant a rating concession to the holder of any “recreational lands” which meet the test of being “rateable land” under the Act. At the time of adopting the Plan there are five properties which are “recreational lands” under the CRLA, being:

1. Melbourne Cricket Club Foundation Ltd - 37-41 Glen Street, Hawthorn, Vic, 3122
2. Kew Golf Club - 120B Belford Road Kew East, Vic, 3102
3. Auburn Bowls Club Inc. - 2B Munro Street, Hawthorn East, Vic, 3123
4. Green Acres Golf Club - 51 Elm Grove, Kew East, Vic, 3102
5. Grace Park Hawthorn Club - 2 Hilda Crescent, Hawthorn, Vic, 3122

Council remains open to considering whether other properties in its municipal district are eligible CRL properties and will assess those other properties as and when the need arises.

Determining eligibility and charge

Council will declare the rate equivalent amount for properties which have been identified as CRL properties” in accordance with Section 4 of the CRLA. The CRLA provides that “an amount be payable in lieu of rates in each year being such amount as the **municipal council thinks reasonable** having regard to the **services provided** in relation to such lands and having regard to the **benefit to the community** derived from such recreational lands”.

The types of “**Services provided to the land**”. Unlike most other properties, CRL properties do not benefit from some of the services provided by the Council. A review of Council services has been conducted to assess the type of services currently being ‘used’ by the CRL properties and it would be reasonable to assume that the following services provided to them are very similar or common:

- Road & Drainage Maintenance;
- Street Lighting;
- Street Signage;
- Car park/off street car parking.

The amount of the “**Community Benefit provided by the land**”. In response to surveys/questionnaires returned by eligible properties, Council has identified the following potential community benefits:

- Social interaction;
- Sporting programs;
- Coaching opportunities;
- Cultural promotion;
- Environmental benefits;
- Subsidised entry fees;
- Provision of premises;
- Charitable donations;
- Employment opportunities;
- Community Development/Meeting Places.

Whilst the eligible properties clearly provide a benefit to the community, quantifying the level of benefit can be complicated. These organisations own and exclusively occupy valuable parcels of land, some with substantial improvements, and if rated in the normal fashion, would be liable for a significant rate burden relative to the activity carried out. The exclusive occupation of CRL properties also restricts, at least to an extent, the accessibility of these CRL properties for the broader community.

Equally, activities undertaken by some of these organisations complement the broader range of community facilities provided by Boroondara for the community. They can often add to the aesthetic values of Boroondara and contribute to the character and natural environment.

It has been argued that golf clubs appear to provide a greater 'benefit' to the community than other eligible properties. This perception is probably a combination of larger memberships and because "benefit to the community" also could extend to preserving tracts of open space (although admittedly often not generally available, even for passive use).

All CRL properties will be liable to pay Fire Services Property Levy, and will be required to pay waste charges as and when they utilise Council's waste service.

Consultation and appeals

Written submissions about the calculation and determination of the rate equivalent amounts can be submitted by the owners of CRL properties. Property owners can also make verbal submissions to Council. The CRLA also provides for owners to appeal to the Minister, under Section 4(2) of the CRLA.

Strategy recommendation

It is recommended that Council declares a rate equivalent payment calculated by having regard to the services provided to the identified CRL properties and the benefit to the community derived from them, at the times and in the manner prescribed by the CRLA.

6 Collection and administration of rates and charges

6.1 Rate payment options

Ratepayers have the following options of paying rates and charges:

- Payment of rates is available by four instalments at the end of September, November, February and May.
- Single lump sum payment of rates in February is available.
- Ratepayers can elect to have their savings or cheque accounts debited automatically monthly for rate payments.
- Where rates are not paid in full by the due instalment or lump sum payment date Council is authorised to charge penalty interest on outstanding amounts at the penalty interest rate which is set by the state government and reviewed annually. The interest rate is 10% for 2020-21.

