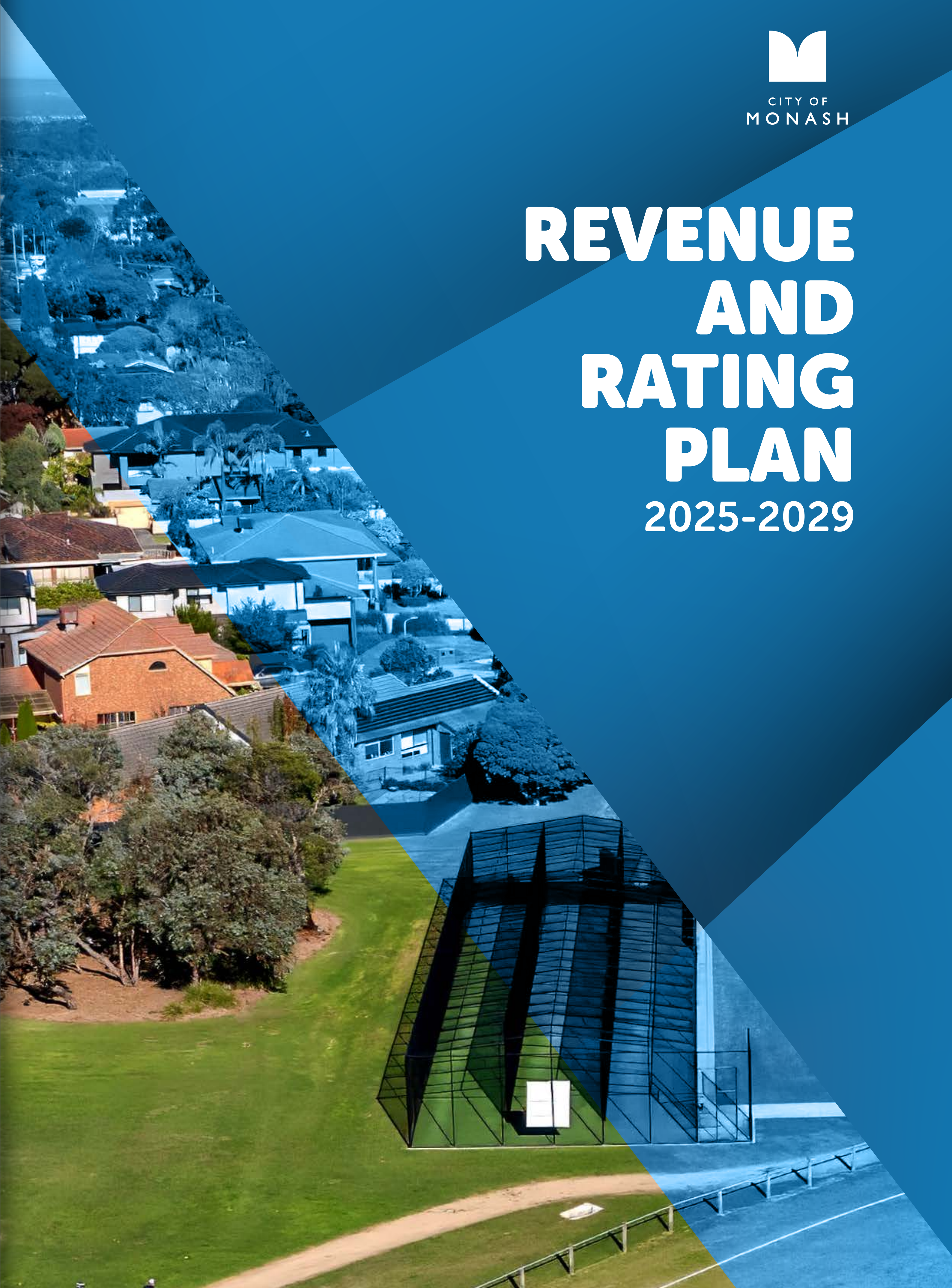
CITY OF MONASH

REVENUE AND RATING PLAN

2025-2029



ACKNOWLEDGEMENT OF COUNTRY

Monash Council acknowledges the Traditional Owners of this land, the Wurundjeri Woi Wurrung and Bunurong People, and recognises their continuing connection to the land and waterways. We pay our respects to their Elders past, present and emerging and extend this to all Aboriginal and Torres Strait Islander peoples.

CONTENTS

REVENUE AND RATING PLAN 2025-2029

Executive summary

Building on the foundation of the first Revenue and Rating Plan (2021-2025), Monash Council presents the second iteration of the Plan for the period 2025-2029.

This Plan is a crucial component of the Council's integrated planning framework, outlining the principles and strategies for generating revenue to support the Council's activities, services, and infrastructure projects.

The Plan does not set specific revenue targets but provides a strategic framework for revenue calculation and collection, ensuring financial sustainability. Key elements include:

» **RATES AND TAXATION:** The role of rates as a form of taxation, including differential rates for different property classes, and the application of rebates and waivers.

» **SERVICE CHARGES:** Fixed service charges for recycling and waste charge

» **FEES AND CHARGES:** Policies for fees and charges related to Council services and programs, and subsidies for certain services.

» **REVENUE DIVERSIFICATION:** Exploring non-rate and non-fee-based revenue streams such as grants, developer contributions, and value capture mechanisms.

» **COMMUNITY ENGAGEMENT:** An education campaign to increase awareness of the rating system.

The Plan will be effective from 1 July 2025 to 30 June 2029, with annual reviews and incremental enhancements to Council's revenue and rating strategies. Below is a summary of recommendations of this plan:

Revenue Stream	Aspect	Plan Recommendations
RATES AND CHARGES	**Valuation base**	Monash Council to continue to levy rates based on Capital Improved Valuation (CIV). Please refer to Appendix A and Appendix C for rating legislations and different valuation basis.
	Rating system	Monash Council reviews the impact of Council valuations and assesses differential rates applied to achieve an outcome that is considered equitable Please refer to Appendix B for rating principles.
	Municipal charge	Monash Council to continue to not impose a municipal charge on properties
	Service Charge	Monash Council continue to not charge a waste service charge (for full waste cost recovery) without further community consultation. Council will continue to annually assess the necessity of declaring a recycling & waste charge as part of the annual budget cycle.
	Special rate & charge	Monash Council uses special rates and charges in the following instances: • Raising funds for dedicated purposes such as trader associations marketing and promotion schemes • For Environmental Upgrade Agreements (EUA's) for businesses to improve their buildings environmental performance e.g. finance water and energy efficiency projects and install renewable energy systems such as solar. (Section 181A LGA1989).
	Cultural & recreational land	Monash Council to continue to apply a 60% discount on rates & charges for properties deemed to bring cultural and recreational benefits to the community.
	Concession rebate	Monash Council to continue to support pensioners who meet the concession eligibility criteria of the Department of Families, Fairness and Housing by applying an additional $50 rebate on rates & charges and provide full rebate for recycling & waste charge.

Revenue Stream	Aspect	Plan Recommendations
RATES AND CHARGES (Cont.)	**Payment options**	Monash Council to continue to offer 3 payment options to ratepayers of Monash (Annual Lump Sum, Four-Instalment, Ten-Instalment).
	Assistance	Monash Council to continue to assist ratepayers who are experiencing difficulties in paying their rates obligation by offering flexible payment plan, and consider deferral and/or waiver as per the policy for more severe situations on a case-by-case basis.
	Interest waiver	Monash Council continues to provide, for overdue non-instalment payers, an additional 21 days from the 15 February to pay any overdue rates, before the application of the interest is applied.
GRANTS		Monash Council to continue to seek grant opportunities to fund projects when the opportunity arise, and to evaluate the suitability of such opportunities during annual budget cycle.
CONTRIBUTIONS		Monash Council to continue to budget for drainage and public open space contributions from developers and utilise these funds for capital projects as specified for each of these reserves.
USER FEES		Monash Council to undertake annual service planning to facilitate an informed fees and charges setting process during the annual budget cycle and will apply a gender impact analysis when reviewing those charges.
ADVOCACY		Monash Council continues to advocate for rate reform to assist the more vulnerable members of the community.
OTHER	**Continuous improvement in service delivery**	Monash Council works on continuous improvement opportunities relating to customer excellence and more flexible access to data and payment methods.

Strategic direction

Monash Council provides facilities and services, and advocates for the community, through the well-planned and balanced assessment of needs, for those who live, work and play in Monash. We listen to our community and research to ensure good decision making.

The role of the Revenue and Rating Plan

The purpose of the Revenue and Rating Plan is to determine the most appropriate revenue and rating approach for the Council, with adherence to rating principles and governance principles outlined in the Local Government Act.

Our strategic planning principles emphasise an integrated approach to planning, monitoring, and performance reporting. This approach ensures that our planning addresses the Community Vision and considers the resources and risks associated with implementing our Council Plan and related strategies.

These strategies and plans are operationalised and delivered through Directorate Plans, Service Plans, and Individual Performance Plans.

Legislative context

The Local Government Act 2020 mandates that each Council prepare and adopt a four-year Revenue and Rating Plan following each Council election.

This document represents the second version of the Revenue and Rating Plan, reviewing and building upon the original plan adopted in 2021.

The Revenue and Rating Plan establishes the revenue-raising framework within which the Council will operate, ensuring financial sustainability and strategic alignment with the Council's objectives.

Other legislative requirements

Gender Impact Assessments (GIAs) are a key obligation under the Gender Equality Act 2020 and must be undertaken when developing or reviewing any policy, program or service that has a 'direct and significant' impact on the public.

A GIA has been completed for this Plan.

