

# Revenue & Rating Plan

2025 – 2029

Adopted by Council: 30 June 2025



## Contents

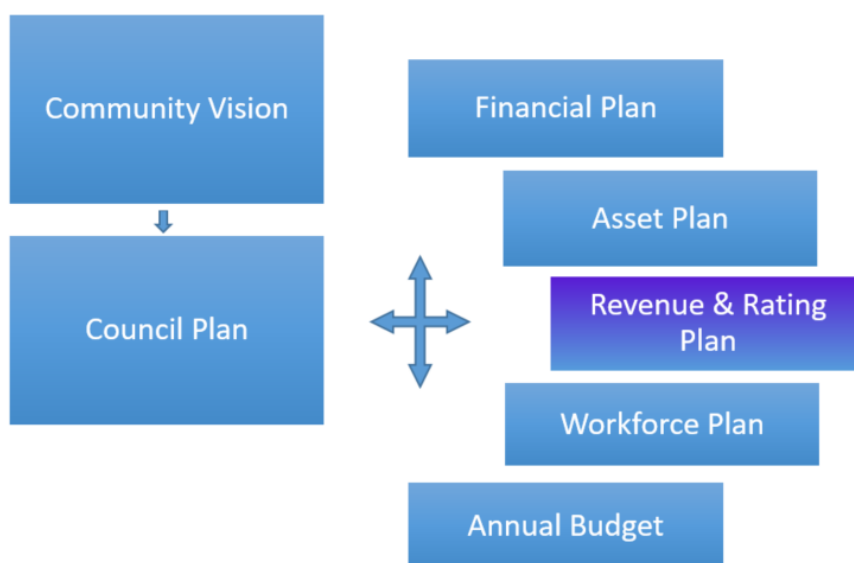
Contents	1
Purpose	2
Introduction	3
Executive Summary	4
Section	4
Strategy Recommendations	4
The importance of a rating strategy	6
Rating – the Legislative Framework	6
2.1 Legislative Framework	6
2.2 Consideration of Equity	6
What Rates and Charges may a Council declare?	7
Valuation Methodology available to Council	7
Declaring Rates and Charges	7
Understanding the rating framework at Latrobe City Council	7
Determining which valuation base to use	8
4.1 Capital Improved Value	8
4.2 Site Value	8
4.3 Net Annual Value	9
4.4 Summary	9
Determining the Rating System - Uniform or Differential?	10
5.1 Uniform Rate	10
5.2 Differential Rates	10
What Differential Rates should be applied?	11
6.1 General Rate	11
6.2 Farm Rate	11
6.3 Derelict Properties	12
6.4 Retirement Villages	12
Cultural and Recreational Land:	13
Special Rates and Charges	13
Municipal Charge	14
Service Rates and Charges	14
EPA Levy Charge	14
Rate Payment Options	15
User Fees and Charges	16
Government Grants	18
Contributions	18
Interest on Investments	18
Sale of Assets	19
Contact Us	20

## Purpose

The *Local Government Act 2020* (New Act) 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 Council which in conjunction with other income sources fund 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 feeds into budgeting and long-term financial planning documents, as well as other strategic planning documents under Council's strategic planning framework.



This plan explains the principles behind how Council intends to fund its activities, and how the funding burden is apportioned between ratepayers and other users of Council facilities and services.

In particular, this plan will set out decisions that Council has made in relation to rating options available to it under the *Local Government Act 1989* (Act) to ensure the fair and equitable distribution of rates across property owners. It will also set out principles that are used in decision making for other revenue sources such as fees and charges.

It is also important to note that this plan does not set revenue targets for Council, it outlines the strategic framework and decisions that inform how Council calculates and collects revenue.

## Introduction

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

Council's 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 57% of annual income. The introduction of rate capping under the Victorian Government's Fair Go Rates System (FGRS) has required councils to increasingly focus on the long-term financial sustainability of council. The FGRS restricts Council from increasing rates revenue beyond the annual rate cap set by the Minister, unless a variation is sought through the Essential Services Commission.

A key purpose of this Plan is to consider Council's rating options under the Act, and how Council's choices in applying these options contribute towards meeting an equitable rating strategy.

