



Revenue and Rating Plan

2021-2025



Document information

DOCUMENT TYPE:	Strategic document
DOCUMENT STATUS:	Approved
POLICY OWNER POSITION:	Manager Financial Services
INTERNAL COMMITTEE ENDORSEMENT:	Not applicable
APPROVED BY:	Council
DATE ADOPTED:	24/06/2021
VERSION NUMBER:	1
REVIEW DATE:	30/06/2025
DATE RESCINDED:	
RELATED STRATEGIC DOCUMENTS, POLICIES OR PROCEDURES:	Annual Budget
	Council Plan
	Financial Plan
	Fees and Charges Schedule
RELATED LEGISLATION:	Local Government Act 1989
	Local Government Act 2020
	Valuation of Land Act 1960
	Local Government Revenue and Rating Plan – Better Practice Guide 2021
EVIDENCE OF APPROVAL:	 Signed by Chief Executive Officer

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Acknowledgement of Country

Loddon Shire Council acknowledges the Traditional Custodians of the land comprising the Loddon Shire Council area. Council would like to pay respect to their Elders both past and present.

We also recognise the many other Aboriginal and Torres Strait Islander community members across the Shire who make up the vibrant communities to which our organisation provides services.

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1 Purpose

The Local Government Act 2020 (LGA 2020) requires each Council to prepare a Revenue and Rating Plan (Plan) to cover a minimum period of four years following each Council election. The Revenue and Rating Plan establishes the revenue raising framework within which the Council proposes to work.

The purpose of the Plan is to determine the most appropriate and affordable revenue and rating approach for Loddon Shire Council which in conjunction with other income sources will adequately finance the objectives in the Council Plan.

This Plan is an important part of Council’s integrated planning and reporting framework, all of which is created to help Council achieve its vision. The diagram below depicts the integrated planning and reporting framework that applies to local government in Victoria. At each stage of the integrated planning and reporting framework there are opportunities for

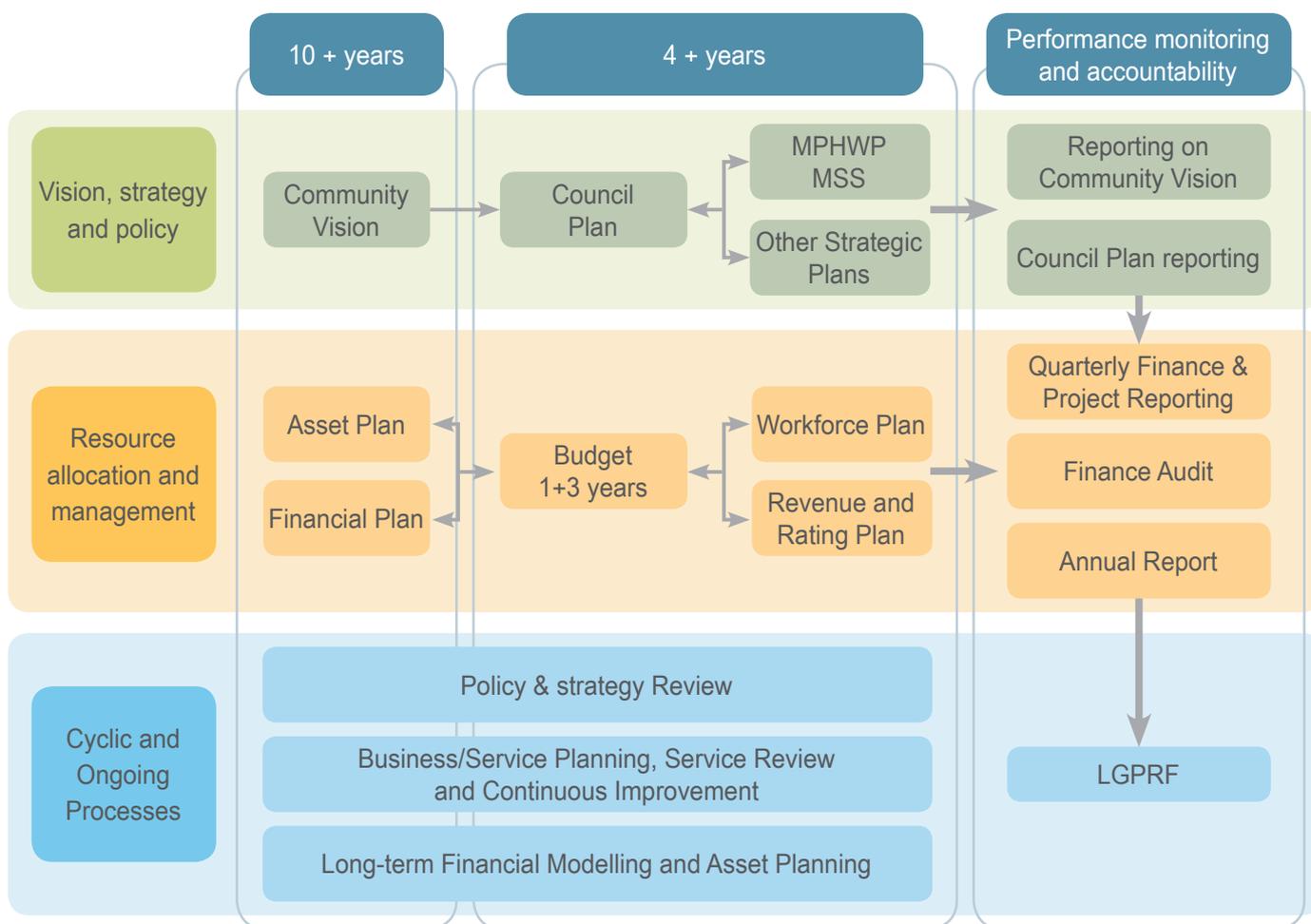
community and stakeholder input. This is important to ensure transparency and accountability to both residents and ratepayers.

