Hume City Council

Revenue and Rating Plan 2023/24

HUME CITY COUNCIL

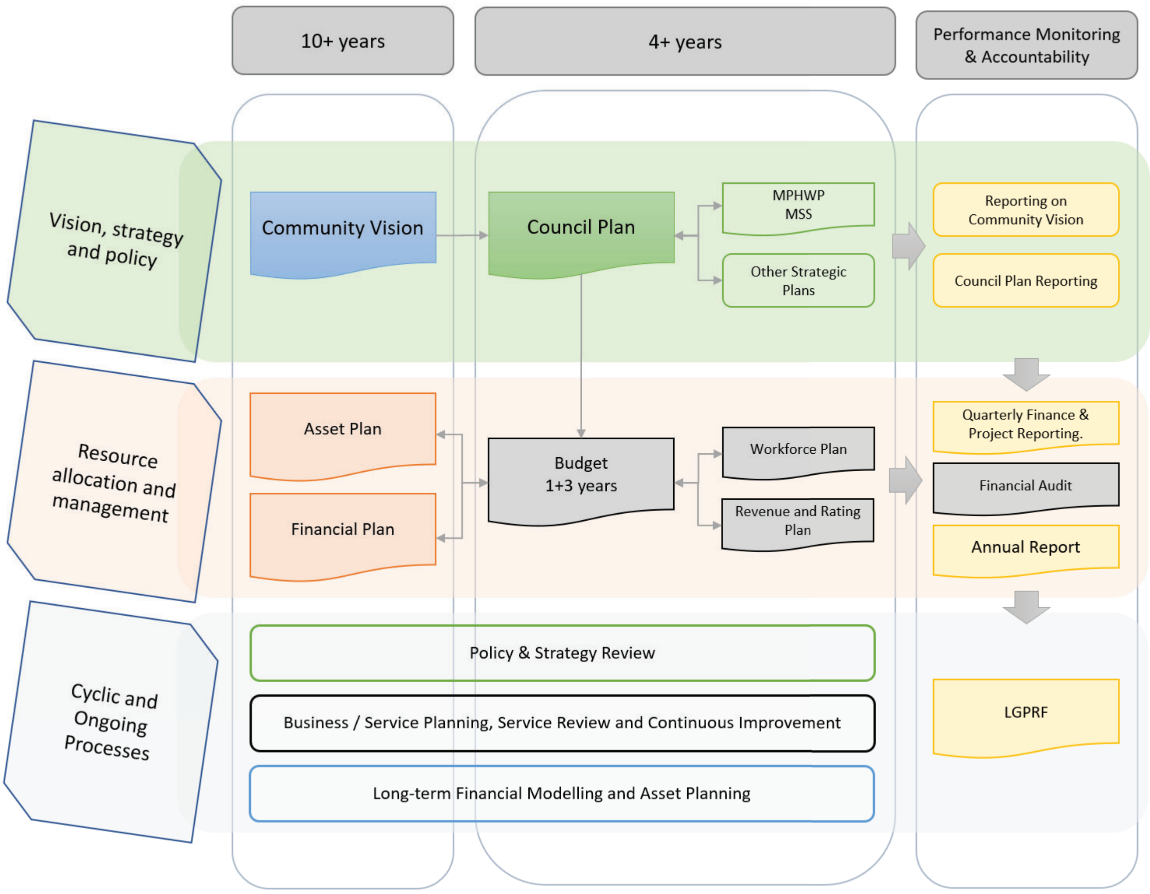
Contents

Purpose

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

The purpose of the Plan is to determine the most appropriate and affordable revenue and rating approach for Hume City Council (Council) which in conjunction with other income sources will adequately finance the strategic objectives in the Council Plan and maintain financial viability over the medium and long term.

This plan is an important part of Council's integrated planning framework. Strategies outlined in this plan align with the objectives contained in the Council Plan 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.



