

# Revenue and Rating Plan – Draft



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## 1. PURPOSE

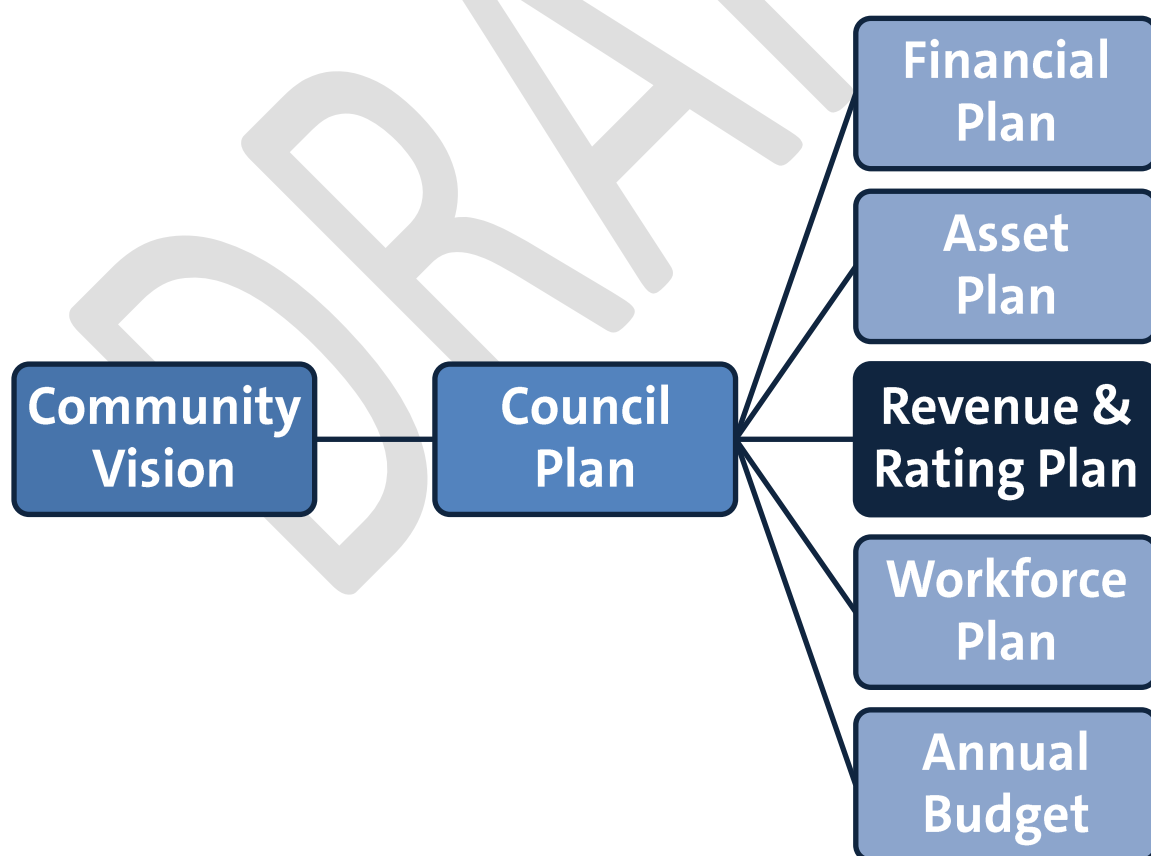
The *Local Government Act 2020* requires each council to prepare a Revenue and Rating Plan to cover a minimum period of four years following each Council election. The Revenue and Rating Plan establishes the revenue raising framework within which the Council proposes to work.

The purpose of the Revenue and Rating Plan is to determine the most appropriate and affordable revenue and rating approach for the Borough of Queenscliffe, 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:

*"The Borough remains a safe haven defined by its unique heritage, rich culture and significant natural environment. It is a special and restorative place for an involved and caring community and our visitors."*

