



**CENTRAL  
GOLDFIELDS**  
SHIRE COUNCIL

# Central Goldfields Shire Council Revenue and Rating Plan 2021-25

May 2021



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**Revenue and Rating Plan 2021-25**  
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## Purpose

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

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

This plan is an important part of Council's integrated planning framework, all of which is created to help Council achieve its vision of an engaged and responsible community.

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

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

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

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

## Introduction

Council provides a range 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 (ie developers, community groups)
- Interest from investments
- Sale of Assets

Property rates (rates) are Council's single biggest income source, representing 42.2% of income in the 2021-2022 budget. Council's revenue and rating plan articulates to the community how the total rate revenue to be raised is allocated between individual ratepayers.

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

Council provides a wide range of services to the community, often for a fee or charge. The nature of these fees and charges generally depends on whether they relate to statutory or discretionary services. Some of these, such as statutory planning fees are set by State Government statute and are commonly known as regulatory fees. In these cases, councils usually have no control over service pricing. However, in relation to other services, Council can set a fee or charge and will set that fee based on the principles outlined in this Revenue and Rating Plan.

Any changes to the rating system is a financial nil sum exercise for Council, in that the total revenue raised by Council remains the same. What any changes to the rating system does do is alters the amount that each individual property contributes in rates. In essence, any changes made that provides a reduction in rates paid by one group of ratepayers must be offset by increases in the rates paid by other groups of ratepayers.

## Rating legislation

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

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

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

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

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

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

- a) the total amount that the Council intends to raise by rates and charges.
- b) a statement as to whether the rates will be raised by the application of a uniform rate or a differential rate.

- c) a description of any fixed component of the rates, if applicable.
- d) if the Council proposes to declare a uniform rate, the matters specified in section 160 of the Local Government Act 1989.
- e) if the Council proposes to declare a differential rate for any land, the matters specified in section 161(2) of the Local Government Act 1989.

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

- a) that the Council intends to apply for a special order to increase the Council’s average rate cap for the financial year or any other financial year; or
- b) that the Council has made an application to the ESC for a special order and is waiting for the outcome of the application; 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 the annual Central Goldfields Shire Council 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.



## Rating Framework

### What are rates?

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

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

- General Rates – Based on property values (using the Capital Improved Valuation methodology), which are indicative of capacity to pay and form the central basis of rating under the Local Government Act 1989;
- Service 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.

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

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

Central Goldfields Shire Councils rating structure comprises five categories of rates (residential, rural residential, vacant, commercial, and farmland) and currently applies three additional "other" differentials to residential, commercial and vacant land. These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the Local Government Act 1989, and the Ministerial Guidelines for Differential Rating 2013. The differential rates are discussed in more details later in this document.

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

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

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

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

Rates and charges are an important source of revenue, accounting for 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 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.

Council currently utilises a service charge to fully recover the cost of Council's waste services and provide for future landfill rehabilitation costs. The waste management service charge is not capped under the Fair Go Rates System, and Council will need to ensure that revenue from this charge is applied to appropriate costs associated with providing the service.

Council's revenue and rating plan considers the fair and equitable share of rates to be paid by the owner of each type of property (residential, farm, commercial, industrial and vacant land).

## Property valuations

Under Section 11 of the Valuation of Land Act 1960, Council is required, for rating purposes, to undertake a general revaluation of rateable land as at 1 January in each calendar year. This revaluation will then be used to calculate the rates for the financial year commencing on 1 July of that year.

Revaluations result in varying levels of valuation movements across the municipality, which sometimes result in major shifts in the rate burden and significant movement in rates for individual properties.

There is a common misconception that as property values increase, Council receives a 'windfall gain' of additional revenue. This is not so as the revaluation process simply results in a redistribution of the rate burden across all properties in the municipality.

Total income from rates is determined by the Council, during the budget process and is governed by the State Government's Fair Go Rates System. In order to generate the same amount of rate revenue, in simple terms, as property values increase, the rate in the dollar decreases.

## Revenue and rating principles

The Local Government Victoria Revenue and Rating Strategy Better Practice Guide sets out the following seven revenue and rating principles.

### Wealth tax principle

Wealth can be defined as the total value reflected in property and investments and income directed to day-to-day living. Local government is limited to taxing one component of wealth – real property. Council rates tax the stored "wealth" or unrealised capital gains inherent in land and buildings.

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.

One issue associated with the application of the wealth tax principle to property rating is that it takes no account of an individual ratepayer's net financial equity in a property. Thus the owner of a house with a valuation of \$300,000 and a \$240,000 mortgage on that property pays the same rates as the

owner of a house with a valuation of \$300,000 with no mortgage, despite only having 20% of the net equity (wealth) in that property.

This is an inherent shortcoming of the property rating system, in that it taxes the gross “wealth” embedded in a property, even when the bulk of that “wealth” may not be owned by the property owner (ie the majority of the “wealth” is owned by the mortgagee, which in most cases is a bank). In effect, property rates are a tax on controlled wealth, as opposed to wealth measured by financial equity in a property.



## Equity

Equity is a subjective concept that is difficult to define. What is considered fair for one person may be considered unfair for another. There are two main equity concepts used to guide the development of rating strategies (and taxation more generally):

Horizontal equity – ratepayers in similar situations should pay similar amounts (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 than those worse off (this rationale applies for the use of progressive and proportional income taxation. It implies a “relativity” dimension to the fairness of the tax burden).

Rates are essentially a wealth tax, determined on the value of property. A pure “wealth tax” approach implies that the rates paid relate directly to the value of a ratepayer’s real property. The tests of horizontal and vertical equity are solely based on a property’s value. There is frequent debate surrounding the characteristics of property owners that may impinge on the application of an equity principle. The three main ways in which positions can vary are:

- the benefit or user pays principle – some ratepayers have easier access to, make more use of, or benefit more from the Council services paid for by rates
- the capacity to pay principle – some ratepayers have more ability to pay rates than do others with similarly valued properties
- the incentive or encouragement principle – some ratepayers may be doing more towards achieving Council goals than others (for example, in areas such as employment creation and environmental or heritage protection).

Concepts such as “user pays” and “capacity to pay” often conflict. Depending on your viewpoint the equitable outcome may be the one where individuals pay more, or less, or exactly in proportion to, their level of consumption of services.