The *Local Government Act 1989* states that Council must allow residents to pay rate instalments in four instalments S167 usually 30 September, 30 November, 28 February and 31 May. Council may also allow residents to pay one lump sum payment set at the 15 February (these of dates are set by the Minister of Local Government).

Boroondara also provides the option for payment in full by 31 August in order to receive a 2.0% discount on rate payments under S168 of the *Local Government Act 1989*, and finally residents may also elect to pay through 10 monthly instalments via direct debit if established by 28 August.

The level of the discount will be reviewed annually in order to ensure it is:

- attractive to rate payers based on prevailing interest rates,
- is provided at lower net cost to the community and,
- continues to assist Council's operations through receiving funds earlier in the year than would otherwise be the case.

These four options for payment are amongst the widest available. For example, some Councils have removed the single lump sum payment option in February and very few offer an early payment discount. These various options available at Boroondara provide a satisfactory level of collection of rates across the financial year and hence assist Council to maintain its cash flow.

Strategy recommendation

That the City of Boroondara continues to provide the current range of rate payment options in future years; including a discount for early payment of rates in full.

6.2 Pensioner Rebates

Holders of a Centrelink or Veteran Affairs Pension Concession card or a Veteran Affairs Gold card which stipulates TPI, War Widow, EDA or POW 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.

The Victorian Government-funded rebate provided under the Municipal Rates Concession Scheme was 50% reduction on Council rates up to a yearly maximum of \$241.00 for 2020-21.

6.3 Calculation of interest

Interest is charged on overdue rates and charges in accordance with Section 172 of the *Local Government Act 1989*, namely:

- a. On the lump sum payment option as if the rates and charges were being paid by the four instalments option;
- b. On the four instalment payment option after the date the lump sum payment for that financial year is due;
- c. The interest is calculated at the rate fixed under section 2 of the *Penalty Interest Rates Act 1983*;

- d. The penalty interest rate applied to rates and charges debts of those ratepayers eligible for the pensioner rate rebate and suffering financial hardship be determined each year during Council's Annual Budget process.

6.4 Rates and Charges Deferment and Financial Hardship Policy

Council recognises managing financial hardship is a shared responsibility. Sections 170, 171 and 171A of the *Local Government Act 1989* give Council the power to defer and / or waive in whole or part the payment of rates and charges if Council determines the enforcement of the requirement to pay would cause hardship to the ratepayer.

Council has a Rates and Charges Deferment and Financial Hardship Policy in place to provide assistance to ratepayers experiencing difficulty in paying their rates and charges. The policy is to enable a person liable for rates and charges and experiencing hardship, to make application to Council for assistance relating to rates and charges levied on a property under the *Local Government Act 1989*.

The Policy also provides Council officers a framework to provide financial relief to ratepayers who need assistance and to ensure all applications are treated consistently, sensitively and confidentially while ensuring other ratepayers are not disadvantaged by the granting of inappropriate relief from Council.

Boroondara's Rates and Charges Deferment and Financial Hardship Policy 2021 establishes Council policy in relation to:

- Management of the payment of rates and charges by special arrangement;
- Applications to defer payment of rates and charges;
- Applications to have rates and charges waived; and
- Levying of penalty interest on outstanding rates and charges.

The application of fairness as a principle also applies to recognising the impact of unpaid rates on those who have paid their rates in full.

The timely collection of rates and charges ensures adequate revenue for the provision of council services and planned capital works projects provided by Council for the community.

6.5 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 of disposition or acquisition of an interest in land.

In the event that an account becomes overdue, Council will issue an overdue reminder notice which will include accrued penalty interest. Other than the annual valuation and rate notice, at least four reminder notices are issued before considering legal action. In the event that the account remains unpaid, Council may take legal action without further notice to recover the overdue amount. All fees and court costs incurred will be recoverable from the ratepayer.

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

Strategy recommendation

That the City of Boroondara continues to maintain the rates arrangements, deferral and waiver procedures as documented in the Rates Deferment and Financial Hardship Policy 2021.