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



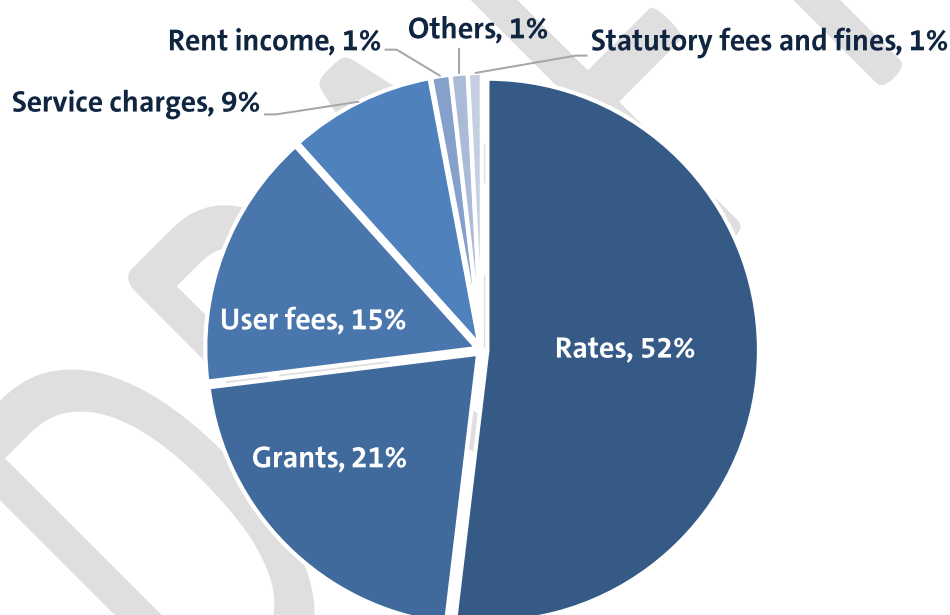
This plan will explain how Council calculates the revenue needed to fund its activities, and how the funding burden will be apportioned between ratepayers and other users of Council facilities and services.

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

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

## 2. INTRODUCTION

Council provides a number of services and facilities to our local community, and in doing so, must collect revenue to cover the cost of providing these services and facilities.



Council's revenue sources include:

- Rates
- Service charge for the collection and disposal of refuse
- User fees and charges
- Statutory fees and fines
- Grants from other levels of government
- Cash and non-cash contributions from other parties (i.e. developers, community groups)
- Rent income (lease)
- Interest from investments
- Sale of assets.

Rates are the most significant revenue source for Council and make up roughly 52% of its annual 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. Maintaining service delivery levels and investing in community assets remain key priorities for Council. This strategy 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 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.

### **3. COMMUNITY ENGAGEMENT**

The Revenue and Rating 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 prepared by officers;
- Draft Revenue and Rating Plan placed on public exhibition at 28 April 2021 Council meeting until 21 May 2021 and calling for public submissions;
- Community engagement through local news outlets and social media;
- Hearing of public submissions 2 June 2021; and
- Draft Revenue and Rating Plan (with any revisions) presented to 23 June 2021 Council meeting for adoption.

## 4. RATES

### 4.1 A summary of the rating structure

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's rating structure can be summarised as follows:

Focus Area	Strategy
<b>Determining the type of valuation base that will be used</b>	<p>That Council apply the Capital Improved Value (CIV) valuation method to levy rates.</p> <p>That Council is mindful of the periodic impacts of property revaluations.</p>
<b>Using a differential rating system</b>	<p>That Council utilise differential rating in its rating structure.</p>
<b>What differential rates should be applied?</b>	<p>That Council apply a uniform general rate on any rateable land which does not satisfy the criteria for a differential rate.</p> <p>That Council apply differential rates for:</p> <ul style="list-style-type: none"><li>• Residential vacant land (125%);</li><li>• Commercial (130%); and</li><li>• Tourist accommodation (110%).</li></ul>
<b>Concessions / rebates</b>	<p>That Council grant concessions for:</p> <ul style="list-style-type: none"><li>• Cultural and Recreational Lands;</li><li>• Residential properties which are deemed to be of significant environmental benefit to the community and have entered into a 'Trust for Nature' covenant; and</li><li>• Additional pension concession.</li></ul>
<b>Special rates and charges</b>	<p>That Council does not charge special rates and charges.</p>
<b>Municipal charge</b>	<p>That Council does not levy the Municipal Charge as part of its rating structure.</p>
<b>Service rates and charges</b>	<p>That Council apply fixed waste service charges as part of its rating structure based on full recovery of costs associated with providing the waste service.</p>
<b>Rate payment options</b>	<p>Council rates are payable in four instalments.</p>

## 4.2 Rating legislation

The legislative framework set out in the *Local Government Act 1989*<sup>1</sup> 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

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 (SV), 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) which must 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.

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<sup>1</sup> Note that despite the introduction of the new *Local Government Act 2020*, the 1989 Act remains the legislation applicable to rating matters.

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 Council budget.

Council's Rating structure complies with the State Government's Fair Go Rates System (FGRS) legislation, which commenced 1 July 2016.

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.

