



Pyrenees
Shire Council

Revenue and Rating Plan

2024-25

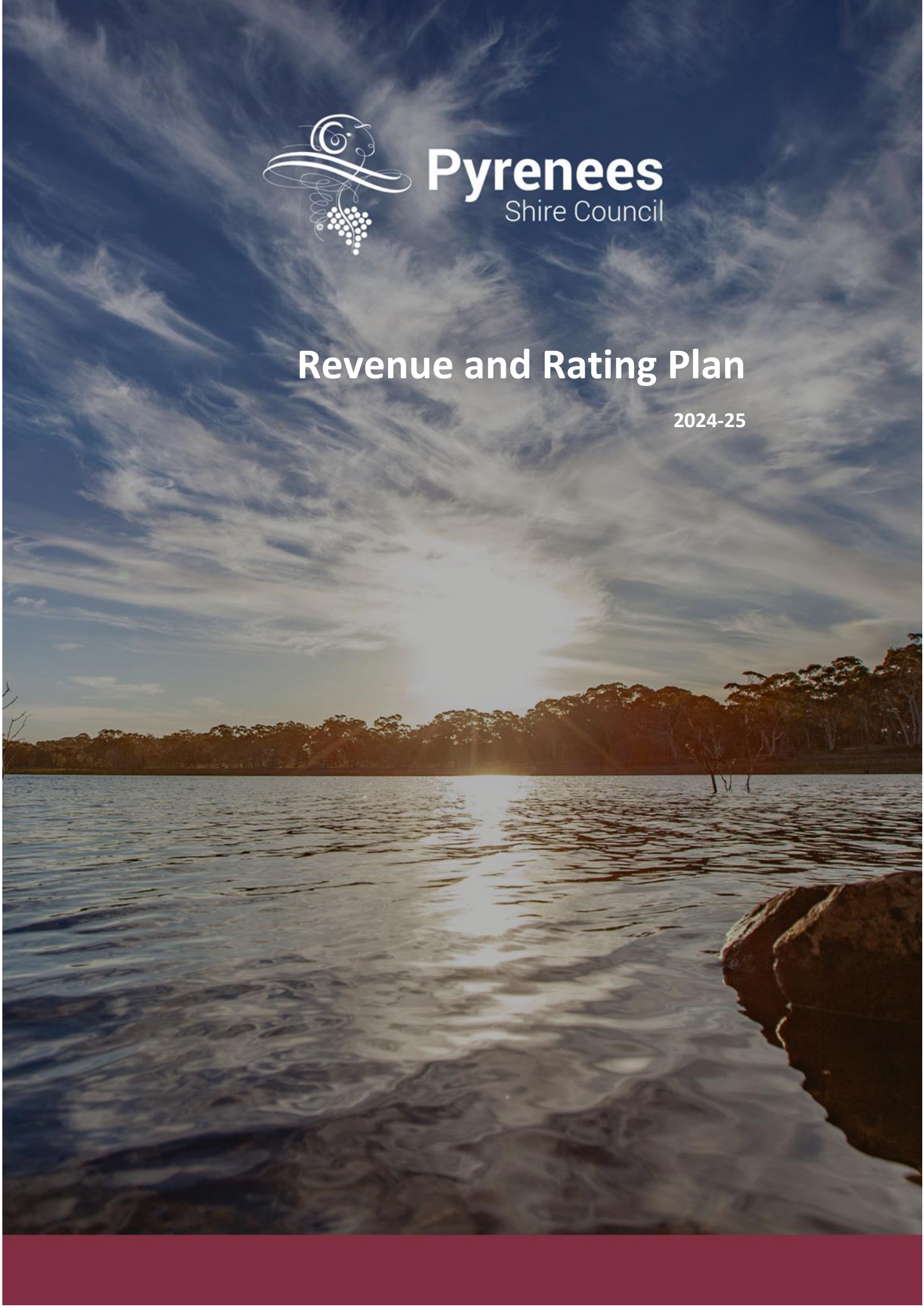


TABLE OF CONTENTS

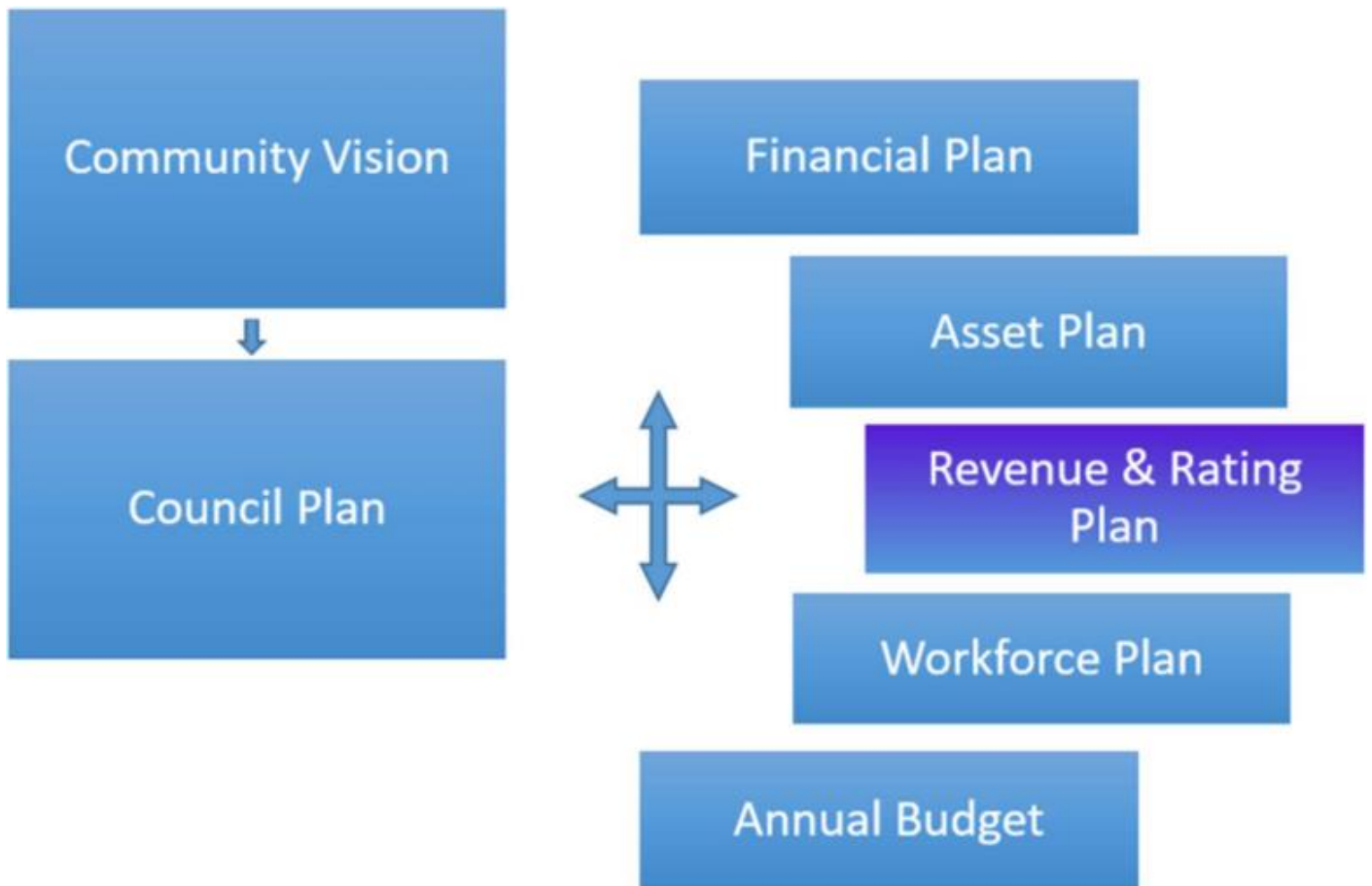
1.1	Purpose.....	3
1.2	Introduction	4
1.3	Community Engagement	4
1.4	Rates and Charges.....	5
1.4.1	Rating Legislation	5
1.4.2	Rating Principles.....	7
1.4.3	Determining which Valuation Base to use.....	9
1.4.4	Rating Differentials	12
1.4.5	Municipal Charge.....	29
1.4.6	Special Charge Schemes.....	29
1.4.7	Service Rates and Charges	30
1.4.8	Alternative Rating Schemes	31
1.4.9	Collection and Administration of Rates and Charges.....	32
1.5	Other Revenue Items.....	35
1.5.1	User Fees and Charges	35
1.5.2	Statutory Fees and Charges	36
1.5.4	Contributions	37
1.5.5	Interest on Investments	37
1.5.6	Borrowings	37
1.5.7	Grants.....	38
1.6	Community Engagement	39
1.6.1	Gener Impact Assessment	39
1.7	Appendix References	40