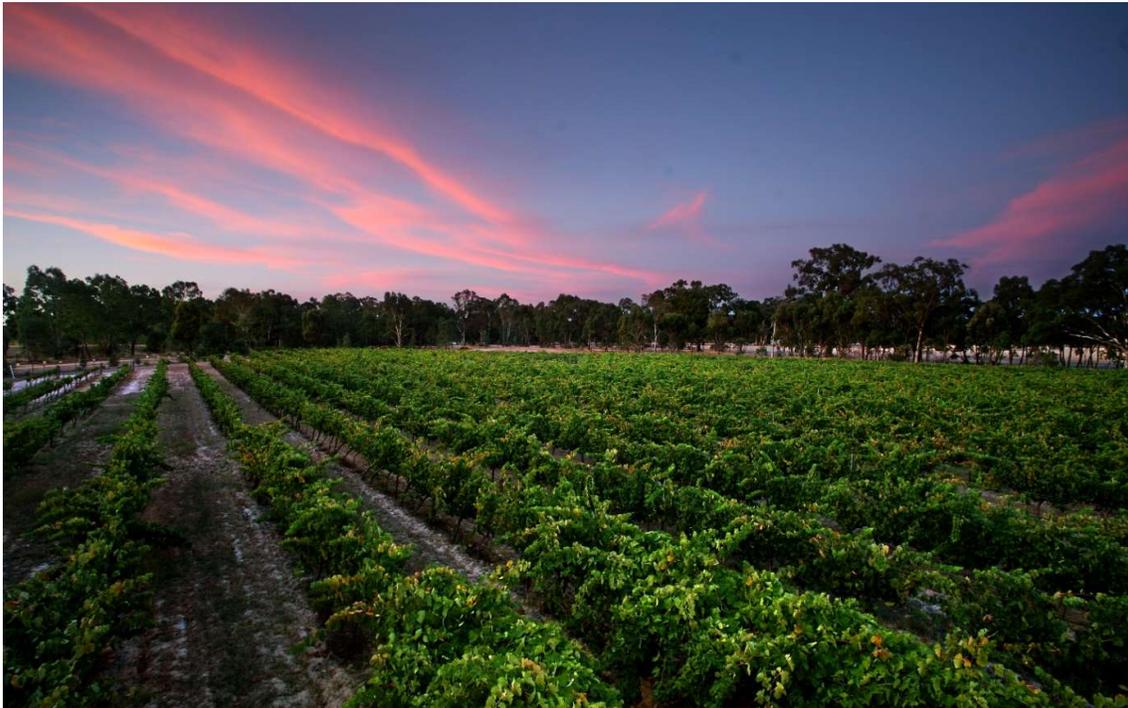


## Efficiency

Economic efficiency is measured by the extent to which production and consumption decisions by people are affected by a tax. Setting aside taxes explicitly intended to change behaviour (such as high taxes on cigarettes), a perfectly efficient tax would be one, which did not distort behaviour. Of course, there is no such tax – all taxes affect behaviour to some extent. However, economic efficiency in revenue collection is maximised when the degree of this distortion is minimised.

Price is the major mechanism through which taxation efficiency may be achieved and for services where users are price sensitive, direct charging can influence demand and thus lead to greater efficiency. Conversely, the funding of services through rates (or via subsidies from other services) may result in an inflated demand for services and additional costs for Councils to meet this demand. As a result, a mix of user charges and rates revenue funds a variety of Council services.

The efficiency of a tax is also related to the cost of administration. Administration costs include the issuing of assessments, collection of rates (including maintaining and improving collection systems), monitoring outcomes, educating and informing ratepayers, and enforcement and debt recovery.



### Simplicity

The taxation principle of simplicity revolves around how easily a system can be understood by the public, and in particular ratepayers. This can conflict with the principles of equity and efficiency.

A simple rating scheme would have a limited number of rating classifications, even using a uniform rate. Other features of a simple rating scheme may be practicality and ease of administration. Rates in general are quite simple to administer in that they rely on a clear information source (property values) and they place a levy on something that is impossible to conceal (land). Public understanding is another consideration for a Council in striving for simplicity. A simple system should be easier for the public to understand as should the explanation of it by a Council.

The efficacy of using rates to provide incentive or encouragement for ratepayers to act in a certain way to achieve corporate goals (e.g. environmental) should be evaluated critically against other approaches in terms of likely effectiveness.

### Benefit principle

A popular complaint levelled at Councils is that “the rates I pay have no correlation with the services I consume or the benefits I receive”. This argument is based on the benefit principle (the opposite of the wealth tax principle) that argues there should be a clear nexus between consumption/benefit and the rate burden. A user pays system is closely reflective of the benefit principle.

Application of the benefit principle to rates is difficult in practice because of the impossibility of measuring the relative levels of access and consumption across the full range of Council services.

While it might be quite obvious that certain geographic areas may not get access to specific services, for example street lighting, it is the level of benefit across the full range of rates-funded services that is important in determining the amount of rates that should be paid. This exercise is not clear cut – for example, it might be argued that rural ratepayers derive less benefit from library services than their town counterparts but the reverse argument can apply to the costs of repairing gravel roads in rural areas which are predominantly used by rural ratepayers.

In some ways the arguing of the benefit principle with respect to Council rates is like trying to do the same for Commonwealth income tax that is used to fund a wide range of universally accessed services.

The benefits received principle applies to many tax systems, for example stamp duty paid on the purchase of a motor vehicle. However, it is difficult to rationalise a relationship between rates paid and services provided by local government. It is even more tenuous when attempting to draw a relationship with rates against services actually used by ratepayers, of which there is little research or evidence to support a proportional connection.

The analysis of benefit is often reduced to arguments of what services are consumed by town v. country, businesses v. residences and between different towns and suburbs. Such a simplistic determination of rates based on where services are located ignores the facts that:

- many services are not location specific
- access is not synonymous with consumption
- residents can travel or use technology to access some services
- more significantly, services provided in different locations within a municipality have different costs. For example, the actual cost of providing the same or a lesser level of service to a more remote or less central location may be higher due to dis-economies of scale or logistical reasons. Home care and waste collection are two examples where the cost of providing the same service is higher in rural areas than within Maryborough.



## Capacity to pay

The capacity to pay principle stands in contrast to the benefits received principle. Its measurability may be either determined by wealth or income. In the case of local government rating, it is determined on the value of property which reflects wealth, rather than the actual income of the ratepayer. It is acknowledged that over the lifetime of a taxpayer, the relativity between income and wealth may vary significantly.

Councils may decide that capacity to pay is fundamentally reflected by property value or that the application of the wealth tax and benefit principles should be moderated for groups of ratepayers because of capacity to pay considerations.