Source: Department of Jobs, Precincts and Regions

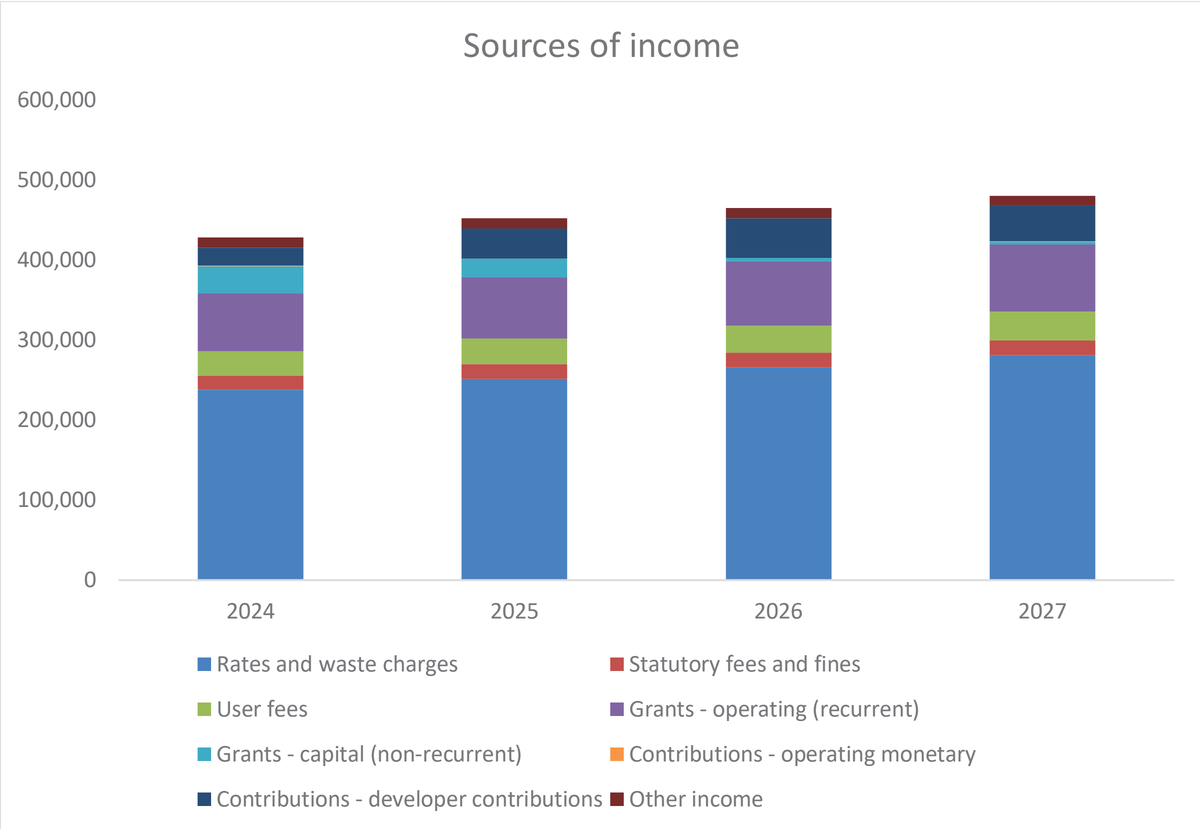
This Plan will explain how Council calculates the revenue needed to fund its activities, and how the funding burden will be apportioned between ratepayers and other users of Council facilities and services. In particular, this Plan will set out decisions that Council has made in relation to rating options 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.

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 major sources of revenue are:

- General rates and charges
- Government grants
- Statutory fees and fines
- User fees
- Cash and non-cash contributions from other parties (e.g. developers)
- Other income including interest on investments and property rental



The above graph represents the sources of revenue for Council as contained within the 2023/24 Budget for the four years from 2023/24 to 2026/27. As can be seen in the above chart, rates are the most significant revenue source for Council and comprises over 40% of its annual income. Therefore, Council continues to be reliant on its rates revenue as a major source of income.

The introduction of rate capping under the Victorian Government's Fair Go Rates System (FGRS) has brought a renewed focus to 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. It is important to note that the rate cap applies to the total rate pool and not to individual properties. Actual rate increases of individual properties are impacted by changes in property valuations with individual rate increases dependent on relativity to average valuation increases across the municipality. Due to the annual revaluation system, it is highly unlikely that in any year the rate increase on an individual rate notice will align with the rate cap.