1.1 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 Pyrenees 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. 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



1.2 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 and Charges
- Grants from other levels of Government
- Statutory Fees and Fines
- User Fees
- Cash and non-cash contributions from other parties (i.e. developers)
- Interest from investments
- Sale of Assets Rates are the most significant revenue source for Council and make up over 50% 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.

1.3 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 after Council meeting in May for a period of 28 days and calling for feedback;
- Community engagement through local news outlets and social media;
- Hearing from community members wanting to speak to their feedback in June; and
- Draft Revenue and Rating Plan (with any revisions) presented to Council meeting in June for adoption.

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

1.4 Rates and Charges

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

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

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

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

- Valuation x Rate in the Dollar

The rate in the dollar is included in Council’s annual budget.

Rates and charges are an important source of revenue, accounting for over 56% 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 currently only applies a service charge for the collection and disposal of refuse on non-ratable properties.

Council currently does not levy a municipal charge.

1.4.1 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 ratable 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 ratable 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 will be determined in the annual budget.

1.4.2 Rating Principles

Taxation Principles:

When developing a rating strategy, a Council should give consideration to the following good practice taxation principles:

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

Wealth Tax

Wealth refers to 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 through rates, which are a wealth tax determined on the value of property.

This approach implies that the rates paid relate directly to the value of a ratepayer's real property – the stored 'wealth' or unrealised capital gains inherent in land and buildings. It is acknowledged that this methodology has no correlation to the actual consumption of services or the perceived benefits derived by the individual ratepayer. This methodology also does not account for the percentage of the property might be owned by the ratepayer compared to a financial institution that owns a mortgage over the property.

As a small, rural council, Pyrenees Shire Council is limited to this form of taxation and considers the application of other rating tools; such as differential rating, waivers and deferrals, are more effective in moderating the effect of property value on the level of rates paid and making the system more equitable, in addition to considering other factors such as the capacity to pay.

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 a tax.

The economic efficiency in revenue collection is largely influenced by price and administration costs. A simple rating system may be more transparent and minimise administration costs. However, it is also possible for a simple rating system to be costly if it proves to be unpopular and results in increased appeals and higher collection costs. Therefore, a mix of rates revenue and user charges is applied to fund a variety of Council services.

Simplicity

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

It is acknowledged that the overarching rating system is complex and not easily understood by all ratepayers – particularly where a rate capping percentage is not directly transferable to the actual annual increases or decreases in an individual property’s rates payable which are influenced by valuation changes and the differentials determined by Council.

From an administration perspective, rates are generally simple to administer since they are based on a clear information source (property values) and levied on a tangible good, i.e. land and improvements.

Benefit

The context of ‘benefit’ is the extent to which there is a nexus or relationship between consumption/benefit and the rate burden.

In practice, the application of the benefit principle to Council rates requires the complex and costly process of measuring the relative levels of access and consumption across the full range of Council services, as well as regularly conducting in-depth analyses on service access, consumption patterns and costs in order to attempt to review the level of benefit.

As an alternative, Council believes that user charges, special rates and charges, and service rates and charges – i.e. user pays where appropriate - serve as better pricing instruments in dealing with the issue of benefit.

Capacity to Pay

In its rating strategy, Council has always considered the “capacity to pay” principle as one of the primary arguments in its setting of differential rates and strives to incorporate the following factors in its rating decisions:

- Distribution of income and wealth across the municipality,
- Size of businesses and council services used or consumed,
- Assessment of the poor and disadvantaged in the community (single renting pensioners and unemployed as well as home-owning pensioners),
- Property profiles within the municipality, such as agricultural land, vacant landowners, investors, owners of large blocks or small blocks,
- Review of the rating of specific uses such as charities and not for profit organisations,
- Assumptions about the relative capacities of different types of property owners, e.g. pensioners versus single-income families with little home equity,
- Proportion of small/large/heavy/light/rural business in the economy,
- Comparison of similar rates – e.g. a small business with a house versus family farm,
- Appropriateness of rebates for addressing environmental problems,
- Benchmarking Council’s rates against similar-sized councils and identifying reasons for differences, and
- Benefit of extra program funding – i.e. which property owners are benefitting, and which ones are disadvantaged.

Although Council believes that a fair rating strategy should ideally explain the differences in the rates paid by different classes of property on the basis of equity, any attempt to define and measure “capacity to pay” will always prove difficult due to certain constraints such as:

- the diversity of land uses within each class,
- data limitations including the currency and relevance of economic and financial data pertinent to the Pyrenees Shire Council, and
- the problem with respect to owner-occupied residential properties which would require developing assumptions about their potential income, profits and returns.

Hardship recognition

As part of its capacity to pay principle, Council recognises that some ratepayers may have incapacity to pay caused by financial hardship, which can be caused by loss of employment, economic or other abuse associated with family violence, or other factors resulting in an unforeseen change in the property owner’s capacity to meet their payment obligations.

Council has processes in place for ratepayers to seek assistance in such circumstances.

Diversity

Diversity is the capacity of ratepayers within a group to pay rates.

Council’s rate-setting process assesses the general capacity of different groups of ratepayers to pay rates. However, there are practical limits to the extent that groups may be differentiated because of impacts on efficiency and simplicity, and the issue of whether the assumptions made about a group of ratepayers accurately reflect the circumstances of its members. Determining the appropriate balance between diverse and competing considerations will always remain a challenge for councils in developing their rating strategy.