Reporting on progress and performance

Progress and results are reported back to the community through the Quarterly Performance Report, Local Government Performance Reporting Framework (LGPRF), and the Annual Report.

Integrated planning

The Revenue and Rating Plan 2025-2029 has been developed in accordance with the requirements of the Local Government Act 2020 which requires councils to ensure strategic planning is more integrated, transparent and focused on delivering outcomes for the community.

The Local Government Act requires councils to develop strategic documents that are informed by deliberative community engagement and meet the requirements of the Community Vision.

The diagram below demonstrates how the plans work together to provide clear direction for our organisation, ensure services and projects are strategically aligned and delivering value for money, as well as helping to ensure we deliver on our commitments to the community.

Relationships between the integrated plans

Timeframe	Plan	Description
10+ years	Community Vision	The Vision reflects our community's values, aspirations and priorities for a minimum of 10 years. It guides Council in shaping its decision-making to respond to the community's long-term aspirational needs.
10 years	Financial Plan	Sets the framework for Council's longer-term financial decision-making. It describes how revenue is generated, the use of reserves and capital investment allocations and the borrowing strategy.
10 years	Asset Plan	Sets the framework for Council's longer-term asset planning. It describes how Council oversees its infrastructure and other assets.
4 years	Council Plan	The Council Plan is a four year document that sets the strategic objectives, strategies and indicators that will guide Council toward supporting the Community Vision.
4 years	Health and Wellbeing Plan	Dedicated to focussing on the health and wellbeing of all people who live, work and play in our city. Identifies key health priorities for Council to consider for future planning.
4 years	Revenue and Rating Plan	Guides how Council will generate income to deliver on the Council Plan, programs and services and capital works commitments.
4 years	Workforce Plan	Ensures that Council has assessed, planned and reviewed its current state and future requirements to deliver on our Council Plan and strategic objectives.

Community input

The Revenue and Rating Plan was developed in accordance with the requirements of the Local Government Act 2020 and in partnership with the Monash community.

It was informed by a community engagement program and deliberative process which considers the needs of all people who live, work and play at Monash.

For more information on community engagement for this plan please visit: **shape.monash.vic.gov.au/vision**

Stage 1

May-July 2024

Broad community engagement including a project website (Shape Monash), several on site listening posts, meetings with Advisory Groups.

During this period we heard from hundreds of residents, workers and students across Monash.

Stage 2

Aug-Sept 2024

A community panel was formed to deliberate on Council's role in helping the Monash community to achieve its vision.

From this process, the Panel members made 13 recommendations to Council for its consideration.

Stage 3

March-May 2025

'Over this period we welcomed the community to review and provide feedback on the draft plans.

This process included broad promotion and engagement including reaching out to people involved in previous engagement activities.

* Supported by promotional activities including social media and Monash publications.

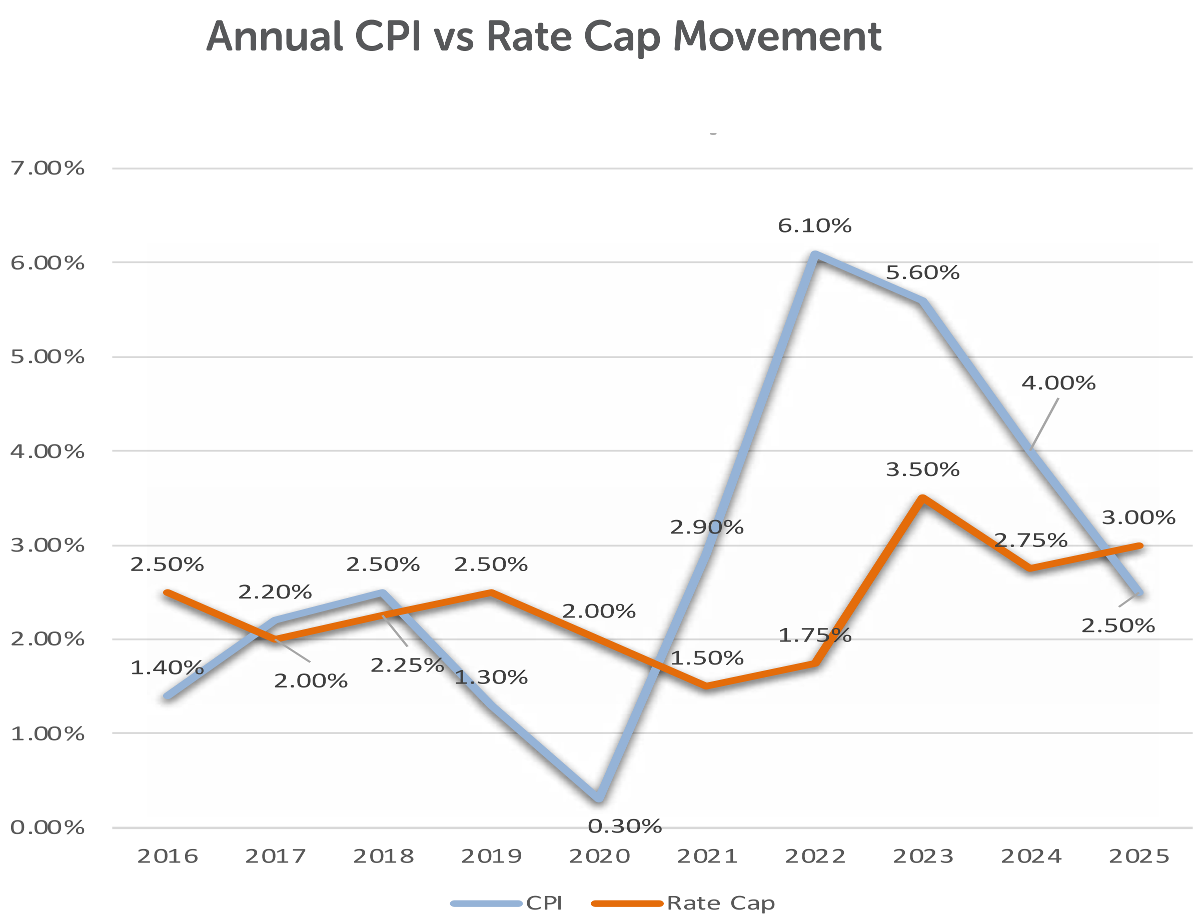
Opportunities and challenges

Changing community expectations and costs-shifting by other levels of government have expanded the range of Council's responsibilities.

Population growth and changing demographics are also resulting in additional infrastructure and service provision needs, while an ageing asset base requires investment to maintain.

These expectations and responsibilities necessitate the collection of revenue. However, local government has limited capacity to raise revenue.

Data from the Australian Bureau of Statistics (ABS) shows that out of Australia's total taxes since 2019-2020, on average the Commonwealth Government collects 81.2% (including GST), the State collects 15.6%, and local government 3.2% in the form of property taxes (rates). Rates are property taxes that allow a Council to raise revenue used to fund essential public services and cater to their municipal population. The Fair Go Rates System (rate capping) continues to pose significant financial challenges to Victoria's local governments long-term financial sustainability. Although rate capping is intended to align with the Consumer Price Index (CPI), they have been set below CPI in recent years.



Cost-shifting and grants

Cost-shifting by higher levels of government is another challenge presented to local governments.

This practice involves delegating responsibilities to local governments without adequate funding. Examples of cost-shift practices are:

» **Enhanced regulations and compliance requirements:** Local councils must comply with stricter regulations without adequate compensation for the additional operational costs.

» **Service discontinuation:** Other levels of governments stop providing certain services, leaving local councils to fill the gap or leave a service void.

» **New or increased fees:** Government agencies impose new or higher fees on local councils to recover their own operating expenses, without providing additional benefits to councils.

» Variations to funding from other levels of government can also impact Council's budget. Grants are an important source of revenue for Council but are often tied to the delivery of council services or delivery of new community assets, requiring additional funding from Council's budget. Council needs to be clear about which grants it intends to apply for and the obligations these grants create in the delivery of services or infrastructure.

