WHITEHORSE CITY COUNCIL

WHITEHORSE

Proposed Revenue and Rating Plan 2025-2029



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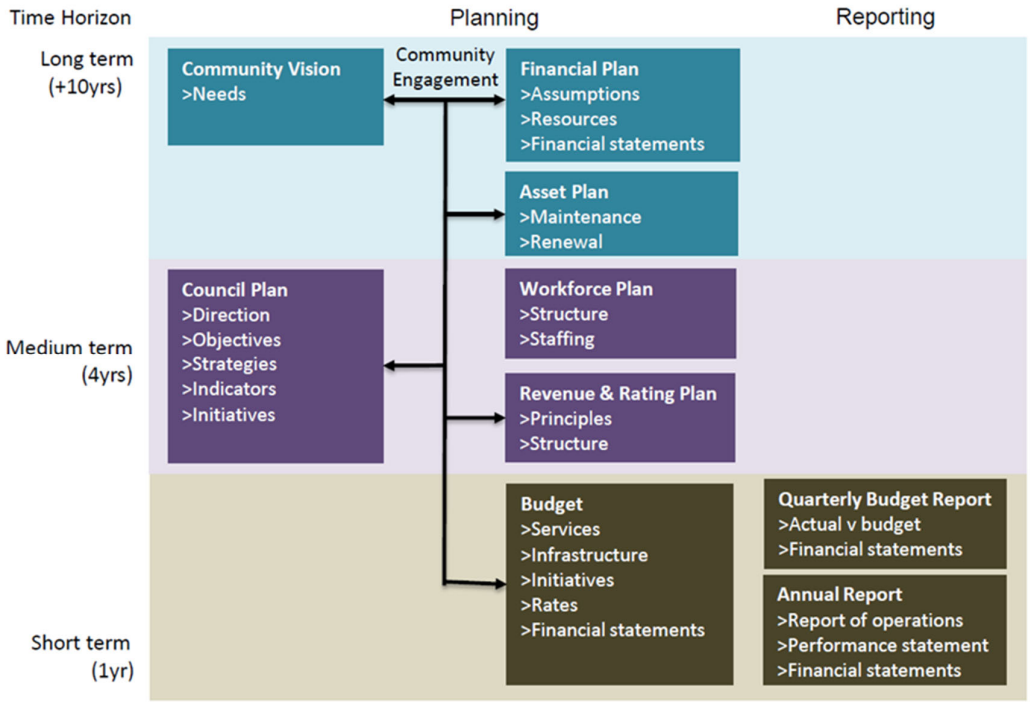
1. Purpose

The purpose of the Revenue and Rating Plan (this Plan) is to determine the most appropriate, equitable and affordable revenue and rating approach for the City of Whitehorse, and which will adequately finance the objectives proposed in the Council Plan.

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.

This plan is an important part of Council's integrated planning framework, all of which is created to achieve our vision in the Community Plan. Strategies outlined in this plan align with the objectives contained in the Council Plan and will feed into our budgeting and long-term financial planning documents, as well as other strategic planning documents under our Council's strategic planning framework.

It provides a medium-term plan for how Council will generate income to deliver on the Council Plan, program and services and capital works commitments over a 4-year period. It defines the revenue and rating 'envelope' within which Council proposes to operate.



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

In particular, this plan will set out the decisions that Council has made in relation to rating options available to it under the *Local Government Act 2020* to ensure the fair and equitable distribution of rates across property owners.

It will also set out the principles and practices for fee and charge setting and other revenue items to ensure Council's commitment to responsible financial management is achieved, while at the same time continuing to provide high quality, accessible services to the community. It is also important to note that this plan does not set revenue targets for Council, it outlines the strategic framework and decisions that inform how Council will go about calculating and collecting its revenue.

1.1 Introduction

Whitehorse City 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
- Waste Service Charge
- Grants from other levels of Government
- User Fees
- Statutory Fees and Fines
- Cash and non-cash contributions from other parties (i.e. developers, community groups)
- Investment income
- Sale of assets

Rates and charges are the most significant revenue source for Council and constitutes approximately 61% of total revenue (Proposed 2025/26 Budget), with 5% of income from operating grants, 16% of raised through user fees and charges and 5% statutory fines and charges (2025/26 Budget).

The introduction of rate capping under the Victorian Government's Fair Go Rates System (FGRS) has brought a renewed focus on Council's long-term financial sustainability. The FGRS continues to restrict Council's ability to raise revenue above the rate cap unless application is made to the Essential Services Commission for a variation. Optimise and maintaining service delivery levels and investing in community assets remain key priorities for Council.

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

Council revenue can also be adversely affected by changes to funding from other levels of government. Some grants are tied to the delivery of council services, whilst many are tied directly to the delivery of new community assets, such as roads or sports pavilions. It is important for Council to be clear about what grants it intends to apply for, and the obligations that grants create in the delivery of services or infrastructure.

1.2 Objectives of the Integrated Council Plan

When considering the Revenue and Rating Plan, Council needs to meet the objectives set out in the Integrated Council Plan, and as resourced through the Financial Plan. Council needs to ensure the plan it adopts is capable of raising sufficient income to deliver the 5 Strategic Directions set out in the Integrated Council Plan.