Council does this by using differentials between property categories, in compliance with the *Ministerial Guidelines for Differential Rating 2013*. These differentials are reviewed annually to ensure that valuation outcomes haven’t created unexpected financial pressure on specific property categories that could be minimised by spreading the burden across our ratepayers more generally.

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

1.4.3 Determining which Valuation Base to use

Under the *Local Government Act 1989*, councils may elect to use one of the following valuation methodologies:

- **Site Value (SV)** – refers to the value of land only, and assumes the land is vacant with no improvements (such as buildings).
- **Capital Improved Value (CIV)** – refers to the assessed market value of the property including both land (SV) and all improvements on the land (such as buildings).
- **Net Annual Value (NAV)** – represents the annual rental value of a property based on CIV.

Capital Improved Value (CIV)

Over 90% of Victorian councils apply the Capital Improved Value (CIV) methodology of valuation. It is generally easily understood by ratepayers since it is based on 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.

Since the CIV rating method takes into account the full development value of the property, it is widely supported as a better valuation methodology in meeting the equity and “capacity to pay” criteria as well as in achieving predictability of market values, ease of understanding, comparability of rating and valuation data between councils and flexibility in the distribution of the rating burden through differential rates. However, the main disadvantage with CIV will always be the perception that rates based on the total property value may not necessarily reflect the income level of the property owner as is the case with pensioners and low-income earners.

Site value (SV)

At present, no Victorian council is using the Site Value (SV) method of valuation.

This lack of support for the SV method may be attributed to the following disadvantages:

- a) significant shift in rate burden from the industrial / commercial sector to the residential sector of Council,
- b) property owners that have large areas of land with much smaller/older dwellings will
 - c) pay more compared to those with smaller land areas with well-developed dwellings,
- d) increased pressure on Council to give concessions to categories of landowners who may be disproportionately disadvantaged by the use of site value – e.g. farm landowners,
- e) reduced flexibility and options for Council to deal with any rating inequities due to the
- f) removal of the ability to levy differential rates, and
- g) greater difficulty in understanding the SV valuation on ratepayers’ notices.

On the other hand, SV may offer Council some scope for possible concessions for urban farm land and residential-use land. But there is very little evidence to support the implementation of site valuation in the Pyrenees Shire Council.

Net annual value (NAV)

The Net Annual Value (NAV) represents the annual rental value of a property and is calculated by valuers as 5 per cent of CIV. The NAV for residential and primary production properties is 5 per cent of CIV. The NAV for non-residential (commercial and industrial) properties is the greater of either:

- a) the estimated annual market rental of the property minus all legislated expenses to maintain that property (except council rates), or
- b) 5 per cent of CIV.

Overall, the use of NAV is not largely supported due to the differences in the treatment of residential and farm properties as opposed to commercial and industrial properties, thereby making it more difficult for the ratepayers to understand.

Recommended Basis of Valuation

Council is currently utilising the Capital Improved Value (CIV) method of valuation for rating purposes. The (CIV) method of valuation allows Council to adopt a differential rating structure, which provides the flexibility to levy differential rates, thereby facilitating the shifting of the rate burden from some groups of ratepayers to others, through different “rates in the dollar” for each class of property.

Council’s decision to use CIV as the basis for rates is largely underpinned by the following:

- the wide support for the CIV method as it considers the full development value of the property and is therefore viewed to achieve greater equity and efficiency.
- CIV is based on market values, which are more predictable and easily understood than NAV or SV.
- the comparability of rating and valuation information between councils is facilitated due to the adoption of CIV by most councils in Victoria.
- the use of CIV allows the application of differential rates, which equitably distribute the rating burden based on ability to afford council rates, i.e. CIV allows Council to apply higher rating differentials to the commercial and industrial sector that offset residential rates.

Property Valuations

Under the *Valuation of Land Act 1960*, the Victorian Valuer-General conducts property valuations on an annual basis. Council applies a Capital Improved Value (CIV) to all properties within the municipality to consider the total market value of the property including buildings and other improvements. The value of land is always derived by valuing the highest and best use of the land at the time of valuation.

Councils do not collect extra revenue because of changes in property valuations. Valuations are simply used to help calculate the rates payable for each individual property. As part of its differential rating strategy, Council takes into consideration the impacts of revaluations on the various property types to ensure the consistent affordability of Council rates and the smoothing of any significant rating fluctuations.

Supplementary Valuations

The Victorian Valuer-General is the authority responsible for the conduct of supplementary valuations and the provision of monthly advice to council regarding basis of valuation and Australian Valuation Property Classification Code (AVPCC) changes. Supplementary valuations may be carried out for several reasons including rezoning, subdivisions, amalgamations, renovations, new constructions, extensions, occupancy changes and corrections.

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

Objections to Property Valuations

Under Part 3 of the *Valuation of Land Act 1960*, a property owner has the right to 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.

Any objection to the valuation or the AVPCC must be lodged with Council and in writing by the property owner. Property owners also have the right to object to the site valuations on receipt of their Land Tax Assessment.

Furthermore, property owners may 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).

1.4.4 Rating Differentials

Council believes that property value is the best indicator of the capacity to pay rates and the implementation of a differential rating system will contribute to the equitable and efficient distribution of the rating burden.

The current rating system in the Pyrenees Shire Council is characterised by the following:

- no municipal charge (as per legislation, 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),
- differential rates applying to general (residential, commercial & industrial), farm and vacant land properties and a rate declared under the *Cultural and Recreational Lands Act* on recreational properties.

Councils may elect 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 chooses to apply a differential rating system, it must adopt either the Capital Improved Value (CIV) or Net Annual Value (NAV) methods of rating in accordance with the *Local Government Act 1989*.

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

- a)
 - 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 Council's 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
 - c) respect of the uses, geographic location (other than location based on whether
 - d) or not the land is within a specific ward in Council's district).
 - e) (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; and
- b) specify the characteristics of the land which are the criteria for declaring the differential rate.

In developing its rating strategy, Council aims to ensure that the differential rates applied are consistent with the provisions of the *Local Government Act 1989* and that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council.

Different rates in the dollar of CIV can be applied to different classes of property. These classes of property must be clearly differentiated, and the setting of the differentials must.

be used to improve equity and efficiency. There is no theoretical limit on the number or type of differential rates that can be levied, however, the highest differential rate can be no more than four times the lowest differential rate.

The effect of levying differential rates, like the municipal charge, is to reduce the impact of the property valuation on the amount of rates paid. The application of a differential rate means that one class of property is treated differently from another – either paying a higher or lower rate in the dollar. For each effect a differential rate has on one class, it will have the opposite effect for other property classes. A rate discount given to one class of property can only be covered by higher rates paid by other classes and vice-versa.

After due consideration Council elected to continue to with a differential rating system as it allows greater discretion and flexibility in distributing the rate burden across different classes of property and facilitating appropriate developments in the best interests of the community.