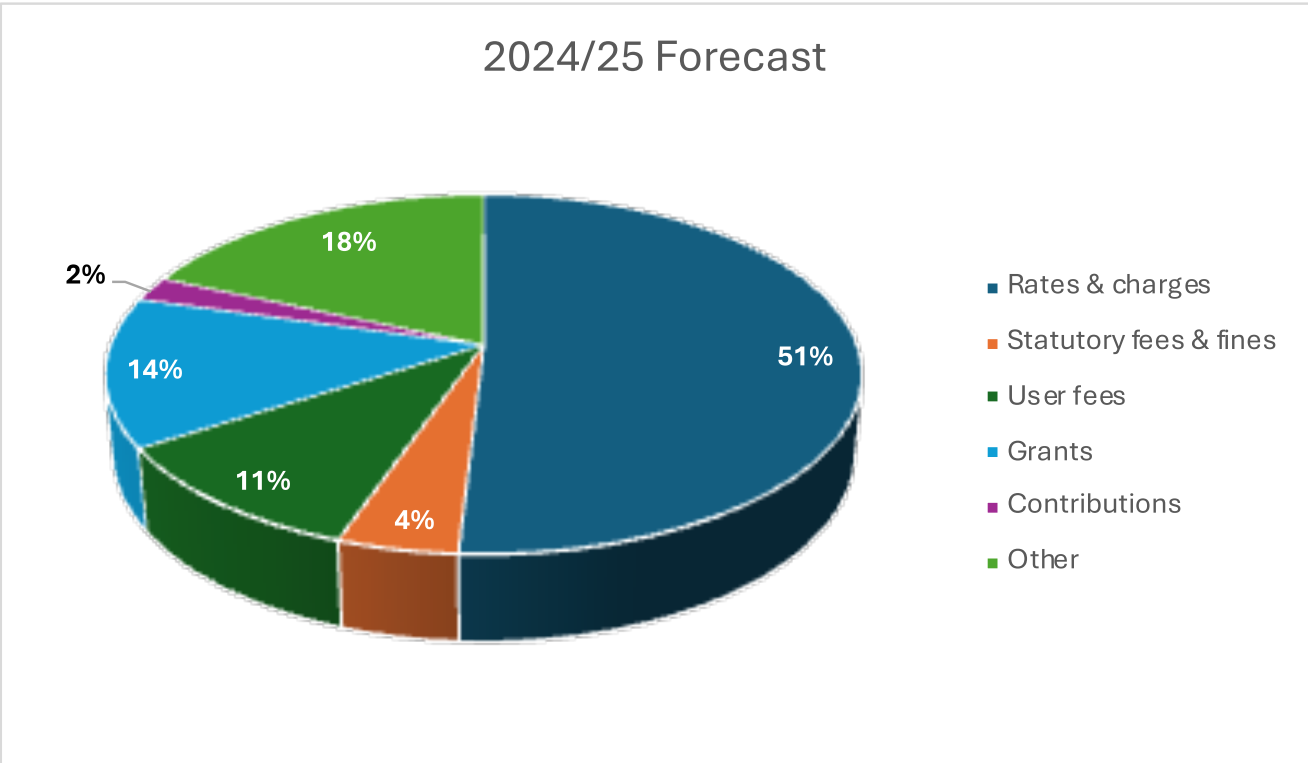
This plan continues to explore opportunities to reduce reliance on rate income. Council is committed to proactively seeking suitable new grant funding and maximise fees and charges revenue in line with our price-setting guidelines.

Challenges	Opportunities
Reliance on rate revenue: Rate and charges make up 62% of Council's total revenue.	**New revenue sources:** Exploring alternative funding avenues e.g. fees and charges review through service-based budgeting, etc.
Rate capping: Continues to constrain Council's ability to increase rates, often set below CPI.	**Grant income:** Actively seeking grants and ensuring funding through advocacy at all levels of government.
Rising waste disposal costs: The volatility of the waste and recycling industry has led to significant cost increases.	**Waste charge:** Council does not currently levy a full waste cost recovery service charge and would only consider after undertaking further community consultation. Council will continue to annually assess the necessity of declaring a recycling & waste charge as part of the annual budget cycle
Cost shifting: Direct delegation of responsibilities from higher level of governments without adequate funding.	**Economies of Scale:** Collaborative procurement effort with other local governments to drive cost-savings.
Community expectations: High expectations for quality services and infrastructure place pressure on the Council to deliver more.	**Technological Investment:** Opportunity to embed service planning and invest in appropriate technology to improve efficiency of processes and service delivery.

Revenue snapshot

The following table is a snapshot of distribution of City of Monash's revenue sources based on the 2024/25 forecast and projected income for the next four years.

	Forecast ($ '000)	Projections ($ '000)			
Income	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
Rate & Charges	151,333	158,334	163,070	168,244	173,558
Statutory fees & fines	13,219	13,346	14,880	15,475	16,094
User fees	31,374	34,125	35,990	37,430	38,927
Grants	40,034	30,477	31,598	32,678	32,777
Contributions	6,595	9,956	6,434	6,571	6,711
Other (incl Net Profit from sale of assets)	54,726	2,352	3,668	5,206	5,103
Total	**297,282**	**248,592**	**255,640**	**265,604**	**273,170**



REVENUE SOURCES

In the following section, we will delve into the framework guiding Council's decisions regarding the various revenue sources listed in the previous section.

Annual rate and charges

Council rates are a property-based tax used to fund essential public services and community initiatives. Rates are a tax, not a fee for service, and entitle residents to a range of services regardless of individual consumption.

The purpose of the rating plan is to explore rating options available to the Council under the Local Government Act 1989 and how these options contribute to an equitable rating strategy. Council may consider several options in determining its rating plan such as:

- The choice of valuation base (Capital Improved Value, Site Value or Net Annual Value)
- Uniform versus differential rating (and how to determine equitable levels for differential rating)
- Fixed service charges for waste collection (Service Charge or Service Rate)
- Fixed municipal charge to cover the cost of Council administration
- Special rates and charges, and other levies under The Local Government Act.

In preparing a rating plan, it is necessary to consider good practice taxation principles to ensure fairness and efficiency. Examples of these principles are:

- **Wealth tax:** Rates based on property value, not service consumption.
- **Equity:**
  - **Horizontal equity:** Similar rates for similar situations, ensured by accurate property valuations.
  - **Vertical equity:** Higher rates for those better off, reflecting progressive taxation.
- **Benefit:** Connection between consumption/benefit and rate burden.
- **Capacity to pay:** Ratepayers' ability to pay.

For a more in-depth reference to various legislations governing rates, and explanation of various rating principles, please refer to Appendix A and Appendix B.

Equitable distribution of rates and the role of property valuation

Rates are distributed among ratepayers based on the relative value of their properties within the municipality.

Properties are revalued annually by Valuer-General Victoria to ensure a fair distribution of the rates burden. This system, set by State Government legislation, means that if you own a certain percentage of the total property value in the municipality, you pay the same percentage of Council's total rate revenue (this is true if Council adopts uniform rating instead of differential rating).

Property taxes do not consider individual debt levels or income received by property owners, and there is no direct link between the amount of rates paid and the level of council services received. Essentially, the rating system is a tax on the wealth stored in the value of properties, meaning those with higher-valued properties relative to others within the municipality pay a larger share of the rates.

While there is a general assumption that higher-valued properties indicate a greater capacity to pay, Council appreciates that this is not always the case, as some property owners may be asset-rich but cash-poor. Please refer to the rebate and hardship assistance sections for information on how Council assist ratepayers who are experiencing difficulties in paying their rates.

Valuation base

Under the Local Government Act 1989, councils have three options for the valuation base:

Valuation Method	Definition	Usage	Advantages	Disadvantages
Capital Improved Value (CIV)	Value of land and improvements.	Most common, used by most Victorian councils.	» Reflects market value » Supports equity » Allows adoption of differential rates	» May not reflect income levels of property owners
Site Value (SV)	Value of land only.	Not used by any Victorian councils.	» May encourage development of commercial/ industrial properties	» Shifts rate burden to residential sector. » Less equitable
Net Annual Value (NAV)	Rental valuation based on CIV (5% of CIV for residential and farm properties. For commercial and industrial properties, the higher of 5% of CIV or actual market rental).	Less common, linked to CIV.	» Reflects rental value for commercial and industrial properties » Allows adoption of differential rates	» Harder to understand » May not represent actual market value for residential properties

STRATEGY RECOMMENDATION

Monash Council to continue levying Rates using the Capital Improved Valuation (CIV) methodology.

No windfall gain (common misconception)

There is a common misconception that rising property valuations result in additional income for councils.

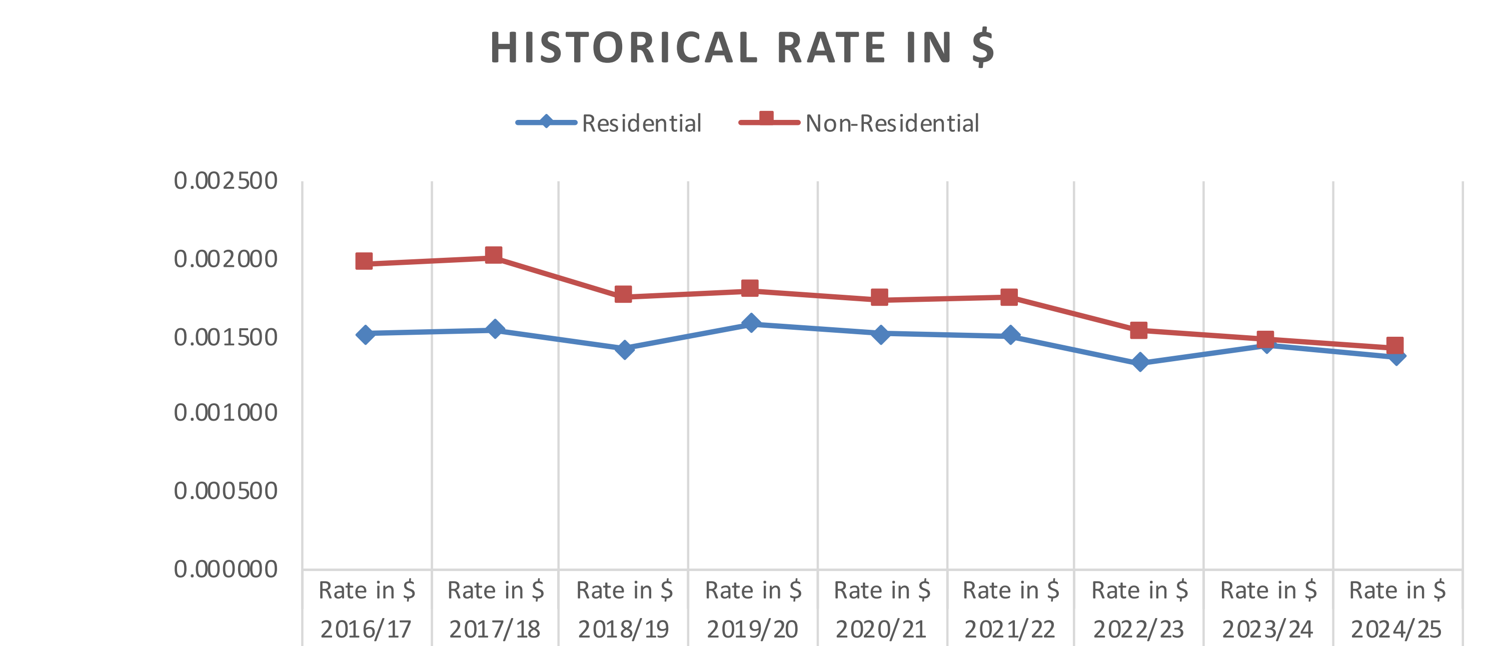
The revaluation process redistributes the rate burden across all properties, offsetting any increase in total valuations with a reduction in the rate in the dollar.