It is important to note from the outset that the strategic focus of this Plan is very different to that which is discussed in the Annual Budget. In the Annual Budget the key concern is the quantum of rates required to be raised for Council to deliver services, repay borrowings and fund capital expenditure. In this Strategy, the focus instead is on how this quantum will be equitably distributed amongst Council's ratepayers.

The Plan considers the limited range of rating options available to Council under the Act, including the following:

- a) The choice of which valuation base to be utilised (of the three available choices under the Act);
- b) The consideration of uniform rating versus the application of differential rating for various classes of property;
- c) The most equitable level of differential rating across the property classes;
- d) The application of a municipal charge
- e) Consideration of the application of fixed service charges for the areas of waste collection and municipal administration;
- f) The application of special rates and charges;
- g) The application of other levies under the Planning & Environment Act 1987; and
- h) A review of the rate payment dates and options available to Council.

Council also 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 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.

## Executive Summary

Four key platforms currently form the basis of the current approach to rating at Latrobe City Council that is recommended for continuation. They are that:

- a) Rates will continue to be based principally on an ad-valorem basis (i.e. based on the valuation of the various properties);
- b) Council will continue to apply a service charge to fully recover the cost of the collection and disposal of waste;
- c) Council will continue to apply differential rating to ensure all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council; and
- d) Council continues to levy a Municipal charge.

This represents Latrobe City Council's approach to rating.

Section	Strategy Recommendations
Valuation Base	Council uses the Capital Improved Value (CIV) method of valuation
Rating System (Uniform or Differential)	Council continues to apply differential rating as its rating system.
Differential rates	Council applies the following differential rates: General Rate, Farm Rate, Derelict Properties
Residential Land	The General Rate will be applied to all Residential properties
Commercial Land	The General Rate will be applied to all Commercial properties
Industrial Land	The General Rate will be applied to all Industrial properties
Farm Land	Farm land that meets the definition of Farm Land as defined in this document will be eligible for the Farm Rate Differential which is set at 75% of the General Rate
Vacant Land	The General Rate will apply to all Vacant Land
Derelict Properties	Derelict properties are defined under Section 6. The differential is set at the maximum level of 4 times the lowest differential rate.
Retirement Villages	The General Rate will apply to all Retirement Village properties
Cultural and Recreational Land	There are two types of rebate offered Non-Gaming Venues Gaming Venues Assessments must meet the definition of cultural and recreational land in accordance with the Cultural and Recreational Lands Act 1963. Non-Gaming Venues will be eligible for a rate rebate of 50% of the general rate, and Gaming Venues will be eligible for a rate rebate of 40% of the general rate. Each application is assessed on a case by case basis in accordance with the requirements of the Act. Additional rebate amounts are provided to golf course assessments where land values have been impacted due to past changes in land zoning
Municipal Charge	Council applies a Municipal Charge in accordance with the Local Government Act.
Service Rates and Charges	A service charge is applied to Council's kerbside waste collection service. The service consists of collection areas and a mandatory three bin system within these collection areas. The charges include the collection and disposal of household waste, recyclables and green waste, along with the provision of transfer stations and whole of life costs associated with maintaining a landfill facility. The introduction of a

Section	Strategy Recommendations
	fourth bin for glass products is currently under investigation and may be introduced during the term of this plan.
EPA Levy	The State Government EPA Levy on waste delivered to landfill is charged in addition to the waste charge and applies to each garbage bin service and is currently separately disclosed on the rates notice
Special Rates	Special Rates and Charges will continue to apply where special benefit can be shown to exist to a group of individual land owners for defined capital projects (e.g. gravel road sealing, footpaths etc.).
Rate Rebate for Land with a Deed of Covenant for Conservation Purposes	A Rates Rebate equating to a fixed amount of \$100 per property plus \$5 per hectare, will be available for land with a Deed of Covenant for Conservation purposes.
Payment of Rates and Charges	For the 2026 financial year Council offers the option to pay rates by either the mandatory rate instalments option or the lump sum option in accordance with the Local Government Act. From the 2027 financial year Council will discontinue the lump sum payment option.
Eligible Pension Rebate	Council continues to manage the State Government Pension Rebate scheme. Council does not provide any additional council rebate for eligible pensioners.