Strategic Directions	Objectives
Community	• An involved and connected community ♥ • A community that fosters social inclusion, cohesion and respect • A healthy and active community ♥ • A community where people feel safe
Built	• Safe and accessible public places • Community facilities and shared spaces that are well used • Sustainable planning and infrastructure to respond to population change • A desirable and well-presented City
Economy	• A thriving local economy • Local businesses supported through change • Diverse education, employment & volunteering opportunities • A City that attracts investment and jobs
Natural	• Enhanced and protected natural and green spaces • An environmentally sustainable and climate resilient City ♥ • A Council that responsibly and sustainably manages waste
Governance	• An open, transparent, accountable and responsible Council • A Council that delivers core services that are fit for purpose and good value • A Council that is well governed, efficient and financially sustainable

♥ denotes a linkage to the Municipal Public Health and Wellbeing focus areas#

1.2 What is a Revenue and Rating Plan?

The *Local Government Act 2020* states that councils must adopt a Revenue and Rating Plan by the next 30 June after a general election for a period of at least the next 4 financial years. Council adopted the first Revenue and Rating Plan under the Act 2020 in June 2021 and a revised Plan for the period 1 July 2023 to 30 June 2027 to reflect the separation of waste charges from general rates. This Plan reflects a review and update in accordance with legislative requirements and covers the period 1 July 2025 to 30 June 2029.

A Revenue and Rating Plan is the policy by which council systematically considers factors of importance that informs its decisions about how Council raises revenue, including by the rating system Council uses. The rating system determines how Council will raise money from properties within the municipality. It does not influence the total amount to be raised, only the share of revenue contributed by each property. The rating system comprises the valuation base and actual rating instruments allowed under the *Local Government Act 1989* to calculate property owners' liability for rates.

The *Local Government Act 2020* requires Councils to exercise sound financial management. In particular, the *Local Government Act 2020* states that the principles of sound financial management are:

a) revenue, expenses, assets, liabilities, investments and financial transactions must be managed in accordance with a Council's financial policies and strategic plans;
b) financial risks must be monitored and managed prudently having regard to economic circumstances;
c) financial policies and strategic plans, including the Revenue and Rating Plan, must seek to provide stability;
d) accounts and records that explain the financial operations and financial position of the Council must be kept.

Through Councils integrated planning framework Council ensures that all its activities and financial resources are aligned to meet the aspirations, needs and expectations of the Whitehorse community (Community Vision 2040). Integrated planning documents include:

- Council Plan
- Financial Plan
- Asset Plan
- Council Budget

2. Rates and charges

The selection of rating philosophies and the choice between the limited rating options available under the *Local Government Act 1989* is a difficult one for all Councils and it is most likely that a perfect approach is almost impossible to achieve in any local government environment.

The purpose of this Plan is therefore to consider what rating options are available to Council under the *Local Government Act 1989*, and how Council's choices in applying these options contribute towards meeting an equitable rating strategy.

It is important to note at the outset that the focus of this Plan is very different to that of the Long-Term Financial Plan/Annual Budget (+3 years). In these latter documents the key concern is the quantum of rates required to be raised for Council to deliver the services and capital expenditure required. In this Plan, the focus instead is on how the obligation to pay this quantum will be equitably distributed amongst Council's ratepayers.

Rates and charges are an important source of revenue, accounting for over 61% of operating revenue received by Council. The collection of rates is an important factor in funding Council services. Planning for future rate increases is therefore an essential component of the long-term financial planning process and plays a significant role in funding both additional service delivery and the increasing costs related to providing Council services.

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

Waste Charges

Council resolved in September 2022 to introduce a Waste Service Charge from 1 July 2023. The Waste Service Charge in 2023/24 was not an extra charge on top of rates. Council separated out the charge for waste and recycling services from the general rates and itemised these charges in more detail on the annual rate notice. Details of the Waste Service Charge are provided in the Waste Service Charge Policy.

The Waste Service Charge fully recovers the cost of Council's waste and recycling services and provides for the future impact of Recycling Victoria reforms and waste sector impacts. The Waste Service Charge is not subject to the rate cap established under the Fair Go Rates System (FGRS), except in the year of introduction (2023/24) where it was offset by a corresponding proportional reduction in General Rates levied to reflect waste charges are separate items. Future years Waste Service Charge including charges for supplementary bins will be developed as part of budget considerations for the term of this Plan.

Further information is provided under section **5.3 Service rates and charges** on what is included in the Waste Service Charge.

2.1 Rating – Legislative Framework

The purpose of this section is to outline the legislative framework in which Council has to operate in constructing its rating system and the various issues that Council must consider in making its decision on the rating objectives. The relevant legislation guiding councils in terms of levying property owners are the following acts:

- Local Government Act 1989
- Local Government Act 2020
- Valuation of Land Act 1960
- Cultural and Recreational Lands Act 1963

The legislative framework set out in the *Local Government Act 1989* determines council's ability to develop a rating system. Section 155 of the *Local Government Act 1989* provides that a Council may declare the following rates and charges on rateable land.