7 Other Revenue

7.1 User Fees and Charges

The City of Boroondara provides a wide range of services, for which users pay a fee or charge which covers at least part of the cost of supply. The level of some fees and charges are statutorily set, however many are at the discretion of Council. Legislation provides for local governments to levy fees and charges.

Sound financial management of community service delivery requires fees and charges to reflect the cost of providing a service of a particular quality, moderated by considerations of affordability, accessibility and equity, as well as community expectations and values.

Council's financial resources are limited. The majority of Council's revenue comes from rates, with 6% of income raised through user fees and charges and 7% through statutory fines and charges. Although a relatively small proportion; fees and charges are an important source of income and increasingly so in a rate-capped environment.

Examples of user fees and charges include:

- Kindergarten central registration and enrolment fees
- Meeting or Facility room hire
- Equipment hire fees
- Waste Management fees
- Active Ageing service fees

Services funded by fees and charges provide enhanced community wellbeing. Council's Financial Strategy Principle on the Pricing of Services requires that fees and charges for services be set having regard to specific policies in applicable areas of Council, whilst incorporating cost recovery principles and marketplace competition.

Council's Pricing Policy 2018 and internal guide to reviewing fees at Boroondara, ensures that fees are set in line with community support objectives in mind. When setting fees and charges factors considered include the users capacity to pay, equity in the subsidisation of services, community service obligations, statutory or service agreement limitations and results of benchmarking of similar services.

Where higher or lower than budget parameter fee increases are proposed, benchmarking of other Council or competitor fees for the same service may be undertaken for consideration by Councillors as part of the annual budget process.

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 Pricing
- B. Full Cost Recovery Pricing
- C. Accessible Pricing (Subsidised Pricing)
- D. Disincentive Pricing.

The following pages describe each applicable pricing principle that is to be applied in each circumstance.

Market Pricing (A)

This includes services that provide discretionary activities not mandated by legislation or agency agreements. These activities may provide revenue support and complement other social policy actions.

Ideally, the price should achieve full cost recovery and be at a level similar to those charged in the market as a whole. If a price less than full cost recovery is contemplated, Council may consider a review of whether it should provide the service, or whether there is a community service obligation that warrants a public interest test.

Council is required to price services that compete in the open market on a 'level playing field' basis and to make any decision to depart from a commercial basis for pricing of services transparent. Any Council service that competes in the open market may be subject to competitive neutrality requirements if it is a significant business activity as determined by market share or sales volume.

Full Cost Recovery Pricing (B)

Full cost recovery price (B) aims to recover all direct and overhead 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.

Example of full cost recovery



For an example, the net costs of waste management and associated services are fully recovered by Council through the waste management charges.

In 2017, Council adopted a revised Waste Minimisation and Recycling Strategy. The key objectives of this strategy are to reduce the amount of waste deposited at landfills maximising recycling and achieve sustainable environmental outcomes by providing best practice services to the Boroondara community. An implementation plan has been developed setting out actions, priorities and resources required.

Costs considered in waste charges are waste to landfill (inclusive of taxes and levies), food organics and green organics waste service, the recycling service, hard-waste collection, operation of the Riversdale Road Transfer Station, Clayton Landfill, delivery of street sweeping services, public place waste and recycling services, and provision of waste collection in public parks, gardens, sportsgrounds and community buildings, bin renewal requirements, disposal of electronic waste and waste management resources and overheads. Waste bin fees and transfer station tipping fees have been set to recover the full costs of all of these services.

Accessible Pricing (Subsidised Pricing) (C)

Accessible 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.

Disincentive Pricing (D)

Council may have an applicable policy objective that supports disincentive pricing and performs the role to regulate and restrict certain behaviour.

As per the Victorian Auditor General's Office report "Fees and charges – cost recovery by local government" recommendations, Council has developed the Pricing Policy 2018 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; and
- 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.