### 4.3 Strategic directions

Considering the impact on the ratepayers in the municipality, Council will always endeavour to maintain future rates increases at or within the capped rate as determined by the Minister for Local Government.

With the introduction of State Government rating capping legislation from 1 July 2016, capped rate increases as determined by the Minister for Local Government have been applied to Borough of Queenscliffe rate budgets. The rate cap has a significant impact on the resources available to fund operating budgets, major projects and capital works.

The challenge faced by the Borough, as with many small rural councils, is the low growth in rateable properties (and therefore rate income), and unavoidable increases in costs related to meeting legislative compliance requirements, increasing expectations and demand for Council services and the challenge of meeting infrastructure renewal needs.

More recently, the State Government election commitment to remove boat ramp parking fees has had a significant impact on Council, with a total loss of income to Council above one million dollars over ten years.

Council's annual rate setting objective is developed within a framework that takes into account the projects and services that implement the strategic objectives set out in the Council Plan, and the resources required to deliver statutory services. The rate setting also considers the objectives of the Financial Plan, and the resource required to manage and renew our assets and infrastructure.

### 4.4 Determining which valuation to use

For the purpose of the *Local Government Act 1989* and its rating provisions, the *Valuation of Land Act 1960* is the principal Act in determining property valuations.

The Valuer-General Victoria appoints a Valuer to value rateable land within the Borough of Queenscliffe, using Council's database as its source of information. In general, each separate occupancy on rateable land must be valued.



An assessment for the purpose of rating may be against any piece of land subject to separate ownership or occupation. In this context, land has been defined to include buildings, structures or improvements.

Property values are determined by the Valuer, who must assess the value of a property in three ways:

1. **Capital Improved Value (CIV):** the total market value of the land plus buildings and other improvements;
2. **Net Annual Value:** the current value of a property's net annual rent (by law, Net Annual Value must be at least 5% of the CIV for commercial property and exactly 5% of CIV for residential property); and
3. **Site Value:** the market value of the land only.

The Borough of Queenscliffe, like most Victorian councils, uses the Capital Improved Value (CIV) to levy general rates.

**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 SV 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 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.

Being a measure of the realised value of property, CIV is seen to be fairer and more equitable to ratepayers than a valuation that is based on the notional value of land alone. In addition, differential rating combined with CIV affords Council greater flexibility in developing rating outcomes to pursue its particular objectives. For this reason, Council continues to apply the CIV method in valuing properties for general rates.

### **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. 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**

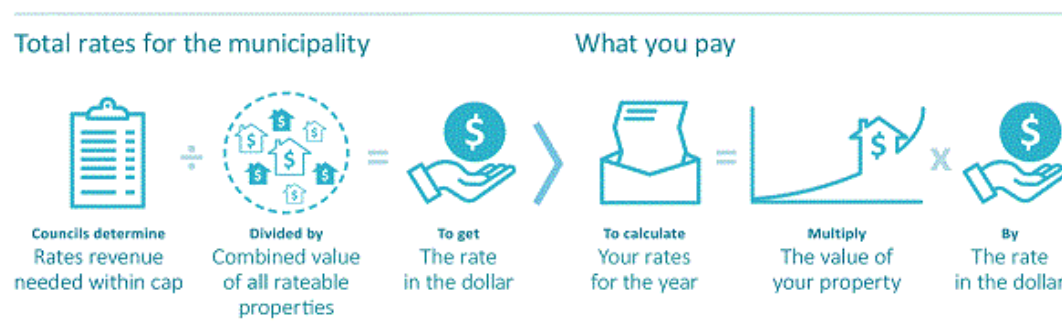
Part 3 of the *Valuation of Land Act 1960* provides that a property owner may lodge an objection against the valuation of a property or the Australian Valuation Property Classification Code (AVPCC) within two months (within 60 days) of the issue of the original (initial) or amended (supplementary) Rates and Valuation Charges Notice (Rates Notice), or within four months if the notice was not originally issued to the occupier of the land. The original Rates and Valuation Notice is issued by Council around 1 September each year.

A property owner must lodge their objection to the valuation or the AVPCC in writing. 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 (within 60 days) of receipt of their Council Rate Notice (via Council) or within two months (within 60 days) of receipt of their Land Tax Assessment (via the State Revenue Office) provided that an objection has not previously been lodged with Council in the current rating year.

If not satisfied with the outcome following this objection process, a person may opt to request further review via VCAT (Victorian Civil and Administrative Tribunal) appeals process.