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 decisions that Council has made in relation to rating options available to it under the LGA 2020 to ensure fair and equitable distribution of rates across property owners.

It will also set out principles that are used in decision making for other revenue sources such as fees and charges.

It is also important to note that this Plan does not set revenue targets for Council; it outlines the strategic framework and decisions that inform how Council will go about calculating and collecting its revenue.



2 Introduction

Council provides a number of services and facilities to our local community. In order to do so Council must collect revenue to cover the cost of providing these services and facilities.

Source: Essential Services Commission 2019-20 Fact Sheet

Council's revenue sources includes:

- rates and charges
- waste and garbage charges
- grants
- statutory fees and fines
- user fees
- other revenue.

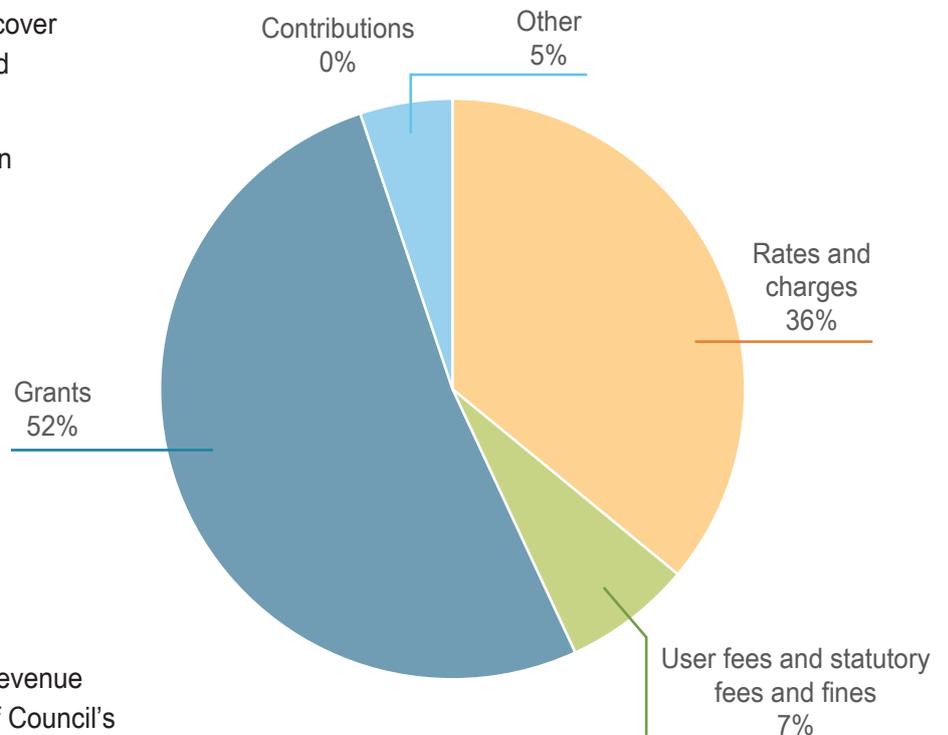
Rates are one of Council's significant revenue sources making up roughly one third of Council's annual income.