The definitions, objectives, characteristics, uses, classes of land and other details pertaining to each differential rate are outlined below:

Residential Rate (General Rate)

Definition:	Residential land is any rateable land wherever located within the municipality which has a dwelling that can be occupied for the principal purpose of physically accommodating persons, and does not have the characteristics of Vacant Land, Farmland, Commercial Land or Industrial Land.
Objectives:	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.
Types and classes:	Rateable property which: a) is used primarily for private residential purposes (that has been granted an Occupancy Certificate as determined by the Pyrenees Shire Council Building Department, b) meets the requirements of the <i>Building Act 1993</i> , including but not limited to houses, dwellings, flats, units, excluding motels, caravan parks, supported accommodation, c) any land that is not defined as Vacant, Farm, Commercial or Industrial Land.
Use of Rate	The rate reflects the level of service provided and ensures that reasonable rate relativity is maintained between the residential property and other classes of property. 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.
Use of Land:	100% of General Rate
Geographic Location:	Wherever located within the municipal district
Planning Scheme Zone:	The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Pyrenees Shire Council 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.

Commercial / Industrial Rate

- Definition: Commercial/Industrial Land is any land which is:
- a) used primarily for carrying out the manufacture or production of, or trade in goods or services (including tourist facilities and in the case of a business providing accommodation for tourists, is prescribed accommodation as per Public Health and Wellbeing Act (Vic) 2008; or
 - b) unoccupied building erected which is zoned Commercial or Industrial under the Victorian City Council Planning Scheme; or
 - c) unoccupied land which is zoned Commercial or Industrial under the Victorian City Council Planning Scheme.
- Characteristics: The characteristics of the planning scheme zoning are applicable to the determination of land which will be subject to the rate applicable to Commercial or Industrial 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: Commercial properties having the relevant characteristics described below:
1. Rateable properties used or adapted to be used for business and/or administrative purposes, including but not limited to properties used for:
 - a. The sale or hire of goods by retail or trade sales, e.g. shops, auction rooms, hardware stores,
 - b. The manufacture of goods where the goods are sold on the property,
 - c. The provision of entertainment, e.g. theatres, cinemas, amusement parlours and the like,
 - d. Media/broadcasting/communication establishments, e.g., television stations, newspaper offices, radio stations and the associated facilities,
 - e. The provision of accommodation other than private residential, e.g. motels, caravan parks, camping grounds, camps, supported accommodation, accommodation houses, hostels, boarding houses,
 - f. The provision of hospitality, e.g. hotels, bottle shops,
 - g. restaurants, cafes, takeaway food establishments, tea rooms, g) Tourist and leisure industry, e.g. flora and fauna parks,
 - h. gymnasiums, indoor sport stadiums, gaming establishments, h) Art galleries, museums,
 - i. Showrooms, e.g. display of goods,
 - j. Brothels,
 - k. Commercial storage (mini storage units, wholesale distributors),
 - l. Religious purposes,
 - m. Public offices,
 - n. Halls for commercial hire,
 - o. Mixed businesses/milkbars.
 2. Properties used for the provision of health services, including but not limited to properties used for hospitals, nursing homes, rehabilitation, medical practices and dental practices.
 3. Properties used primarily as offices or for administration purposes including but not limited to properties used for legal practices, real estate agents, veterinary surgeons, accounting firms, insurance agencies or any other organization, group, association or respective body.
- Industrial properties having the relevant characteristics described below

Rateable properties which are used primarily for manufacturing processes, including, but not limited to the following:

- a. The manufacture of goods, equipment, plant, machinery, food or beverage which are generally not sold or consumed on site,
- b. Warehouse/bulk storage of goods,
- c. The storage of plant and machinery,
- d. The production of raw materials in the extractive and timber industries,
- e. The treatment and storage of industrial waste materials.

Use of Rate: The Commercial/Industrial 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. The rate reflects the level of service provided and ensures that reasonable rate relativity is maintained between the commercial/industrial property and other classes of property.

Level of Rate: 115% of the General Rate.

Use of Land: Any use permitted under the Pyrenees Shire Council 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 consulting maps referred to in the relevant Pyrenees Shire Council 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.

Farm Rate

Definition:	<p>Farm land is defined as any rateable land which meets the definition as described under Section 2(1) of the <i>Valuation of Land Act 1960</i>:</p> <ol style="list-style-type: none">a. any rateable land that is 2 or more hectares in area,b. used for carrying on a business of primary production as determined by the Australian Taxation Office,c. used primarily for agricultural production (grazing, including agistment, dairying, pig-farming, poultry farming, fish farming, tree farming, beekeeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities, andd. used by a business:<ul style="list-style-type: none">• which has a significant and substantial commercial purpose of character, and• seeks to make a profit on a continuous or repetitive basis from its activities on the land, and• is making a profit from the activities on the land if it continues to operate in the way that it is operating.
	<p>Council has decided that the Farm Properties definition for differential rating purposes be revised to only capture rateable properties which have primary production as its substantive use and exclude properties where primary production is secondary or incidental to the property use (commonly referred to as lifestyle properties). Therefore, the current differential farm rate will only be applicable to genuine farming operations as distinct from hobby or rural lifestyle properties.</p> <p>It was also determined that the definition of Farm Land for differential rating purposes be modified so that rural lifestyle properties are no longer defined as Farm Land for differential rating purposes. Properties where primary production and associated improvements are secondary to the value of the residential home site and associated residential improvements should not be classified as Farm Land for differential rating purposes. Similarly, vacant properties in a rural, semi-rural or bushland setting that have no restrictions or are not likely to encounter difficulties in obtaining building purposes should not be classified as Farm Land for differential rating purposes.</p>
Objectives:	<p>To ensure that the differential Farm Land rate is fair and equitable through the application of a discount to farm land properties as Council believes these properties pay disproportionately higher rates in relation to income generated, because of the higher land component.</p> <p>In its considerations of the cost and benefits of delivering services to the community, Council aims to assist in maintaining the sustainability of the farming sector as a major industry and balancing its strong agricultural base with the overall economic growth in the municipality.</p>
Characteristics:	<p>The characteristics of the planning scheme zoning are applicable to the determination of land which will be subject to the rate applicable to Farm 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.</p>

Types and Classes:	Farm Land having the relevant characteristics described below: <ul style="list-style-type: none"> a. used primarily for primary production purposes, or b. any land that is not defined as General, Commercial / Industrial or Vacant Land.
Level of Rate:	70% OF General Rate
Use of Land:	Any use permitted under the Pyrenees Shire Council Planning Scheme.
Geographical Location:	Wherever located within the municipal district.
Planning	
Scheme Zoning:	The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Pyrenees Shire Council 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.