As rates are levied on unrealised wealth in the form of property, their nexus with ratepayers' capacity to pay may be tenuous – ratepayers may be “asset rich” but “cash poor” or vice versa.

It is an inherent restriction of property taxation that it does not recognise the situation where ratepayers are “asset rich” and “cash poor”. In these cases, ratepayers may be assessed as having considerable wealth reflected in the property that they own, but have a low level of cash income. Examples may include pensioners, businesses facing cyclical downturn, households with large families, single parent families, property owners with little equity in their property and farmers dealing with climate variability.

The use of differential rating categories is a blunt tool that is available to Councils in order to attempt to address the capacity to pay issue to some degree.

## Diversity

There is no way of getting around the fact that despite the “likeness” of members of property classes, there will also be considerable diversity within each class. There is considerable diversity in the economic circumstances of households related to household income, the number of breadwinners and members, expenditure patterns and debt levels.

Similarly, enormous business diversity exists – businesses range from small businesses with owner operators and few employees to corporations employing many thousands of people. They may take a variety of forms – sole operators, companies, partnerships, cooperatives and trusts. Production may cover a diverse range of goods and services for local, national or overseas markets. They may vary considerably in terms of turnover, net worth, profitability and gearing – just to name a few characteristics. Businesses may be “price takers” with little market power or “price makers” operating in oligopolistic markets.

The taxation effect of property rates for income tax purposes is another point of diversity that challenges the equity principles of property rating. Businesses that occupy commercial, industrial or farm properties are able to claim property rates as an income tax expense. This allows businesses to pay property rates in after-tax dollars, as opposed to private non-business people who have to pay property rates in pre-tax dollars. There is a line of thought that incorporating the income taxation effect of property rates into the setting of differential rating category relativities would improve the overall equity of property rating systems.

Council rate setting for different groups may need to have regard to the general capacity of those classes of property to pay rates. There are practical limits to the extent that classes may be differentiated because of impacts on efficiency and simplicity – and the broader a property class, the more general are the assumptions about capacity to pay. Clearly, there is an issue of how well the

assumptions made about a large class of ratepayers accurately reflect the circumstances of most of its members.

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

Rates and Charges Revenue Principles:

Property rates will:

- be reviewed annually;
- not change dramatically from one year to next; and
- be sufficient to fund current expenditure commitments and deliverables outlined in the Council Plan, Financial Plan and Asset Plan.

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

## Why review the rating strategy?

The Local Government Act 2020 requires that Councils review their rating strategy after every Council election. Council's previous rating strategy was adopted in April 2019.

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

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

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

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

### Advantages of using 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 or 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 Site Value.
- Most councils in Victoria have now adopted CIV which makes it easier to compare relative movements in rates and valuations across councils.
- The use of CIV allows council to apply differential rates which greatly adds to council’s ability to equitably distribute the rating burden based on ability to afford council rates. CIV allows council to apply higher rating differentials to the commercial and industrial sector that offset residential rates.

### Disadvantages of using CIV

- The main disadvantage with CIV is the fact that rates are based on the total property value which may not necessarily reflect the income level of the property owner as with pensioners and low-income earners.

### 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 would cause a shift in rate burden from the commercial sectors onto the residential sector and would hinder Council’s objective of a fair and equitable rating system.

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

### 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.

### Disadvantages of using Site Value.

- Under SV, there will be a significant shift from the commercial sector onto the residential sector of the Shire. 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 (eg. Farm land and residential use properties). Large landowners, such as farmers for example, are disadvantaged using 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.

### Recommended valuation base

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

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

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

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

- a) A Council may raise any general rates by the application of a differential rate, if Council considers that the differential rate will contribute to the equitable and efficient carrying out of its functions.
- b) If a Council declares a differential rate for any land, the Council must specify the objectives of the differential rate, which must be consistent with the equitable and efficient carrying out of the Councils functions and must include the following:
  - i. A definition of the types or classes of land which are subject to the rate and a statement of the reasons for the use and level of that rate.
  - ii. An identification of the type or classes of land which are subject to the rate in respect of the uses, geographic location (other than location on the basis of whether or not the land is within a specific ward in Council's district).
  - iii. Specify the characteristics of the land, which are the criteria for declaring the differential rate.

Once the Council has declared a differential rate for any land, the Council must:

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

The purpose is to ensure that Council has a sound basis on which to develop the various charging features when determining its revenue strategies and ensure that these are consistent with the provisions of the Local Government Act 1989.

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

### **Property Valuations**

The Valuation of Land Act 1960 is the principle legislation in determining property valuations. Under the Valuation of Land Act 1960, the Victorian Valuer-General conducts property valuations on an annual basis. Central Goldfields Shire 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.

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

### **Supplementary Valuations**

Supplementary valuations are carried out for a variety of reasons including rezoning, subdivisions, amalgamations, renovations, new constructions, extensions, occupancy changes and corrections. The Victorian Valuer-General is tasked with undertaking supplementary 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 Council. Property owners also can 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)

## Where did we start?

Council believes each differential rate will contribute to the equitable and efficient carrying out of council functions. Details of the objectives of each differential rate, the classes of land which are subject to each differential rate and the uses of each differential rate are set out below.

Council's rating strategy currently has five different land categories but eight differential rating categories as follows:

- Residential - Maryborough
- Residential - Other
- Vacant Land - Maryborough
- Vacant Land - Other
- Commercial - Maryborough
- Commercial - Other
- Industrial
- Farm



Council also levies a municipal charge per property (noting that single farm enterprises are entitled to an exemption for all but one of the municipal charges levied on that single farm enterprise). The municipal charge in 2021-2022 was budgeted to generate 13% of the total revenue raised from property rates (17.7% in 2018-2019, and 15% in 2019-2020 and 13% in 2020-21). Council has 1,041 properties rated as farms and they pay 462 municipal charges.

## The eight current differentials

Council's current eight differential rating categories are defined as follows:

### Residential - Maryborough

Meaning that rateable land which has an occupiable dwelling able to be issued with a certificate of occupancy, is used solely for residential purposes and is situated within the Maryborough District boundary. To ensure an equitable contribution towards the total rate income, having regard to the location, use and services available to the land by proximity to the major service centre.

### Residential - Other

Meaning that rateable land which has an occupiable dwelling able to be issued with a certificate of occupancy, is used solely for residential purposes, and is situated outside the Maryborough District boundary. To ensure an equitable contribution towards the total rate income, having regard to the location, use and services available to the land where the infrastructure cost and service provision has been affected by reason of its distance from the major service centre - Maryborough.