The introduction of rate capping under the Victorian Government's Fair Go Rates System (FRGS) has brought a renewed focus to Council's long term financial sustainability. The FRGS continues to restrict Council's ability to raise revenue above the rate cap unless an application is made to the Essential Services Commission for variation.

Maintaining service delivery levels and investing in community assets remain key priorities for Council. This Plan will provide options to help achieve these priorities.

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

Percentage of total revenue



the ability to set a fee or charge and will set that fee based on the principles outlined in this Plan.

Council revenue can also be adversely affected by changes to funding from other levels of government. Some grants are tied to 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 the grants create in the delivery of services or infrastructure.

3 Community engagement

The Plan outlines Council's decision making process on how revenues are calculated and collected. The following public consultation process will be followed to ensure due consideration and feedback is received from relevant stakeholders.

Revenue and Rating Plan community engagement process:

- draft Plan prepared by officers
- draft Plan placed on exhibition at Council Meeting (April) for a period of 28 days and calling for public submissions
- distribution to Community Reference Group for comment
- community engagement through local news outlets and social media
- hearing of public submissions (June)
- draft Revenue and Rating Plan (with any revisions) presented to Council Meeting (June) for adoption.



4 Budget implications

4.1 Annual Budget and Financial Plan

The Plan will be used to guide Council in making decisions around the setting of rates and municipal charges and the equitable distribution of these charges in future Financial Plans and Annual Budgets.

Each year Council develops a Financial Plan using relevant industry indexation rates. These rates are applied consistently over the 10 year plan with further work completed around forecast capital works programs and the ongoing cost of adopted plans and strategies.

In developing the Annual Budget, the financials set out in year one of the Financial Plan are used as a base. From this base, each income and expenditure stream are analysed in greater detail to ensure further accuracy of the results. Council will make a decision around what increase to the overall income will apply to fees, rates and charges, taking into consideration any other factors such as service levels, cost of delivery, rate capping and waste management costs.

4.2 Rate cap

In 2016/17 the state government introduced the 'Fair Go Rates System' placing a cap on rates for all Victorian councils. In December each year the Minister for Local Government determines what the rate cap will be for the following year. Variations to this can only be obtained through a submission to the Essential Services Commission. Council has previously not applied for a variation, but will need to consider each financial year if a variation submission is required to deliver the levels of services and capital works program identified for that forthcoming year.

4.3 Increases to discretionary fees and charges

Each year a review is undertaken to determine the appropriate increase to be applied to the base fees and charges of Council.

This increase will follow indexation of the mandated rate cap determined by the Minister in December each year.

Some cost areas within the Fees and Charges Schedule will have an increase higher than the set increase for the year due to rounding or the requirement to allow for an hourly rate.

There will also be circumstances where Council will increase or maintain charges and these will be at the recommendation of Council officers or Council decision.

5 Risk analysis

The principles of good governance require Council to provide ongoing or periodic monitoring and review of the impact of major decisions. It is essential that Council evaluates, on a regular basis, the legislative objectives to which it must have regard and those other objectives which Council determines are relevant.

Council fully documents its objectives and approach to the raising of revenue in line with its goal of providing transparency in its decision-making.

Council is required to also ensure it fully complies with all Acts or Regulations set and the adoption of this Plan by 30 June after a general election is set out as a requirement under Section 93 of the LGA 2020.

The Plan also mitigates risk by providing transparency to the community around decisions made by Council when making decisions relating to rates and revenue.

6 Local Government Act 2020

The Local Government Act 2020 (the LGA 2020) includes principles and specific requirements relevant to the development of a Revenue and Rating Plan. Key provisions are included below.

6.1 Section 89: Strategic Planning Principles

- (1) A Council must undertake the preparation of its Council Plan and other strategic plans in accordance with the strategic planning principles.
- (2) The following are the strategic planning principles –
 - a. an integrated approach to planning, monitoring and performance reporting is to be adopted;
 - b. strategic planning must address the Community Vision (Section 88);
 - c. strategic planning must take into account the resources needed for effective implementation;
 - d. strategic planning must identify and address the risks to effective implementation;
 - e. strategic planning must provide for ongoing monitoring of progress and regular reviews to identify and address changing circumstances.