Changes in property values will vary across a Local Government Area. Following the revaluation each year, individual rates are impacted by any rate increase (compliant with rate cap legislation) and the property valuation increases of individual properties relative to the average across the municipality. This may result in rates for some properties increasing, while others are reduced. If a property's value increases by less than the average increase across the municipality, any rate increase for that property will be relatively lower than the average. Rate increases will be relatively higher if a property's value increases by more than the average increase in valuation.

Councils do not collect extra revenue as a result of the rateable property revaluation process. Valuations are simply used as an apportioning tool to assess how the rate burden will be distributed among rateable properties.



## 4.5 Rating principles

When developing a rating structure, in particular with reference to differential rates, Council will consider the following good practice taxation principles:

- Wealth tax
- Equity
- Efficiency
- Simplicity
- Benefit
- Capacity to pay
- Diversity.

### Wealth tax

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

### Equity

**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. The benefit or user pays principle, some groups have more access to, make more use of, and benefit more from specific council services.

### **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.

## **4.6 Differential rates**

Section 161(1) of the Act allows Councils to raise any general rates by the application of a differential rate, if it uses the Capital Improved Value (CIV) system of valuing land.

Councils are able to levy either a uniform rate or one or more differential rates. A uniform rate is where all rateable properties in a municipality are charged based on the same rate in the dollar. Differential rates are where councils set different rates in the dollar for different categories of rateable land.

Differential rates do not define the amount each ratepayer pays. Rather, they define the relative proportion each class of property will pay. Councils may, for example, have differential rates for vacant land, various categories of residential property or commercial properties – each paying a higher or lower rate in the dollar. Differentials should be applied to achieve specified local objectives.

### **4.6.1 Rating differentials in the Borough**

The general objectives of each of the differential rates are to ensure that all rateable land makes an equitable financial contribution to cost of carrying out the functions of Council. There is no limit on the number or types of differential rates that can be levied, but the *Local Government Act 1989* dictates the highest differential rate can be no more than four times the lowest differential rate.

Council's differential rates are expressed as a percentage of the general rate, as tabled below. Differential rates are set relative to the general or residential rate.

Differential rate	% of general rate
<b>General or Residential</b>	100%
<b>Residential vacant land</b>	125%
<b>Commercial</b>	130%
<b>Tourist accommodation</b>	110%

The classification of the land will be determined by the occupation of that land for its best use and have reference to the planning scheme zoning.

Residential properties generate the vast majority of Council's rate revenue (81%). Therefore, the rating structure is largely about the equitable distribution of the rate burden across the community according to assessment of property value and how Council adopts the use of differential rating for a relatively small proportion (19%) of the rate base. Differential rates are set relative to the general or residential rate.

#### 4.6.2 General or residential rate

##### **Definition**

General land is any rateable land which does not have the characteristics of Commercial land, Residential vacant land or Tourist accommodation land.

##### **Objective**

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

##### **Characteristics**

The classification of the land will be determined by the occupation of that land for its best use or/and have reference to the planning scheme zoning.

##### **Types and Classes**

Rateable land having the relevant characteristics described below:

- used primarily for residential purposes; and
- any land that is not defined as Commercial land, Residential vacant land or Tourist accommodation land; or
- any land which is zoned Residential under the Borough of Queenscliffe Planning Scheme on which a legally habitable building is erected but unoccupied.

##### **Use of Rate**

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

##### **Level of Rate**

100% of General Rate.

##### **Use of Land**

Any use permitted under the Borough of Queenscliffe Planning Scheme.

##### **Geographic Location**

Wherever located within the municipal district.

##### **Planning Scheme Zoning**

The zoning applicable to each rateable land within this category, as determined by the Queenscliffe Planning Scheme.

## **Types of Buildings**

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

### **4.6.3 Residential vacant land rate**

#### **Definition**

Residential vacant land is any land, which is:

- unoccupied but zoned Residential under the Borough of Queenscliffe Planning Scheme; and
- not Commercial land or Tourist accommodation land; and
- vacant or with any uninhabitable shed or shelter (not a legally habitable building or structure, i.e. where no certificate of occupancy has been issued).

#### **Objective**

The objective of this differential rate includes promoting housing development on vacant land, while continuing to ensure all rateable land makes an equitable financial contribution to make sure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations.

#### **Characteristics**

The vacant land affected by this rate is that which is zoned residential under the Borough of Queenscliffe Planning Scheme. The classification of land which is improved will be determined by the occupation of that land, and have reference to the planning scheme zoning.

#### **Types and Classes**

Rateable land having the relevant characteristics described below:

- unoccupied but zoned Residential under the Borough of Queenscliffe Planning Scheme; and
- not Commercial land or Tourist accommodation land; and
- noting any uninhabitable shed or shelter (i.e. where no certificate of occupancy has been issued) is also considered to be residential vacant land.