### Vacant Land - Maryborough

Meaning that rateable land where no occupiable dwelling is erected (an occupiable dwelling has a Certificate of Occupancy issued), and is situated within the Maryborough District boundary. To ensure an equitable contribution towards the total rate income and encourage the development of vacant land within the Maryborough District boundary.



### Vacant Land - Other

Meaning that rateable land where no occupiable dwelling is erected (an occupiable dwelling has a Certificate of Occupancy issued) and is situated outside the Maryborough District boundary. To ensure an equitable contribution towards the total rate income and encourage the development of vacant land outside the Maryborough District boundary.

### Commercial - Maryborough

Meaning that rateable land which is used solely for commercial purposes and is situated within the Maryborough District boundary. To ensure an equitable contribution towards the total rate income which recognises the objective of maintaining an environment which is beneficial to the continuing operation of these properties, as well as the use and services available to the land.

### Commercial - Other

Meaning that rateable land which is used solely for commercial purposes and is situated outside the Maryborough District boundary. To ensure an equitable contribution towards the total rate income, which recognises the objective of maintaining an environment which is beneficial to the continuing operation of these properties where the cost of infrastructure and commercial opportunity differ from Maryborough Commercial, as well as the use and services available to the land.

### Industrial



Meaning that rateable land which is used solely for industrial purposes. To ensure an equitable contribution towards the total rate income which recognises the objective of maintaining an environment which is beneficial to the continuing operation of these properties, reflects the cost of infrastructure and encourages development.

The difference between commercial and industrial land is mainly one of use. In general, commercial areas are used for trading goods and services while industrial areas serve as sites of production. Commercial areas are most valuable when they receive heavy traffic from potential customers.

## Farm

Meaning that rateable land, in aggregate, which is not less than 16 hectares (40 acres) in area and which is used primarily for carrying on one or more of the following businesses or industries:

Grazing (including agistment) dairying, pig farming, poultry, farming, fish farming, tree farming, bee-keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind.

To ensure an equitable contribution towards the total rate income commensurate with the nature of the land the capital improved value of which has been affected by reason of its abnormally large area and the use to which it is put in comparison to the general land size of the majority of rateable properties within the municipal district.

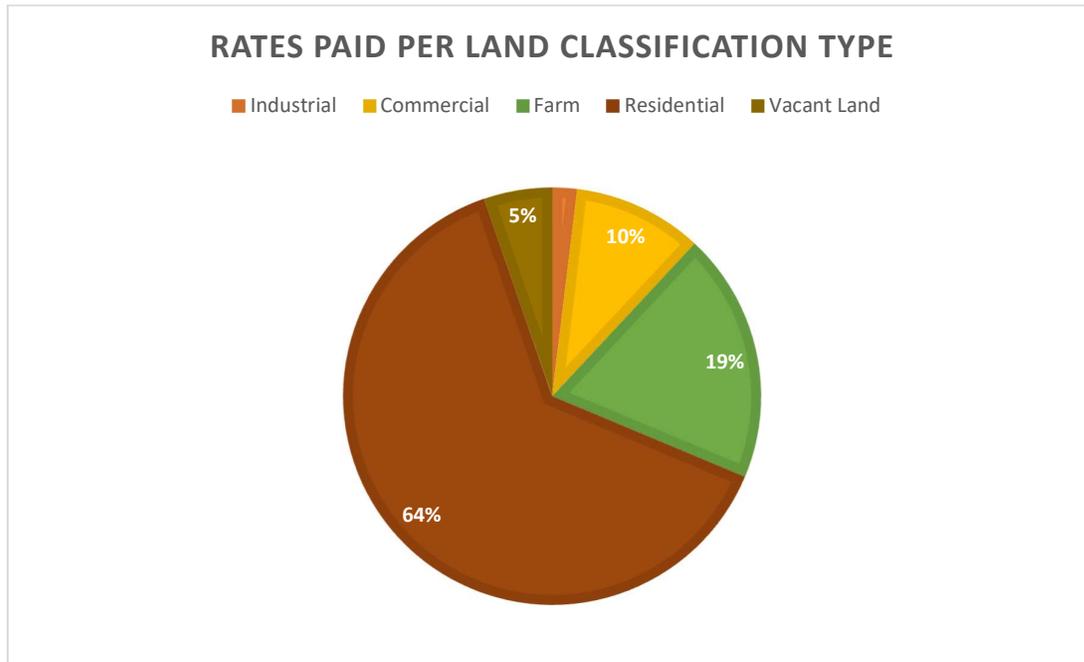
## Rates per assessment

The following table (2021 valuation data) shows that 7,872 or 91.5% of properties pay less than \$2,000 per year (\$38.46 per week) in rates. The remaining 8.6% of properties paying more than \$2,000 per year account for 28.2% of Council's total rate revenue.



## Rate revenue by land classification type

Currently residential properties contribute almost two thirds of Council's rate revenue, with farm properties contributing 19%, commercial properties 10% and industrial and vacant land contributing the remaining 7% of rate revenue.



## Current Capital Improved Valuations

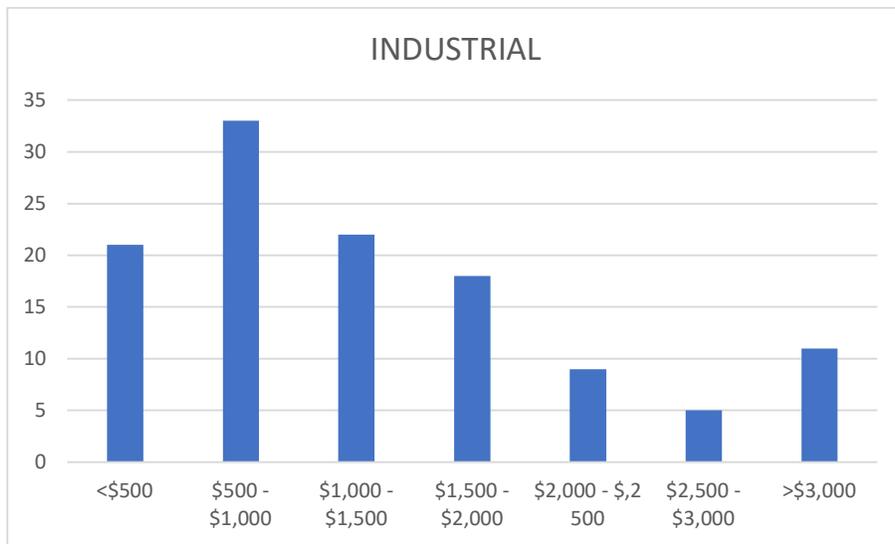
The CIV of each property at the 25th, 50th (median), and 75th is as follows:

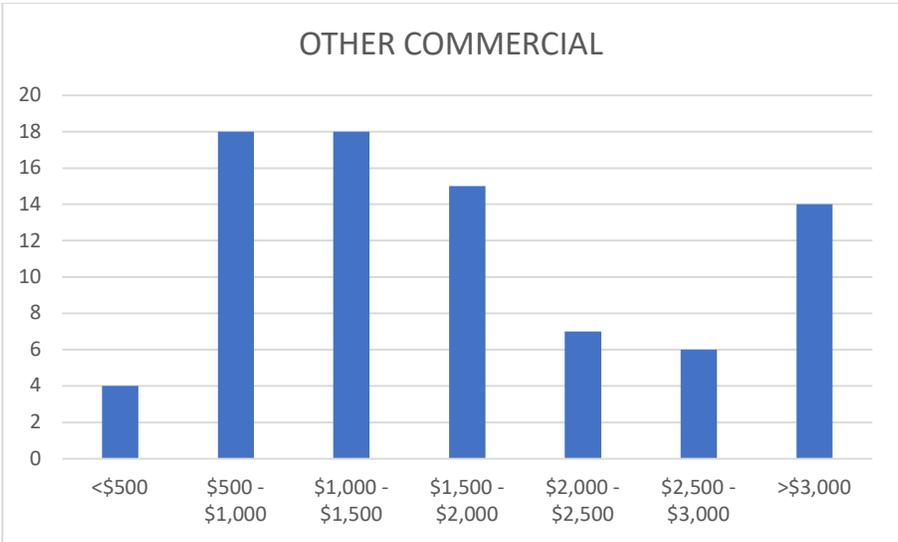
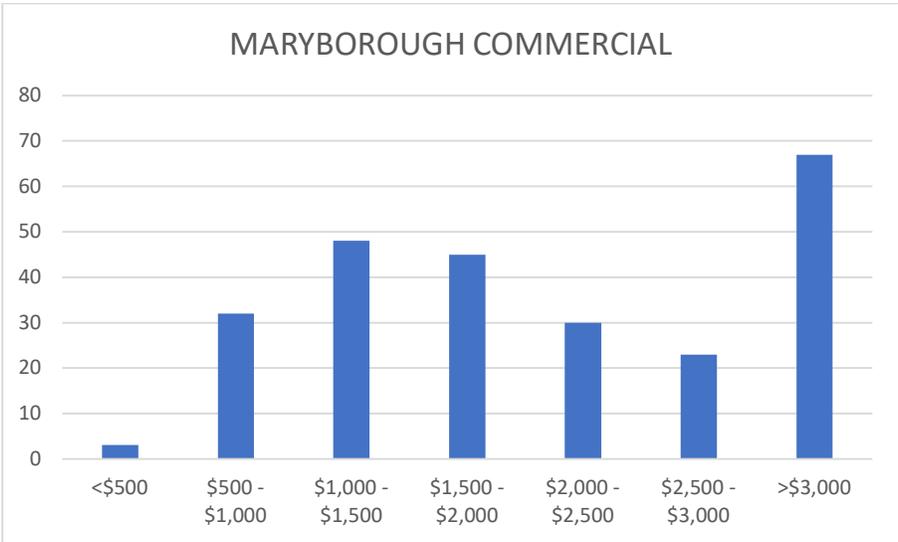
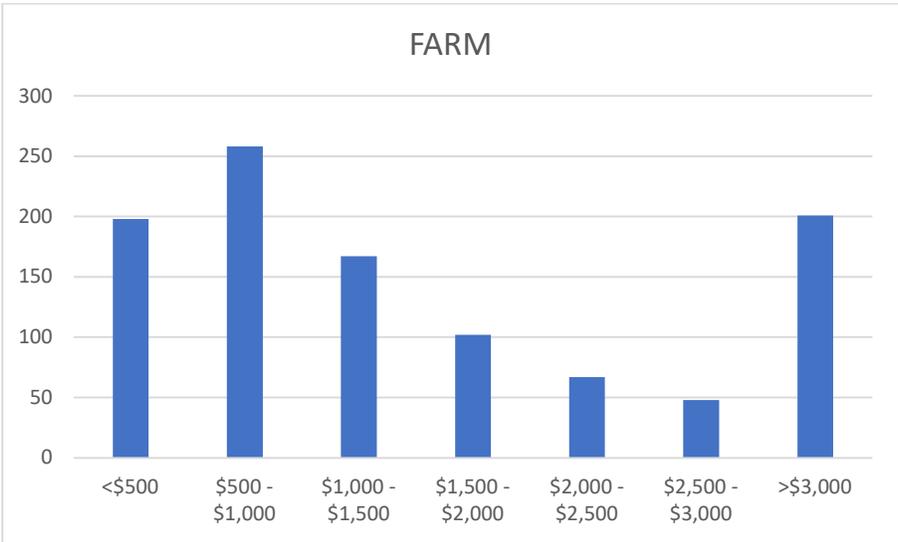
Differential Category	25% Percentile Valuation	50% Percentile Valuation	75% Percentile Valuation
Residential - Maryborough	175,000.00	215,000.00	265,000.00
Residential - Other	185,000.00	250,000.00	320,000.00
Vacant Land - Maryborough	74,500.00	85,000.00	127,500.00
Vacant Land - Other	52,000.00	80,000.00	110,000.00
Commercial - Maryborough	165,000.00	260,000.00	400,000.00
Commercial - Other	112,500.00	200,000.00	280,000.00
All Industrial	125,000.00	200,000.00	340,000.00
Farm	155,000.00	310,000.00	630,000.00