6.2 Section 93: Revenue and Rating Plan

A Council must prepare and adopt a Revenue and Rating Plan by the next 30 June after a general election for a period of at least the next four financial years.

6.3 Section 101: Financial Management Principles

- (1) The following are the financial management principles –
 - a. revenue, expenses, assets and 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 and predictability in the financial impact on the municipal community
 - d. accounts and records that explain the financial operations and financial position of the Council must be kept.
- (2) For the purposes of the financial management principles, financial risk includes any risk relating to the following –
 - a. the financial viability of the Council
 - b. the management of the current and future liabilities of Council
 - c. the beneficial enterprises of the Council.

6.4 Section 106: Service Performance Principles

- (1) A Council must plan and deliver services to the municipal community in accordance with the service performance principles.
- (2) The following are the service performance principles –
 - a. services should be provided in an equitable manner and be responsive to the diverse needs of the municipal community
 - b. services should be accessible to the members of the municipal community for whom the services are intended
 - c. quality and costs standards for services set by the Council should provide good value to the municipal community
 - d. a Council should seek to continuously improve service delivery to the municipal community in response to performance monitoring

- e. service delivery must include a fair and effective process for considering and responding to complaints about service provision.

6.5 Section 94: Budget

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

- (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 LGA 1989;
- (e) if the Council proposes to declare a differential rate for any land, the matters specified in section 161(2) of the LGA 1989.

Section 94(3) of the LGA 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 Essential Services Commission 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.

7 Local Government (Planning and Reporting) Regulations 2020

The Local Government (Planning and Reporting) Regulations 2020 (the Regulations) came into operation on 24 October 2020. The Regulations define a Revenue and Rating Plan as follows:

Revenue and Rating Plan means a Revenue and Rating Plan prepared by a Council under Section 93 of the LGA 2020.

Schedule 1 of the Regulations requires the governance and management checklist included in the report of operations in a council's Annual Report to include the Revenue and Rating Plan as an item. The checklist confirms whether the Revenue and Rating Plan has been adopted by Council, and if so on what date.

8 Rating System Review

In 2019 the Victorian State Government conducted a Local Government Rating System Review. The Local Government Rating System Review Panel presented their final report and list of recommendations to the Victorian Government in March 2020. The Victorian Government subsequently published a response to the recommendations of the Panel's

report. However, at the time of publication of this Plan the recommended changes have not yet been implemented, and timelines to make these changes have not been announced.

9 Rates process

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

Council can establish a rating structure comprised of three key elements. These are:

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

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

Council makes a further distinction when applying general rates by applying rating differentials based

on the purpose for which the property is used. That is, whether the property is used for general (includes residential, commercial/industrial, manufacturing and recreational) or farming purposes. This distinction is based on the concept that different property categories should pay a fair and equitable contribution, taking into account the benefits and access to infrastructure that those properties receive within the local community.

The Council rating structure comprises two differential rates:

- residential / general
- farming / rural

These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the Local Government Act 1989 (the LGA 1989, and the Ministerial Guidelines for Differential Rating 2013.

'Differential' is classified as the distinction between individuals or classes.

The differential rates are currently set as follows:

- residential / general rate – 100%
- farming / rural rate - 88% of general rate.

Council also levies a municipal charge. The municipal charge is a minimum rate per property and declared for the purpose of covering some of

the administrative costs of Council. In applying the municipal charge, Council ensures that each rateable property in the municipality makes a contribution.

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

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

'Rate in the dollar' is determined by calculating the total amount of money to be raised in general rates and this is divided by the total value of all rateable properties. The resulting figure is called 'the rate in the dollar'. The council determines the amount to be paid in rates by applying the rate in the dollar to the assessed value of each property.

The rate in the dollar for each rating differential category is included in Council's Annual Budget.

Rates and charges are an important source of revenue, accounting for approximately one third of the 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 important component of the long-term financial planning process and plays a significant role in ensuring that service delivery can continue and is in line with the increasing cost.

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.

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



10 Rating legislation

The legislative framework set out in the LGA 1989 determines Council's ability to develop a rating system. The framework provides significant flexibility for Council to tailor a system that suits its needs.