#### **Use of Rate**

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

#### **Level of Rate**

125% of General Rate.

#### **Use of Land**

Any use permitted under the Borough of Queenscliffe Planning Scheme.

#### **Geographic Location**

Wherever located within the municipal district.

#### **Planning Scheme Zoning**

The zoning applicable to each rateable land within this category, as determined by the Borough of Queenscliffe Planning Scheme.

## Types of Buildings

Uninhabitable shed or shelter (i.e. where no certificate of occupancy has been issued).

Council Policy CP041 Residential Vacant Land Rate provides further detail on the application of this differential rate.

Contiguous areas of vacant land with more than one title in the same ownership may be consolidated for rating purposes. Council's Rates Coordinator actively reviews opportunities to assist ratepayers in this space, and will advise ratepayers if they are eligible to make an application for land to be rated contiguously, thereby creating the potential for ratepayers to save some money on their Council rates and the Fire Services Property Levy.

### 4.6.4 Commercial rate

#### Definition

Commercial land is any land, which is:

- used primarily for carrying out the manufacture or production of, or trade in, goods or services (including accommodation for tourists); or
- unoccupied building erected on land which is zoned Commercial (Business) under the Borough of Queenscliffe Planning Scheme; or
- unoccupied land which is zoned Commercial (Business) under the Borough of Queenscliffe Planning Scheme; and
- not Tourist accommodation land.

#### Objective

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

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

The Commercial differential rate is applied to promote the economic development objectives for the Borough of Queenscliffe as outlined in the Council Plan. These objectives include an ongoing significant investment to create a vibrant economy and includes the maintenance and improvement of tourism infrastructure. Construction and maintenance of public infrastructure, development and provision of health and community services and the general provision of support services and promotion of business in the municipality.

The tourism industry is the largest industry within the Borough. Festivals and events are also a related critical driver for the Borough of Queenscliffe economy and Council delivers a coordinated program to attract, develop and retain a strong calendar of events. A significant portion of the money raised is invested to undertake visitor information services and tourism strategies, to support the growth and future wellbeing of the sector within the Borough.

### **Characteristics**

The characteristics of the planning scheme zoning are applicable to the determination of vacant land which will be subject to the rate applicable to Commercial Land. The classification of the land will be determined by the occupation of that land for its best use and have reference to the planning scheme zoning.

### **Types and Classes**

Rateable land having the relevant characteristics described below:

- used primarily for the carrying out the manufacture or production of, or trade in, goods or services (including accommodation for tourists); or
- unoccupied building erected which is zoned Commercial (Business) under the Borough of Queenscliffe Planning Scheme; or
- unoccupied land which is zoned Commercial (Business) under the Borough of Queenscliffe Planning Scheme; and
- not Tourist accommodation land.

### **Use of Rate**

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

### **Level of Rate**

130% of General Rate.

### **Use of Land**

Any use permitted under the Borough of Queenscliffe Planning Scheme.

### **Geographic Location**

Wherever located within the municipal district.

### **Planning Scheme Zoning**

The zoning applicable to each rateable land within this category, as determined by the Borough of Queenscliffe Planning Scheme.

### **Types of Buildings**

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

#### **4.6.5 Tourist accommodation rate**

##### **Definition**

Tourist accommodation land is any land, which:

- contains a dwelling, unit, cabin or house or part of a house; and
- with five or less bedrooms; and
- used, whether primarily or otherwise, to provide holiday accommodation for the purpose of generating income from the provision of such holiday accommodation; and
- where “any part” of the property is used for tourist accommodation; and
- for “any period of time” during the financial year (no matter how seldom); and



- currently being used, or advertised as being available for use, as tourist accommodation.

### **Objective**

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

A tourist accommodation rate is regarded as necessary to provide the additional services to this sector. The tourism industry is the largest industry within the Borough. Festivals and events are also a related critical driver for the Borough of Queenscliffe economy and Council delivers a coordinated program to attract, develop and retain a strong calendar of events.

A significant portion of the money raised is invested to undertake visitor information services and tourism strategies, to support the growth and future wellbeing of this sector within the Borough. Investment in tourism results in a higher servicing cost to Council. Therefore, a differential rate is applied to ensure equity across ratepayers as these properties are being used differently to other general residential property, in that they are being used with the intention to generate income.

### **Characteristics**

The classification of the land will be determined by the occupation of that land for its best use and have reference to the planning scheme zoning.