## 1.

### The importance of a rating strategy

Latrobe City Council currently receives the majority of its revenue by way of property-based rates and waste charges. The development of strategies in respect of the rating base is therefore of critical importance to both Council and the community.

Council's approach to the raising of rate revenue is in line with its goal of providing transparency and accountability in its decision-making.

## 2.

### Rating – the Legislative Framework

The purpose of this section is to outline the legislative framework within which Council operates its rating system and the various matters that Council must consider when making decisions on rating objectives.

#### 2.1 Legislative Framework

The role of Council is documented in the *Local Government Act 2020* which states:

- The role of a Council is to provide good governance in its municipal district for the benefit and wellbeing of the municipal community.

In addition there are overarching governance principles which includes that:

- priority is to be given to achieving the best outcomes for the municipal community, including future generations;

Council endeavours to achieve the best outcomes for the municipal community having regard to the long term and cumulative effects of its decisions. In seeking to achieve this outcome, Council aims to ensure the equitable imposition of rates and charges.

#### 2.2 Consideration of Equity

In reviewing its rating strategy in terms of the equitable imposition of rates and charges, the difficulty becomes how to define and determine what is in fact equitable in the view of Council.

In considering what rating approaches are equitable, concepts that Council consider are:

- Horizontal equity, which refers to justice or fairness in the treatment of like properties, in other words, that similar rates are paid by similar properties. On the proviso that Council valuations fairly reflect the true valuation of like properties, horizontal equity will be achieved.
- Vertical equity, which refers to justice or fairness in the treatment of properties in different circumstances. (e.g. different property types – Residential/ Commercial/ Industrial / Farming/ Vacant / Derelict).

In the case of property rates, it may be considered equitable for one type of property to have to bear more or less of the rates burden than another type of property. In achieving vertical equity in its rating strategy, Council must consider the valuation base it chooses to adopt to apply property rates and the application of the various rating tools available to it under the Act (e.g. differential rates).

The recommended approaches in this Plan in terms of equity are discussed further under each section.

### What Rates and Charges may a Council declare?

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; and

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 in sections 8, 9 and 10.

### Valuation Methodology available to Council

In raising Council rates, Council is required to primarily use the valuation of the rateable property to levy rates.

Section 157(1) of the Act provides Council with three choices in terms of which valuation base to utilise. They are Site Valuation, Capital Improved Valuation and Net Annual Value. The advantages and disadvantages of the respective valuation basis are discussed in section 5.

### Declaring Rates and Charges

Section 158 of the Act provides that Council must, at least once in respect of each financial year, declare by 30 June the following:

- the amount which Council intends to raise by way of general rates, municipal charges, service rates and service charges;
- whether the general rates will be raised by application of –
  - a uniform rate; or
  - differential rates (if Council is permitted to do so under section 161(1) of the Act; or
  - urban farm rates, farm rates or residential use rates (if Council is permitted to do so under Section 161A of the Act).

Council's approach to the application of differential rates is discussed in section 6.

## 3.

### Understanding the rating framework at Latrobe City Council

Latrobe City Council utilises the Capital Improved Valuation method as the method to calculate each occupancies rates liability.

Council rates are calculated as follows:

Property Value X Rate in the dollar = Council rates plus municipal charge, waste charges and State Government charges.

Council currently applies a general rate and two differential rating categories along with a service charge to fully recover the cost of fulfilling its waste collection and disposal function.

A full list of the current years differential rates, municipal charge and waste charges can be found in the adopted budget available on councils' website at [www.latrobe.vic.gov.au](http://www.latrobe.vic.gov.au)



## 4.

### Determining which valuation base to use

As outlined above, under the Act, Council has three options for the valuation base it elects to use.

They are:

- a) Capital Improved Valuation (CIV) – Value of land and improvements upon the land
- b) Site Valuation (SV) – Value of land only
- c) 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.