This Plan outlines the principles and strategic framework that Council will utilise in calculating and distributing the rating burden to property owners, however, the total value of rate revenue and rating differential amounts will be determined in the Annual Budget.

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

Section 155 of the LGA1989 provides that Council may declare rates and charges on rateable land as set out below.

In raising Council rates, Council is required to use the valuation of the rateable property to levy rates. Section 157 (1) of the LGA1989 provides Council with three choices in terms of which valuation base to utilise. They are: Site Valuation (SV), Capital Improved Valuation (CIV) and Net Annual Value (NAV).

The advantages and disadvantages of the respective valuation basis are discussed further in this document. Whilst this document outlines Council's strategy regarding rates revenue, rates data will be contained in the Council's Annual Budget as required by the LGA 2020.

10.1 General rates under Section 158

General rates are applied using a differential rate where variable amounts in the dollar are paid depending on a property's rating category. Council considers 'that the differential rate will contribute to the equitable and efficient carrying out of its functions' (Section 161 (1) (b)).

10.2 Municipal charges under Section 159

Council may apply a municipal charge, and under the legislation is not required to specify what is covered by the charge.

This is a flat charge, levied on all properties (with some minor exceptions) within the municipal boundary. Council's total revenue from this charge in a financial year cannot be more than one fifth (20%) of the total revenue raised through the rating system.

Single farm enterprise exemptions apply to the municipal charge, which means that where farmers own and farm more than one property as a single farm enterprise they can apply for exemption from all but one of the properties.

10.3 Service rates and charges under Section 162

Council may raise service rates and charges for any of the following services:

- the provision of a water supply
- the collection and disposal of refuse
- the provision of sewerage services
- any other prescribed service.

Council currently applies a service charge for the collection and disposal of refuse on properties that fall within the collection area. Council's objective is to fully recover the costs of the waste management and waste removal function.

10.4 Special rates and charges under Section 163

Council may 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.

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

Section 185 of the LGA 1989 provides rights to the Victorian Civil and Administrative Tribunal (VCAT) in relation to the imposition of a special rate or charge. VCAT has wide powers, which could affect the viability of a special rate or charge. It can set the rate or charge completely aside if it is satisfied that certain criteria are not met.

Council must prove that special benefit exists to those that are being levied the rate or charge.

10.5 Exempt properties

Under the Cultural and Recreation Lands Act 1963, provision is made for Council to grant a rating concession to any 'recreational lands' which meet the test of being 'rateable land' under the LGA 1989. Council has resolved that all rateable recreation land will be exempt from the payment of rates.

Other persons and organisations that do not currently pay council rates include churches, charities, private schools, water catchment authorities and Returned Services Leagues.

11 Rating principles

11.1 Taxation principles

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

- wealth tax
- equity
- efficiency
- simplicity
- benefit
- capacity to pay
- diversity.

Wealth tax

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

Equity

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

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

Efficiency

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

Simplicity

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

Benefit

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

Capacity to pay

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

Diversity

The capacity of ratepayers within a group to pay rates.

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

11.2 Rates and charges revenue principles

Property rates will:

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

Differential rating should be applied as equitably as is practical and will comply with the Ministerial Guidelines for Differential Rating 2013.

12 Valuation methodology

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

Section 157 (1) of the LGA1989 provides Council with three choices in terms of which valuation base to utilise. They are:

- **site valuation** – value of land only
- **capital improved valuation** – value of land and improvements upon the land
- **net annual value** – rental valuation based on the CIV.

12.1 Method detail

In 2002 Council resolved to apply CIV as the basis of calculating rates, on the grounds that it provides the most equitable distribution of rates across the municipality. This is the most widely used valuation base across Victoria, but Council does have the opportunity to review its rating structure each year as part of the budget process.

12.1.1 Capital Improved Value (CIV)

Capital Improved Value is the most commonly used valuation base by local government with over 90% of Victorian councils applying this methodology. Based on the value of both land and all improvements

on the land, it is generally easily understood by ratepayers as it equates to the market value of the property.

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

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

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

Advantages of using Capital Improved Value (CIV)

- CIV includes all property improvements, and hence is often supported on the basis that it more closely reflects 'capacity to pay'. The CIV rating method takes into account the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.
- With the increased frequency of valuations (previously two year intervals, now annual intervals) the 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 council to apply differential rates which greatly adds to council's ability to equitably distribute the rating burden based on ability to afford council rates. CIV allows council to apply higher rating differentials to the commercial and industrial sector that offset residential rates.

