Wyndham City Council

Revenue and Rating Plan

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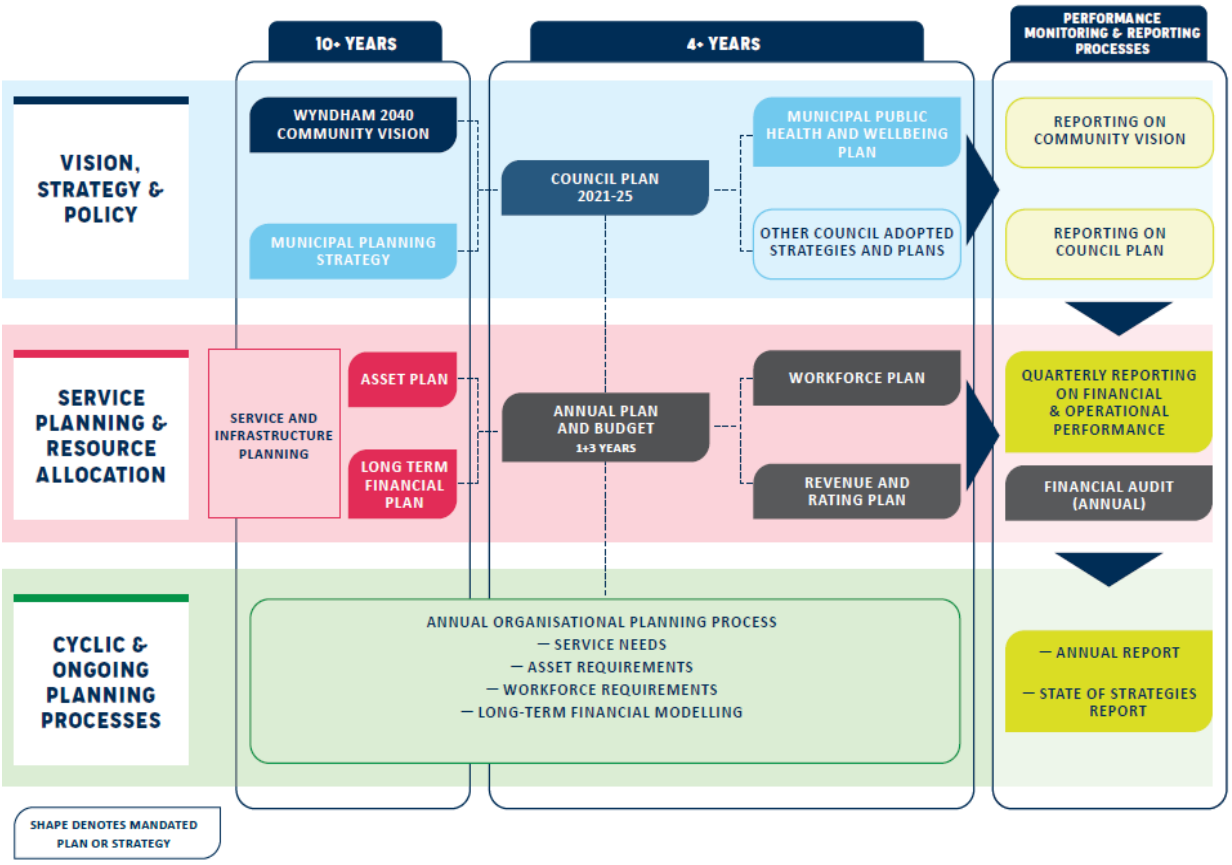
1.1 PURPOSE

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 Wyndham City 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 work towards delivering community priorities in line with the Wyndham 2040 Community Vision.

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 Wyndham City's strategic planning framework.



This plan will explain how Wyndham City 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 Wyndham City 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 Wyndham City, it outlines the strategic framework and decisions that inform how Wyndham City will go about calculating and collecting its revenue.