#### 4.1 Capital Improved Value

CIV is the most commonly used valuation base by Victorian Local Government. Based on the value of both land and all improvements on the land, it is relatively easy to understand for ratepayers as it equates the market value of the property.

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

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

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

#### *Advantages of using CIV*

- CIV includes all improvements, and hence is often supported on the basis that it more closely reflects “capacity to pay”. The CIV valuation method considers the full development value of the property and hence better meets the equity criteria than SV and NAV.
- Valuations are now annual, market values are more predictable, and this has reduced the level of objections resulting from valuations. The concept of the market value of property is far more easily understood by ratepayers.
- Most councils in Victoria have now adopted CIV, which makes it easier to compare relative movements in rates and valuations between municipal districts.
- The use of CIV allows councils to apply differential rates so as to equitably distribute the rating burden based on the methodology of capacity to pay.

#### *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, and their capacity to pay.

#### 4.2 Site Value

With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of SV would cause a shift in rate burden from the industrial/commercial sectors onto the residential sector.

In many ways, it is difficult to see an equity argument being served by the implementation of SV.

#### *Advantages of Site Value*

- There is a perception that, under SV, a uniform rate would promote development of land, particularly commercial and industrial developments. There is however little evidence to prove that this is the case.

### *Disadvantages in using Site Value*

- Under SV, there would be a significant shift of the rates burden from the Industrial/Commercial sector onto the residential and farming sector.
- 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 town-houses which will all pay lower 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, urban farm land and residential use properties). Large landowners, such as farmers for example, are disadvantaged by the use of SV.
- 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.

### **4.3 Net Annual Value**

NAV, in concept, represents the annual rental value of a property. However, in practice, NAV is closely linked to CIV for Residential Land and Farm Land. Valuers derive the NAV directly as 5 per cent of CIV.

In contrast to the treatment of Residential Land and Farm Land, NAV for Commercial and Industrial Land is assessed with regard to actual market rental. This differing treatment has led to some suggestions that all properties should be valued on a rental basis.

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

### **4.4 Summary**

It is recommended that Council continues to apply CIV as the valuation base as:

- CIV includes all improvements, and hence is often supported on the basis that it more closely reflects "capacity to pay". The CIV valuation method considers the full development value of the property and hence better meets the equity criteria than SV and NAV.
- Most councils in Victoria have now adopted CIV, which makes it easier to compare relative movements in rates and valuations between municipal districts.
- The use of CIV allows councils to apply differential rates so as to equitably distribute the rating burden based on the methodology of capacity to pay.

## 5.

### Determining the Rating System - Uniform or Differential?

Council may apply a uniform rate or differential rates as a means of raising revenue. They are quite different in application and have different administrative and appeal mechanisms that need to be considered.

#### 5.1 Uniform Rate

Section 160 of the Act states, if a council declares that general rates will be raised by the application of a uniform rate, the council must specify a percentage as the uniform rate. Rates will be determined by multiplying that percentage by the value of the relevant land.

Council has not adopted a uniform rate.

#### 5.2 Differential Rates

Under the Act, Council is entitled to apply differential rates provided that it uses CIV as its basis for rating.

Council has since its inception adopted the differential rating system as it considers that this provides a greater ability to achieve equitable distribution of the rating burden, particularly considering the farming sector.

Differential rates in the dollar of CIV can be applied to different classes of property, which must be clearly differentiated, and the setting of differentials must be used to improve equity and efficiency. There is no legislative limit on the number of differential rates that can be levied, however, the highest differential rate can be no more than four times the lowest differential rate.

Council, in striking the rate through the annual budget process sets the differential rate for set classes of properties at higher or lower amounts than the general rate. Currently there are only three different levels of rates being General, Farm and Derelict Property rates.

#### *Advantages of a differential rating system*

The advantages of utilising a differential rating system include:

- Greater flexibility to distribute the rate burden between all classes of property.
- Allows Council to reflect the unique circumstances of some rating categories where the application of a uniform rate may create inequitable outcomes (eg 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.