7.2 Statutory Maximum or Non-Discretionary Pricing

Where fees are set by State Government statute (Statutory Fees); Council has no ability to alter the fee. These fees are fixed and result in a growing cost to the general ratepayer to provide services as the level of cost recovery is diminished over

time. Fees will be amended in line with any increases should one be determined by State Government over the course of the year.

Examples of statutory fees and fines include:

- Infringements and fines
- Planning and subdivision fees
- Building and Inspection fees
- 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.

One fee unit is currently \$14.81, from 1 July 2020 to 30 June 2021. 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.

7.3 Grants

Grant revenue represents income usually received from other levels of government, such as the Victorian Local Government Grants Commission (VLGGC). 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.

In the 2020-21 Budget government grants totalled \$14.72 million (includes 50% of the VLGGC grant of \$2.43 million received in 2019-20), all but \$4.86 million are tied grants which require Boroondara to perform a service on behalf of the State or Federal government. In most cases the tied grants do not adequately fund the service provided and additional rate revenue is required to subsidise these services. This is known as cost shifting to local government and is widely recognised across the sector as a major issue.

Boroondara does not benefit from untied grants to the same extent as most other local governments in Victoria. Many grants are adjusted by State and Federal Governments on the basis of capacity to pay and other socio-economic factors and therefore Boroondara is one of the lowest recipients with grant income equivalent to

\$21.03 per resident in Boroondara (Source 2020-21 Victorian Local Government Grants Commission Annual Allocation Report).

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 the 10 year 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.

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.

7.4 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.

7.5 Sale of Assets

The sale of assets will be considered in line with Council's Financial Strategy Principle "**Property Holdings Principle**" - *Council will manage, acquire and dispose of property in the best interest of the Boroondara community. Council recognises the importance of property holdings over the long term to community wellbeing.*

Assets will only be considered for disposal where there is no clear Council or community need for that asset in the foreseeable future. All property considered for disposal will undergo a thorough evaluation based on both financial and community benefit factors. Open space will not be sold unless replaced by areas of equal size and/or value. Any proceeds derived from property realisation will be directed towards funding land acquisition, new/upgrade capital works or debt reduction and will not be used to fund operating expenditure. Council will not necessarily hold property that has no current or future identified purpose, or if that purpose can be met more effectively in other ways.

Existing holdings or strategic acquisitions must meet existing needs, new identified needs or adopted strategies. To enhance community benefit opportunities for the alternative use of property (including asset realisation) will be investigated.

Regular reviews of asset holdings will be conducted to identify opportunities for asset realisation. Asset management plans, asset usage, land use planning documents and community benefit will be considerations in such reviews.

7.6 Other income - Leasing and licensing

Council provides a range of assets for use by the public, community groups and other organisations to meet its mission providing services, facilities, support and advocacy to enable our community to further its sense of place and connection.

Sources of income may be received from leasing and licensing arrangements managed through the Council Assets - Leasing and Licensing Policy. The policy applies to all Council managed assets, including Council owned, Crown Land (where Council is the appointed Committee of Management) and any other land Council has control over, where an occupancy agreement is to be offered to a community group or other organisation. The Leasing and Licensing Policy outlines what occupancy agreements are covered.

7.7 Interest on Investments

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

8 Accountabilities

For all queries or feedback regarding the Revenue and Rating Plan, please contact the Chief Financial Office by emailing: boroondara@boroondara.vic.gov.au :

8.1 Related Documents

- *Cultural and Recreational Lands Act 1963*
- Council's Community Engagement Policy 2021-2026
- Council's Pricing Policy 2018
- Council's Rates Deferral and Financial Hardship Policy 2021
- Council's Treasury Policy
- Council's Waste Minimisation and Recycling Strategy 2017
- *Local Government Act 1989*
- *Local Government Act 2020*
- Local Government (Planning and Reporting) Regulations 2020
- Ministerial Guidelines for Differential Rating - April 2013
- *Penalty Interest Rates Act 1983*
- *Valuation of Land Act 1960*
- Valuation Best Practice Guide 2014
- Valuation Best Practice Specifications Guidelines 2020 and 2021