The below chart shows the trend of decreasing Rate in $ as total property valuation increases.

Total income is fixed each year as part of the budget process, which includes:

- Base rates income from the previous financial year
- Annualised growth in supplementary income
- Adjustment by the Ministerial rate cap percentage

Councils seek to increase revenue in line with the Ministerial Rate Cap to account for CPI and increase in costs to deliver services.



	Rate in $ 2016/17	Rate in $ 2017/18	Rate in $ 2018/19	Rate in $ 2019/20	Rate in $ 2020/21	Rate in $ 2021/22	Rate in $ 2022/23	Rate in $ 2023/24	Rate in $ 2024/25
Residential	0.001515	0.001545	0.001415	0.001584	0.001514	0.001506	0.001325	0.001445	0.001367
Non-Residential	0.001972	0.002012	0.001756	0.001796	0.001741	0.001749	0.001532	0.001471	0.001426

Valuation and Rate Cap

General rates typically increase annually by the Victorian Government's rate cap, set by the Minister for Local Government. This cap applies to overall rate revenue, not individual properties. Changes in individual property rates depend on their valuation movement relative to the average across the municipality. The annual revaluation can re-align rate distribution but does not provide additional revenue overall.

Example of revaluation impact on rate increase/decrease for a specific property:

» Assuming total property values in the municipality increase by an average of 10% and the rate cap is 3%:

» An increase in a specific property value by 10% would result in a 3% rate increase.

» If the specific property value increased by less than 10% or experienced a decrease, it would experience a rate increase of less than the rate cap of 3% or a decrease.

» If a specific property value increased by more than 10%, it would result in a rate increase of more than 3%.

Objections to property valuation

The Valuation of Land Act (1960) allows property owners to object to property valuations or the Australian Valuation Property Classification Code (AVPCC) within two months of receiving the original or amended Rates and Valuation Charge Notice (Rates Notice).

If the notice was not originally issued to the occupier, the objection period extends to four months. Objections must be submitted in writing to the relevant council. Objections must follow Division 3, sections 16-21 of the Local Government Act.

The Local Government Act was amended in 2006 to:

» Improve the objection process

» Reduce lengthy and costly disputes

» Facilitate information sharing and exchange

» Streamline referrals of objection dispute to VCAT

» Manage the awarding of costs

» Valuer General notifications and certification of supplementary valuations

Property owners can also object to site valuations upon receiving their Land Tax Assessment. Appeals can be made within two months of receiving the Land Tax Assessment via the State Revenue Office.

Further information:
www.propertyandlandtitles.vic.gov.au/valuation/council-valuations

Supplementary valuations

Supplementary revaluations align the value of affected properties with the general valuation of other properties in the municipality.

The rights and process to object to supplementary valuations is the same as outlined in the section above. Supplementary valuations are conducted for various reasons such as:

» Rezoning

» Extensions

» Subdivisions

» Occupancy changes

» Amalgamations

» Corrections

» Renovations

» New constructions

Valuer-General Victoria (VGV) is responsible for carrying out these supplementary revaluations and informs the Council monthly about any changes in valuation and the Australian Valuation Property Classification Code (AVPCC).

Rating structure

The Local Government Act provides flexibility for councils to adopt a rating system that is appropriate for their municipality. Key sections include:

» **Section 155:** Allows councils to declare general rates, municipal charges, service rates, and special rates on rateable land.

» **Section 94(2) of the Local Government Act 2020:** Requires councils to adopt a budget by June 30, and include the following information:

- Total amount to be raised by rates and charges.
- Description of any fixed rate components.
- Statement on whether rates will be uniform or differential.
- Depending on the decision to declare uniform rate or differential rate, matters specified in sections 160 and 161(2) of the Local Government Act 1989 for uniform and differential rates, respectively.

Type of Charge	Description	Basis
General rates	Based on property values (CIV, NAV or SV). These form the central basis of rating under the Local Government Act and form the bulk of councils' rates and charges revenue.	Property values (CIV, NAV, SV)
Municipal charges	A fixed charge per property to cover some of the administrative costs of the Council. Applying this charge ensures that all properties contribute to the basic costs of council operations. Total revenue from municipal charge cannot exceed 25 per cent of the total revenue raised from general rates.	Fixed charge per property
Service charges	A fixed charge that is a 'user pays' component for services provided by the Council, reflecting the benefits to ratepayers who use these services.	Fixed charge
Service rates	Similar to service charges, these are specific rates levied for particular services provided to properties. Service rate is based on property values instead of a fixed charge.	Property values (CIV, NAV, SV)

General Rates - uniform vs differential rating

Councils can apply either a uniform rate or differential rates to distribute the rate revenue equitably. These methods differ in application, administration, and appeal mechanisms.

UNIFORM RATE

A uniform rate is a single rate in the dollar applied to the value of all rateable properties.

Advantages	Disadvantages
Efficient to administer	May not account for the level of access or benefit derived from council services
Transparent and easy to understand	

DIFFERENTIAL RATES

Council's rating structure comprises of two key elements:

» Property values, based on CIV; and

» Differential rates in the dollar to reflect use of services provided by Council

Maintaining a proper balance between these elements helps to achieve equity in distribution of the rate burden across residents.

» Rating, through the application of higher differentials recognises the ability of some ratepayers to obtain concessions from the tax deductibility of Council rates and provides for a series of differential rates.

» Cultural and Recreational Land is subject to a rate concession in accordance with the requirements of Section 161 of the Local Government Act and the Cultural and Recreational Lands Act 1963, which require for a council to grant a rating concession to any 'recreational lands' which meet the test of being 'rateable land' under the Local Government Act. The current recreational land discount is equivalent to 60 percent of the rates (excluding charges) payable

Differential rates allow councils to set different rate in the dollar for different property classes. In accordance with the Local Government Act, Council must strive to achieve the best outcomes for the local community, considering the long-term and cumulative impacts of its decisions. Additionally, the Council must ensure that rates and charges are imposed equitably.

These requirements mean that declaration of differential rating must be accompanied by a description of the types or categories of land that are subject to each rate, along with an explanation of the rationale behind the use and level of that rate for those specific types or categories of land.

Decisions on differential rating are heavily influenced by the Ministerial Guidelines for Differential Rating, published in 2013.

Advantages	Disadvantages
Flexibility to distribute the rate burden between groups of ratepayers, linking it with capacity to pay	A lower rate for one group increases the burden on others
Reflects unique circumstances of certain land classes (e.g., farming enterprises)	Difficulty in measuring relative access and consumption of council services
Facilitates appropriate development in the community's best interest	Potential confusion among ratepayers
	Complexity in administration

Rating in Monash

Monash Council uses differential rates to set different rates in the dollar for various property categories. Since 2015/16, Council has adopted two differential rates:

1. Residential rate
2. Non-Residential rate

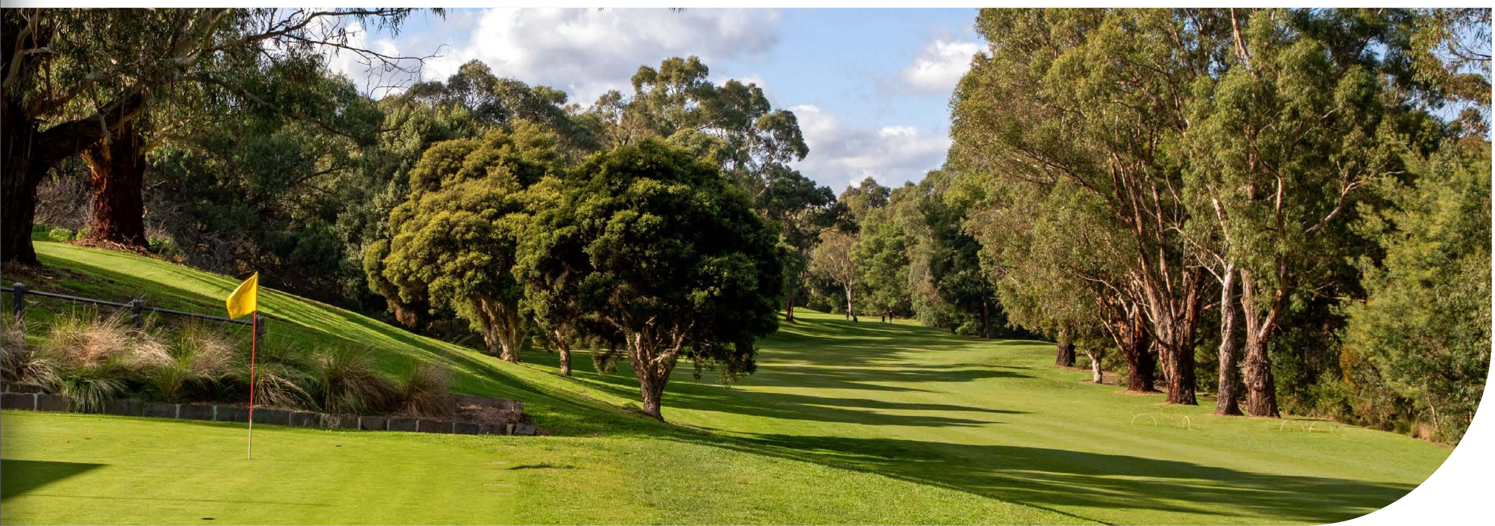
Monash introduced differential rates to address the issue of residential ratepayers taking on more of the rate burden due to a faster increase in residential property values. Council decided that commercial and industrial landowners should bear a slightly higher rate burden so that the distribution of rates remain equitable. This was done by ensuring the ratio of rate revenue contributed by non-residential properties to remain at 14%.