#### *Disadvantages of Differential Rating*

The disadvantages in applying differential rating include:

- Differential rating involves a degree of administrative complexity as properties continually shift from one type to another (e.g. residential to farm, vacant to improved) requiring Council to update its records. Maintaining the accuracy/integrity of Council's database is critical in ensuring that properties are correctly classified into their differential categories.
- 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 vacant land, hoping to encourage development, however, it is uncertain whether a differential rate would achieve such objectives.

## 6.

### What Differential Rates should be applied?

#### 6.1 General Rate

The general rate is the particular rate in the dollar that applies to all land which is not defined within a differential rate and can include residential, commercial and industrial properties, both vacant and improved.

The actual rating burden applying to general properties is an outcome determined by decisions to apply either higher or lower rates in the dollar to other classes of property, such as farm, commercial/ industrial or recreational land.

In the setting of differential rates, Council considers their relativity to the general rate.

#### 6.2 Farm Rate

Historically a lower rate has been applied to farms, the basis for this decision being that, in general, farmers require larger landholdings to run efficiently, and this would effectively result in disproportionately high rates in relation to the income or surplus able to be generated from these properties.

Council recognises their responsibility to ensure that the farm rate is enjoyed by deserving ratepayers. The problem arises in identifying “genuine” farms, as opposed to “hobby farms”.

The Valuation of Land Act 1960 sets out the definition of Farm Land for valuation purposes, and defines “farm land” as any rateable land:

- a) That is not less than 2 hectares in area and;
- b) That is used primarily for grazing (including agistment), dairying, pig farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities; and
- c) That is used by a business
  - That has a significant and substantial commercial purpose or character; and
  - That seeks to make a profit on a continuous or repetitive basis from its activities on the land; and
  - 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.

This definition of farm land is also used for rating purposes.

In summary, it is Council’s opinion that:

- Due to the large tracts of land required to meet the definition of Farm Land it is recognized that if a differential rate was not in place then farmers would be required to contribute a disproportional amount of Council’s rates revenue.
- Evidence shows that returns able to be realised by farming from the assets employed (including land) are lower than for other forms of land, so that its capacity to pay is lower;
- Rate relief should continue to be provided to farming/agriculture because of its importance to the local economy.

### 6.3 Derelict Properties

The differential rate relating to derelict properties is set at the maximum level, being 4 times the lowest differential rate, as allowed under Section 161 (5) of the Local Government Act 1989.

The objective of the differential rate is to promote the responsible management of land and buildings through incentivising the proper development and maintenance of such land and buildings so as not to pose a risk to public safety or adversely affect public amenity.

For the purposes of applying the differential rate, properties, which include both buildings and/or land, will be considered derelict where the following criteria applies:

**Criteria 1.** The property is in such a state of disrepair that it is considered unsuitable for human habitation or other occupation for living or working on a daily basis, and has been in such a condition for a period of more than 3 months. The property is likely to lack, or have restricted access to, essential services or facilities including but not limited to water, and/or operational effluent discharge facilities.

and

**Criteria 2.** The property meets one or more of the following:

- a) The property has become unsafe and poses a risk to public safety, including but not limited to:
  - The existence on the property of vermin, rubbish/litter, fire hazards, excess materials/ goods, asbestos or other environmental hazards; or
  - The property includes a partially built structure where there has been no reasonable progress in completing the structure in accordance with the building permit;
- b) The property adversely affects public amenity;
- c) The property provides an opportunity to be used in a manner that may cause a nuisance or become detrimental to the amenity of the immediate area;
- d) The condition of the property has a potential to adversely impact the value of other properties in the vicinity;
- e) The property affects the general amenity of adjoining land or the neighbourhood by the appearance of graffiti, any stored unregistered motor vehicles, machinery or parts thereof, scrap metal, second hand building materials, building debris, soil or similar materials, or other items of general waste or rubbish.

The assessment of properties against the above criteria will be undertaken by Council's authorised officers.

### 6.4 Retirement Villages

Retirement village property is any property, which is defined as a Retirement Village under the Retirement Villages Act 1986. In accordance with the Ministerial Guidelines on Differential Rating, a Council must give consideration to reducing the rates burden through the use of a reduced differential rate for retirement village land.

There are 9 registered retirement villages within the municipality.