### **Types and Classes**

Rateable land having the relevant characteristics described below:

- contains a dwelling, unit, cabin or house or part of a house; and
- with five or less bedrooms; and
- used, whether primarily or otherwise, to provide holiday accommodation for the purpose of generating income from the provision of such holiday accommodation; and
- where “any part” of the property is used for tourist accommodation; and
- for “any period of time” during the financial year (no matter how seldom); and
- currently being used, or advertised as being available for use, as tourist accommodation.

### **Use of Rate**

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

### **Level of Rate**

110% of General Rate.

### **Use of Land**

Any use permitted under the Borough of Queenscliffe Planning Scheme.

### **Geographic Location**

Wherever located within the municipal district.

## Planning Scheme Zoning

The zoning applicable to each rateable land within this category, as determined by the Borough of Queenscliffe Planning Scheme.

## Types of Buildings

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

If a decision has been made (informed Council in writing) not to continue to list a property as being available for holiday accommodation, Council will adjust differential rate for the future years. The differential rate may be adjusted for the current year under exceptional circumstances, e.g. change of ownership.

### 4.7 Municipal charge

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

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

Under the *Local Government Act 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 a council's administrative costs can be seen as an equitable method of recovering these costs.

On one hand, applying a fixed municipal charge can be a way of ensuring that all properties make a standard contribution towards a council's administrative costs. On the other hand, it will result in lower value properties being charged a higher level of rates.

The Borough of Queenscliffe does not currently levy a municipal charge, nor does it propose to introduce such a charge at this point in time.

### 4.8 Special charge schemes

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

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

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

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

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

#### 4.9 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:

- The provision of a water supply;
- The collection and disposal of refuse;
- The provision of sewage services;
- Any other prescribed service.

Council currently applies a service charge for the collection and disposal of refuse (provision of kerbside, green and public waste services). Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste services including general administration cost associated with waste services.

It is recommended that Council retain the existing fixed 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.

Any surplus between charges collected from ratepayers and costs incurred by Council are held in reserves on Council’s Balance Sheet for allocation in future years. Such allocations may include using surplus funds to meet the cost of additional initiatives and emerging budget pressures in future financial years and/or return surplus funds to ratepayers in the form of a reduced waste charge in the next financial year.

Council Policy CP038 outlines the arrangements for waste management services.

Council currently applies an additional concession of \$120 per eligible ratepayer property, above that funded by other levels of government, which is applied as a rebate to assist eligible pensioners in meeting their waste management charges.

By applying this rebate towards waste management charges, Council is seeking to redistribute this across the ratepayer groups that contribute to each of the three waste streams, so that the full cost recovery of each waste stream continues to be achieved.

More information regarding the government-funded pension concession is included at Section 4.12 of this document.

#### 4.10 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.

##### 4.10.1 Payment options

In accordance with the Section 167(1) of the Act, 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

These payment dates for instalment are fixed by the Minister for Local Government and published in the Government Gazette.

This practice provides a clear structure for paying rate instalments and a predictable cash flow to support Council's financial management.

##### 4.10.2 Rate payment channels

Council offers a range of payment options, including direct debit, BPAY, internet (directed to Australia Post Billpay and the eNoticespayment gateway), mail, telephone (credit card payments) and over the counter services at the Council Office in Queenscliff.

Council incurs costs of collection via agency and merchant service fees. The cost of collection is included in Council's expenditure budget each year. Council has not adopted a cost recovery principle for these costs.

However, Council will recover cost associated with dishonoured payments unless it is due to an administrative issue of Council.

#### 4.10.3 Escalation of outstanding rates and charges

Annual Rate and Valuation notices are generally issued towards the end of August or start of September after Council has adopted the budget and formalised General Valuation for implementation.

After the issue of the Initial Rate and Valuation Notice, ratepayers will be issued with a rate instalment notice for each of the next three instalments. Further, rate reminder letters are issued after second, third and fourth instalment due dates.

Following this, where possible (if Council has contact details), ratepayers are contacted directly with either a phone call or email by the rates officer to discuss any issues, or to set up payment arrangement.

Outstanding accounts are escalated to Council's debt collection agency after the fourth instalment reminder letter due date and only if communication and a suitable payment arrangement has not been entered into with the ratepayer by that date. Once Council has been through Council's in-house process of escalation, as a last resort, Council may proceed to recover any outstanding rates and charges via the Magistrates' Court.