Properties are classified according to the Australian Valuation Property Classification Code (AVPCC) as adopted by the Valuer-General Victoria (VGV) for annual revaluation.

Over the next four years, Monash will continue to declare two differential rating for the following categories:

» Residential

» Non-Residential



Objective of the rates and characteristics

The types and classes of rateable land within the differential rate categories include those with the relevant characteristics described in this page.

The types of buildings on the land within the differential rate categories include all existing buildings and those that will be constructed before the end of the relevant financial year. The geographic location of the land within the differential rate categories is determined by its position within the municipal district, without considering ward boundaries.

The rate level for land in each category is deemed appropriate to contribute to the Council's budgeted expenses, considering the land's characteristics. The objective of the residential rate is to ensure that all owners of land make an equitable financial contribution to the cost of carrying out the functions of Council.

RESIDENTIAL RATE

Residential land is any land which is:

» Occupied for the principal purpose of physically accommodating persons (residential purpose); or

» On which a habitable building is erected, which building is unoccupied, and which is zoned Residential under the Monash Planning Scheme; or

» Vacant land subject to the residential land rate, determined by planning scheme zoning, specifically land zoned as residential under the Monash Planning Scheme.

» Any land which is not otherwise classified as Commercial, Industrial or Primary Production land.

NON-RESIDENTIAL RATE

Non-Residential land is any land, which is:

» Classified under the AVPCC categories as being either Commercial, Industrial or Primary Production; or

» Used predominantly for commercial and/or industrial and/or primary production purposes; or

» Otherwise zoned Commercial, Industrial or Primary Production under the Monash Planning Scheme.

STRATEGY RECOMMENDATION

Monash Council to continue applying differential rating as its rating system.

Municipal charge

Under Section 159 of the Local Government Act (1989), councils can declare a municipal charge to cover some administrative costs.

The legislation does not specify what constitutes administrative costs, nor does it require councils to specify what is covered by the charge.

Total revenue from a municipal charge must not exceed 20% of the combined revenue from the municipal charge and general rates. The application of a municipal charge represents a choice to raise a portion of rates by a flat fee for all properties, rather than solely using the CIV valuation method.

This strategy recommends that council continue to not apply a municipal charge.

Arguments For	Arguments Against
Applies equally to all properties which can be argued as being fair	Regressive in nature, leading to higher overall rates for lower-valued properties.
Based on recovering fixed costs of providing administrative services irrespective of valuation	Loses the equity objective of levying rates against property values.

STRATEGY RECOMMENDATION

Monash Council to continue not to raise a municipal charge.

Service rates and charges

Service rates and charges are mechanisms available (LGA 1989 s.162) to councils to fund various services provided to the community such as:

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

STRATEGY RECOMMENDATION

Council does not currently levy a full waste cost recovery service charge and would only consider after undertaking further community consultation. Council will continue to annually assess the necessity of declaring a recycling & waste charge as part of the annual budget cycle and continue to provide a full rebate for eligible pensioners.

The benefit of a service charge or rate is that it is easily understood by residents as a fee for a direct service they receive. Service charge also ensures fairness in the rating system, as all residents who receive the same level of service pay an equal amount.

However, the drawback of a service charge, similar to the municipal charge, is its regressive nature. A fixed charge on a lower-valued property represents a much larger proportion of the overall annual rates and charges compared to a higher-valued property. Horizontal vs vertical equity (refer to rating principles in Appendix B) should be considered in deciding whether to introduce a service charge or a service rate.

SERVICE CHARGE IN MONASH

Monash Council currently applies a service charge under Section 162 of the Local Government Act (1989), in the form of a recycling & waste charge. This charge was introduced in 2018/19 to address the additional costs associated with the recycling crisis and sharp increases of the EPA landfill levies in recent years.

The recycling & waste charge is a partial cost recovery mechanism for management of waste in Monash. Under Section 171 of the LGA, a full rebate for the recycling & waste charge is available for eligible pensioners.

The current recycling and waste charge has been effective in addressing immediate financial challenges. Council does not currently levy a full waste cost recovery service charge and would only consider after undertaking further community consultation.

Special rates and charges

Section 163 of the Local Government Act (1989) allows councils to declare special rates, charge, or a combination of both for the purposes of:

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

These rates and charges can be applied if the Council believes that the function or power being performed will provide a special benefit to the persons required to pay the special rate or charge.

Key points:

Aspect	Details
Procedural Requirements	Councils must follow detailed procedures to introduce a special rate or charge, including the application of funds derived from this source.
Proof of Special Benefit	Councils must prove that the special rate or charge provides a special benefit to those being levied.
Appeal Rights	Section 185 of the Local Government Act provides appeal rights to the Victorian Civil and Administrative Tribunal (VCAT). The Tribunal has wide powers and can set aside the rate or charge if certain criteria are not met.

In summary, there may be instances where special rates and charges may be a more equitable and appropriate method to fund certain projects or services instead of funding via general rate.

STRATEGY RECOMMENDATION

Monash Council to continue utilising special rates and charges for:

- Raising funds for dedicated purposes such as marketing and promotional schemes for traders associations of activity centres
- Environmental Upgrade Agreements (EUA) to promote environmental sustainability initiatives with businesses (for example, solar panels installation)

Rate concession rebate and exemption

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

These rebates are funded through the general rates pool, and the amount required to fund the rebate is incorporated into the total rates and charges requirement. For transparency, the amount of any rebate or concession funded by ratepayers should be declared annually.

COUNCIL MAY GRANT REBATES OR CONCESSIONS FOR THE PURPOSE OF:

» To assist the proper development of the municipal district.

» Used to preserve, maintain, and restore historical, environmental, architectural, or scientific buildings or places of interest.

Conditions or undertakings may be required, and if not met, the rebate or concession may need to be repaid in part or in full.

PENSIONER REBATES:

» The government-funded indexed rebate is provided under the Municipal Rates Concession Scheme.

» Eligible for holders of a Centrelink or Veterans Affairs Pension Concession card, or a Veteran Affairs Gold card (TPI or War Widow).

» Applies to the sole or principal place of residence.

» For 2024/25, the rebate is $259.50, with an additional $50 rebate to offset the Fire Services Property Levy.

» Monash also applies a further $50 for eligible pensioners, and full rebate for the recycling & waste charge.

» Upon initial application and verification, ongoing eligibility is maintained unless rejected during the annual verification process.

» New applicants can apply for the rebate at any time throughout the rating year, with retrospective claims up to one previous financial year approved by the Council. Claims prior to this period require approval from the Services Australia (previously Centrelink) for up to an additional three years.

EXEMPTIONS FROM RATING

The Local Government Act (1989) Section 154 declares that all land is rateable with a number of exceptions including:

- Crown land used for municipal purposes
- Land used exclusively for charitable purposes
- Residences of practicing Ministers of Religion
- Certain land used for mining purposes
- Clubs or memorials under the Patriotic Funds Act
- Returned Services League and related associations

Generally, land is not considered exclusively for public municipal or charitable purposes if it:

- Is a residence
- Is used for retail sale of goods
- Is used for carrying on a business for profit

STRATEGY RECOMMENDATION

Monash Council to continue:

- To promote the pensioner rebate provided by the Victorian Government to ratepayers who may qualify for the rebate
- Applying an additional $50 rebate for eligible pensioners
- Periodically review non-rateable properties to ensure eligibility for exemption
- Applying full rebate of the recycling & waste charge for eligible pensioner ratepayers.

Cultural & recreational land

The Cultural and Recreational Lands Act 1963 (CRLA) mandates that councils follow a distinct process to set a charge 'in lieu of rates' for eligible properties. This policy outlines the parameters for determining the CRLA charge.

Under the CRLA, if land qualifies as 'recreational lands,' it is exempt from rates under the Local Government Act 1989. Instead, councils levy a charge deemed 'reasonable.' This applies to some council-owned properties leased exclusively for outdoor recreation, such as bowls, tennis, and sporting clubs.

Councils must consider rating discounts for these properties based on the community benefits and services provided. Properties classified as Cultural and Recreational lands are initially rated as commercial properties, with a discount applied thereafter.

The CRLA allows councils to grant rating concessions for 'recreational lands,' defined as:

- Lands vested in or occupied by bodies promoting cultural, sporting, or similar activities, which reinvest profits into their objectives and prohibit member dividends.
- Must be used for outdoor sporting, recreational, cultural purposes, or as agricultural showgrounds.

Councils must consider rating discounts for these properties based on the community benefits and services provided. As of the conception of this plan, there are 6 privately owned properties, and 19 Council-owned leased properties classified as cultural and recreational lands. These properties are initially rated as commercial properties and a discount of 60 per cent applied to the calculated rates.

For more details, please refer to the Cultural and Recreational Lands Act Policy on Council's website.

STRATEGY RECOMMENDATION

Monash Council to continue:

- Applying a 60% concession on eligible Cultural & Recreational Lands
- Annually review the eligibility of these lands and other lands that may fit the eligibility criteria

Administration and collection of annual rates & charges

Liability to pay rates

Section 156 of the Local Government Act *1989* stipulates that the landowner is responsible for paying rates and charges on their land. In certain situations, this responsibility may extend to the occupier, mortgagee, or licensee holder. According to Section 156(6) of the Local Government Act, any unpaid rates, charges, interest, or costs are declared the first charge upon the land.