The determination of whether a differential rate should apply should reflect the level of service provided and ensures that reasonable rate relativity is maintained between retirement village property and other classes of property.

Council undertook a detailed review of the differential rating position for retirement villages in 2024. The review identified that residents of retirement villages continue to have the choice and ability to use and/or receive Council services, access facilities and benefit from the assets/open spaces provided and maintained by the Council for the entire community.

It was recognised that the villages located within the municipality remain largely reliant on Council for the provision of services and residents are not contributing a disproportionate amount of rates.

Council has decided to not introduce a differential rate for retirement villages at this time.

## 7.

### Cultural and Recreational Land:

The *Cultural and Recreational Lands Act 1963* (CRL Act) provides for a council to grant a rating concession in respect of any “recreational lands” which are rateable land under the Act.

The definition of “recreational lands” under section 2 of the CRL Act is lands which are:

- Vested in or occupied by anybody corporate or unincorporated body 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 objects and prohibits the payment of any dividend or amount to its members; and
- Used for outdoor sporting recreational or cultural purposes or similar outdoor activities; or
- Used primarily as agricultural showgrounds.

Section 169 of the Act, provides an opportunity for Council to grant a concession for properties described by definition as a sporting club under the CRL Act.

The Act provides council shall determine the amount payable as it deems reasonable having regard to the services provided by the municipal council in relation to such lands and having regard to the benefit to the community derived from such recreational lands.

There are currently two levels of rebate provided based on the type of premises and include;

1. Non-Gaming Premises (Rebate of 50% of the General Rate)  
Eligible assessments that do not have gaming/gambling facilities at the premises.
2. Gaming Premises (Rebate of 40% of the General Rate)  
Eligible assessments that provide gaming/gambling facilities on the premises.

The division in rebates recognises that assessments with gaming facilities have a greater capacity to earn income, and therefore have a greater capacity to pay.

In addition Council provides a rebate in excess of the nominated amount for golf clubs where they have been impacted by a previous rezoning, this is in recognition of the limited change in services provided to the land.

## 8.

### Special Rates and Charges

Special rates and charges are covered under Section 163 of the Act, which enables Council to declare a special rate or charge or combination of both for the purposes of:

- Defraying any expenses, or
- Repaying with interest any advance made or debt incurred or loan raised by Council

If the Council considers that the performance of the function or the exercise of the power is or will be of special benefit to the persons required to pay the special rate or special charge.

Section 185 of the Act provides appeal rights to the Victorian Civil and Administrative Tribunal (VCAT) in relation to the imposition of a special rate or charge. VCAT has wide powers, which could affect the viability of the special rate or special charge.



Council currently utilises Special Charges to recover the costs of sealing urban residential streets and installation of new footpaths, where the benefit can be attributed to the residents of those streets.

9.

## **Municipal Charge**

Under Section 159 of the Act, Council may declare a municipal charge to cover some of its administrative costs. The legislation is not definitive on what comprises administrative costs and does not require Council to specify what is covered by the charge. 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.

Municipal charges apply equally to all properties (similar to waste charges) and are 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's position is that all assessments should equally contribute to the administrative costs of running council and therefore a Municipal Charge is applied.

10.

## **Service Rates and Charges**

Section 162 of the Act provides Council with the opportunity to raise service rates and charges for the provision of waste, recycling or resource recovery services.

Council currently applies a Service Charge for the collection and disposal of refuse on properties that fall within the collection area. Council's waste collection service consists of a three-bin system which includes Garbage collected on a weekly basis and Recycle and Green Waste which is collected fortnightly on alternative weeks. Council sets the Waste Service Charge for waste at a level that fully recovers the whole of life cost of fulfilling the waste collection and disposal function along with providing transfer stations for the collection and processing of self-haul waste.

The advantage of the Waste Service Charge is that it is readily understood and accepted by residents as a fee for a direct service that they receive. It further provides equity in the rating system as those residents who do not live in a collection area are not required to contribute to the cost of the service through general rates.

11.

## **EPA Levy Charge**

The Victorian Government through the Environment Protection Authority (EPA) levies all landfill sites with a landfill levy which is based on the amount of waste entering landfills on an annual basis.