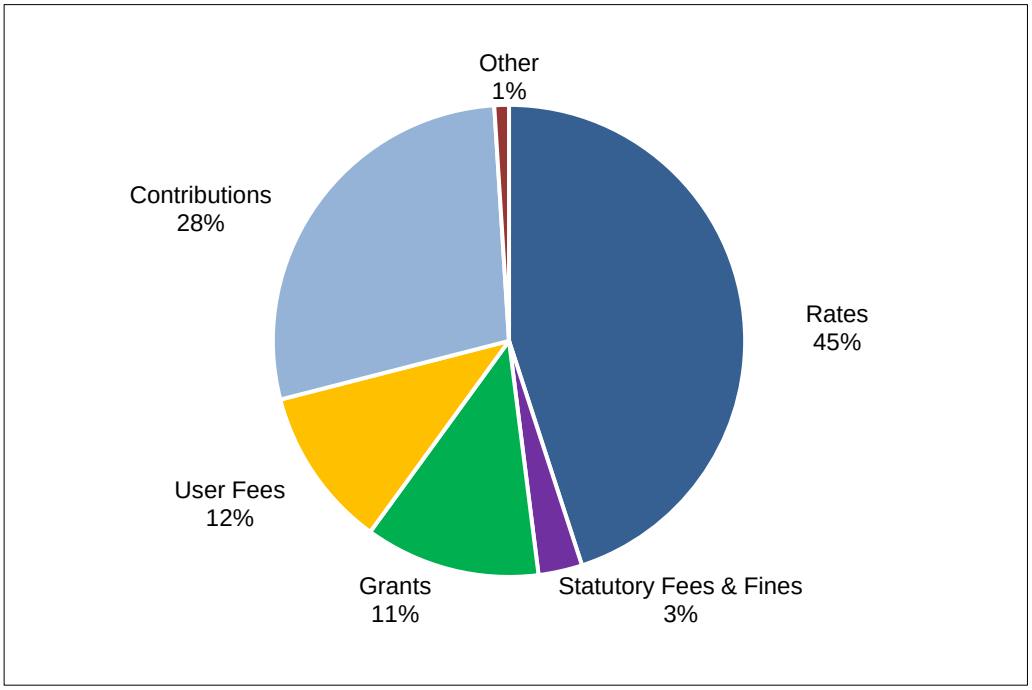
1.2 INTRODUCTION

Wyndham City 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.

Wyndham City's revenue sources include:

- Rates and charges (i.e. general rates, municipal charge, waste management charges etc)
- Grants from other levels of Government
- Statutory fees and fines (i.e. town planning fees, infringements, permit fees etc)
- Other user fees (i.e. leisure centre and recreation, childcare programs, landfill fees etc)
- Cash and non-cash contributions from other parties (i.e. developers, community groups)
- Other revenue (Interest from investments, rentals, sale of assets)

Rates are the most significant revenue source for Wyndham City and make up approximately 45% of its annual income. The total distribution of Wyndham's 2023-24 budgeted revenue is outlined below:
(To be updated once the 2023/24 adopted Annual plan & Budget is finalised)



The introduction of rate capping under the Victorian Government's Fair Go Rates System (FGRS) has brought a renewed focus to Wyndham City's long-term financial sustainability. The FGRS continues to restrict Wyndham City'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 Wyndham City. This strategy will address Wyndham City's reliance on rate income and provide options to actively reduce that reliance.

Wyndham City 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, Wyndham City 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.

Wyndham City's 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 Wyndham City 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 Wyndham City'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 (April) Council meeting for a period of 28 days and calling for public submissions;
- Community engagement through local news outlets and social media; and
- Draft Revenue and Rating Plan (with any revisions) presented to (June) Council meeting for adoption.

Following community engagement, Wyndham City's Revenue and Rating Plan will be updated with any changes Council deem necessary based on community feedback received.

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.

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

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

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

Wyndham City makes a further distinction when applying general rates by applying rating differentials based on the purpose for which the property is used. This distinction is based on the concept that different property categories should pay a fair and equitable contribution, taking into account the benefits those properties derive from the local community.

Wyndham City's rating structure comprises twelve differential rates. These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the *Local Government Act 1989*, and the Ministerial Guidelines for Differential Rating 2013.

The differential rates are currently set as follows:

Differential	Differential Rate
Developed land (Residential)	1.000
Commercial developed land	1.400
Industrial developed land	1.600
Residential development land	1.700
Commercial vacant land	1.700
Industrial vacant land	1.800
Residential vacant land	1.600
Rural lifestyle land	0.900
Farm land	0.800
Rural vacant land	1.000
Recreational land	0.500

Wyndham City also levies a municipal charge under Section 159. The municipal charge is a minimum rate per property and declared for the purpose of covering some of the administrative costs of Council. This municipal charge must not exceed, in total, 20% of the sum of the total of general rates and the Municipal Charge combined. In applying the municipal charge, Wyndham City ensures that each rateable property in the municipality makes a contribution.

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

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

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

Rates and charges are an important source of revenue, accounting for almost 50% of operating revenue received by Wyndham City. 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.

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

Wyndham City currently utilises a service charge to fully recover the cost of Council's waste services and provide for future landfill rehabilitation costs. The garbage service charge is not capped under the Fair Go Rates System, and Wyndham City will continue to allocate surplus funds from this charge towards the provision of waste services.

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 Wyndham City to tailor a system that suits its needs.

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

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

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

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

The advantages and disadvantages of the respective valuation basis are discussed further in this document. Whilst this document outlines Wyndham City's strategy regarding rates revenue, rates data will be contained in Wyndham City'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 Wyndham City 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 Wyndham City Council's annual budget.

In 2019 the Victorian State Government conducted a Local Government Rating System Review. The Local Government Rating System Review Panel presented their final report and list of recommendations to the Victorian Government in March 2020. The Victorian Government subsequently published a response to the recommendations of the Panel's report. The implementation of the 36 recommendations supported in full, in-principle or in part by State Government is ongoing, with a number of these changes outlined in the recent *Local Government Legislation Amendment (Rating and Other Matters) Act 2022*

1.4.2 RATING PRINCIPLES

Taxation Principles:

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

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

Wealth Tax

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

Equity

Horizontal equity – ratepayers in similar situations should pay similar amounts of rates (ensured mainly by accurate property valuations, undertaken in a consistent manner, their classification into homogenous property classes and the right of appeal against valuation).