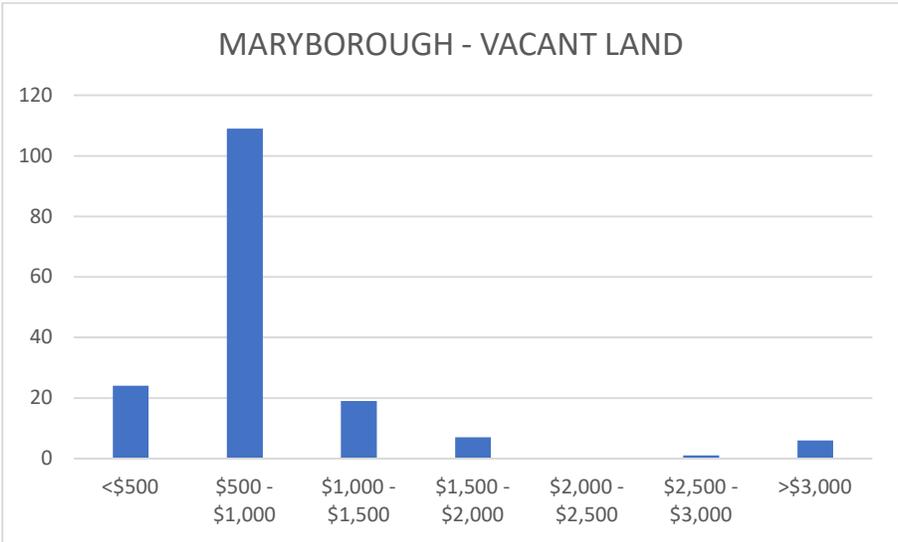
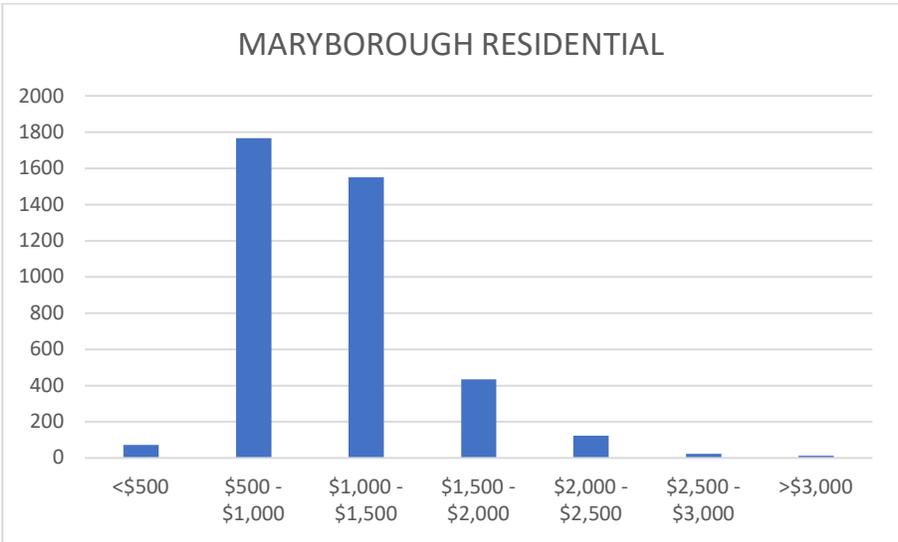


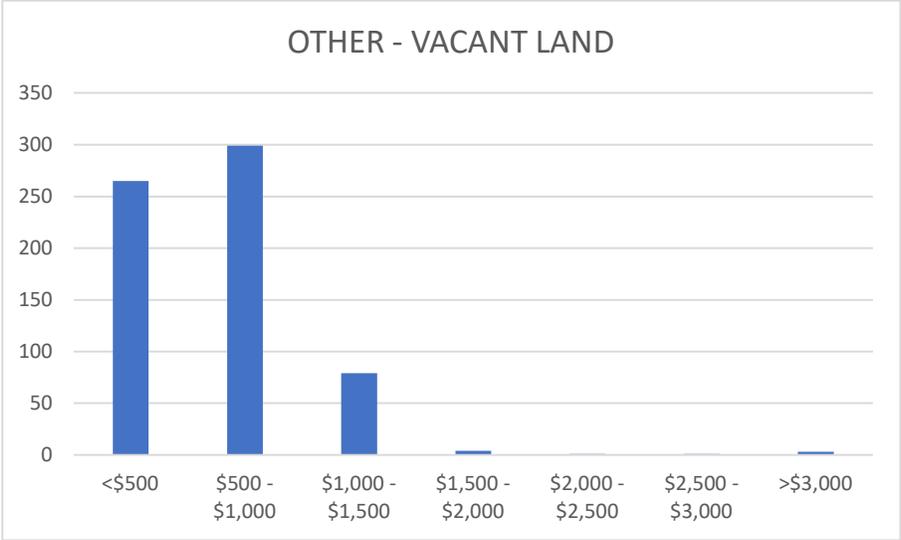
### Annual rates paid for each differential

The following graphs show the annual rates paid in bands for each of the eight current differential rates showing the number of properties per band.