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

The recommended strategy in relation to municipal charges, service rates and charges and special rates and charges are discussed later in this document.
In raising Council rates, Council is required to primarily use the valuation of the rateable property to levy rates. Section 157 (1) of the *Local Government Act 1989* provides Council with three choices in terms of which valuation base to utilise. They are: Site Valuation, Capital Improved Valuation (CIV) and Net Annual Value (NAV). The advantages and disadvantages of the respective valuation basis are discussed further in this document.

Whilst this document outlines Council's strategy regarding rates revenue, rates data will be contained in the Council's Budget (+3 years) as required by the *Local Government Act 2020*. This plan outlines the principles and strategic framework Council will utilise in calculating and distributing the rating burden to property owners, however, the quantum of rate revenue will be determined in Council's Annual Budget.

2.2 Equity

Having determined that Council must review its Revenue and Rating Plan in terms of the equitable imposition of rates and charges, it is a much more vexed question in terms of how to define and determine what is in fact equitable in the view of the Council.

In considering what rating approaches are equitable, Council needs to have regard to the principles of taxation which are:

- **Equity:** does the tax burden fall appropriately across different classes of ratepayers?
- **Benefit principle:** where the distribution of benefits is not uniform, should those who benefit more contribute more?
- **Capacity to pay:** are those ratepayers with greater economic capacity in fact contributing more?
- **Simplicity:** Is the system practical and cost effective to administer and enforce? Is the system simple to understand and comply with?
- **Efficiency:** does the rating methodology significantly distort property ownership and development decisions in a way that results in significant efficiency costs?
- **Sustainability:** does the system generate sustainable, reliable revenues for Council and is it durable and flexible in changing conditions?
- **Cross-border competitiveness:** to what extent does the rating system undermine the competitiveness of Council as a place to live and/or own a property or operate a business?
- **Competitive neutrality:** are all businesses conducting similar activities treated in similar ways within the municipality?

Simultaneously applying all of these criteria it is imperative to ensure a balanced approach as possible. The rating challenge for Council therefore is to determine the appropriate balancing of competing considerations.

2.3 Fair Go Rates System

The State Government's Fair Go Rates System (FGRS) sets out the maximum amount councils may increase rates in a year. The prescribed rates caps were set at:

Financial Year	Rate Cap
2025/26	3.00%
2024/25	2.75%
2023/24	3.50%
2022/23	1.75%
2021/22	1.50%
2020/21	2.00%
2019/20	2.50%
2018/19	2.25%
2017/18	2.00%
2016/17	2.50%

These assumptions are based on forecast CPI changes.

Under the Fair Go Rate Cap, the Cap is calculated by a formula provided by the Essential Services Commission (ESC) and agreed to by the State Government is:

$$\frac{\text{Adopted General Rate and Municipal Charge Income + Annualised Supplementary Rate and Municipal Charge Income}}{\text{Number of Assessments as at 30 June}} = \text{Base Average Rate}$$

$$\text{Base Average Rate} \times (1 + \text{Prescribed Rate Cap}) = \text{Maximum allowable Capped Average Rate}$$

The level of required rates and charges has been considered in this context, with reference to Council's other sources of income and the planned expenditure on services and works to be undertaken for the Whitehorse community.

In situations where the rate cap is not enough for Council's needs, Council can apply to the Essential Services Commission for a higher cap; this is known as a variation. Whitehorse City Council does not intend to apply for a variation to the rate cap for the duration of the Revenue and Rating Plan 2025-2029.

2.4 Declaring rates and charges

Section 158 of the *Local Government Act 1989* provides that Council must at least once in respect of each financial year declare by 30 June the following for that year:

a) The amount which Council intends to raise by way of general rates, municipal charges, service rates and service charges.

b) Whether the general rates will be raised by application of:

I. A uniform rate, or
II. Differential rates (if Council is permitted to do so under Section 161(1))

III. Urban farm rates, farm rates or residential use rates (if Council is permitted to do so under Section 161A).

3. Rating Framework at Whitehorse City Council

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

Rating Option	Description	Whitehorse structure
General rate	A general rate is applied to all properties and can be set as either a uniform rate or several differential rates	General rate
Uniform rate	A uniform rate is a single rate in the dollar that is applied to the value of all properties in the municipality.	Whitehorse applies a uniform rate
Differential rate	Differential rates are different rates in the dollar that are applied to different classes of properties and are permitted if the Council uses Capital Improved Value as the rating valuation base. The *Local Government Act 1989* allows the use of differential rates if the Council considers that this will contribute to the equitable and efficient carrying out of its functions.	Whitehorse does not apply differential rates
Municipal charge S159	A municipal charge to cover some of the administrative costs of the Council. This is a flat-rate charge applied to all properties excluding cultural and recreational properties.	Whitehorse does not levy a municipal charge
Service rates and charges S162 (rateable land) S221 (Non rateable land)	Service rates and charges can be levied for provision of Waste, recycling or resource recovery services and any other prescribed service.	From 1 July 2023 Whitehorse introduced a Waste Service Charge designed to recover the costs of waste collection, processing and disposal, while aiming to reduce waste being generated and going to landfill. The Waste Service charge includes the following three components: • Kerbside Waste Service Charge • Public Waste Service Charge:

Rating Option	Description	Whitehorse structure
		• Supplementary Bin charges (previously fee for service and included under user fees) for the cost of any bins that vary from the standard service. Please refer to *Section 5.3 Service rates and charges* for further information.
Rebates and concessions S169	The *Local Government Act 1989* allows Councils to grant a rebate or concession in relation to any rate or charge: • to assist the proper development of all or part of the municipal district, preserve buildings or places that are of historical or environmental interest, or to restore or maintain buildings or places of historical, environmental, architectural or scientific importance. • the land in relation to which the rate or charge is being used for a public benefit, direct provision of goods or services to the public, or a substantial portion of the public, free of charge or for a nominal charge • land is not used, or will not be used, primarily for the purposes of the distribution of profit to an owner or shareholder of an entity.	Whitehorse does not provide rebates or concessions under this section of the Act.
Special Rates and charges S163	A special rate or charge may be declared for purposes of: • Defraying any expenses, or • Repaying with interest any advance made or debt incurred, or loan raised by Council	Council currently has two adopted policies that relate to the special rate and special charge provisions of the LGA, as follows: • Special Charge Scheme for Infrastructure Projects, • Special Rate and Special Charge

Rating Option	Description	Whitehorse structure
		Schemes in Commercial Centres.
Cultural and Recreational Lands Act 1963 (CRLA)	In accordance with the *Cultural and Recreational Lands Act 1963* Council may levy an amount in lieu of rates on properties that meet the definition of cultural and recreational lands.	Council will declare rate equivalent amounts calculated by having regard to the services provided to eligible CRL properties and the benefit to the community derived from them, at the times and in the manner prescribed by the CRLA.

3.1 Determining which valuation base to use

The *Local Government Act 1989* and the *Valuation of Land Act 1960* are the principle Acts in determining property valuations. The purpose of this section is to outline the different methods that Council can utilise to value land and the issues that Council must consider in making its decision on the valuation method.

Under section 157 (1) of the *Local Government Act 1989*, Council has three options as to the valuation base it elects to use. They are:

1. Capital Improved value (CIV) – value of land and improvements upon the land;
2. Site Value (SV) – value of land only;
3. Net Annual Value (NAV) – rental valuation based on Capital improvement Value (CIV).

For residential and farm properties, NAV is calculated at 5 per cent of the CIV. For commercial 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 Victorian 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.

For CIV, business properties are valued primarily by the capitalisation method of valuation. This method of valuation is the industry standard for assessing the value of business properties and has as its base sale price and market rent of the property.

The 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 frequency of valuations now conducted annually (previously two year intervals) the market values are more predictable and has reduced the level of objections resulting from valuations.

- The concept of the market value of property is more easily understood with CIV rather than NAV or SV.
- Most councils in Victoria have now adopted CIV which makes it easier to compare relative movements in rates and valuations across councils.
- The use of CIV allows councils 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 councils 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 no Victorian Councils that use this valuation base. With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of Site Value would cause a massive shift in rate burden from the industrial & commercial sectors onto the residential sector.

There would be further rating distribution movements away from modern townhouse style developments on relatively small land parcels to older established homes on the more typical quarter acre residential block. In many ways it is difficult to see an equity argument being served by the implementation of Site Value in Whitehorse 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.

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.

Summary
Whitehorse City Council will apply Capital Improved Valuation as the valuation base for the following reasons:

- CIV is considered to be the closest approximation to an equitable basis for distribution of the rating burden.
- CIV provides Council with the option to levy a full range of differential rates if required. Limited differential rating is available under the other rating bases.
- It should be noted that most of the 79 Victorian Councils apply CIV as their rating base and as such, it has a wider community acceptance and understanding than the other rating bases.
- All three types of valuation method have a common basis in that rates are based on the property value which may not necessarily reflect the annual income of the ratepayer for example pensioners and low income earners.

Plan recommendation
Whitehorse City Council will continue to apply Capital Improved Valuation as the valuation methodology to levy Council rates.

3.2 Property Valuations

The *Valuation of Land Act 1960* is the principle legislation in determining property valuations. Under the Valuation of Land Act 1960, the Victorian Valuer-General conducts property valuations on an annual basis. Whitehorse City Council applies a Capital Improved Value (CIV) to all properties within the municipality to take into account the full development value of the property. This basis of valuation takes into account the total market value of the land including buildings and other improvements. The value of land is always derived by the principal of valuing land for its highest and best use at the relevant time of valuation.

3.3 No windfall gain

There is a common misconception that if a property's valuation rises then Council receives a "windfall gain" with additional income. This is not so as the revaluation process results in a redistribution of the rate levied across all properties in the municipality. Any increase to total valuations of the municipality is offset by a reduction to the rate in dollar used to calculate the rate for each property.

3.4 Supplementary valuations

In accordance with the Valuation of Land Act 1960 further Valuations are required to be carried out between General revaluations, these are known as Supplementary Valuations.

Supplementary Valuations are completed when properties are physically changed by buildings being erected, demolished or altered, when properties are amalgamated, subdivided, portions sold off, rezoned or roads constructed.

Supplementary Valuations are adopted to bring the value of properties into line with values assigned to other properties in the municipality. This is to ensure that as near as practicable the rating valuation reflects the current property condition at the date prescribed for the General revaluation.