If rates remain unpaid, they can be recovered through legal proceedings. The council has the authority to sell the land to recover any debts resulting from the non-payment of rates or charges, including the costs associated with legal action.

Payment Options

Council, in accordance with the *Local Government Act 1989* Section 167 (1) **must** allow for the payment of rates by four instalments per annum. Council **may** also allow a person to pay in a single lump sum payment in accordance to *Local Government Act 1989* Section 167 (2).

A rate notice must be issued at least 14 days before the first instalment payment is due. This notice must contain information prescribed in the Local Government (General) Regulations 2015, Regulation 10. Monash issues rate notices annually by August in compliance with the legislation.

Payment Option	Due Dates	Reminder Notices
Annual Lump Sum Payment	Single lump sum due by 15th February	No reminder notice issued
Four Instalments	1. 30th September 2. 30th November 3. 28th February 4. 31st May	Reminder notice issued at least 14 days before each instalment due date
Ten Instalments	1st business day of each month from September to June	One instalment notice issued at least 14 days before the due date of the 2nd instalment (Advising the remaining instalments)

Note: To choose to pay by an instalment plan, the ratepayer must pay the first instalment of the plan on or before the due date.

Note: If any of the due dates fall on a weekend or public holiday, the payment is due on the next business day.

Ratepayers can make payments using various methods, including direct debit (bank account or Visa/Mastercard/ Amex), online with Visa/Mastercard/ Amex, BPAY, cheque, via an Australia Post agency, Centrepay, or in-person at a Council service center.

Penalty interest on late payments

In accordance with Section 172 of the Local Government Act, Council may charge interest on late payments. The interest rate is determined by the Attorney General under Section 2 of the Penalty Interest Rates Act (1983) and is based on the rate applicable on the first day of July immediately before the due date.

Interest is charged on all unpaid balances after the due dates, accruing from the date each missed instalment was due until the account is fully paid, regardless of whether payment is made by instalment or lump sum.

For overdue annual lump sum payers, Monash issues overdue reminder notices and provides an additional 21-day grace period from 15th February to pay any overdue rates before interest is applied.

Payment Plan

As per the Local Government Legislation Amendment Act 2022 Section 2 Division 4, a ratepayer can apply to Council to set up a payment plan for overdue rates and charges. This plan can include any interest charged on the overdue amount.

Council will liaise with the ratepayer regarding:

» How long the payment plan will last.

» The amount of each instalment.

» How often instalments need to be paid.

» Any other terms of the plan.

The payment plan must clearly state all these details and any other required information. Additionally, Council cannot commence legal action or charge penalty interest on outstanding rates and charges when there is an agreed payment plan in place.

Council may cancel a payment plan at any time if the person is not complying with the terms of the plan. If a payment plan is cancelled, the amount owing becomes due and payable and may be recovered by the Council in accordance with the Local Government Act 1989 Section 180. However, Council cannot commence proceedings to recover the unpaid amount unless at least 24 months have passed since the payment plan was cancelled.

Council prefers that payment plans for outstanding rates and charges do not exceed 12 months. This policy helps ratepayers avoid situations where payment plans become perpetual. Requests for payment plans extending beyond 12 months will be evaluated on a case-by-case basis.

Debt Recovery Action

If an account becomes overdue, Council will engage a debt recovery agency to assist in recovering overdue rates. This recovery action includes sending letters of demand, SMS messages, emails, and making phone calls. A final overdue notice that includes any accrued interest will also be issued at least 14 days prior to 30th June of each year.

If the account remains unpaid after these efforts, Council may take legal action to recover the overdue amount. However, under the new legislation, Council must first:

» Notify the person liable for the rate or charge in writing, informing them of the arrears

» Advise them of available payment options, including deferrals and payment plans.

Legal proceedings cannot be undertaken unless at least 24 months have passed since this notification and the person has not deferred payment, entered into a payment plan, or used any other available payment option.

If these conditions are met and the account remains unpaid, Council may proceed with legal action, which may include selling the property under Section 181 of the Local Government Act. Alternatively, Council may initiate bankruptcy proceedings instead of selling the property.

Financial Hardship Assistance

Council acknowledges that managing financial hardship is a shared responsibility. Sections 170, 171, and 171A of the Local Government Act 1989 empower councils to defer or waive rates and charges if enforcing payment would cause financial hardship to the ratepayer.

Monash has a Financial Hardship Policy that allows ratepayers to apply for assistance on their outstanding rates and charges if they are experiencing severe financial hardship. The policy ensures that applications are assessed fairly, with integrity, confidentiality, and compliance with statutory requirements, while also considering the impact of unpaid rates on other ratepayers.

Monash's Financial Hardship Policy covers:

» Special arrangements for payment of rates and charges (payment plan).

» Applications to defer payment.

» Applications to waive rates, charges or interest.

A deferral suspends payment for a period, while a waiver permanently exempts the payment. Council may waive penalty interest on compassionate grounds but prefers not to waive rates due to consideration of fairness on other ratepayers who have met their obligations. However, all applications for waivers and deferrals are assessed individually based on the policy criteria.

Council's current hardship policy can be accessed via:
monash.vic.gov.au/Hardship-Assistance

STRATEGY RECOMMENDATION

Monash Council to continue:

» Offering 3 payment options to ratepayers (Annual lump sum, 4-instalment, 10-instalment)

» Debt recovery activity to ensure timely collection of rates and charges in compliance with legislation

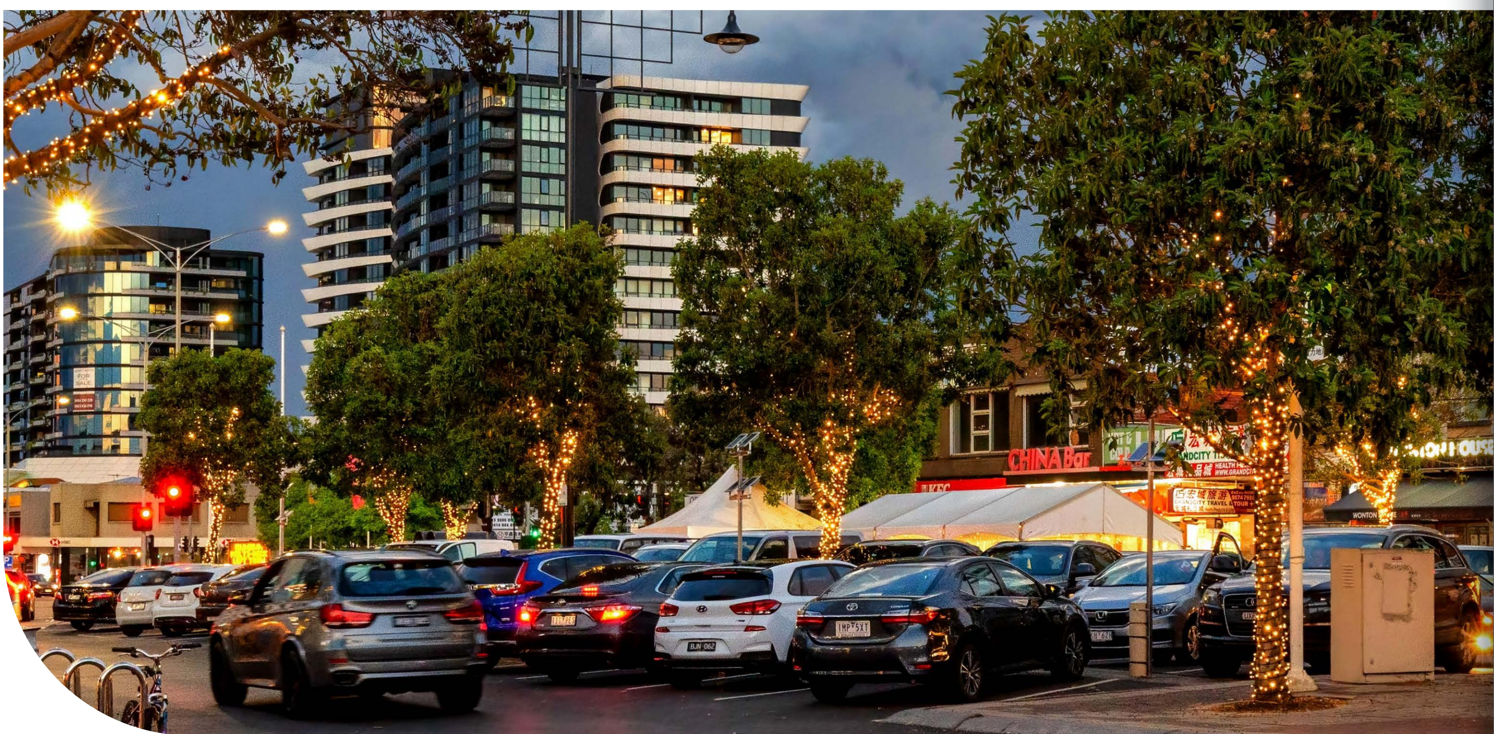
» To offer flexible payment plan and assess request for hardship assistance in a fair, respectful and equitable manner.

State Government Fire Services Property Levy and Emergency Services and Volunteers Fund

The Victorian Government introduced the Fire Services Property Levy (FSPL) in 2013. This levy, previously included in property insurance premiums, is collected by local councils on behalf of the State Government and listed as a separate charge on council rate notices. The FSPL helps fund the Fire Rescue Victoria (FRV).