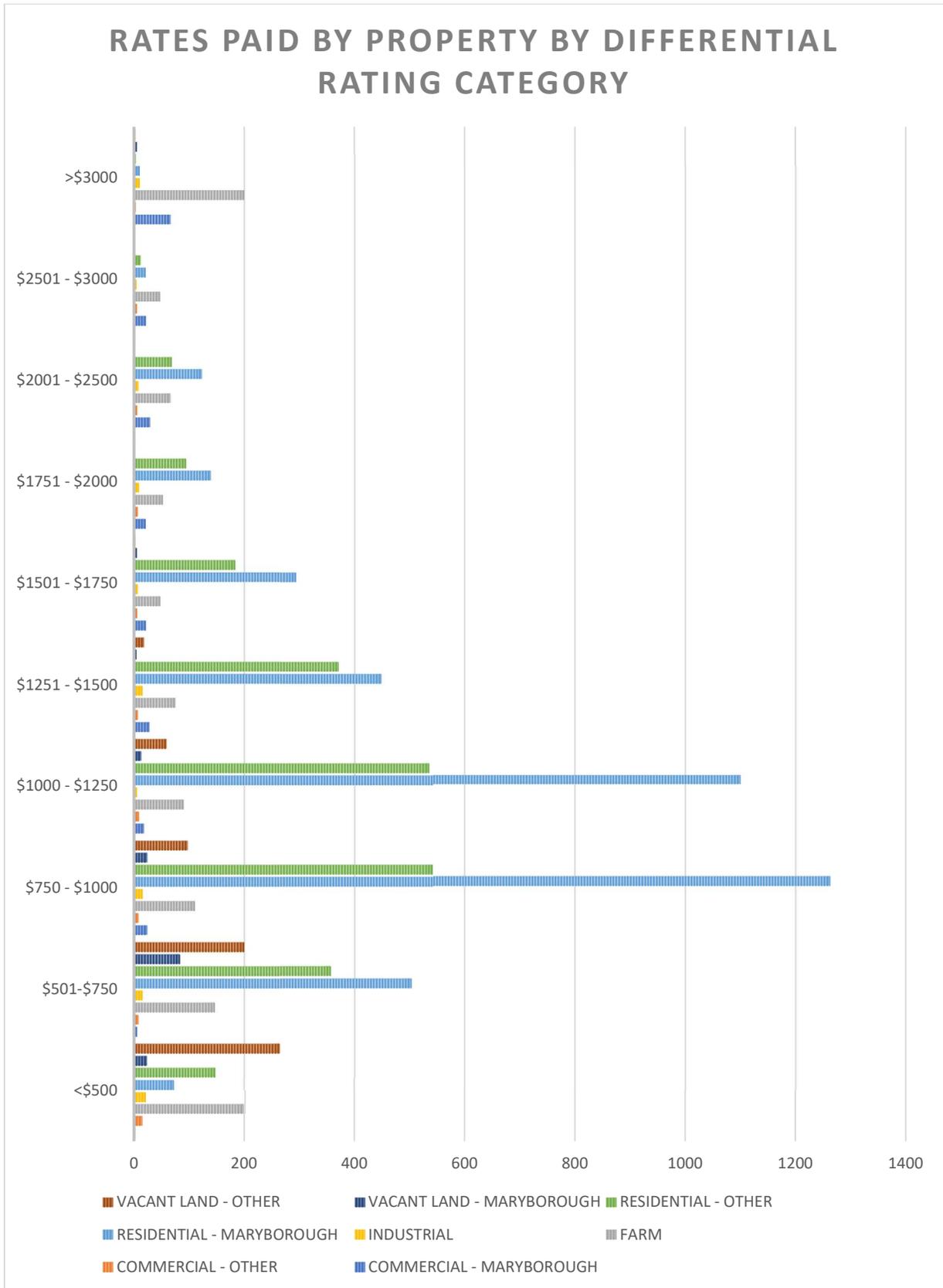








These eight charts have been combined to create the following picture of how much each property pays in rates.



## Differential rating explained

### What were the issues addressed in the 2019 rating strategy?

Three main issues addressed by the 2019 rating strategy were::

- The yield from the municipal charge was almost 18%
- The Maryborough/Other split within some differentials
- There was no mechanism for dealing with “rate shock”

Each of these issues are discussed in more detail below.

#### The municipal charge

Council raises rates income from properties by two means:

Rates levied on capital improved valuation (CIV)

Municipal charge

The rates levied on capital improved valuation move directly in relation to valuation. Thus a house with a \$400,000 CIV will pay twice the rates on CIV as a house with a \$200,000 CIV. This is consistent with the vertical equity principle in the rating better practice guide.

A municipal charge is a flat amount charged on every# rateable property irrespective of the valuation of that property. By its very nature, the municipal charge is a regressive tax, (that is, the rate of taxation is higher on a low valued property than it is on a high valued property), and works in direct conflict to the vertical equity principle.

(# Single farm enterprises are entitled to an exemption for all but one of the municipal charges levied on that single farm enterprise.)

The municipal charge is the same for every property levied (\$202 in 2021-2022). The municipal charge on a retail building with a CIV of \$100,000 has a taxation effect ten times greater than the same municipal charge on a retail building with a CIV of \$1,000,000.

Part 8 of the Local Government Act 1989 (the Act) deals with “Rates and Charges on Rateable Land”.

The State Government had proposed in 2018 to restrict the amount of total rates revenue that can be raised by the municipal charge to 10%, down from 20% in the Act.



Legislation for that change was never passed however Council considered that as the municipal charge is a regressive tax, reducing it provides a benefit to properties with a lower CIV and provides a detrimental impact on properties with a higher CIV. It was proposed to reduce the municipal charge over five years and three reductions have been applied.

It should be noted that the 20% is a cap only and councils have discretion to charge less or, as some do, not raise a municipal charge at all.

The previous rate strategy (2019) was set so that the five categories be retained but that the “Other” categories would be phased out over a number of years.

With the election of the new Council, this strategy has been paused for the 2021/22 financial year for further review as part of the broader Council Plan Process and will feed into an updated strategy for 2022.

With differential reduction being paused, the reduction in the municipal charge is also paused.

The table below shows the change to the municipal charge over the past three years and the coming budgeted year:

	2018/19	2019/20	2020/21	2021/22
Municipal Charge	\$256.90	\$229	\$202	\$202
Revenue raised	\$2,070,000	\$1,811,000	\$1,615,000	\$1,628,000
Total rates and charges	\$11,621,000	\$11,968,000	\$12,340,000	\$12,525,000
% Municipal Charge	18%	15%	13%	13%



The reduction in the total income raised by the municipal charge has been offset by an increase in the total income raised by valuation-based rates, and has impacted all properties across all differential rating categories. Single farm enterprises with municipal charge exemptions for multiple properties were adversely impacted by a reduction in the municipal charge, however the remainder of the community benefited.

The Maryborough/Other split within some differentials

Council's 2019 rating strategy reviewed the five different land categories and eight differential rating categories as follows:

- Residential - Maryborough
- Residential - Other
- Vacant Land - Maryborough
- Vacant Land - Other
- Commercial - Maryborough
- Commercial - Other
- Industrial
- Farm

The below table outlines the impact of the paused rating strategy on the differentials.

It must still be noted that although the current strategy has been paused in the 2021-22 financial year, a change to 2020-21 differentials was still necessary in order to avoid rate shock in particular categories. Rate shock is discussed later in this document.

Category	2018-19		2019-20		2020-21		2021-22	
	Rate in \$	Differential						
Residential Maryborough*	0.5131	100%	0.4950	100%	0.4741	100%	0.4770	100%
Residential Other	0.4105	80%	0.4158	84%	0.4172	88%	0.4198	88%
Vacant Land Maryborough	0.9236	180%	0.8910	180%	0.8534	180%	0.7918	166%
Vacant Land Other	0.7697	150%	0.7722	156%	0.7112	150%	0.7418	156%
Commercial Maryborough	0.8210	160%	0.7920	160%	0.7586	160%	0.7633	160%
Commercial Other	0.6157	120%	0.6336	128%	0.6448	136%	0.6487	136%
Industrial	0.5644	110%	0.5445	110%	0.5215	110%	0.5247	110%
Farm	0.4105	80%	0.3960	80%	0.3793	80%	0.3816	80%

\*\*\*base" rate in \$

## What options could Council consider?

Council can choose to consider various options in relation to its current rating system as part of the future review these include:

- Continue implementation of the strategy to phase out the “other” differentials and reduce the municipal charge income to 10% of total property rates and charges;
- Hold or “pause” the strategy where it is now;
- Wind back the strategy to the previous arrangements;
- Another combination of changes



## Dealing with “Rate Shock”

Rate shock is defined by Council as the movement (both up or down) in total rates paid by any one differential rating category in any one year by ten percent (10%) or more.