4. Determining the rating system - uniform or differential

Council may apply a uniform rate or differential rates to address the needs of the Council. They are quite different in application and have different administrative and appeal mechanisms that need to be taken into account.

4.1 Uniform rate

Section 160 of the Act stipulates that 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 land.

Whitehorse City Council has adopted uniform rating as it considers that uniform rating contributes to the equitable distribution of the rates levied.

4.2 Differential rate

Differential rating allows Council to shift part of the rates levied from some groups of ratepayers to others, through different “rates in the dollar” for each class of property. Under the *Local Government Act 1989* (S161), Council is entitled to apply differential rates provided it uses CIV as its base for rating. The maximum differential allowed is no more than four times the lowest differential.

Council has always considered that a uniform rate is the most equitable method of apportioning rates across the municipality based on capital improved valuation of properties, irrespective of property type including retirement villages.

Disadvantages of differential rating

The disadvantages of utilising a differential rating system 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.

Plan recommendation
That Whitehorse City Council continues to apply a uniform rate as its rating system.

5. Other types of Charges

5.1 Special rates and charges

Special rates and charges are covered under Section 163 of the *Local Government Act 1989*, which enables Council to declare a special rate or charge or a 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.

Or where 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. There are detailed procedural and statutory requirements Council needs to follow to introduce a special rate or charge, including how Council can apply funds derived from this source.

The *Local Government Legislative Amendment (Rating and Other Matters) Act 2022* amends the 'special rate and special charge' schemes declared by councils to ensure affected ratepayers enjoy the benefits of such schemes without extended delays.

Under the new legislation, any special rates and charges declared by councils must be levied within 12 months of the declaration, otherwise they will expire. This change is designed to prevent an unreasonably delayed collection of rates and charges. A council must levy a special rate or charge by sending a notice to each person liable to pay.

Council's Special rates and charges are covered under Special Rate/Charge Schemes in Retail/Commercial Precincts or Centres Policy.

5.2 Municipal charge

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

The application of a municipal charge represents a choice to raise a portion of the rates by a flat fee for all properties, rather than sole use of the CIV valuation method. Under the *Local Government Act 1989*, a council's total revenue from a municipal charge in a financial year must not exceed 20 per cent of the combined sum total of the Council's total revenue from the municipal charge and the revenue from general rates (total rates).

The municipal charge applies equally to all properties and is based upon the recovery of a fixed cost of providing administrative services irrespective of valuation.

A municipal charge is seen to be a regressive tax as its application would result in lower valued properties paying higher overall rates and charges than they do with uniform rates applicable to all properties.

For this reason, this plan recommends that Council continue to not apply a municipal charge

Plan recommendation
That Whitehorse City Council not utilise a Municipal Charge as part of its Rating Strategy.

5.3 Service rates and charges

Section 162 of the *Local Government Act 1989* provides Council with the opportunity to raise service rates and charges for any of the following services:

a) The provision of a water supply (repealed from LG Act 1989);
b) Waste, recycling or resource recovery services
c) The provision of sewerage services (repealed from LG Act 1989);
d) Any other prescribed service.

Waste Service Charge

Council resolved in September 2022 to introduce a Waste Service Charge from 1 July 2023.

These items are not subject to the rate cap established under the Fair Go Rates System (FGRS), except in the year of introduction (2023/24) and was offset by a corresponding proportional reduction in General Rates levied to reflect that waste charges are now separate items.

The Waste Service Charge consists of three components:

1. **Kerbside Waste Service Charge** – to recover the full cost of providing Council's kerbside waste and recycling collection services and is charged to all properties eligible for Council's kerbside bin services. From July 2023, households using the standard service pay for one 80 litre garbage bin collected weekly and one recycling bin collected fortnightly.
2. **Public Waste Service Charge** – to recover the full cost of waste services including public bins, street cleaning, drain cleaning, waste and environmental education and pre-booked hard waste collection services. This will be charged to all properties in Whitehorse even if the property does not have access to the kerbside bin services or hard waste service, on the basis of the public benefit. This excludes non-rateable properties without kerbside Council bin services.
3. **Supplementary Bin charges** – for additional bins or larger bins that are not part of the Kerbside Waste Service Charge.

The following table summarises applicable charges:

	Kerbside Waste Service Charge – plus applicable supplementary bin charges	Public Waste Service Charge
Rateable property with Council kerbside bin services	Yes	Yes
Rateable property without Council kerbside bin services (private waste services or no collections)	No	Yes
Non-rateable property with Council kerbside bin services – (except Council managed properties where decision is subject to lease arrangements)	Yes	Yes
Non-rateable property without Council kerbside bin services	No	No

Supplementary bin charges were previously under User fees (fee for service) and invoiced separately. From 1 July 2023 supplementary bin services are included under Service Rates and Charges and included on the annual rates notice.

Council will decide on an annual basis what bin configuration forms part of the Kerbside Waste Service Charge. This may change as Council considers changes to the frequency of collection and the implementation of additional bin services.
The advantage of a separate waste 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 in that all residents who receive exactly the same service level all pay an equivalent amount.