TRANSITION TO ESVF: From 1 July 2025, the FSPL will be replaced by the Emergency Services and Volunteers Fund (ESVF). The ESVF will support a broader range of emergency services, including VICSES, Triple Zero Victoria, the State Control Centre, Forest Fire Management Victoria, and Emergency Recovery Victoria, in addition to the CFA and Fire Rescue Victoria (FRV). The vacant land category will be abolished, and vacant land will be reclassified according to its land use.

Aspect	Details
Levy Structure	Similar to the FSPL, the ESVF will have a fixed charge and a variable rate based on property value. The charge and rate may differ for each property classification (Residential PPR, Residential Non-PPR, Commercial, Industrial, Primary Production, Public Benefit). Note: PPR = Principal Place of Residence
Expanded Funding	The ESVF will fund up to 95% of the budgets for various emergency services, including VICSES and Triple Zero Victoria.
Concessions	Pensioners, veterans, and single farm enterprises will continue to receive concessions.
Collection	The ESVF will be collected through local councils and will appear on rates notices.
Exemption	Active volunteers and life members are exempt from paying ESVF on their PPR.



IMPACT ON MONASH PROPERTIES WITH MEAN AVERAGE CIV

Property Classification	Increase in ESVF Rate (2025/26)
Residential property	Approximately 40% increase
Commercial property	Approximately 80% increase
Industrial property	Approximately 60% increase
Commercial vacant land	Approximately 240% increase
Industrial vacant land	Approximately 260% increase

Comparison of 2024-25 FSPL and 2025-26 ESVF variable rates (cents per $1,000 CIV)

Sector	Current rates (2024/25)			Proposed rates (2025/26)		
	Variable rate (cents per $1,000 CIV)	Fixed charge ($)	Median liability ($)	Variable rate (cents per $1,000 CIV)	Fixed charge ($)	Median liability ($)
Residential PPR	8.7	132	191	17.3	136	254
Residential non-PPR	8.7	132	191	17.3	136	254
Commercial	66.4	267	748	133	275	1,239
Industrial	81.1	267	859	133	275	1,246
Primary Production	28.7	267	621	28.7	275	629
Public Benefit	5.7	267	320	5.7	275	328
Vacant	29.0	267	503	N/A	N/A	N/A

STRATEGY RECOMMENDATION

Monash Council to advocate for:

» The Victorian Government taxes to be collected by a Victorian Government agencies

» Victorian Government taxes to be clearly identified as state charges on Council's rate notices if the State requires Council to collect on their behalf

» Full reimbursement of the costs of collecting the State taxes.

Government grants

Monash actively seek external funding to support prioritized works, aiming to reduce reliance on rate income. Grant revenue, which includes both singular and recurrent grants, is a significant source of income from other levels of government. These grants can be tied to specific projects or used more broadly.

The Financial Assistance Grant, provided by the Commonwealth Government under the Local Government Financial Assistance Act 1995, is distributed annually to 79 local government bodies in Victoria. It consists of two components:

» **General Purpose Component:** Distributed between the states and territories according to population.

» **Local Road Component**: Distributed between the states and territories according to fixed historical shares.

Both components are un-tied, allowing local governments to allocate funds according to local priorities. The local road component is applied to road rehabilitation projects, while the general purpose component funds operations and service delivery.

Monash also actively seek grant opportunities from State and Federal Governments for both operating and capital project funding. This can occur outside the normal budget cycle when opportunities arise. Advocacy to other levels of government is essential to secure grant funding for vital infrastructure and services to reduce the burden on rate income. The costs and benefits of using local funds to leverage higher grant funding are carefully assessed.

When preparing its financial plan, Council considers its project proposal pipeline, advocacy priorities, upcoming grant opportunities, and co-funding options. Grant assumptions are detailed in the budget document, and projects reliant on grant funding proceed only with a signed funding agreement.

STRATEGY RECOMMENDATION

Monash Council to:

» Continue advocating to secure essential funding for local services and projects

» Carefully deliberate on grant funded services (with consideration to cost-shifting) in each annual budget cycle.

Contributions (cash and non-cash)

Monash periodically receives contributions, both in cash and non-cash forms, primarily from developers. Council has strict statutory obligations to adhere to when applying these funds for capital projects. Developers do not dictate how the funds are spent. These obligations can arise from various State Acts (e.g., Subdivision Act 1988) and Monash Council's Planning Scheme.

STRATEGY RECOMMENDATION

Monash Council to continue:

- To budget for developer contributions for drainage, and public open space
- Utilise these funds for capital projects as specified for these reserves

These contributions are accounted for using the accrual basis of accounting, which means that assets, liabilities, equity, income, and expenses are recognized in the reporting period they pertain to, regardless of when the cash transactions occur.

- **Monetary contributions:** Recognised as revenue when control is obtained. These funds are retained in Statutory Reserves and must be used for specified statutory purposes as per legislative requirements. They earn interest but are not available for other purposes.
- **Non-monetary contributions:** Assets handed over to the Council are recognized similarly and used for their intended purposes.

Types of contributions

Contributions can be made in the form of cash payments or asset handovers such as:

- 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.

Examples of Contributions

Contribution Type	Description
Drainage Contributions	New property developments contribute towards the Council's strategic drainage system. Funds are maintained by catchment area and used for strategic drainage projects within those areas.
Public Open Space	Funds projects that meet the conditions of Open Space Strategy, focusing on increasing open space in identified gap areas and localities with forecast population growth. Contributions to this reserve come from public open space levies under Section 18 of the Subdivision Act 1988.

Statutory fees and fines

Statutory fees and fines are collected by the Council under the direction of legislation or other government directives. The rates for these fees and fines are typically set by the relevant state government department responsible for the associated services or legislation, leaving councils with limited discretion in their application.

Examples of statutory fees and fines

Fee/Fine Type	Description
Animal registrations	Fees for registering pets and other animals.
Building and inspections	Fees related to building permits and inspections.
Food Act registration	Fees for registering food businesses.
Freedom of information	Fees for processing information requests.
Infringements and fines	Penalties for various offences.
Land information certificates	Fees for obtaining land information certificates.
Planning and subdivision	Fees for planning and subdivision applications.
Public Health Act registration	Fees for registering public health-related businesses.
Magistrate Court fees	Fees associated with court services.
Voting infringements	Penalties for voting-related offenses.

Penalty and Fee Units

In Victoria, penalty and fee units are used in Acts and Regulations to describe the amount of a fine or fee.

- **Penalty Units:** These units define the amount payable for fines related to various offenses. For example, selling tobacco to a minor incurs a fine of four penalty units. The rate for penalty units is indexed annually to adjust for inflation, with changes taking effect on July 1 each year.
- **Fee Units:** These units are used to calculate the cost of certificates, registrations, or licenses as specified in an Act or Regulation. The cost is determined by multiplying the number of units by the current value of the fee or unit, with the final amount possibly rounded up or down.

Asset sales

Annually, Council provides detailed information regarding asset sales within its Budget document.

These sales typically encompass trade-ins for plant and equipment, as well as other assets such as land, following a formal resolution by the Council to sell. The net profit from asset sales is reported, which generally reflects the difference between the anticipated sale price of an asset and its written-down value as recorded in the Council's Balance Sheet.

User fees

Council provides a variety of services to the community, often for a fee or charge. These fees are set or recommended by the responsible Council departments. There may be differing pricing structures adopted for different types of services provided based on Council's decision if a service should be subsidised.

Subsidies may be justified by Council policies or community obligations. Concessional fees are determined based on the type of service, balancing individual and community benefits, and users' ability to pay. Cross-subsidisation means that one group may pay higher or lower prices compared to another group. This can occur in several ways:

» **Between users for a specific service:** Different fees and charges are applied to different users, such as concession prices.

» **Between users and ratepayers or services:** Fees, charges, and rates are adjusted to subsidise one group or service with funds from another.

Setting fees and charges is often determined by the notion that the fee charged for a service should correspond with the cost of providing the service, ensuring that the costs borne by Council are fully recovered. 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 or federal government legislation or funding conditions prohibiting or setting ceilings for pricing.

Pricing structures:

1. **Market pricing:** Prices are set based on benchmarked competitive prices of alternate suppliers.
2. **Full cost recovery pricing:** Prices are set to recover all direct and indirect costs incurred to deliver the service.
3. **Subsidised pricing:** The full cost of providing the service is not passed onto the customer and is subsequently subsidised by other revenue streams.

Some examples of user fees are:

» Kindergarten and childcare fees

» Leisure centre, gym, and pool visitation and membership fees

» Waste management fees

» Leases and facility hire fees

» Aged and health care service fees.

Cost Considerations

In evaluating the cost of a service, both direct and indirect costs (often referred to as overheads) associated with the service need to be considered. Under National Competition Policy (NCP), Council is also obliged to apply competitively neutral pricing policies to significant business activities that compete with other external service providers.

The full cost of delivering a service or providing a facility includes both direct and indirect costs.

» **Direct costs:** These are costs that can be readily and unequivocally attributed to a service or activity because they are incurred exclusively for that particular product/activity. Examples include labour costs of staff directly working on service delivery, materials, services, and administration costs.

» **Indirect costs:** These are costs that are not directly attributable to an activity but support a range of activities across Council. Examples include labour for management and administration, utility charges, training and development, telephones and computers, maintenance, vehicle, and postage costs.

Direct costs to deliver a service tend to be easier to be calculated accurately while calculation of the indirect costs is a more complex exercise. Two widely used methods to allocate indirect costs are activity-based costing and the pro-rata approach.