Maintaining service delivery levels and investing in community assets remain key priorities for Council. This Plan will address Council's reliance on rate revenue and provide options to actively reduce that reliance.

All avenues have been pursued to obtain external grant funds for prioritised works. 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, community hubs 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.

The setting of fees and charges has been done with the objective of determining the most appropriate pricing method and pricing category to apply to fees and charges based on an assessment of the service to be provided and the recipient of that service in accordance with Council's Setting of Fees and Charges Policy. A schedule of the current user fees and charges is presented in the annual budget. Also included is a selection of Council services and their costs compared to the income, including fees charged for their provision.

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 statutory or regulatory fees. In these cases, Council usually has 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 Plan and in Council's Setting of Fees and Charges Policy.

How the rate cap works

The rate cap limits the total amount a council can increase its rates each year based on the amount it levied in the previous year. Only the general rate and municipal charges part of a rates bill are subject to the rate cap. All other parts, such as waste charges and other user fees and levies, remain uncapped.

The rate cap applies to Council's total rate revenue and not individual properties. In many cases, individual rates bills may increase or decrease by more (or less) than the capped rise amount. This may happen because:

- the value of the property has increased or decreased in relation to the value of other properties in the council
- other charges and levies that are not subject to the cap, such as the waste charge, has risen. The capped increases apply to the general rates and municipal charges only
- the amount of rates levied from properties of that type (residential, commercial or rural) has changed through the council's application of differential rates

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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.

Community Engagement

This Plan outlines Council's decision-making process on how revenues are calculated and collected. The following public consultation process will be followed to ensure due consideration and feedback is received from relevant stakeholders.

Revenue and Rating Plan community engagement process:

- Draft Revenue and Rating Plan;
- Draft Revenue and Rating Plan placed on public exhibition;
- Community feedback considered by Council;
- Community engagement on the Hume City Council website; and
- Revenue and Rating Plan (with any revisions) presented to Council meeting for adoption.

This is conducted as part of the community engagement process for the annual budget.

Rates and Charges

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

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

- **General Rates** – Based on property values, which are indicative of capacity to pay and form the central basis of rating under the *Local Government Act* 1989;
- **Service Rates or Charges** - A 'user pays' component for Council services to reflect benefits provided by Council to ratepayers who benefit from a service; and
- **Municipal Charge** - A 'fixed rate' portion per property to cover some of the administrative costs of Council.

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

The rate in the dollar is included in Council's annual budget. Rates and charges are an important source of revenue, accounting for over 40% of operating revenue received by Council. The collection of rates is an important factor in funding Council services. Planning for future rate increases is therefore an essential component of the long-term financial planning process and plays a significant role in funding both additional service delivery and the increasing costs related to providing Council services.

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

The fee for the standard waste charge for kerbside collection of general waste and recycling previously formed part of the general rates. However, from 1 July 2023, Council will recoup the costs associated with delivering its waste service through the introduction of a separate waste charge. Such charges are not capped under the Fair Go Rates legislation.

Revenue in lieu of rates

In limited cases, the owner or tenant of land exempt from rates may have an agreement in place to pay Council an amount in lieu of rates (e.g. Commonwealth owned land used for defence and other purposes). Council currently has an agreement in the form of a Memorandum of Understanding (MOU) with Australia Pacific Airports (Melbourne) Pty Ltd (APAM) for the payment of 'Rates In Lieu' (RIL). This amount of RIL represents a significant portion of Council's rate revenue.

The other RIL agreement is with Note Printing Australia which is a wholly owned subsidiary of the Reserve Bank of Australia that produces bank notes and passports.

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 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 Budget as required by the *Local Government Act* 2020 and the integrated planning and reporting requirements of the Act.

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

- the total amount that the Council intends to raise by rates and charges;

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

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

Rating principles

Taxation Principles:

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

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

Wealth Tax

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

Equity

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

Efficiency

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

Simplicity

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

Benefit

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

Capacity to Pay

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

Diversity

The capacity of ratepayers within a group to pay rates.