Non Farm Vacant Land less than two hectares (Urban)

Definition:	Vacant land in this class is any land wherever located within the Municipality that is less than two hectares in size, on which no dwelling is erected and does not meet the criteria of any other rating differential.
Objectives:	<p>The objective of this differential rate for Non-Farm Vacant Land less than two hectares (Urban) is to encourage the development of vacant land. The encouragement of development is strategically important as it has a positive effect on local employment and income whereas speculative behaviour may result in market instability and should therefore be discouraged.</p> <p>Council holds the view that the Non-Farm Vacant Land differential in this category should be higher than the general rate to encourage the development of land and ensure that all rateable land will make an equitable financial contribution to the cost of carrying out the functions of Council.</p> <p>Furthermore, the Council also believes that a higher differential rate will also assist to partly offset the costs of servicing new land, including major infrastructure studies and the implementation of interconnecting infrastructure between subdivisions. However, the more difficult task is determining an appropriate differential to the general rate.</p>
Characteristics:	The characteristics of the planning scheme zoning are applicable to the determination of land which will be subject to the rate of non-farm vacant land in this category. 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:	Land that has not been developed, does not meet the criteria of any other rating differential, and the total property area is between 2Ha and 40Ha in size.
Use of Rate:	The differential rate will be used to fund those items of expenditure outlined in the Council budget documentation. The level of the differential rate is that which Council considers necessary to achieve those objectives specified above.
Level of Rate:	Non-farm vacant land properties between 2Ha and 40Ha in area tend to be within rural residential areas and have a lesser requirement of public infrastructure than vacant urban land, therefore the differential has been set at: 230% of the general rate.
Use of Land:	Any use permitted under the Pyrenees Shire Council 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 consulting maps referred to in the relevant Pyrenees Shire Council Planning Scheme.
Types of Buildings:	Not applicable:

Non Farm Vacant Land between two and forty Hectares

Definition:	Vacant land in this class is any land wherever located within the Municipality that is between two and forty hectares in size, on which no dwelling is erected and which does not meet the criteria of any other rating differential.
Objectives:	<p>The objective of this differential rate for Vacant Land is to encourage the development of vacant land. The encouragement of development is strategically important as it has a positive effect on local employment and income whereas speculative behaviour may result in market instability and should be discouraged.</p> <p>Council holds the view that the vacant land differential should be higher than the general rate to encourage the development of land and ensure that all rateable land will make an equitable financial contribution to the cost of carrying out the functions of Council.</p> <p>Furthermore, the Council also believes that a higher differential rate will also assist to partly offset the costs of servicing new land, including major infrastructure studies and the implementation of interconnecting infrastructure between subdivisions. However, the more difficult task is determining an appropriate differential to the general rate.</p>
Characteristics:	The characteristics of the planning scheme zoning are applicable to the determination of land which will be subject to the rate of non-farm vacant land in this category. 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:	Land that has not been developed, does not meet the criteria of any other rating differential and is less than 2Ha in size. Although many properties will fall within an urban zone, it is not compulsory.
Use of Rate:	The differential rate will be used to fund those items of expenditure outlined in the Council budget documentation. The level of the differential rate is that which Council considers necessary to achieve those objectives specified above.
Level of Rate:	Non-Farm Vacant Land Properties under 2Ha in area tend to be within townships and have a greater requirement of public infrastructure than Rural Residential land, therefore the differential has been set at: 260% of the general rate.
Use of Land:	Any use permitted under the Pyrenees Shire Council 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 consulting maps referred to in the relevant Pyrenees Shire Council Planning Scheme.

Types of Buildings: Not applicable:

Non Farm Vacant Land less than two hectares (Urban)

Definition:	Vacant land in this class is any land wherever located within the Municipality that is less than two hectares in size, on which no dwelling is erected and does not meet the criteria of any other rating differential.
Objectives:	<p>The objective of this differential rate for Non-Farm Vacant Land less than two hectares (Urban) is to encourage the development of vacant land. The encouragement of development is strategically important as it has a positive effect on local employment and income whereas speculative behaviour may result in market instability and should therefore be discouraged.</p> <p>Council holds the view that the Non-Farm Vacant Land differential in this category should be higher than the general rate to encourage the development of land and ensure that all rateable land will make an equitable financial contribution to the cost of carrying out the functions of Council.</p> <p>Furthermore, the Council also believes that a higher differential rate will also assist to partly offset the costs of servicing new land, including major infrastructure studies and the implementation of interconnecting infrastructure between subdivisions. However, the more difficult task is determining an appropriate differential to the general rate.</p>
Characteristics:	The characteristics of the planning scheme zoning are applicable to the determination of land which will be subject to the rate of non-farm vacant land in this category. 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:	Land that has not been developed, does not meet the criteria of any other rating differential, and the total property area is between 2Ha and 40Ha in size.
Use of Rate:	The differential rate will be used to fund those items of expenditure outlined in the Council budget documentation. The level of the differential rate is that which Council considers necessary to achieve those objectives specified above.
Level of Rate:	Non-farm vacant land properties between 2Ha and 40Ha in area tend to be within rural residential areas and have a lesser requirement of public infrastructure than vacant urban land, therefore the differential has been set at: 230% of the general rate.
Use of Land:	Any use permitted under the Pyrenees Shire Council 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 consulting maps referred to in the relevant Pyrenees Shire Council Planning Scheme.
Types of Buildings:	Not applicable:

Non Farm Vacant Land greater than forty Hectares

Definition:	Vacant land in this class is any land wherever located within the Municipality that is greater than forty hectares in size, on which no dwelling is erected, and which does not meet the criteria of any other rating differential.
Objectives:	<p>The objective of this differential rate for Non-Farm Vacant Land greater than forty hectares (Rural) is to encourage the development of vacant land. The encouragement of development is strategically important as it has a positive effect on local employment and income whereas speculative behaviour may result in market instability and should be discouraged.</p> <p>Council holds the view that the vacant land differential should be higher than the general rate to encourage the development of land and ensure that all rateable land will make an equitable financial contribution to the cost of carrying out the functions of Council.</p> <p>Furthermore, the Council also believes that a higher differential rate will also assist to partly offset the costs of servicing new land, including major infrastructure studies and the implementation of interconnecting infrastructure between subdivisions. However, the more difficult task is determining an appropriate differential to the general rate.</p>
Characteristics:	The characteristics of the planning scheme zoning are applicable to the determination of land which will be subject to the rate of non-farm vacant land in this category. 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:	Land that has not been developed, does not meet the criteria of any other rating differential, and the total property area is greater than 40Ha in size.
Use of Rate:	The differential rate will be used to fund those items of expenditure outlined in the Council budget documentation. The level of the differential rate is that which Council considers necessary to achieve those objectives specified above. This land is generally used by people who have a hobby farm that does not meet the classification requirements under the Farm differential, which is reserved for entities with a substantial and commercial purpose.
Level of Rate:	Non-farm vacant land properties greater than forty hectares (Rural) Properties greater than 40Ha in area tend to be within rural areas and have a lesser requirement of public infrastructure than vacant urban land and rural residential land, therefore the differential has been set at: 155% of the general rate.
Use of Land:	Any use permitted under the Pyrenees Shire Council 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 consulting maps referred to in the relevant Pyrenees Shire Council Planning Scheme.