This process entails the lodgement of outstanding accounts (arrears in excess of \$300) with the debt collection agency appointed by Council, who then take the following steps to attempt to recover the outstanding debt:

1. Letter of Demand
  - a. Sent to each property as notified by Council. Letter allows seven days for the ratepayer to make full payment or enter into a suitable payment arrangement with the collection agency.
2. If no response to the Letter of Demand, the account may be further escalated and issued with a Complaint
  - a. A complaint is issued by the appropriate Court and once legal costs have been incurred, the complaint is then issued to the Process Server for serving of the documents on the registered owner(s)
  - b. Once the documents are serviced, ratepayer(s) have rights under the court processes to resolve or further dispute the debt
3. If account remains unresolved or there has been no action by the ratepayer(s), a Judgement Order will be issued
  - a. Letter sent to ratepayer(s) advised order registered and requesting payment.

If account remains unpaid after this point, Council can then further escalate via civil proceedings available through the court processes.

All costs incurred from the debt collection agency are levied back to the property rate account and are a secured charge against the property as are rate transactions.

#### 4.11 Interest on arrears and overdue rates

Council has determined that the application of interest penalties for late payments will be in accordance with section 172 of the Act.

Penalty interest will be applied to any outstanding rates and charges not paid by the due date. The maximum interest rate to apply 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.

#### 4.12 Pension concession/Additional Pension concession

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.

Council has discretion to offer a rebate to pensioners, in addition to the pension concession funded by the State Government under the Municipal Rates Concession Scheme. Council currently applies a pension rebate of \$120 per eligible ratepayer, with this rebate to assist eligible pensioners in meeting their waste management charges. This additional concession offered by Council is discussed in more detail at section 4.16.3 of this Rating structure.

#### 4.13 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 for a specified period or until the ratepayer ceases to own or occupy the land in respect of which rates and charges are to be levied. Where deferment of rates and charges is approved, interest will not accrue on outstanding payments.

Council Policy CP031 Rates Assistance provides more detail to assist ratepayers who may be experiencing financial hardship and require a deferral of the rates.

#### 4.14 Waiving of rates, charges and interest

Councils have the power to waive part or all of any rates and charges, under financial hardship provisions. However, Council's preference is to not waive rates, charges or penalty interest imposed (where applicable), as the value of each property provides the owner with a potential source of funds, if liquidated.

All financial hardship applications are assessed on an individual basis, in accordance with Council Policy CP031 Rates Assistance.

#### 4.15 State Government imposed Fire Services Property Levy (FSPL)

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.

#### 4.16 Concessions and rebates

A rebate is a mechanism through which a targeted group receives a discount or concession to achieve certain objectives.

Essentially, rebates are funded through the general rate pool. More specifically, the amount required to fund the rebate is calculated and is incorporated into the total rates and charges calculation. For transparency, the amount of any rebate or concession funded by ratepayers should be declared on an annual basis.

##### 4.16.1 Cultural and recreational land

The *Cultural and Recreational Lands Act 1963* provides for councils to grant a rating concession to recreational lands which meet the test of being 'rateable land' under the Act.

The Borough currently has six properties which are rated under the provisions of the *Cultural and Recreational Lands Act 1963*. The rate in the dollar currently charged to these properties is 25% of the general rate (i.e. the rate concession for recreational land is set at 75% of the residential rate and is treated as a contribution in lieu of rates).

Council has applied this rating concession in recognition of the voluntary nature of the not-for-profit sport and recreation clubs operating on the rateable land and the limited revenue streams available to these community organisations. It is proposed that the current practice of applying a rating concession continues to be applied to those volunteer managed and operated, not-for-profit clubs that are located on rateable land.

##### 4.16.2 Trust for Nature covenant

Council may grant rebates or concessions in accordance with the Act to assist the proper development of the municipal district, to preserve, maintain and restore historical, environmental, architectural or scientific buildings or places of interest important within and to the municipality, to generally assist the proper development of all or part of the municipal district. Generally, conditions or undertakings are required and if not met require the rebate or concession to be repaid in part or in full as the case may be.

Council applies a rebate to residential properties which are deemed to be of significant environmental benefit to the community and has entered into a 'Trust for Nature' covenant.

A rate rebate of 100% on covenant areas 1 hectare or greater is applied to the residential rates for the area which falls within the covenant for this property. Smaller land areas are considered on a case-by-case basis based on the property's unique environmental value. This approach is established under the Council Policy CP019 Rate Incentives for Conservation and Land Management.

#### 4.16.3 Additional Pension Concession

Council has the discretion to offer an additional pension concession, above that level funded by State government, should it choose to do so. As for the concession provided by the State Government, the Council-funded additional pension concession can only be applied to eligible pensioners covered under the section 4.12 above.