The mix of having a fixed charge for waste services combined with valuation driven rates for the remainder of the rate invoice provides for a more balanced and equitable outcome.

Plan recommendation
That Whitehorse City Council continue to apply the Waste Service Charge based on cost recovery of the waste function.

5.4 Monitoring of general rates, service rates and service charges

All rates, fees and charges are declared as part of Council's budgeting process. The Essential Services Commission monitors, analyses and determines any application from councils for a variation of the Fair Go Rate Cap. While Services Rates and Services Charges sit outside the Cap, the Commission requires councils to supply information relating to Services Rates and Services Charges and reports on any significant breaches of the income generated from Services Rates and Services Charges exceeding costs of supplying the relevant service.

5.5 Cultural and Recreational Lands (CRL)

The Cultural and Recreational Lands Act 1963 (CRLA) provides that an amount be payable in lieu of rates in each year in respect of any "recreational lands" which would otherwise be rateable land under the Act.

Council currently provides a rate concession for recreational land and is declared through the Annual Budget process under Rates and Charges. Under the *Cultural and Recreational Lands Act 1963*, provision is made for a Council to levy the rate for recreational lands at "…*such amount as the municipal council thinks 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*".

All CRL properties will be liable to pay Fire Services Property Levy and will be required to pay applicable waste charges as and when they utilise Council's waste service.

Plan recommendation
It is recommended that Whitehorse City Council continues to declare a rate equivalent payment calculated by having regard to the services provided to the identified CRL properties and the benefit to the community derived from them, at the times and in the manner prescribed by the CRLA.

6. Collection and administration of rates and charges

The purpose of this section is to outline the rate payment options and processes that are in place in relation to payment of rates. It also includes the support provided to ratepayers facing hardship. Council must consider fairness, compassion, confidentiality and compliance with statutory requirements when reviewing these arrangements.

6.1 Liability to pay rates

The owner of the land is liable to pay the rates and charges on that land. In certain cases, the occupier, mortgagee or licensee holder is liable to pay the rates.

The *Local Government Act 1989* declares the unpaid rate or charge, interest and costs to be the first charge upon the land, when the land is sold; ensuring Council receives the outstanding monies prior to the discharge of any mortgage and or charges on the land.

6.2 Payment date for rates

Council, in accordance with the *Local Government Act 1989* must allow for the payment of rates by four instalments per annum. The mandatory instalment payments are required at the end of September, November, February and May each year in accordance with the Gazette dates. Council may allow a person to pay a rate or charge in a single lump sum payment.

Whitehorse ratepayers have the following options of paying rates and charges:

- Payment of rates and charges is available by four instalments at the end of September, November, February and May.
- Single lump sum payment of rates and charges in February is available.
- Council introduced flexible payment options in 2024/25
- Council continues to investigate further options that may be provided to assist residents with management of paying their rates and charges.

6.3 Payment methods

Council offers a range of payment options including;

- Payble flexible payment options including direct debit (credit card processing fee may be charged)
- BPay
- Australia Post billpay – in person only any payment accepted
- Internet via Council's website for MasterCard and Visa payments (credit card processing fee may be charged)
- Telephone for MasterCard and Visa payments (credit card processing fee may be charged)
- Mail
- In person - over the counter services at Council Service Centres or Australia Post agencies
- BPay view via ratepayers banking apps

6.4 Incentives for prompt payment

Section 168 of the *Local Government Act 1989* provides that incentives may be offered by Council for payment of rates and charges before the due dates. No incentives are offered by Council for the payment of rates and charges before the dates.

6.5 Pensioner rebates

Holders of a Centrelink or Veteran Affairs Pension Concession card or a Veteran Affairs Gold card which stipulates TPI, War Widow, EDA or POW 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.

The Victorian Government-funded rebate provided under the Municipal Rates Concession Scheme was 50% reduction on Council rates up to a yearly maximum of $259.50 for 2024/25 and $50 off their Fire Services Property Levy.

6.6 Rates Hardship Assistance Policy

Council recognises managing financial hardship is a shared responsibility. Sections 170, 171 and 171A of the *Local Government Act 1989* give Council the power to defer and / or waive in whole or part the payment of rates and charges if Council determines the enforcement of the requirement to pay would cause hardship to the ratepayer.

Council has a Rates Hardship Assistance Policy in place to provide assistance to ratepayers experiencing difficulty in paying their rates and charges. The policy is to enable a person liable for rates and charges and experiencing hardship, to make application to Council for assistance relating to rates and charges levied on a property under the *Local Government Act 1989.*

The Policy also provides Council officers a framework to provide financial relief to ratepayers who need assistance and to ensure all applications are treated consistently, sensitively and confidentially while ensuring other ratepayers are not disadvantaged by the granting of inappropriate relief from Council.

The Act also imposes restrictions on when a council may commence recovery proceedings for unpaid debts. Recovery proceedings will be deferred (but not prohibited) in favour of more lenient arrangements for ratepayers.

The Minister for Local Government will have the power to issue guidelines relating to the payment of rates and charges, including:

- the meaning of hardship and financial hardship
- the content of hardship policies
- the circumstances in which a council may apply the hardship policies
- the process for applying for a payment plan.