Types of Buildings: Not applicable:

Undevelopable Land

Definition:	Land deemed not suitable for residential, commercial or industrial purposes due to the restrictions under the Pyrenees Shire Council's Planning Scheme.
Objectives:	To ensure that the differential rate applied to undevelopable land is fair and equitable and does not pose any unnecessary financial burden on property owners. In its consideration of the cost and benefits of delivering services to the community, Council will examine the potential use of undevelopable land as green space and links/corridors to conservation areas and wildlife reserves.
Characteristics:	To ensure that the differential rate applied to undevelopable land is fair and equitable and does not pose any unnecessary financial burden on property owners. In its consideration of the cost and benefits of delivering services to the community, Council will examine the potential use of undevelopable land as green space and links/corridors to conservation areas and wildlife reserves.
Types and Classes:	Land in Pyrenees Shire Council that cannot be used for residential, commercial or industrial purposes (including extractive industry) due to the constraints outlined under the Pyrenees Shire Council Planning Scheme.
Use of Rate:	The current vacant land differentials are set at a higher rate to encourage owners to develop their land. However, there are instances where the land cannot be developed with a legal dwelling due to Planning and Environmental Health requirements. It would be unfair to continue to charge the higher differential to these undevelopable land owners if they have no reasonable prospect of ever being able to reduce the differential through development.
Level of Rate:	100% of the General Rate.
Use of Land:	Any use permitted under the Pyrenees Shire Council 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 consulting maps referred to in the relevant Pyrenees Shire Council Planning Scheme.
Types of Buildings:	Not applicable:

Cultural and Recreational Land

Definition: Ratable property which is used primarily for cultural, recreational or club activities. including golf clubs, bowls clubs, scout or guide halls, masonic halls, historical societies and heritage buildings (not for profit).

Objectives: The provision of rate relief to recreational land is provided by the *Cultural and Recreational Lands Act 1963*. The Act effectively provides for properties used for outdoor activities to be differentially rated unless it involves land that is being leased from a private landowner.

The discretion of whether to provide a cultural and recreational land rate rests with Council.

Council considers that the provisions under the *Cultural and Recreational Lands Act* provides a more appropriate vehicle for declaring rates on recreational land rather than the differential rating powers under the Local Government Act because:

- there is no risk to the legal basis for recovery of rates from recreational properties which cease to be recreational land,
- the 4:1 ratio between the highest and lowest differential rates is not a consideration for councils wishing to set particularly low cultural and recreational land rates, and
- the application of the cultural and recreational lands rates is generally provided on a property by property basis, rather than the consideration of a broad property class.

The requirement in the Act that “the rates set must have regard to the services provided by the councils in relation to such lands and the community benefit derived from such recreational lands” has never been applied in the technical sense. Rather than calculating the costs that local government bears, or the benefits received by locals in relation to these properties, most Victorian councils using recreational rates set them at either 50% or 75% of the general/residential rate.

Even an assessment of the more direct costs involved – for example, depreciation of the local road assets related to access, is problematic and would require collection of information on how much additional traffic is generated by the existence of such facilities.

Cultural and recreational lands will also benefit indirectly from other council services expenditure. The quantification of the local benefits received in terms of income, employment, social interaction, community and physical wellbeing is also problematic. The resources which would be involved in attempting an accurate assessment of “benefits and costs” is unlikely to be justifiable on efficiency grounds, especially given the levels of rate income involved.

Due to the complexity in determining the rates for cultural and recreational land, a rebate of 50% will be granted by Council to properties classified as Cultural and Recreational Land.

Types and
Classes:

Rateable property which is used primarily for cultural, recreational or club purposes.

Recreational Land is defined as follows:

- a) lands which are –
 - (i) vested in or occupied by anybody corporate or unincorporated which exists for the purpose of providing or promoting cultural or sporting recreational or similar facilities or objectives and which applies its profits in promoting its objectives and prohibits the payment of any dividend or amount to its members; and
 - (ii) are used for sporting recreational or cultural purposes or similar activities; or
- b) lands which are used primarily as agricultural showgrounds; or
- c) lands which are not otherwise classified by another differential, used primarily by a not-for-profit club* and:
 - (i) not used for the purpose of running a business on a full-time commercial basis; and/or
 - (ii) the club does not pay any employees, contractors or members to perform duties associated with the operations of the club; and/or
 - (iii) is not a licensed premise.

For the purpose of this rating classification the following applies:

“Club” includes an association, society, fraternity, guild, lodge or circle; and,

A club is “not-for-profit” if:

- (i) it does not, either while it is operating or upon winding up, carry on its activities for the purpose of profit or gain to particular persons, including its owners or members; and
- (ii) it does not distribute its profits or assets to particular persons, including its owners or members, either while it is operating or upon winding up.

Level of Rate: 100% of the General Rate. (Rebate of 50% is applicable)

Trust for Nature Covenants – To be rated as Cultural and Recreational Land

- Definition:** Rateable land which has a Trust for Nature Covenant applying to the land. A Trust for Nature Covenant enables the permanent protection of significant areas of natural bush habitat on private land. It is a voluntary agreement between the ratepayer and Trust for Nature and is to be recognised on title.
- Objectives:** Council recognises the public and environmental benefit that Trust for Nature Covenants provide and supports ratepayers with these covenants by offering the reduction of rates payable through its biodiversity and land management incentive program.
- All assessments in this category are on a concessional differential rate in accordance with Section 169 1d of the *Local Government Act 1989* which states that “A council may grant a rebate or concession in relation to any rate or charge to assist in the proper development of part of the municipal district.”
- Further to this, Sec 169 1B of the Act states that Council may only grant a rebate or concession
- a. to owners of specified rateable properties not exceeding one third of the rateable properties in the municipal district; or
 - b. to owners or rateable properties who undertake to satisfy terms that directly relate to the community benefit as are specified by Council.
- Level of Rate:** 50% of the General Rate.

1.4.5 Municipal Charge

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

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

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

The municipal charge applies equally to all properties and is based upon the recovery of a fixed cost of providing administrative services irrespective of valuation. The same contribution amount per assessment to cover a portion of council's administrative costs can be seen as an equitable method of recovering these costs.

Council currently does not levy a municipal charge.

1.4.6 Special Charge Schemes

Under Section 163 of the *Local Government Act 1989*, councils are vested with the power to levy a special rate or special charge for the purpose of providing a special benefit to a defined group of ratepayers. Legislation allows councils to recover the cost of works or services from property owners who receive an exclusive benefit from such works or services.

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. Special rates and charges have been used by Council in the past to fund the construction of kerb and channelling.

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

- a. 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,
- b. 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.

Special rates and charges are specifically designed to address the benefit principle as they are specifically targeted towards ratepayers that receive an exclusive or additional benefit from particular council expenditures. The consideration of such special charge schemes is regularly assessed and reviewed by Council in the development of its pricing policies for services to ensure that the appropriate rates and charges are applied in the collection of any revenue required for the delivery of services.

1.4.7 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 or waste,
- c. The provision of sewage services, and
- d. Any other prescribed service.

Waste Service Charges and Levies

Council levies Waste Management Service Charges for the collection and disposal of household refuse and recyclables. From 1 July 2021 the service consists of one of the following:

- a. Urban Kerbside Collection areas – weekly collection of one landfill bin, the fortnightly collection of one recycling bin, monthly collection of one green organics bin, monthly collection of one glass bin, and access to free disposal of domestic quantities of waste at one of Council's Transfer Stations, or
- b. Rural Kerbside Collection areas – fortnightly collection of one landfill bin, the fortnightly collection of one recycling bin, monthly collection of one glass bin, and access to free disposal of domestic quantities of waste at one of Council's Transfer Stations, or
- c. Free disposal of domestic quantities of waste at one of Council's Transfer Stations.