## 5. OTHER REVENUE ITEMS

### 5.1 User fees and charges

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

Examples of user fees and charges include:

- Tourist parks fees
- Aged care service fees
- Environmental health fees
- Animal registration fees
- 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 on the basis of one of the following pricing methods:

- a. Market price
- b. Full cost recovery price
- c. Subsidised price



Market pricing (A) is where Council sets prices based on the benchmarked competitive prices of alternate suppliers. In general, market price represents full cost recovery plus an allowance for profit. Market prices will be used when other providers exist in the given market, and Council needs 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 (i.e. Council provides the service free of charge) to partial subsidies, where Council provides the service to the user with a discount. The subsidy can be funded from Council's rate revenue or other sources such as Commonwealth and State funding programs. Full Council subsidy pricing and partial cost pricing should always be based on knowledge of the full cost of providing a service.

As per the Victorian Auditor General's Office report "Fees and charges – cost recovery by local government" recommendations, Council has developed a user fee pricing policy to help guide the fair and equitable setting of prices. Council Policy CP047 User Fees and Charges outlines the process for setting fee prices, and includes such principles as:

- Fees and charges are raised to increase revenue available to Council in supporting the cost of service delivery, support Council's medium to long term service delivery objectives and long term financial sustainability, and help users understand the value and benefits they obtain when accessing services;
- Full cost recovery promotes efficient allocation of resources by sending the appropriate price signals about the value of all resources used in the provision of Council's services and/or regulatory activity. It also promotes equity by ensuring those who have benefited from Council-provided services and/or regulatory activity pay the associated cost, while those who do not benefit do not have to bear costs;
- There are situations in which full cost recovery may not be desirable, in which case either partial cost-recovery or a nil charge may be applied by Council;
- Council's tourist park fees are applied at a higher level than the cost of the tourist park service itself (i.e. market pricing) to ensure a level of revenue is generated which also contributes to the cost of maintaining crown land reserves over which Council has Committee of Management responsibility;
- Council will provide improved transparency to the community by indicating the level of contribution from the rates budget, cost recovery and fee setting criteria.

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.

## 5.2 Statutory fees and charges

Statutory fees and fines are those which Council collects under the direction of legislation or other government directives. The rates used for statutory fees and fines are 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.

### Animal registrations and permits

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.

### 5.3 Grants

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

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

When preparing its financial plan, council 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.

### 5.4 Contributions

Contributions represent funds received by Council, usually from non-government sources, and are usually linked to projects.

Contributions can be made to Council in the form of either cash payments or asset hand-overs.

Examples of contributions include:

- Monies collected from developers under planning and development agreements
- Monies collected under developer contribution plans and infrastructure contribution plans
- Contributions from user groups towards upgrade of facilities
- Assets handed over to Council from developers at the completion of a subdivision, such as roads, drainage, and streetlights.

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

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

### 5.5 Rental (lease) income

Council receives rental income from a number of facilities available for use by clubs, incorporated organisations and businesses for varied purposes, including sporting and recreation and education purposes. The lease rental payable by each tenant is determined based on the purpose for which the facility is being used. Commercial users pay lease rental based on the market valuation and tenants who provide purely a community service pay a subsidized or a nominal rent.

Council Policy CP029 Commercial, Community and Mixed-Use Leases provides a provide a consistent framework for the leasing of Council owned and managed land and facilities by setting out principles applying to commercial, community and mixed use leases.

## 5.6 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 Policy CP011 Investment of Available Funds, which seeks to earn the best return on funds whilst minimising risk.

## 5.7 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:

- Council will not borrow to fund operating expenditure. This type of expenditure is to be funded from operating revenue streams (rates, fees and charges etc.)
- Council will not borrow to fund recurrent capital works which is inclusive of acquisition, replacement or renewal of assets (e.g. road resurfacing). This type of expenditure is to be funded from operating revenue streams
- Borrowings are to be linked to the financing of capital projects
- The term of any loan should not exceed the expected economic life of the asset
- The total amount of borrowings must be sustainable in terms of Council's ability to meet future repayments, budgetary constraints and prudential ratios (borrowings shall not be undertaken if the effect of such borrowings are projected to result in:
  - indebtedness <10% of own-sourced revenue (rate and charges revenue), and
  - debt servicing cost <2% of rate revenue.

Council Policy CP040 Borrowings establishes objectives and principles that outline when it is appropriate for Council to undertake borrowings, using a sound financial management framework.

VERSION CONTROL

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