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

Rates and Charges Revenue Principles:

Property rates will:

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

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

Determining which valuation base to use

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

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

For residential and farm properties, NAV is calculated at 5 per cent of the Capital Improved Value. For commercial and industrial properties, NAV is calculated as the greater of the estimated annual rental value or 5 per cent of the CIV.

Capital improved value (CIV)

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

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.

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 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 may cause a shift in the rate burden.

There would be further rating movements away from modern 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.

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.
- Scope for possible concessions for urban farm land and residential use land.

Disadvantages in using Site Value

- Under SV, there may be a shift from the Industrial/Commercial sector onto the residential sector of Council.
- SV is a major burden on property owners that have large areas of land. Some of these owners may have much smaller/older dwellings compared to those who have smaller land areas but well developed dwellings - but will pay more in rates. A typical example is flats, units, or townhouses which will all pay low rates compared to traditional housing styles.
- The use of SV can place pressure on Council to give concessions to categories of landowners on whom the rating burden is seen to fall disproportionately (e.g. farm

land and residential use properties). Large landowners, such as farmers for example, are disadvantaged by the use of 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.

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 NAV 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 were to choose the former, under the *Local Government Act* 1989 it must adopt either of the CIV or NAV methods of rating.

Hume City Council applies 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.

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.

It is important to note that Council does not collect extra revenue as a result of changes in property valuations. Valuations are simply used to help calculate the rates payable for each individual property. Information about an individual's property value is included on the rate notice issued by Council.

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 valuations and advises council on a monthly basis of valuation and Australian Valuation Property Classification Code (AVPCC) changes.

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

Objections to property valuations

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

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

Rating Objections

Council raises its ad valorem rates through a uniform rate. In the final report from the Local Government Rating System Review Panel, it was suggested that there is a lack of clarity about rationales and evidence for using differentials. The simplest form of ad valorem rates is the uniform rate. This is raised by a single rate in the dollar being applied to the valuation of all properties in the municipality.

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 valuation.

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. The same contribution amount per assessment to cover a portion of council's administrative costs can be seen as an equitable method of recovering these costs.

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:
a. the wards, groups, uses or areas for which the special rate or special charge is declared;
b. the land in relation to which the special rate or special charge is declared;
c. the manner in which the special rate or special charge will be assessed and levied; and
d. details of the period for which the special rate or special charge remains in force.

The special rates and special charge provisions are flexible and can be used to achieve a wide range of community objectives. The fundamental principle of special rates and special charges is 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 special charges.

Council currently has one special charge scheme.

Service rates and charges

Section 162 of the *Local Government Act 1989* has been amended by the *Local Government Legislation Amendment (Rating and Other Matters) Act 2022*. The amended *s162* provides that a Council may declare a service rate or an annual service charge or any combination of such a rate and charge for waste, recycling or resource recovery services. In addition, a service rate or service charge may be declared on the basis of any criteria specified by the Council in the rate or charge.

Service rate
This is based on property valuation in the same way general rates are applied where properties with lower values pay lower rates. With a service rate there is no correlation with the individual ratepayer consumption of services.

Service charge
This is a user pays type approach where ratepayers pay the same charge for the same service, independent of property valuation.

Kerbside Waste Services – Service Charge
Council provides kerbside waste services, such as the regular household rubbish and recycling bin collection, as well as providing new and replacement bins. The kerbside waste charge covers the cost of providing kerbside waste services includes transport, fuel, waste management contracts and recyclables processing. This is all kerbside collections – rubbish to landfill, comingled recycling and glass for recycling.

Council will apply a kerbside waste service charge to residential and non-residential properties, where Council is able to provide a kerbside waste service.

Public Waste Services – Service Rate/Charge
Council provides public waste services that benefit the whole community, such as bins in streets and parks, street sweeping, illegal rubbish dumping and litter removal. Public Waste Rate covers the costs of street cleaning, parks litter collection, street sweeping and dumped rubbish and litter collection.

A public waste service charge will apply to all residential properties and a service rate will apply to all non-residential properties.