All residential properties within the municipality must have a waste service. The urban and rural waste collection areas are declared by Council on adopted maps.

In its waste service provision, Council will maintain its full cost recovery approach by setting the service charge for waste at a level that fully recovers the cost of the waste function, including the operational, capital upgrade works and maintenance costs of Transfer Stations as well as the cost of rehabilitation of past and current landfill sites and transfer stations when they reach the end of their useful life.

Council recognises that the application of a Waste Management Service Charge is readily understood and accepted by residents as a fee for a direct service that they receive. Furthermore, it also supports equality in the rating system since all residents receiving exactly the same service level all pay an equivalent amount.

The Waste Management Service Charge covers costs relating to services provided across the Shire, including:

- Kerbside domestic mobile bin collection for household waste, co-mingled recyclables, glass recyclables and green waste. At present this does not include organic or food waste, but this is likely to be introduced in the future.
- Disposal costs for kerbside collections –
- Household waste to landfill
- Recyclables to recycling centres
- Green waste to transfer stations
 - Management of transfer stations
- Transfer stations accept disposal of -
- E-waste (electrical and electronic equipment)
- Green waste
- Chemical container and household chemicals recovery
- Oil recycling

- Mattresses
- White goods
- Tyres
- Car batteries and gas bottles
 - Clearance of street and recreation reserve litter bins
 - Mobile bin collection for schools, commercial and industrial premises
 - Periodic hard waste collections
 - Management of former landfills – Council has five former landfills that require ongoing management to maximise safety and reduce pollution risk
 - Management of litter and illegal dumping
 - Provision of waste education and information – collaboration with regional partnerships
 - Improvement of service delivery and management where required – e.g. improvement of safety at transfer stations.

Council has decided to retain the application of a Waste Management Service Charge since the absence of such a waste service charge would mean that the deficit amount must be raised through an increased general rate. Furthermore, Council holds the view that the mix of levying a single fixed charge combined with valuation-driven rates for the remainder of the rate invoice will provide a more balanced and equitable outcome.

The waste management services charge or levy is used as a balancing mechanism for all waste costs to ensure a zero-dollar recovery for services relating to waste – i.e. the aim is for Council to only collect in charges the equivalent to costs incurred with regard to waste management. Each year, and throughout the year, as part of end of financial year end accounting and budget preparation / monitoring, Council will analyse the Waste Management Service Charges made to residents compared to actual associated costs to determine whether any under or over recovery has been made. Subject to the outcome, Council will then determine what action will be taken to rectify any over / under charge, e.g. amending future charges to compensate.

1.4.8 Alternative Rating Schemes

The *Electricity Industry Act 1993* (now the *Electricity Industry Act 2000*) provided for the newly privatised electricity generators to choose to negotiate an agreement with councils to make payments in lieu of rates. The agreement is generally referred to as a PiLoR (Payment in Lieu of Rates) agreement.

The PiLoR arrangements apply only to the land on which the generation units are situated. Related assets, such as transformers and connection infrastructure, are rated under the LGA. The Victoria Government Gazette notice contains a number of formulae for determining rates based on power generation capacity or output, rather than property value.

Since 2018, separate formulae for solar and wind generators have been included in the Gazette, consisting of a variable charge based on output in megawatt-hours (MWh) with solar/wind generators that are deemed “community-owned” paying a lower variable charge. In 2018, the charges were \$0.56 per MWh produced for community generators, and \$1.12 per MWh for other solar/wind generators. Both charges are indexed annually.

According to a submission by the Municipal Association of Victoria (MAV) to the Local Government Rating System Review 2020, details of some of the PiLoR arrangements indicate an inequity across business sectors in rates contributions. For example, Swan Hill Rural City Council estimates that rating power generation land

in Swan Hill based on CIV would have raised approximately \$1.5 million more in revenue than the value of rates under PiLoR in

2019-20. Similarly, Towong Shire Council estimated that the difference between rating generators in the Shire of Towong based on CIV rather than PiLoR would have resulted in approximately \$700,000 in additional revenue.

Council will continue to apply the above gazetted formulae in the calculation of its annual revenue generated from wind farms. In the long term, however, Council is of the view that the existing PiLoR arrangements create inequity between the power generators that are charged based on output or capacity and the other businesses that are levied property-value based rates, since these arrangements generally result in a lower rate bill for the former.

This view concurs with the aforementioned MAV Submission as well as with two of the 56 recommendations contained in the latest Local Government Rating System Review 2020:

Recommendation 38: That in the absence of a clear policy rationale, section 94 of the *Electricity Industry Act 2000* be repealed to bring the rating of all power generation companies under the *Local Government Act 1989*.

Recommendation 39: If section 94 of the *Electricity Industry Act 2000 (EIA)* is repealed, that a transition arrangement and timeframe for electricity generators to be rated under the *Local Government Act 1989 (LGA)* be implemented. (For example, the difference in rates payable under the EIA and the LGA could be phased in evenly over three years).

1.4.9 Collection and Administration of Rates and Charges

The purpose of this section is to outline the rate payment options, processes, and the Council support provided to ratepayers facing financial hardship. Current legislation also provides for the use of waivers, rebates, concessions, and deferrals.

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: 28/29 February
- 4th Instalment: 31 May

Council offers a range of payment options including:

- in person at Council offices (cheques, money orders, EFTPOS, credit/debit cards, cash),
- BPAY,
- via Australia Post (over the counter, over the phone via credit card and on the internet),

Interest on arrears and overdue rates

The payment of rates and charges must be received by the due date, as shown on the annual rates notice. If an instalment is not paid on or before the due date, Council may charge interest on the overdue amount.

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. The quantum of this interest rate shall be confirmed each year in the declaration of rates and charges and displayed on the annual rates notice.

Pensioner rebates

Eligible ratepayers may claim a rates rebate on their sole or principal place of residence.

Upon initial application, Council conducts an online verification with Centrelink or DVA to confirm eligibility for the rebate.

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 amount will be automatically deducted from the rates notice. There is no need to reapply unless the pensioner's circumstances have changed.

The eligible maximum rebate is adjusted annually by the Victorian State Government. For example, the eligible maximum rebate is \$241.00 for the 2020-21 rating year. Eligible pensioners can 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 allow partial or full deferral of rates where they consider that paying rates would create financial hardship for the applicant. Deferral of rates and charges is made available to all ratepayers who satisfy the eligibility criteria under the Council's Financial Assistance Policy, and will be granted based on the following conditions:

- That the ratepayer pays interest on the amount affected by the deferral at the interest rate applicable to Council for the rating year,
- The deferral ceases and the deferred rates and accrued interest rate are immediately payable if the ratepayer ceases to own or occupy the property on which the rates are imposed,
- The deferral ceases if Council in its discretion, revokes the deferral. In such cases, Council will notify the ratepayer in writing and request full payment of the deferred rates and accrued interest within 30 days,
- The deferral will be reviewed each year within one month of the issue of the annual rate notice,
- An increase in the valuation of a property and a subsequent increase in rates cannot be considered grounds for a deferred payment of rates.