The Act also provides a requirement for the Minister for Local Government, in consultation with the Essential Services Commission, to set the maximum rate of interest which can be levied by councils on unpaid rates and charges. Currently the rate is set by reference to the *Penalty Interest Rates Act 1983*. These amendments ensure the maximum interest rate, which is currently 10 percent, does not place more financial strain on those already experiencing financial hardship.

6.7 Fire Services Property Levy

The Victorian Government introduced a property-based levy to fund the Metropolitan Fire Brigade (MFB) and the Country Fire Authority (CFA) from 1 July 2013.

The Fire Services Property Levy replaced the insurance-based funding model as recommended by the Victorian Bushfires Royal Commission.

Under the property-based levy:

- councils collect the levy through rates notices;
- the levy is calculated based on the capital improved value of a property;
- the levy consists of a fixed component plus a variable component calculated as a percentage of capital improved property values;
- the fixed component varies for residential properties and non-residential properties; and
- the levy rate varies for different property types such as residential, industrial, commercial and primary production.

The fire services property levy is shown separately on rate notices.

It is important to note that Council is not raising any additional revenue from the levy; it is merely acting as a collection agency on behalf of the Victorian Government.

At the time of preparing this Plan the Victorian Government is proposing the replacement of the Fire Services Property Levy with the Emergency Services and Volunteers Fund (ESVF), if introduced this would expand the funding to support a broader range of emergency services, including the Country Fire Authority (CFA), Fire Rescue Victoria (FRV) and Victoria State Emergency Service (VICSES). Council will continue to monitor the progress of changes.

7. Other revenue

Whitehorse City Council requires sufficient revenue to satisfy its service delivery needs and fund its infrastructure and asset management needs. These funds come from a range of sources including:

- Fees, charges and fines.
- Government Grants
- Contributions
- Other Income

All avenues are pursued to obtain external grant funds for prioritised works and projects. Similarly, Council actively seeks to grow its own-sourced revenue to provide additional funding for both service delivery and infrastructure projects to reduce the burden on ratepayers. Council reviews its fees and charges annually and increases/decreases 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.

The following sections outline Council's pricing policy with respect to each of its major revenue streams.

7.1 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 compulsory or discretionary services.

User fees relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. Making up 16% of Councils overall revenue, they are the second largest income item behind rates. Examples include; leisure facility fees, waste management fees, childcare fees, parking service fees and healthcare service fees.

These fees are determined through market forces, with consideration given to cost recovery, community access, equity and affordability, competitor benchmarking, growth in demand or population, and competitive neutrality requirements, where relevant.

Council reviews all fees and charges annually and fees are adopted by Council as part of the budget adoption process. This may include the introduction of new fees or changes to existing fee structures to ensure fees remain relevant and appropriate for the services being delivered. A schedule of the current user fees and charges is included within Council's annual budget.

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 a public or private good in nature and if there is any state and federal government legislation or funding conditions prohibiting or setting ceilings for pricing. Generally, it is not feasible to charge a user fee in relation to consumption of public goods, as administering processes to accurately determine usage levels and charge a fair and reasonable

fee would be cost prohibitive. Therefore costs of providing public goods are typically recovered through rates, grants and other revenue sources.

Cost Recovery
A general principle in setting fees and charges is that the fee charged for a service should correspond with the cost of providing the service – that is the costs borne by Council are fully recovered where possible. However there are many factors that are considered when setting fees for Council services which means full cost recovery is not always equitable, practical or achievable, and these are discussed in the next section

7.2 Other factors considered in setting fees.

To set fees in accordance with the cost recovery principle, Council needs to be able to determine the full cost of each of its services.

Full cost
The full cost of delivering a service or providing a facility include 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 the council.

Direct Costs
Direct costs are easily identified transactions with third-parties that are recorded in Council's finance system, reported on and audited. 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, and long service leave.
- Materials and services – services and supplies provided by a third party to Council that are used in providing the service.
- Other expenses – this includes other types of payments that Council makes as part of its operations to third parties that help provide benefit to the Whitehorse community. This includes grants and contributions, leases, and councillor allowances.

Indirect Costs
Council, like most organisations, has a range of "back office" operations that are not directly tied to any service delivery, but which incur costs to support the delivery of direct services. For example, IT services ensure staff have the required hardware, software and network infrastructure to perform their jobs and the finance department ensures suppliers are paid and customers are invoiced for the services they receive.

7.2 Statutory fees and fines

Where fees are set by State Government statute (Statutory Fees); Council has no ability to alter the fee. These fees are fixed and result in a growing cost to the general ratepayer to provide services as the level of cost recovery is diminished over time.

In these cases, councils usually have no control over the setting of the fee price. Fees will be amended in line with any increases should one be determined by State Government over the course of the year.

Statutory fees and fines relate mainly to fees and fines levied in accordance with legislation and include planning and building applications, some engineering permits and parking infringements. Increases in statutory fees are made in accordance with legislative requirements. Currently statutory fees make up 5% of Councils overall revenue.