Garbage Charge on Non-Rateable properties – Service Charge
Non-rateable properties who elect to receive a kerbside waste service will pay for the service in accordance with the fees outlined in Council's budget. A public waste charge is not applicable to non-rateable properties.

Collection and administration of rates and charges

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

Payment options

In accordance with section 167(1) of the *Local Government Act* 1989 ratepayers have the option of paying rates and charges by way of four instalments. Payments are due on the prescribed dates below:

- 1st Instalment: 30 September
- 2nd Instalment: 30 November
- 3rd Instalment: 28 February (29 February in leap year)
- 4th Instalment: 31 May

Council offers a range of payment options including:

- in person at Council offices (cheques, money orders, EFTPOS, credit/debit cards and cash):
- online via Council's ratepayer portal, direct debit (on prescribed instalment due dates or monthly):
- BPAY:
- Australia Post (over the counter, over the phone via credit card and on the internet):
- by mail (cheques and money orders only):
- by phone via Visa and Mastercard; and
- Centrepay for recipients of Government payments.

Interest on arrears and overdue rates

Interest is charged on all overdue rates in accordance with Section 172 of the *Local Government Act* 1989. The interest rate applied is fixed under Section 2 of the *Penalty Interest Rates* Act 1983, which is determined by the Minister and published by notice in the Government Gazette.

Pensioner rebates

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

Deferred payments

Under Section 170 of the *Local Government Act* 1989, Council may defer the payment of any rate or charge for an eligible ratepayer whose property is their sole place of residency, allowing ratepayers an extended period of time to make payments or alternatively to forestall payments on an indefinite basis until the ratepayer ceases to own or occupy the land in respect of which rates and charges are to be levied. Deferral of rates and charges are available to all ratepayers who satisfy the eligibility criteria and have proven financial difficulties.

Financial Hardship Application

It is acknowledged at the outset that various ratepayers may experience financial hardship for a whole range of issues and that meeting rate obligations constitutes just one element of a number of difficulties that may be faced. The purpose of the Financial Hardship application is to provide options for ratepayers facing such situations to deal with the situation positively and reduce the strain imposed by financial hardship. Ratepayers may elect to either negotiate a rate payment plan or apply for a rate deferral.

Council has also adopted the Rates Financial Hardship Policy in order to assist ratepayers who are experiencing financial difficulties. A copy of this policy is available on Council's website, by contacting customer service on (03) 9205-2200 or by emailing contactus@hume.vic.gov.au.

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 may include accrued penalty interest. In the event that the account remains unpaid, Council may take legal action without further notice to recover the overdue amount. All fees and court costs incurred will be recoverable from the ratepayer.

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

Fire Services Property Levy

In 2016 the Victorian State Government passed legislation requiring the Fire Services Property Levy to be collected from ratepayers. Previously this was collected through building and property insurance premiums. The Fire Services Property Levy helps fund the services provided by the Metropolitan Fire Brigade (MFB) and Country Fire Authority (CFA), and all levies collected by Council are passed through to the State Government. The Fire Services Property Levy is based on two components, a fixed charge, and a variable charge which is linked to the Capital Improved Value of the property. This levy is not included in the rate cap and increases in the levy are at the discretion of the State Government.

Other Revenue Items

Rates and other sources of revenue such as fees, charges and grants should be determined together, noting their different characteristics and impact on the community. A balance needs to be struck between rating to fund public services and benefits (for example, footpaths) versus private services to specific groups or individuals (for example, leisure centres), which are often better funded through user fees and charges. Many goods and services fall between these two extremes – they have both public and private good characteristics. In these cases, decisions regarding how best they are funded becomes challenging.

Council generally does not provide pure public goods (though many have public good characteristics) rather, it provides a variety of 'mixed goods' (part public, part private) and private goods. Examples of services provided that are more closely defined as public goods include local roads, footpaths, public parks and community libraries. Examples that are more closely defined as private goods include waste collection and planning permits. Directly charging users for services with mostly public good characteristics is usually impractical (such as charging people a fee for walking on footpaths). Council therefore recognises that it is more appropriate to recover the cost of services that have predominantly private good characteristics through user-pays charges and use property rates to offset the cost of public goods.