Vertical equity – those who are better off should pay more rates than those worse off (the rationale applies for the use of progressive and proportional income taxation. It implies a "relativity" dimension to the fairness of the tax burden).

Efficiency

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

Simplicity

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

Benefit

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

Capacity to Pay

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

Diversity

The capacity of ratepayers within a group to pay rates.

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

Rates and Charges Revenue Principles:

Property rates will:

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

Differential rating should be applied as equitably as is practical and will comply with

the *Ministerial Guidelines for Differential Rating 2013*.

1.4.3 DETERMINING WHICH VALUATION BASE TO USE

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

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

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

Capital Improved Value (CIV)

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

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

a) It uses the capital improved value system of valuing land; and

b) It considers that a differential rate will contribute to the equitable and efficient carrying out of its functions.

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

Advantages of using Capital Improved Value (CIV)

- CIV includes all property improvements, and hence is often supported on the basis that it more closely reflects “capacity to pay”. The CIV rating method takes into account the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.
- With the increased frequency of valuations (previously two-year intervals, now annual intervals) the marketvalues 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.

Site value (SV)

There are currently no Victorian councils that use this valuation base. With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of Site Value in a Victorian City Council context would cause a shift in rate burden from the industrial/commercial sectors onto the residential sector and would hinder council’s objective of a fair and equitable rating system.

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

Advantages of Site Value

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

Disadvantages of using Site Value

- Under SV, there will be a significant shift from the industrial/commercial sector onto the residential sector of council. The percentage increases in many cases would be in the extreme range.
- SV is a major burden on property owners that have large areas of land. Some of these owners may have much smaller/older dwellings compared to those who have smaller land areas but well developed dwellings - but will pay more in rates. A typical example is flats, units, or townhouses which will all pay low rates compared to traditional housing styles.
- The use of SV can place pressure on council to give concessions to categories of landowners on whom the rating burden is seen to fall disproportionately (e.g. Farm land and residential use properties). Large landowners, such as farmers for example, are disadvantaged by the use of site value.
- SV will reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates.
- The community may have greater difficulty in understanding the SV valuation on their rate notices, as indicated by many inquiries from ratepayers on this issue handled by council's customer service and property revenue staff each year.

Net annual value (NAV)

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

In contrast to the treatment of residential and farm properties, NAV for commercial and industrial properties are assessed with regard to actual market rental. This differing treatment of commercial versus residential and farm properties has led to some suggestions that all properties should be valued on a rental basis.

Overall, the use of NAV is not largely supported. For residential and farm ratepayers, actual rental values pose some problems. The artificial rental estimate used may not represent actual market value, and means the base is the same as CIV but is harder to understand.

Recommended valuation base

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

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

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

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

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

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

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

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

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

Property Valuations

The *Valuation of Land Act 1960* is the principal legislation in determining property valuations. Under the *Valuation of Land Act 1960*, the Victorian Valuer-General conducts property valuations on an annual basis. Wyndham City applies a Capital Improved Value (CIV) to all properties within the municipality to take into account the full development value of the property. This basis of valuation takes into account the total market value of the land including buildings and other improvements.

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

Wyndham City 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 of valuation and Australian Valuation Property Classification Code (AVPCC) changes.

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

Objections to property valuations

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

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

1.4.4 RATING DIFFERENTIALS

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

Developed Land (Residential)

Definition:

General land is any rateable land which does not have the characteristics of:

- Commercial Developed Land
- Industrial Developed Land
- Residential Development Land
- Commercial Vacant Land
- Industrial Vacant Land
- Residential Vacant Land
- Rural Lifestyle Land
- Farm Land
- Rural Vacant Land
- Recreational Land

Objective:

To ensure owners of land having the characteristics of Developed Land make an equitable financial contribution to the cost of carrying out Council's functions. A portion of residential properties are maintained as investment properties and hence Council rates and charges may be claimed as a tax deduction.

Characteristics:

Developed Land is Residential Land on which a building is erected, and the site is approved for occupation by the issue of an occupancy certificate from Council and the site is available or used for residential purposes.

The building types included within Developed Residential Land are:

- Detached houses;
- Attached houses;
- Strata title flats; and
- Strata title apartments

Land which does not have the characteristics of Commercial Developed Land, Industrial Developed Land, Residential Development Land, Commercial Vacant Land, Industrial Vacant Land, Rural Lifestyle Land, Rural Vacant Land or Farm Land will also be identified as Residential Land for differential rating purposes.

Impact:

The Act requires there to be a residential rate for the purposes of establishing differential rates.

Quantum:

Quantum is set as 1.0 in accordance with legislation.