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. Under Section 170(3), Councils can require repayments of deferred amounts if they consider that payment would no longer cause hardship, or if the land changes hands.

Ratepayers seeking to apply for rates deferral on grounds of financial hardship will be required to submit a completed Application for Financial Hardship Assistance Form which is available at 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 acquisition of an interest in land.

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

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

Fire Services Property Levy

In 2016, the Victorian State Government passed legislation requiring the Fire Services Property Levy to be collected from ratepayers. Previously this was collected through building and property insurance premiums. The Fire Services Property Levy helps fund the services provided by the Metropolitan Fire Brigade (MFB) and Country Fire Authority (CFA), and all levies collected by Council are passed through to the State Government.

The Fire Services Property Levy is based on two components, a fixed charge, and a variable charge 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.

1.5 Other Revenue Items

1.5.1 User Fees and Charges

The *Local Government Act 1989* grants councils the power to set fees and charges at a level that allows for the full cost recovery of providing services unless a substantive policy or imperative warrants the use of subsidisation.

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

- Caravan Park charges
- Home Care charges
- Building charges
- Animal Registration charges
- Rental and Function charges
- Delivered Meals charges
- Swimming Pool charges
- Goldfield Recreation Reserve Venue Hire charges
- Waste Disposal charges
- Resource and Information Centre charges
- Community Transport charges
- Other charges

In determining the level of fees and charges to be applied to each service, Council must consider a range of guiding principles including value-for-money, equity, affordability, efficiency and transparency.

As part of its annual budget process, Council conducts a periodic review of fees and charges to assess the appropriate pricing and application based on factors such as:

- whether the service is a public or a private good,
- if there is any State or Commonwealth government legislation setting a statutory price for a particular service,
- if there is a Council policy on subsidising the service (setting prices below full cost) or utilising the service as a tax mechanism (setting prices above the full cost level),
- whether the price based on the full cost of the service is competitive with other suppliers, e.g. private competitors,
- whether the price based on the full cost of the service is in line with the same service delivered by other similar-sized councils (benchmarking).

In setting fees and charges, Council will generally determine the extent of cost recovery for particular services consistent with the user-pays principle, i.e. the cost of providing a direct service will be met by the fees charged.

Council has developed its user-fee pricing based on one of the following pricing methods:

- a) Market pricing - where the price of the service is determined by examining the alternative prices of surrounding service providers. The market price is set by benchmarking Council's full cost price against the competitive prices of alternate suppliers in the market. In general, the market price represents full cost recovery plus an allowance for profit. Market price is applied when there are other suppliers providing the service and Council is required to meet its obligations in accordance with the Competitive Neutrality Guidelines.
- b) Full cost recovery pricing - recovers all direct and indirect costs incurred by Council. This pricing method should be used in particular when services are provided by Council that benefit individual customers specifically rather than the community as a whole.
- c) Subsidised pricing - is where Council subsidises a service by not passing the full cost of that service onto the customer. Prices can be set from full subsidy (no charge) to partial subsidies, where Council provides the service to the user with various levels of subsidisation. Subsidised pricing should always be based on knowledge of the full cost of providing a service and an understanding of the level of the subsidy being offered. The subsidy can be funded from Council's rate revenue or other sources such as Commonwealth and State funding programs.

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

1.5.2 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.

Statutory fees and fines include:

- Town Planning fees
- Environmental Health fees
- Infringements and Fines
- Land Information and Building 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.

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.

1.5.4 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.

1.5.5 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.

1.5.6 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
- Council will maintain its debt at levels which are sustainable.

1.5.7 Grants

Grant revenue includes capital and non-capital grants allocated by the Commonwealth and State Governments to local governments. The Commonwealth Government provides funding to local government in the form of untied financial assistance grants and (tied) specific purpose grants. The financial assistance grants consist of two components:

- general purpose grants, distributed among the States on an equal per person basis, and
- identified local road grants, distributed among the States on the basis of historical shares (identified as road grants, but are untied).

The Commonwealth Government also makes specific purpose payments direct to local governments to fund local roads and infrastructure (e.g. Roads to Recovery grants), child care programs, disability and other services administered by local governments.

The State Governments provide grants to local governments for specific purposes or services. A component of State Government grants are reimbursements for rate concessions provided by local governments on behalf of State Governments. State Governments also provide contract payments to councils to carry out some State functions.

Some grants may be singular and tied 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.

For most rural and small councils, where own-source revenue-raising capacity is limited, grants constitute a substantial source of council revenue. Grants make up the second largest source of revenue for Council, representing approximately 42% of our annual income.

This reflects the reliance of rural and small councils on grant income, making them highly dependent on government funding to maintain operations and exposing them to the potential for higher financial risks in the long term.

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

In preparing its annual budget and financial plan, Council will assess project proposals, grant program opportunities and co-funding options to determine which grants to apply for. Any project that is reliant on grant funding will not proceed until a funding agreement is confirmed and finalised. Council will only apply for and accept external funding if it aligns with the objectives outlined in the Community Vision and Council Plan.

1.6 Community Engagement

In conjunction with the Pyrenees Shire Council Community Engagement Strategy, the following Community Consultation process was performed:

What Consultation	How it was achieved
Media	Public Notice advising ratepayers of their opportunity to provide comment on the proposed Revenue and Rating Plan in the Pyrenees Advocate.
Mail-out	A mail-out to all addresses within the shire advising ratepayers of their opportunity to provide comment on draft revenue and rating plan.
Social Media	Facebook posts on Council's page encouraging residents to provide feedback.

1.6.1 Gener Impact Assessment

A gender impact assessment has been conducted of this Plan, in accordance with the Gender Equality Act 2020. The assessment identified the following:

- a. That the length and specific content of the Plan may inhibit understanding by someone with limited understanding of English. To address this –
 - I. Council are willing to provide a translation of the Plan into a language more appropriate for an individual upon request, and
 - II. Council will undertake community consultation to ascertain whether there are groups of residents from non-English speaking backgrounds who might benefit from automatic translations of key policies, plans and strategies, or documents being published for community feedback, in the future.
- b. That the intention to collect Revenue from ratepayers may impact individuals facing financial hardship. This is addressed through Council's Financial Assistance Policy which offers support to individuals through payment plans, waiver of interest etc.

1.7 Appendix References

- Local Government Act 1989
- Local Government Act 2020
- Valuation of Land Act 1960
- Ministerial Guidelines for Differential Rating 2013
- Cultural and Recreational Lands Act 1963
- Penalty Interest Act 1983
- Electricity Industry Act 2000
- Building Act 1993
- Public Health and Wellbeing Act (Vic) 2008
- Department of Jobs, Precincts and Regions, Local Government Revenue and Rating Plan, Better Practice Guide 2021
- Department of Transport, Planning and Infrastructure, Local Government Revenue and Rating Strategy, Better Practice Guide 2014
- Department of Environment, Land, Water and Planning, Local Government Rating System Review 2020
- Productivity Commission, Assessing Local Government Revenue Raising Capacity, 2008
- Gender Equality Act 2020