Striking a balance between these two revenue sources forms an important element of a revenue and rating strategy. Council's pricing policy, the Setting of Fees and Charges Policy (POL/208), is an acknowledgement that the chosen mix is a policy decision by Council and takes into account a range of often competing and conflicting considerations. This pricing policy includes making considered choices about discretionary revenue such as fees and charges paid by service users and residual service costs borne by ratepayers. The pricing policy can directly affect who obtains access to services (affordability) and the level and frequency of that access. These aims are commonly addressed by the introduction of subsidies. Cross-subsidisation implies that one group may pay higher/lower prices than another group. Cross-subsidisation exists in a number of forms:

- cross-subsidisation between the fees and charges paid by different users for a specific service – a cross subsidy between users (for example concession prices);
- cross-subsidisation between fees, charges and rates – a cross subsidy between users and ratepayers or from one service to another service; and
- cross-subsidisation between the amounts of rates paid by various classes of ratepayers.

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:

- Preschool and childcare fees;
- Leisure centre, gym, and pool visitation and membership fees;
- Waste management fees;
- Aged and health care service fees; and
- Leases and facility hire fees.

All Council services can be reviewed to assess whether they are appropriate to attract user fees and charges. Attributes of a service that can affect the ability for a council to place a fee or charge include whether the operation is a public or private good in nature and if there is any state or federal government legislation or funding conditions prohibiting or setting ceilings for pricing. Examples of such charges relating to Council services are found below:

Service	Significant or typical fee or charge	Examples of Constraints
City development	Planning application fees	Many fee levels set by Victorian Government
Leisure, health and wellbeing	Leisure centre entrance fees	Competition (if any) from other centres
Lifelong learning	Library fees	Basic services free as condition of State Government funding
Early childhood education and care	Child care and preschool centres	Constraints from funding agreements Competition from private providers
Family support and health	Maternal and child health	Basic services free as part of State Government funding
Waste management	Standard kerbside collection fees	Nil
	Tip disposal fees	Influenced by Environment Protection Act 1970 provisions
Disability support services	HACC services fees	Maximums set by State Government
Community safety	Local Laws fees or fines	Some related to penalty units set annually by State Government

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. Council has adopted a Setting of Fees and Charges (pricing) policy that guides the setting of user fees and charges for Council services with transparency, consistency and equity. Council is progressively implementing this policy.

Statutory fees and fines

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

- Planning and subdivision fees;
- Building and Inspection fees;
- Infringements and fines; and
- 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 $184.92, from 1 July 2022 to 30 June 2023. 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 $15.29. 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.

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.

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 handovers.