This separate cost is shown on Rates Notices in the interests of greater transparency. The cost of the levy is influenced by two drivers – one is the volume of waste going into landfill, and the second is the price per tonne levied by the EPA.

Council estimates the average annual garbage waste to landfill per property at 0.40 tonnes.

## 12.

### Rate Payment Options

There are only two options available under the Act for Council to set due dates for payment of rates. The first is an option of a lump sum payment on a fixed date (which is set as 15 February of each year) and the second is a mandatory instalment approach where quarterly payments are required at the end of September, November, February and May. Under this second approach, residents can elect to pay instalments or the lump sum in advance at any point.

Council has elected to maintain the options offered within the Act of both instalments and an annual payment option for the 2025/26 financial year, after which the option to pay by lump sum on the 15 February of each year will be discontinued, providing a reasonable lead time for annual (lump sum) ratepayers to adjust the timing of their annual payment to September instead of February.

Council has experienced a significant increase in the number of ratepayers seeking payment assistance through alternative payment arrangements and ratepayers defaulting on payments. The current annual payment option effectively restricts council from engaging with ratepayers until after the full payment due date.

There are a number of advantages in removing the option to pay by lump sum. These include;

- Council has the ability to identify struggling payers much earlier in the process, which provides the ratepayer with additional time to implement payment arrangements than would be the case if Council does not become aware of the issue until February.
- It provides improved cash flow. Council operates under a 1 July to 30 June financial year, and issues annual rates notices in August of each year. Under the lump sum payment arrangement Council needs to self-fund all expenditure through to February. During this time, Council is required to continue to provide operational services and capital works which may place additional strain on council's cash flow given the impact of rate capping.
- It brings Council into closer alignment with virtually every other utility service provider.
- Finally, it is the experience of Council that ratepayers are better able to manage and plan their household finances for four instalments, rather than the single payment required under the lump sum payment option.

## 13.

### User Fees and Charges

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 legislated or discretionary services. Fees for some services are set by state government statute and are commonly known as 'regulatory fees'.

The Act gives Council the power to set fees and charges at a level that recovers the full cost of providing the services, unless there is an overriding policy or imperative in favour of subsidisation.

A schedule of the current user fees and charges is presented in Council's annual budget.

Council periodically reviews all fees and charges and adjusts the levels consistent with application of the user pays principle – that is, so far as is possible, the cost of providing a direct service will be met by the fees charged.

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

#### Cost Recovery

##### Full Cost Recovery

The full cost of delivering a service or providing a facility includes both:

- Direct Costs – those costs that can be readily and unequivocally attributed to a service or activity because they are incurred exclusively for that particular product/activity.
- Indirect Costs (often referred to as overheads) – those costs that are not directly attributable to an activity, but support a range of activities across Council.

##### Direct Costs

Council has systems for calculating the direct costs of providing services. These include:

- Labour – the wages and salaries of all staff directly working on that service. These costs include staff overheads, such as allowing for annual leave, sick leave, workers' compensation payments and long service leave.
- Materials – supplies and services used in providing the service, including fleet costs.
- Administrative expenses – the office support for a service. Typically, an operational unit provides a number of services, so the administrative costs of that unit will need to be allocated across the different services.
- Capital equipment and assets used in providing the service – this may include plant hire or, where a council owns the equipment and assets, allowance for asset replacement, insurance and depreciation.

##### Indirect Costs

Council has a range of "back office" operations that are not directly tied to any service delivery. Nonetheless, these involve real costs that are incurred in supporting the delivery of direct services.

Council uses the pro-rata approach when assigning indirect costs, indirect costs can include:

- Information Technology (network, hardware, software, licensing, support etc.)
- Finance
- Payroll
- Human Resources; and
- Others which may relate directly to a particular service

### Pricing Constraints

After Council has calculated the full costs of a service, external constraints should be considered:

- State or Commonwealth Government sets a statutory price for that service,
- Service is in direct competition to private sector competitors and is it a “significant business activity:”. If so, Council needs to check competitive neutrality conditions.
- Is a price based on the full cost of the service competitive with other supplies (nearby councils and/or private competitors)?