Where rate shock occurs for one or more particular differential rating category in any particular year, Council will cap the movement in total rates raised for that differential rating category at 10% by changing the level of the rate in the dollar CIV.

## Cultural and Recreational Land

Under the Cultural and Recreational Land Act 1963, provision is made for a Council to grant a rating concession to any recreational lands which meet the test of being rateable land under the Local Government Act 1989.

Outdoor recreational lands developed primarily for regional use as evidenced by paid administrative support and/or commercial business dealings in their operation or management are currently granted a rates concession under the provisions of the Cultural and Recreational Land Act 1963.

## Not for profit retirement lifestyle villages

Over the past few years, retirement villages across the State have recommended a reduction in the rates levied against retirement village properties on the basis that they maintain the road and drainage network within the village and are also responsible for their own street lighting.

However, retirement villages have access to infrastructure up to the village boundary, like all other properties. Their situation is like other ‘common properties’ such as apartment and unit complexes. The residents have equal access to the services provided by Council.

Properties within a retirement village generally have lower values and this is already reflected in the lower amount of rates paid. In addition, all villages have common property including, gardens, roads, footpaths, office and leisure areas. Despite these surrounding amenities being privately owned and used to generate income, they are not rated.

Residents within retirement villages are also charged to use the waste service and most receive a pensioner discount.

Council may grant a rebate in relation to any rate or charges to assist the proper development of the municipal district (Local Government Act 1989 Section 169(1)(a)).

## 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 charge may be declared in accordance with Council's Special Rates and Charges Policy, which also determines the maximum contribution Council will provide towards declared projects.

Special rates and 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 charge is declared; and
- 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 charges provisions are flexible and can be used to achieve a wide range of community objectives. The fundamental principle of special rates and charges is proof "special benefit" applies to those being levied. For example, they could be used to fund co-operative fire prevention schemes. This would ensure that there were no 'free-riders' reaping the benefits but not contributing to fire prevention.

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

## 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 sewage services;
- d. Any other prescribed service.

Council currently applies a service charge for the collection and disposal of refuse on urban properties (compulsory) and rural properties (optional) and providing waste services for the municipality (street litter bins for instance). Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste services, including providing for the cost of rehabilitation of Council's closed landfill.

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

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

## 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
- 4th Instalment: 31 May

Council offers a range of payment options including:

- in person at Council offices (cheques, money orders, EFTPOS, and credit/debit cards),
- online via Council's ratepayer portal, direct debit (on prescribed instalment due dates or monthly, fortnightly or weekly),
- BPAY,
- Centrepay
- by mail (cheques and money orders only),
- by phone (automated phone banking or with Council's customer service team).

Council discourages the use of cash as a payment option.

### 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.

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.

### 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. Where Council approves an application for deferral of rates or charges, interest will continue to be levied on the outstanding balance of rates and charges but at an interest rate fixed annually by Council. This deferred interest rate will typically be well under the penalty interest rate levied by Council on unpaid rates and charges.

Ratepayers seeking to apply for such provision will be required to submit an application form which is available at the Council offices, on the Council website or which can be posted upon request.

### **Rates Assistance Policy**

It is acknowledged at the outset that various ratepayers may experience financial hardship for a whole range of issues and that meeting rate obligations constitutes just one element of a number of difficulties that may be faced. The purpose of the Debt Collection Policy (Hardship) is to provide options for ratepayers facing such situations to deal with the situation positively and reduce the strain imposed by financial hardship.

Ratepayers may elect to either negotiate a rate payment plan or apply for a rate deferral. Ratepayers seeking to apply for such provision will be required to submit an application form which is available at the Council offices, Council website or can be posted upon request.

### **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.

If an account becomes overdue, Council will issue an overdue reminder notice which will include accrued penalty interest. If 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 Fire Rescue Victoria (FRV), 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

### 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:

- Pool visitation and membership fees
- Resource Recovery Centre fees
- Childcare fees
- Aged and Health Care service fees
- Leases and facility hire fees.

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

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

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

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

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

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

Full cost recovery price b) aims to recover all direct and indirect costs incurred by council. This pricing should be used in particular where a service provided by Council benefits individual customers specifically, rather than the community as a whole. In principle, fees and charges should be set at a level that recovers the full cost of providing the services unless there is an overriding policy or imperative in favour of subsidisation.

Subsidised pricing c) is where Council subsidises a service by not passing the full cost of that service onto the customer. Subsidies may range from full subsidies (ie 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.

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.

One area where Council has concerns around current costs to deliver services and hence cost recovery is related to non statutory building services. This area required further work on developing a viable service model, then the cost recovery charges accordingly. It is anticipated this will occur during the 2021/2022 financial year.

## Statutory fees and charges

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

Examples of statutory fees and fines include:

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

Penalty and fee units are used in Victoria's Acts and Regulations to describe the amount of a fine or a fee.

### Penalty units

Penalty units are used to define the amount payable for fines for many offences. For example, the fine for selling a tobacco product to a person aged under 18 is four penalty units.

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

The rate for penalty units is indexed each financial year so that it is raised in line with inflation. Any change to the value of a penalty unit will happen on 1 July each year.

### Fee units

Fee units are used to calculate the cost of a certificate, registration or licence that is set out in an Act or Regulation. For example, the cost of depositing a Will with the Supreme Court Registrar of probates is 1.6 fee units.

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

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

## 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
- Assets handed over to Council from developers at the completion of a subdivision, such as roads, drainage, and streetlights.

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

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

## 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.

## Borrowings

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

- Borrowings must only be applied for where it can be proven that repayments can be met in the Long-Term Financial Plan
- Borrowings must not be used to fund ongoing operations.
- Borrowings are appropriate for funding large capital works where the benefits are provided to future generations.
- Council will maintain its debt at levels which are sustainable, with:
  - indebtedness <60% of rate and charges revenue, and
  - debt servicing cost <5% of total revenue (excluding capital revenue)

## Conclusion

Council's method of raising revenue is via a number of methods; Rates and charges, Grants, User charges, Statutory fees and charges and to a lesser extend Interest on investments, contributions and borrowings.

Council's revenue raising is governed in some areas, while others are at the discretion of the Council.

This Revenue and Rating Strategy is to be reviewed in more detail as part of the upcoming Council Plan process. The approach taken by Council for this Rate and Revenue Strategy is to pause on any further changes to the differential rate categories and municipal levy rate, holding them at the 2020/2021 amounts.