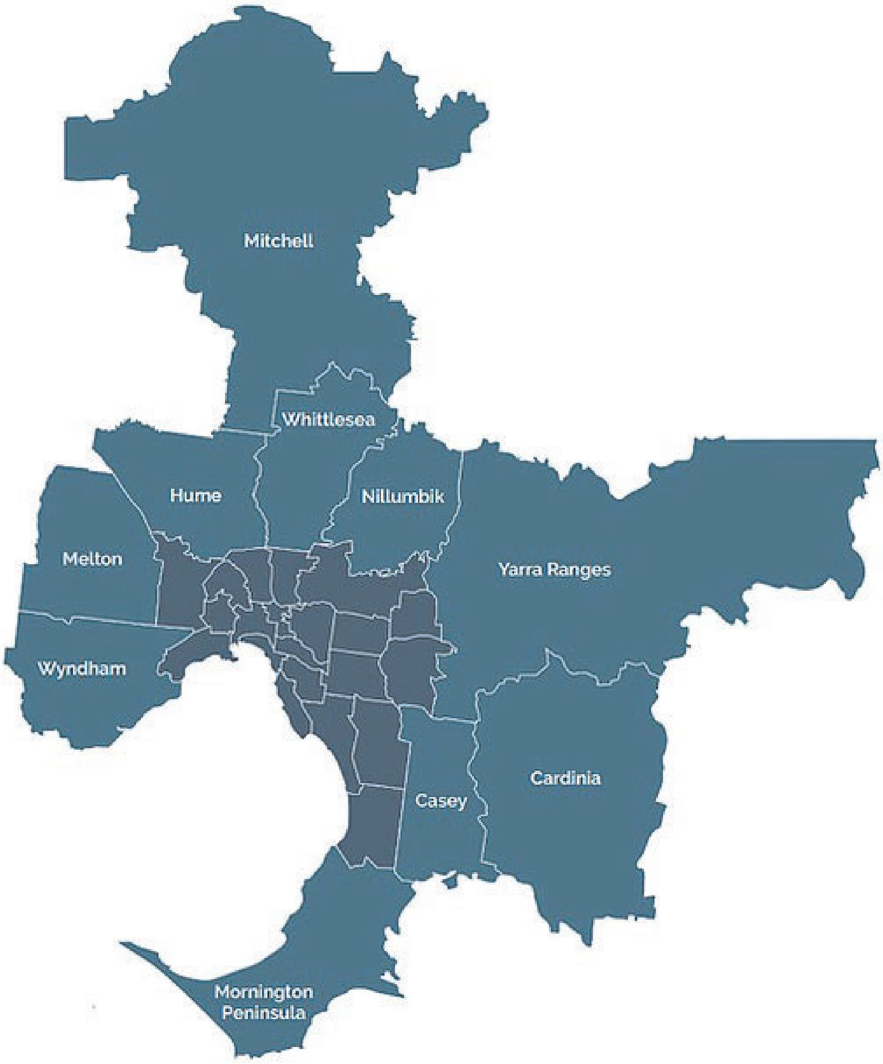
Examples of contributions include:

• 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; and
• Assets handed over to council from developers at the completion of a subdivision, such as roads, drainage, and open space.

Contributions should always be linked to a planning or funding agreement. Council will not undertake any work on a contribution-funded project until a signed agreement outlining the contribution details is in place. Contributions linked to developments can be received well before any council expenditure occurs. In this situation, the funds will be identified and held separately for the specific works identified in the agreements.

Development and Infrastructure contribution plans

Hume City Council is considered to be an interface Council and is one of ten municipalities which form a ring around Metropolitan Melbourne as shown below:



Population growth is a major issue for Interface Councils. The City of Hume has and continues to undergo a significant increase in population and households particularly through the northern corridor of the municipality. However, whilst the growth generates additional rates and contributed assets from developers, it also comes with a number of challenges in the form of increased service provision and the need to deliver, maintain and renew infrastructure assets (eg roads, open space and footpaths) and community facilities. In order to help fund the infrastructure and new facilities, the Victorian Planning Authority (VPA) has developed a framework known as Development Contributions Plans (DCP's) or Infrastructure Contributions Plans (ICP) which outline the levies that landowners and developers must pay to the State Government and to Council.

Council is required to manage DCPs/ICP's to ensure that funding is available for projects at the right time. That is, infrastructure and community facilities may be required before all the developer contributions are received as some development may not occur for some time in the future. While developers contribute funding towards infrastructure, ultimately Council is liable to provide the items in the DCP's/ICP's.

Shortfalls in the funding generated from DCP's/ICP's and the amounts required to deliver the infrastructure and community facilities, are required to be funded from government grants or rates revenue. As the population increases, so too does Council's expenses (both operating for the day-to-day operations of Council and capital for new, or to renew or upgrade existing, infrastructure and community facilities). However, with the capping of rates, the growth of rates revenue per head or population or households is limited.

Interest on investments

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

Recommendations

In light of the above, a number of recommendations are endorsed in this Plan as follows:

- The valuation base used by Council to levy rates wil be CIV;
- Council will not levy a differential rate, but rather the use of a uniform rate (single rate in the dollar) will be set for all properties in the municipality. Therefore, all ratepayers pay the same proportion of their property's value when uniform rates are used;
- A separate waste charge will apply from 1 July 2023 for the recoupment of costs associated with Council's waste service.
- Council currently does not levy a municipal charge.
- Council will continue to use it's Setting of Fees and Charges Policy for Council services to ensure transparency, consistency and equity.