Use and Level of Differential Rate:

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

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the Wyndham Planning Scheme

Planning Scheme Zoning:

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Wyndham Planning Scheme

Types of Buildings:

All buildings which are now constructed on the land or which are constructed prior to the expiry of 2018/19 financial year.

Commercial Developed Land

Definition:

Commercial Land is identified as land on which a building designed or adapted for occupation is erected which is used for commercial purposes.

Objective:

The objective of the rate is to encourage commerce and ensure that the owners of the land having the characteristics of Commercial Developed Land make an equitable financial contribution to the cost of carrying out Council's functions.

The Commercial Developed Land differential is higher than the Developed Land Differential for a number of reasons including;

- Council's financial commitment to economic development initiatives;
- Commerce attracts non-residents and consequently additional demands on public infrastructure;
- Council rates and charges may be claimed as a tax deduction; and
- Commercial precincts demand on the environment are higher than residential areas.

Characteristics:

Commercial Developed Land is land on which a building is erected or the site is adapted for occupation and the site is used for commercial purposes including:

- Retail shops;
- Offices;
- Services businesses, car parks, garden centres, car yards, boat yards, entertainment centres (theme parks), hotel and motels; and
- Land which has improvements and/or buildings used for commercial purposes.

Impact:

The current rating differential is 1.4, or 40% higher than the residential developed rate differential. Thus, a commercial developed property currently pays 40% more in rates than a residential developed property assuming both have the same valuation.

Quantum:

A 0.2 differential between commercial and industrial developed land is deemed appropriate given the 'scale' of industrial activity is generally much higher than commercial. It is recognised that these two rate groups underpin the financial and employment aspirations of Wyndham – if they are not strong and successful, it will be much harder for Wyndham to thrive.

Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure described in the Proposed Budget.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the Wyndham Planning Scheme

Planning Scheme Zoning:

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Wyndham Planning Scheme

Types of Buildings:

All buildings which are now constructed on the land or which are constructed prior to the expiry of 2018/19 financial year.

Industrial Developed Land

Definition:

Industrial Land is identified as land on which a building designed or adapted for occupation is erected which is used for industrial purposes.

Objective:

The objective of the rate is to encourage industry and ensure that the owners of the land having the characteristics of Industrial Developed Land make an equitable financial contribution to the cost of carrying out Council's functions.

The Industrial Developed Land differential is higher than the Developed Land Differential for a number of reasons, including:

- Council's financial commitment to economic development initiatives;
- Council rates and charges may be claimed as a tax deduction;
- Industry attracts non-residents and consequently additional demands on public infrastructure; and
- Industrial demands on the environment are higher than Commercial Land properties.

Characteristics:

Industrial Land is land on which a building is erected or the site is adapted for occupation and is used for industrial purposes including:

- Manufacturing industries
- Quarrying

and the land is located in an industrial zone or other area in the Municipality.

Impact:

This rating differential currently is 1.6, thus 60% higher than the residential developed rate differential. Thus, an industrial developed property currently pays 60% more in rates than a residential developed property assuming they have the same valuation.

Quantum:

A 0.2 differential between commercial and industrial is appropriate based on scale and capacity to pay. These two rate groups underpin the financial and employment aspirations of Wyndham – if they are not strong and successful, it will be much harder for Wyndham to thrive. At the moment, there is evidence that both commercial and industrial sectors are finding it harder financially.

The multiplier effect of manufacturing supporting 3 jobs in the community for every one directly employed is a strong argument for Wyndham to encourage industry – as a key employment base for a rapidly increasing residential population.

Use and Level of Differential Rate:

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

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the Wyndham Planning Scheme

Planning Scheme Zoning:

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Wyndham Planning Scheme

Types of Buildings:

All buildings which are now constructed on the land or which are constructed prior to the expiry of 2018/19 financial year.

Residential Development Land (Englobo)

Definition:

Residential Development Land is identified as land located within an urban growth zone where:

- a planning permit authorising the subdivision of the land has been issued; and
- no principal place of residence exists on the subdivided land.

Objective:

The objective of the rate is to encourage development for residential purposes and ensure that the owners of the land having the characteristics of residential development land make an equitable financial contribution to the cost of carrying out Council's functions.

The Residential Development Land differential is higher than the Developed Land Differential for a number of reasons, including;

- To assist in the management of sustainable growth across metropolitan Melbourne; and
- Encourage residential subdivisions at a sustainable level ensuring sufficient supply.

Characteristics:

Land located within an urban growth zone where:

- a planning permit authorising the subdivision of the land has been issued; and
- no principal place of residence exists on the subdivided land.

Impact:

This rating differential currently is 1.7 multiplier thus 70% higher than residential developed rate differential. Thus, a Residential Development property currently pays 70% more in rates than a residential developed property assuming they both have the same valuation.

Quantum:

The 1.7 differential is deemed appropriate as owners of this land are generally large corporations who purchase this land to derive their profit from the long-term capital gain and control its release to maximise price / capital gain. This profit generation is not contributing to the Wyndham community.

Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure described in the Proposed Budget.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the Wyndham Planning Scheme

Planning Scheme Zoning:

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Wyndham Planning Scheme

Commercial Vacant Land

Definition:

Commercial Vacant Land is identified as land on which no building designed or adapted for occupation is erected and the land is located within a:

- Business 1, 4 or 5 Zone;
- Priority Development Zone with an approved precinct plan for commercial use;
- Special Use Zone with an approved development plan for commercial use; or
- Urban Growth Zone with an approved precinct structure plan for commercial use.

Objective:

The objective of the rate is to encourage development for commercial purposes and ensure that the owners of the land having the characteristics of Vacant Commercial Land make an equitable financial contribution to the cost of carrying out Council's functions.

The Vacant Commercial Land differential is higher than the Developed Land Differential for a number of reasons, including:

- To assist in the management of sustainable growth across metropolitan Melbourne;
- Council's financial commitment to economic development initiatives; and
- Promote commercial development within the appropriate zone municipal areas

Characteristics:

Land on which no building designed or adapted for occupation is erected and the land is located within a:

- Business zone 1, 4 or 5;
- Priority development zone with an approved precinct plan for commercial use;
- Special use zone with an approved development plan for commercial use;
- Urban growth zone with an approved precinct structure plan, for commercial use.

Impact:

This rating differential is 1.7 multiplier, thus 70% higher than the residential developed rates differential. Thus, a vacant commercial currently pays 70% more in rates than a residential developed property assuming they have the same valuation. Owners of such land purchase the land to contract and run a business or lease the property which may also result in the long term financial gain from the sale of the business or property.

Quantum:

For people/ businesses who have purchased land with the intent to develop an increase in rate is a small factor when compared to the costs they will incur with development, and the subsequent higher rate value (not differential) which will apply post development.

Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure described in the Proposed Budget.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the Wyndham Planning Scheme

Planning Scheme Zoning:

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Wyndham Planning Scheme.

Industrial Vacant Land

Definition:

Industrial Vacant Land is identified as land on which no building designed or adapted for occupation is erected and the land is located within a:

- Industrial Business 1, 2 or 3 Zone;
- Priority Development Zone with an approved precinct plan for industrial use;
- Special Use Zone with an approved development plan for Industrial use; or
- Urban Growth Zone with an approved precinct structure plan for industrial use.

Objective:

The objective of this rate is to encourage development for industrial purposes and ensure that the owners of the land make an equitable financial contribution to the cost of carrying out Council's functions.

Encouragement includes:

- Promoting land owners to develop their land, to bring about increased community benefits as covered
- in the 'Developed Industrial Land' discussion.
- Reducing the possibility that land holders not progressing in reasonable time to develop the land may impede the ability of other businesses to access suitable land for their own industrial use.

Characteristics:

Is land on which no building designated or adapted for occupation is erected and the land is located within a:

- Industrial business zone 1,2 or 3; or
- Priority development zone with an approved precinct plan for industrial use; or
- Special use zone with an approved development plan for industrial use; or
- Urban growth zone with an approved precinct structure plan for industrial use.

Impact:

This rating differential currently is 1.8, thus 80% higher than the residential developed rate differential. Thus, an Industrial Vacant Land property currently pays 80% more in rates than a residential developed property assuming the same valuation.

Quantum:

For people/ businesses who have purchased land with the intent to develop, an increase in rate is a small factor when compared to the costs they will incur with development, and the subsequent higher rate value (not differential) which will apply post development.

Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure described in the Proposed Budget.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the Wyndham Planning Scheme

Planning Scheme Zoning:

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Wyndham Planning Scheme.

Residential Vacant Land

Definition:

Residential Vacant Land is identified as land on which no building designed or adapted for occupation is erected and the land is located within a Residential or Township Zone.

Objective:

The objective of the rate is to encourage development for residential purposes and ensure that the owners of the land having the characteristics of Residential Vacant Land make an equitable financial contribution to the cost of carrying out Council's functions.

The Residential Vacant Land differential is higher than the Developed Land Differential for a number of reasons, including;

- To assist in the management of sustainable growth across metropolitan Melbourne; and
- Promote housing development in residential zoned area.

Characteristics:

Residential Vacant Land is land on which no building designed or adapted for occupation is erected and the land is located within a residential or township zone.

Impact:

This rating differential currently is 1.6, i.e. 60% higher than the residential developed land differential. Thus, a Residential Vacant property currently pays 60% more in rates than a residential developed property assuming equal valuations.

Such residential land is located within Residential or Township Zones. The residential vacant land differential is the lowest of vacant land differentials. This is consistent with developed land where the residential developed land differential is lower than commercial and industrial developed land differentials.

The reason for the lower rate burden is that ratepayers generally purchase such land to build on. However, some ratepayers are investing in vacant land for use in the long term, or for investment as demand drives up process, and thus it can be argued that increasing the differential is appropriate.