Pricing Principles

After calculating the full costs of a service, several questions need to be answered before deciding on prices:

» Do any external constraints apply, such as statutory prices set by the State or Commonwealth Government, or competitive neutrality conditions for significant business activities?

» How would service users respond to any price changes?

» Is a price based on the full cost of the service competitive with other suppliers (nearby councils and/or private competitors)?

» Does Council have a specific policy to subsidise the service or use it as a taxation mechanism?

If a competitive neutrality assessment is required, the following steps are recommended:

1. Determine whether the operation is a significant business activity and subject to the policy.
2. Assess the full costs of providing the services, including all overheads.
3. Identify any net commercial benefits from being government-owned.

If it is found that a significant business activity enjoys a net competitive benefit, Council is expected to set prices that include competitive neutral adjustments unless:

» The costs of applying competitive neutrality outweigh the benefits

» A public interest test (which includes public consultation on costed options) identifies clear public policy objectives to support providing the service at below competitive neutral prices.

Monash's Pricing Policy

Council's pricing policy can significantly influence who can access services (affordability) and how often they can do so. These goals are often achieved through the implementation of subsidies. Monash has developed a range of principles to determine the level of fees and charges to be applied to each service. These principles are:

Principle	Description
Benchmarking	Fees and charges are set in line with other similar services through benchmarking.
Fairness and equity	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 service.
Encouraging participation	In some cases, no fees (or low fees) are charged to encourage participation and positive health and wellbeing outcomes.
Concessions	Concessions are provided where specified in line with State or Federal Government legislation, Local Laws, or a specific Council policy decision.
Compliance with legislation	Fees and charges are set in line with State or Federal Government legislation, local laws, or funding agreements.
Simplicity	Fees and charges are rounded where possible.
Gender Impact Assessment	A gender impact assessment (and an intersectional approach where practical) is applied to assess the equity of fees and charges, in compliance with the Gender Equality Act 2020, which requires councils and other organisations to consider and promote gender equality in their policies, programs, and services.
Service planning	Service planning is conducted annually to ensure accurate cost assessments.
Annual review and update	Fees and charges are reviewed and updated annually to ensure they align with the user-pays principle and reflect current costs and benchmarks.

STRATEGY RECOMMENDATION

Monash Council to continue to apply the above pricing principles to determine the appropriate level of fees and charges for each service

Interest on Investments

Council budgets for interest earned on its cash balances in line with a corporate Investment Policy that sets guidelines for investment of funds, with consideration of risk and rate of return. Investments are made to maximise the return, while ensuring that its liquidity requirements are being met.

Appendix A – Rating legislations

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 strategies in relation to municipal charges, service rates and charges and special rates and charges are discussed in the body of 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. While this document outlines Council's strategy regarding rates revenue, rates data will be contained in the Council's Annual Budget as required by the Local Government Act 2020.

Section 94(2) of the Local Government Act 2020 states that Council must adopt a budget by 30 June each year (or at another time fixed by the Minister) to include:

a. The total amount that the Council intends to raise by rates and charges;

b. A statement as to whether the rates will be raised by the application of a uniform rate or a differential rate:

c. A description of any fixed component of the rates, if applicable;

d. If the Council proposes to declare a uniform rate, the matters specified in section 160 of the Local Government Act 1989;

e. If the Council proposes to declare a differential rate for any land, the matters specified in section 161(2) of the Local Government Act 1989;

Section 94(3) of the Local Government Act 2020 also states that Council must ensure that, if applicable, the budget also contains a statement –

a. That the Council intends to apply for a special order to increase the Council's average rate cap for the financial year or any other financial year; or

b. That the Council has made an application to the ESC for a special order and is waiting for the outcome of the application; or

c. That a special Order has been made in respect of the Council and specifying the average rate cap that applies for the financial year or any other financial year.

Appendix B – Rating principles

Having determined that Council must review its rating strategy 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 Council.

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

» **WEALTH TAX**

» **EQUITY**

» **EFFICIENCY**

» **SIMPLICITY**

» **BENEFIT**

» **CAPACITY TO PAY**

» **DIVERSITY**

› Cross border competitiveness

› Competitive neutrality

Wealth Tax

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

Equity

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

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

EFFICIENCY

Under this taxation principle, the levying of rates should ideally be carried out in a way that minimises the impact that rates have on both residents and businesses decision making on what choices they need to make in both conducting their normal business.

Simplicity

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

Benefit

The extent to which there is a nexus between consumption/benefit and the rate burden. (Noting again that rates are a form of taxation and not a fee for service).

Capacity to Pay

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

Diversity

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 these taxation principles is an impossible task and therefore trade-offs between these taxation principles are necessary. The rating challenge for Council therefore is to determine the appropriate balancing of competing considerations.

Appendix C – Property valuations

The application of the current rating system starts with the property valuation. In Victoria, the Valuation of Land Act 1960 requires for all land to be valued in three ways:

» Site Value (SV) is the amount for which the land alone might be expected to sell. It is also known as "unimproved value." At present, although this method of valuation is used by the Victorian Government to levy land tax, no council bases its rates on this method of valuation;

» Capital Improved Value (CIV) is the amount for which the land and improvements, such as buildings might be expected to sell; and

» Net Annual Value (NAV) which is the greater of either;

  i. The estimated annual rent for which the land might reasonably be expected to be leased, less some expenses; or
  ii. Five per cent of the capital improved value (CIV) of the land.

Before the 1989 Act, councils levied rates on either SV, NAV or a mixture of both. Net Annual Value was the most common valuation base in Victoria for the late 19th century. The CIV system began to be used in Victoria in the 1960s for valuations, enabled by new technologies and data management techniques. The 1989 Act introduced CIV as a third option for rating for councils and, by the late 1990s, most councils had opted to move away from SV and NAV to CIV. The 1989 Act gave councils powers to freely determine property categories under which different rates could be levied if using the CIV base. (These different rates are called "differential rates" and are discussed in section 9.2).

All valued properties in Victoria must be issued an annual notice stating all three types of valuations on the property. This information is provided on the rate notice. The Local Government Act requires that a council uses only one of these valuation bases for determining rates for the whole of its municipality but is free to choose which one. The merits of the use of each valuation base in determining rates are contested.

The process of valuation

When the Valuer-General Victoria (VGV) values a property, their objective is to determine the likely market value of a property if it were to be offered for sale. A valuation depends on the property's structure, age, level of maintenance, location and comparable market sales and rental information of similar properties in the area. Other data about properties are compiled, including the building types on the property, quality of soil (relevant for farm properties) and other relevant information to determine market value. Geographic Information System mapping is used to assist and complement the valuation process. Since 2018, property valuations have been undertaken annually in Victoria.

Valuation techniques used for local and state government property taxes and levies are known as "mass appraisal valuations". This method uses statistical data analysis to allow a large number of properties to be valued within a short time period, while attempting to maintain levels of accuracy similar to a full market valuation which may be used for an individual property valuation and may involve a site visit and internal inspection. The mass appraisal valuation method does not entail a full internal inspection of the property.

Large one-off or unusual property sales are automatically identified as exceptions so that they don't skew other valuations excessively. Specialist properties are often subject to additional analysis as part of the mass appraisal valuation. The annual revaluation process is undertaken by private sector valuers contracted by the Valuer-General Victoria along with professional valuers employed by the Victorian Government. The valuations are subject to audit by the VGV and valuers are professionally liable for their work.

Ratepayers who believe that the valuation of their property is incorrect may object to a valuation within two months of the rates notice being issued. This may result in a full market valuation should the VGV determine that one is warranted. A council pays the costs of this new revaluation arising from an objection.

Each of the three valuation bases for the allocation of rates have their supporters and detractors.

Proponents of SV consider it a superior base for rates and property taxation more generally because it is efficient and doesn't penalise the ratepayer for any improvements made to the land. They also argue that it best reflects the locational value of land, which is influenced by the local availability of public services and infrastructure such as roads. Council expenditures that improve living and business conditions are capitalised into the value of the land, not the improvements on the land. The submission by Prosper Australia argues that SV is more aligned with capacity to pay and the beneficiary principle than CIV. They further suggest that SV-based taxation can stimulate development which is sustained over longer periods.

Detractors argue that compared to CIV, SV does not correlate as well with overall wealth of the owner because wealthier owners are likely to have larger, more expensive properties (i.e. with more capital improvements) than less wealthy owners.

Advocates of CIV contend that it correlates more closely with a ratepayer's overall wealth and capacity to pay compared to SV and is therefore likely to be more equitable. It was also claimed that CIV is easily understood by the general public as a measure of the value of a property because it is more closely correlated with market value, a concept with which most ratepayers are familiar.

Finally, NAV is favoured by some councils because, owing to the way it is calculated, NAV tends to shift rate apportionment from residential toward commercial properties. At a more practical level, in council areas where a majority of properties are occupied through a lease, NAV offers a highly accurate information base on the properties to which rates are applied.

Note: Local Government Rating System Review Final Report – March 2020 Section 8.2

CITY OF
MONASH

Monash Civic Centre | 293 Springvale Road, Glen Waverley, 3150 | 8.30am to 5pm | Monday to Friday
Oakleigh Service Centre | 3 Atherton Road, Oakleigh, 3166 | 8.30am to 5pm | Monday to Friday
9518 3555 | www.monash.vic.gov.au | mail@monash.vic.gov.au | NRS 1800 555 660

Monash Interpreter Service

普通话	4713 5001	Việt Ngữ	4713 5003	हिंदी	4713 5005	한국어	4713 5010	தமிழ்	4713 5021
廣東話	4713 5002	Ελληνικά	4713 5004	Italiano	4713 5008	සිංහල	4713 5020	Other languages	4713 5000