Does Council have a specific policy either:

- To subsidise this service (setting prices below full costs)?
- To use the service as a taxation mechanism (setting prices above the full cost level)?

### Competitive Neutrality

If a competitive neutrality assessment is required, the following steps are recommended by the Victorian Government’s National Competition Policy and Local Government Statement:

- Determine whether the operation is a “significant business activity” and therefore, subject to the policy.
- Assess the full costs of providing the services, including all overheads
- Identify any aspect whereby the operation gains a net commercial benefit from being government owned.

If this analysis shows that a significant business does enjoy a net competitive benefit, Council is expected to set prices that include competitive neutral adjustments.

However, under the policy, this is not required if Council:

- Decides that the costs of applying competitive neutrality outweigh the benefits.
- Conducts and documents a “public interest test”, which involves public consultation on costed options, and identifies clear public policy objectives for providing the service at below competitive neutral prices.

As well as ensuring a level playing field for private sector competitors, this policy aims to identify subsidies, make them transparent to the community, and explain why Council is providing cross-subsidisation. Cross-subsidisation implies that one group may pay higher/lower prices than another group. Cross-subsidisation exists in a number of forms:

- Cross-subsidisation between the fees and charges paid by different users for a specific service – a cross subsidy between users.
- Cross-subsidisation between fees and charges and rates – a cross subsidy between users and ratepayers or from one service to another service.
- Cross-subsidisation between the amounts of rates paid by various classes of ratepayers.

The final step in a pricing policy is identifying what council services or service areas are “public goods” and therefore most appropriate for funding via general rate revenue.

### Guiding Principles

Council has developed a range of principles to determine the level of fees and charges to be applied to each service. These principles are:

- Fees and charges are set in line with other like services through benchmarking.
- Fees and charges are set at a level that is deemed to be fair and equitable to enable the majority of residents to access the services.
- Fees and charges are set at a level to encourage participation and positive health and wellbeing outcomes.

- Fees are charged in line with State or Federal government legislation or Local Laws
- Fees are charged in line with State or Federal government funding requirements

## 14.

### Government Grants

Grant revenue represents income received from other levels of government. Some grants are singular and attached to the delivery of specific projects (non-recurrent) such as capital works, whilst others relate to ongoing funding of programs or are untied to a specific requirement (recurrent) such as Financial Assistance Grants.

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

When preparing its financial plan, council considers its project proposal pipeline, advocacy priorities, upcoming grant program opportunities, and co-funding options to determine what grants are to be pursued. Council will only apply for and accept external funding if it is consistent with the Council Plan priorities.

No project that is reliant on grant funding will proceed until a signed funding agreement is in place.

## 15.

### Contributions

Contributions represent funds received by council, usually from non-government sources, and are usually linked to projects. Contributions can be made to council in the form of either cash payments or asset handovers.

Examples of contributions include:

- Monies collected from developers under planning and development agreements
- 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.

## 16.

### 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.

Returns received from investments are either

- utilised as part of the overall revenue of council to fund the general running of council; or
- managed in accordance with funding agreements where the funds relate specifically to prepaid grant funding.

## **17.**

### **Sale of Assets**

Council holds a significant portfolio of assets which are used to support council's services. There is a significant cost in holding assets that are obsolete or in excess of council's requirements, as such council will continue to review the portfolio of assets on a regular basis with the aim of identifying assets which are obsolete, or in excess of requirements.

Assets identified as being obsolete or in excess of requirements will be assessed for disposal in accordance with council's policies and delegations.



## BACK PAGE

### Contact Us

PO Box 264, Morwell VIC, 3840

1300 367 700

[latrobe@latrobe.vic.gov.au](mailto:latrobe@latrobe.vic.gov.au)

[www.latrobe.vic.gov.au](http://www.latrobe.vic.gov.au)

#### **Morwell Corporate Headquarters**

141 Commercial Road

#### **Moe Service Centre**

1-29 George Street

#### **Traralgon Service Centre**

34/38 Kay Street

#### **Churchill and District Community Hub**

9/11 Philip Parade