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

7.4 Other factors considered in setting fees

While cost recovery is a key consideration in determining fee levels, there are a number of other factors that are also important, and the relevance of these factors vary across Council's different services. These include:

- Do any external constraints or guidelines apply? eg statutory pricing or competitive neutrality requirements
- Is the price competitive with neighbouring councils and other local competitors?
- Is there a level of Council subsidisation that needs to be maintained or reduced?
- Does the price allow community access, equity and affordability?
- Is the price appropriate given market demand trends and current economic conditions?
- Can the required increase in Council revenue be achieved through growth in volumes rather than price? Eg. due to growth in demand or population
- Does the price encourage an appropriate level of utilisation of Council facilities and services?
- How sensitive are customers to price changes for a particular service?

As a government body, Council has a responsibility to ensure it sets fees at an appropriate level so as not to create an unfair disadvantage for its private sector competitors by subsidising service costs through other revenue streams.

7.5 Grants

City of Whitehorse actively pursues all avenues to obtain external grant funds for prioritised works with income from operating grants making up approximately 5% of total revenue each year. When preparing its financial plan, Council considers its project proposal pipeline, advocacy priorities, upcoming grant program opportunities, and co-funding options to determine what grants to apply for. Council will only apply

for and accept external funding if it is consistent with the Community Vision and does not lead to the distortion of Council Plan priorities. Grants can be both state and federally funded and can be received in one of two forms:

- **Operating** - all monies received from state and federal sources for the purposes of funding the delivery of Council's services to residents. These funds can be spent as council sees fit in accordance with local priorities.
- **Capital** - all monies received from state and federal sources for the purposes of funding the Capital Works Program. Receipt of this income is project dependant.

Grants can also be broken down into:

- **Recurrent** – where income is provided as part of an ongoing or regular funding program. This can include both general purpose grants, which can be spent at Council's discretion, and funding for specific services, which are tied to delivering on agreed targets or outputs.
- **Non recurrent** – one off grants provided for specific purposes, where conditions apply as to how the money is spent. Most funding received for Council's capital works program falls in this category, as well as some operational funding for specific projects.

The annual budget contains a summary giving a breakdown of the types of grants expected to be received each year under each of the above four categories. No project that is reliant on grant funding will proceed until a signed funding agreement is in place. All grants are recognised as revenue in accordance with relevant accounting standards.

7.5 Contributions

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

Examples of contributions include:

- Monies collected from developers under planning and development agreements
- Monies collected under developer contribution plans and infrastructure contribution plans
- Contributions from user groups towards the 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.

Developer Contributions

Council has developed an Infrastructure and Development Contributions Framework and provides an overarching information base regarding demand for infrastructure and how Council can use infrastructure funding and delivery mechanisms to meet needs over time.

On 20 September 2021, Council resolved to endorse the Framework as the basis for the next stage of the project, which involved the preparation of a municipal-wide Development Contributions Plan.

A municipal wide Whitehorse Development Contributions Plan prepared by HillPDA Consultants, along with associated planning scheme amendment documents for Amendment C241whse to implement the DCP into the Whitehorse Planning Scheme were endorsed by Council in August 2022 for consultation and to seek authorisation from the Minister for Planning (the Minister) to exhibit the amendment.

Amendment C241whse and the Draft Whitehorse DCP were publicly exhibited in November & December 2022. Council considered the submissions received during the exhibition period at its meeting on 27 February 2023 and requested the Minister to appoint an independent Planning Panel to consider the amendment and hear the submitters. The Panel held a Directions Hearing on 29 March 2023. Council was the only party wishing to be heard by the Panel. The Panel considered the submissions ‘on the papers’ and provided its report to Council in May 2023. The Panel supported the amendment with three minor non-technical changes to the exhibited documents.

At its meeting on 10 July 2023, Council considered the Panel Report and resolved to adopt the revised amendment and Whitehorse DCP as per the Panel’s recommendations.

7.6 Other Income

Other income makes up the remaining 6% of overall revenue. Examples include:

- **Interest on investments** – Council invests surplus funds in accordance with its *Investment Policy*. The earnings on these investments provide an important additional source of revenue for Council.

- **Asset sales** – Council will sell assets either as part of a programmed changeover program, where there is a strategic purpose, or where an asset is no longer required. Examples include:
    - Proceeds from the sales of plant and vehicles are used to help fund the replacement of those assets as they are changed over.
    - Proceeds from strategic property sales
    - Proceeds from lane closure sales

  Proceeds from strategic property sales and lane closure sales will be quarantined to specific reserves in accordance with the governing reserve principles outlined in Council's Annual Budget.

- **Other income** – Council receives other income from a number of sources and for many different purposes. This includes leases and licences, sale of recyclables, and cost recovery income. Each income stream is governed by a separate agreement or arrangement.

8. Related Policies & Legislation

- *Cultural and Recreational Lands Act 1963*
- Council's Community Engagement Policy
- Council's Rates Hardship Assistance Policy
- Council's Investments Policy
- *Local Government Act 1989*
- *Local Government Act 2020*
- *Local Government (Planning and Reporting) Regulations 2020*
- *Local Government Legislation Amendment (Rating and Other Matters) Act 2022*
- Ministerial Guidelines for Differential Rating
- Valuation of Land Act 1960
- Valuation Best Practice Specifications Guidelines 2022
- Waste Service Charge Policy