Quantum:

For those investing in vacant land to hold for use in the long term, or for investment returns as demand drives prices up, the differential of 1.6 was considered appropriate

Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure described in the Proposed Budget.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the Wyndham Planning Scheme

Planning Scheme Zoning:

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Wyndham Planning Scheme

Farm Land

Definition:

Under the Valuation of Land Act 1960 farm land is rateable land that has the following characteristics:

1) is not less than 2 hectares in area; and
2) is used primarily for 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; and

3) is used by a business:

(i) that has a significant and substantial commercial purpose or character; and
(ii) that seeks to make a profit on a continuous or repetitive basis from its activities on the land; and
(iii) that is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way that it is operating

Objective:

The objectives of this rate are to:

- Ensure that all ratepayers for agricultural land make a fair and equitable financial contribution to the
- costs of carrying out Council's functions.
- Provide economic support to encourage ongoing use of the designated zones for production of and value-adding to agricultural products produced on the designated land.
- Encourage further development of designated Agricultural land holdings with extensive privately funded horticultural and viticultural production techniques and equipment to improve the viability of the farming operation.
- Encourage persons in the community engaged in agricultural production to further develop the property and value-add to their products in the local community to create more employment opportunities in the industry.

Characteristics:

Farm Land is land which is not less than 0.2 hectares and is deemed to be a farm under the Valuation of Land Act that:

- Is used primarily for 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; and
- Is used by a business that:
  - has a significant and substantial commercial purpose or character;
  - seeks to make a profit on a continuous or repetitive basis from its activities on the land; and

  and is:
  - is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way that it is operating.

- Actively being used by the ratepayer for agricultural, horticulture or viticulture primary production and including related value-adding production facilities for vegetable growing, grazing (including agistment), dairying, pig farming, poultry farming, fish farming, tree farming, bee keeping, fruit growing, crop growing or for any combination of these
- In a farm zone, green wedge, or rural conservation area outside the Werribee South intensive agricultural area and greater than 10 hectares and used for the carrying on primary production as determined by the Australian Taxation Office
- In a farm zone, green wedge, or rural conservation area in the Werribee South intensive agricultural area and greater than 0.6 hectares and used for the carrying on primary production as determined by the Australian Taxation Office

Impact:

Ministerial guidelines state that Council should consider the use of a farm rate. With a farm rate being introduced, its impact on the rates raised will be varied as the properties becoming farm land will be coming out of different existing categories

Quantum:

The differential rate for Farmland is 0.8. As the productive asset base for this sector of the community, a lower differential (than residential) which reflects the relatively high investment in land as a proportion of the business profitability is appropriate

Use and Level of Differential Rate:

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

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the Wyndham Planning Scheme

Planning Scheme Zoning:

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Wyndham Planning Scheme

Rural Lifestyle Land

Definition:

Rural lifestyle land is identified as land with a residential dwelling on larger allotments in rural, semi-rural or bushland settings. Primary production uses and associated improvements are secondary to the value of the residential home site use and associates residential improvements.

Objective:

The objective of this rate is to ensure that all properties within the Wyndham rural areas (non-farming) where services and utilities are restricted make a fair and equitable contribution to the costs of carrying out Council's functions and recognise that ratepayers residing on Rural Lifestyle land do not receive the same level of Council services as residents in residential developed areas.

Characteristics:

Rural Lifestyle Land which is more than 0.4 hectares in area with an approved residence on the land which is not deemed to be farm land under the Valuation of Land Act and is located within:

- A Farm zone, green wedge, rural living, or rural conservation area outside the Werribee South IntensiveAgricultural Area; or
- A Farm zone, green wedge, rural living, or rural conservation area in the Werribee South IntensiveAgricultural Area; or
- An Urban Growth Zone.

Any vacant land which is more than 0.4 hectares and not deemed to be farm under the Valuation of Land Act and falls within the above locations is not eligible for the Rural Lifestyle Land differential and is rated as Rural Vacant Land.

Impact:

For properties deemed to be farms under the Valuation of Land Act definition, such properties will remain at a

0.8 differential under the Farm Rate category.

Where properties are classified as being vacant land (no residential, industrial, or commercial characteristics) such properties will be rated in the vacant rural land category with a 1.0 differential.

Rural properties with approved residences 10 hectares or under in the Farm, Green Wedge, Rural Lifestyle, or Rural Conservation Zone or within the Werribee South Intensive Agricultural Land less than 0.4 hectares or more will be rated in the rural lifestyle land category with a 0.9 differential.

Quantum:

The differential rate for this category is set at 0.90. The lower differential than for Residential Developed Land reflects a difference in the level of service provided by Council to this group of ratepayers. The average value of rateable properties in this category is higher than that for residential, so when calculated through to rates

income, this group will pay a higher 'per property' payment than residential but receive less in term of service

provision.

Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure described in the Proposed Budget.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the Wyndham Planning Scheme

Planning Scheme Zoning:

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Wyndham Planning Scheme.

Rural Vacant Land

Definition:

Rural Vacant land is identified as being vacant land which is 0.4 hectares or more and not deemed to be a farm under the Valuation of Land Act.

Objective:

The objective of this rate is to ensure that all properties within the Wyndham rural areas (non-farming) where services and utilities are restricted make a fair and equitable contribution to the costs of carrying out Council's functions and recognise that ratepayers holding Rural Vacant Land do not receive the same level of Council services that are available to ratepayers in developed areas holding vacant land.

Characteristics:

Rural Vacant Land is vacant land which is 0.4 hectares or more in area and is not deemed to be a farm under the Valuation of Land Act and is located within a:

- Farm zone, green wedge, rural lifestyle, or rural conservation area outside the Werribee South intensive agricultural area; or
- Farm zone, green wedge, rural lifestyle, or rural conservation area in the Werribee South intensive agricultural area; or
- Urban Growth Zone.

Impact:

Where properties are classified as being vacant land (no residential, industrial, or commercial characteristics) such properties will be rated in the rural vacant land category with a differential of 1.0 differential.

For rural vacant properties that are not deemed to be farm that are 10 hectares or more in the farm, green wedge, rural lifestyle, or rural conservation zone or within the Werribee South Intensive Agricultural area and greater than 0.6 hectares; this will result in a 25% increase in rate burden compared to their previous classification of a 0.8 differential.

For rural vacant properties that are not deemed to be farm that are less than 10 hectares in the farm, green wedge, rural lifestyle or rural conservation zone, there will be no change in their rate burden.

Quantum:

The Rural Vacant Land differential is set at 1.0. As such vacant land cannot be developed like residential, commercial, and industrial land, a differential in line with the residential rate is more appropriate than in comparison to other vacant land differentials.

Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure described in the Proposed Budget.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the Wyndham Planning Scheme.

Advantages of a differential rating system

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

- There is greater flexibility to distribute the rate burden between all classes of property, and therefore link rates with the ability to pay and reflecting the tax deductibility of rates for commercial and industrial premises.
- Differential rating allows Council to better reflect the investment required by Council to establish infrastructure to meet the needs of the commercial and industrial sector.
- Allows Council to reflect the unique circumstances of some rating categories where the application of a uniform rate may create an inequitable outcome (e.g. Farming enterprises).
- Allows Council discretion in the imposition of rates to facilitate and encourage appropriate development of its municipal district in the best interest of the community. (i.e. Vacant Commercial properties still attract the commercial differential rate)

Disadvantages of a differential rating system

The disadvantages in applying differential rating summarised below are:

- The justification of the differential rate can at times be difficult for the various groups to accept giving rise to queries and complaints where the differentials may seem to be excessive.
- Differential rates can be confusing to ratepayers, as they may have difficulty understanding the system. Some rating categories may feel they are unfavourably treated because they are paying a higher level of rates than other ratepayer groups.
- Differential rating involves a degree of administrative complexity as properties continually shift from one type to another (e.g. residential to commercial,) requiring Council to update its records. Ensuring the accuracy/integrity of Council's data base is critical to ensure that properties are correctly classified into their right category.
- Council may not achieve the objectives it aims for through differential rating. For example, Council may set its differential rate objectives to levy a higher rate on land not developed, however it may be difficult to prove whether the rate achieves those objectives.

Recreational Land

Definition & Characteristics:

Recreational Land is defined by section 2(a) of the Cultural & Recreational Lands Act 1963, and is further characterised as land on which no building designed or adapted for occupation or commercial use is erected and is used for outdoor sporting recreational or similar outdoor activities.

1.4.5 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).

Wyndham City applies a Municipal Charge against all rateable assessments. 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 administrative costs can be seen as an equitable method of recovering these costs.

1.4.6 SPECIAL CHARGE SCHEMES

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

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

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

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

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

Wyndham City's Special Rates & Charges Policy 2019 provides a mechanism for the provision of infrastructure funded by special rates and charges schemes. The policy is scoped predominantly to the provision of road and drainage, and applies to:

- The provision of all new infrastructure that will provide a 'special benefit' to a readily identifiable localised area.
- The provision of services above and beyond those generally provided throughout the municipality, where that service will provide a special benefit under Section 162 of the Local Government Act 1989.

Wyndham City's special rates and charges schemes are developed in consultation with potential beneficiaries to ensure project outcomes best meet overall needs. An appropriate consultation program will be prepared for each project having regard to its size, proposed number of contributors, contributions, and project efficiency.

Wyndham City does not currently have any special charge schemes in place.

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:

b. Waste, recycling or resource recovery services;
d. Any other prescribed service.

Wyndham City has utilised service charges for the cost of waste services provided to residential properties. These services include a waste management service charge for the provision of household waste collection and household recycling.

Waste services are not provided to commercial, industrial, or vacant land. As a result, these properties do not pay for this service. There may be exceptions to this based on specific circumstances as agreed with property owners and Wyndham City currently have a handful of commercial properties who access our Waste services and pay a waste service charge.

Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste services.

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

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

1.4.8 COLLECTION AND ADMINISTRATION OF RATES AND CHARGES

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

Payment options

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

- 1st Instalment: 30 September
- 2nd Instalment: 30 November
- 3rd Instalment: 28 February
- 4th Instalment: 31 May

Council offers a range of payment options including:

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

Interest on arrears and overdue rates

Interest is charged on all overdue rates in accordance with Section 172 of the Local Government Act 1989. Under Section 172A, the Minister for Local Government determines the maximum interest rate that may be calculated and this rate is published by notice in the Government Gazette.

Pensioner rebates

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

With regards to new applicants, after being granted a Pensioner Concession Card (PCC), pensioners can then apply for the rebate at any time throughout the rating year. Retrospective claims up to a maximum of one previous financial year can be approved by Council on verification of eligibility criteria, for periods prior to this, claims may be approved by the relevant government department.

Rates hardship consideration

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

Hardship consideration is available to owner occupier ratepayers following an application process. Where Council approves an application, an affordable payment arrangement is agreed, and the balance of the rates are deferred until hardship consideration ends. Interest is waived on the overdue rates balance.

Debt recovery

Council makes every effort to contact ratepayers at their correct address, but it is the ratepayers' responsibility to properly advise Council of their contact details. The *Local Government Act 1989* Section 230 and 231 requires both the vendor and buyer of property, or their agents (e.g. solicitors and or conveyancers), to notify Council by way of notice of disposition or acquisition of an interest in land.

In the event that an account becomes overdue, Council will issue an overdue reminder notice which will include accrued penalty interest. If the debt remains unpaid, Council may refer the debt for debt collection, including legal action. A reasonable effort will be made to contact the owner of the property before legal action is commenced. All fees and court costs incurred will be recoverable from the ratepayer.

Fire Services Property Levy

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

The Fire Services Property Levy is based on two components, a fixed charge, and a variable charge which is linked to the Capital Improved Value of the property. This levy is not included in the rate cap and increases in the levy are at the discretion of the State Government.

1.5 OTHER REVENUE ITEMS

1.5.1 USER FEES AND CHARGES

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

Examples of user fees and charges include:

- Kindergarten and Childcare fees
- Leisure Centre, Gym, and Pool visitation and membership fees
- Waste Management fees
- Aged and Health Care service fees
- Leases and facility hire fees
- Landfill fees

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

Wyndham City must also comply with the government's Competitive Neutrality Policy for significant business activities Council provides and adjusts its service prices to neutralise any competitive advantages when competing with the private sector.

In providing services to the community, Wyndham City 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 Wyndham City 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 Wyndham City needs to meet its obligations under the government's Competitive Neutrality Policy.
It should be noted that if a market price is lower than Wyndham City'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 Wyndham City is not the most efficient supplier in the marketplace. In this situation, Wyndham City 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 Wyndham City. 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 Wyndham City subsidises a service by not passing the full cost of that service onto the customer. Subsidies may range from full subsidies (i.e. Wyndham City provides the service free of charge) to partial subsidies, where Wyndham City provides the service to the user with a discount. The subsidy can be funded from Wyndham City'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, Wyndham City has developed a user fee pricing policy to help guide the fair and equitable setting of prices. The policy outlines the process for setting fee prices and includes such principles as:

- Both direct and indirect costs to be taken into account when setting prices;
- Accessibility, affordability and efficient delivery of services must be taken into account; and
- Competitive neutrality with commercial providers.

Wyndham City 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.

1.5.2 STATUTORY FEES AND CHARGES

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

Examples of statutory fees and fines include:

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

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

Penalty units

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

The value of a penalty unit is currently $184.92, from 1 July 2022 to 30 June 2023. This value may increase at the beginning of a financial year, at thesame time as 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 $15.29, from 1 July 2022 to 30 June 2023. This value may increase at the beginning of a financial year, at thesame 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.

1.5.3 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.

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

When preparing its financial plan, Wyndham City considers its project proposal pipeline, advocacy priorities, upcoming grant program opportunities, and co-funding options to determine what grants to apply for. Wyndham City 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 Wyndham City's budget document. No project that is reliant on grant funding will proceed until a signed funding agreement is in place.

1.5.4 CONTRIBUTIONS

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

Contributions can be made to Wyndham City in the form of either cash payments or asset handovers.

Examples of contributions include:

- Monies collected from developers under planning and development agreements
- Monies collected under developer contribution plans and infrastructure contribution plans
- Contributions from user groups towards upgrade of facilities
- Assets handed over to Wyndham City 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. Wyndham City 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

Wyndham City 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 as per Wyndham City'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
- Borrowings must not be used to fund ongoing operations
- Borrowings are appropriate for funding large capital works where the benefits are provided to future generations.
- Wyndham City will maintain its debt at levels which are sustainable, with:
    - indebtedness <60% of rate and charges revenue, and
    - debt servicing cost <5% of total revenue (excluding capital revenue).