Disadvantages of using CIV

- The main disadvantage with CIV is the fact that rates are based on the total property value which may not necessarily reflect the income level of the property owner as with pensioners and low-income earners.

12.1.2 Site Value (SV)

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

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

Advantages of Site Value

- There is a perception that under SV, a uniform rate would promote development of land, particularly commercial and industrial developments. There is, however, little evidence to prove that this is the case.
- Scope for possible concessions for urban rural 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 (eg. rural land and residential use properties). Large landowners, such as farmers for example, are disadvantaged by the use of site value.
- SV will reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates.
- The community may have greater difficulty in understanding the SV valuation on their rate notices, as indicated by many inquiries from ratepayers on this issue handled by council's customer service and property revenue staff each year.

12.1.3 Net Annual Value (NAV)

There are currently only a small number Victorian councils that use this valuation base. 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 rural properties. Valuers derive the NAV directly as 5 per cent of CIV.

In contrast to the treatment of residential and rural properties, NAV for commercial and industrial properties are assessed with regard to actual market rental. This differing treatment of commercial versus residential and rural 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 rural 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.

12.2 Recommended valuation base

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

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

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

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

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

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

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

- (a) specify the objectives of the differential rates
- (b) specify the characteristics of the land which are the criteria for declaring the differential rate.

The purpose is to ensure that Council has a sound basis on which to develop the various charging features when determining its revenue strategies and ensure that these are consistent with the provisions of the LGA 1989.

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

12.3 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. Loddon Shire 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.

Council needs to be mindful of the impacts of revaluations on the various property types in implementing the differential rating strategy outlined in the previous section to ensure that rises and falls in council rates remain affordable and that rating 'shocks' are mitigated to some degree.

Previously a requirement of the Valuation of Land Act 1960 was that all rateable properties within a municipality be revalued every two years. Commencing for the rating year 2019/20, properties are now to be valued annually, with the process being managed direct by the Valuer-General Victoria. At the time of each general revaluation it is necessary to determine the effects of any movements in property values on the total rate to be raised, and accordingly, the rate in the dollar of CIV.

12.3.1 Supplementary valuations

Supplementary valuations are carried out for a variety of reasons including rezoning, subdivisions, amalgamations, renovations, new constructions, extensions, occupancy changes and corrections. The Victorian Valuer-General is tasked with undertaking supplementary valuations and advises council on any valuation and Australian Valuation Property Classification Code (AVPCC) changes.

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

12.3.2 Objections to property valuations

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

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

13 Declaring rates and charges

Section 158 of the LGA 1989 provides that Council must at least once in respect of each financial year declare:

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

These are quite different in application and have different administrative and appeal mechanisms that need to be taken into account.

13.1 Uniform rate

Section 160 of the LGA 1989 stipulates that if Council declares that general rates will be raised by the application of a uniform rate, Council must specify a percentage as the uniform rate. Rates will be determined by multiplying that percentage by the value of the land. Council has decided not to apply this option.

13.2 Differential rates

Under the LGA 1989, Council is entitled to apply for differential rates **provided it uses Capital CIV** as its base for rating.

Section 161 outlines the regulations relating to differential rates which includes:

1. Council may raise rates and general rates by the application of a differential rate if it uses the capital improved value system of valuing land.
2. If Council declares a differential rate for any land, Council must specify the objectives of the differential rate, which must be consistent with the equitable and efficient carrying out of Council's functions and must include the following:
 - a. a definition of the types of classes of land which are subject to the rate and statements of the reasons for the use and level of that rate.
 - b. an identification of the type or classes of land which are subject to the rate in respect of the uses, geographic location (other than location on the basis of whether or not the land is within a specific ward in Council's district).
 - c. specification of the characteristics of the land, which are the criteria for declaring the differential rate.

The highest differential rate allowed is no more than four times the lowest differential rate in the municipal district.

Council has adopted differential rating as it considers that differential rating contributes to the equitable distribution of the rating burden. Differential rating allows particular classes of properties to be assessed with rates at different amounts from the general rate set for the municipality. Differential rating allows Council to shift part of the rate burden from some groups of ratepayers to others, through different 'rates in the dollar' for each class of property.

14 Objective of Council's differential rates

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

14.1 General Rate

Definition

General land is any rateable land which does not have the characteristics of rural rate.

Objectives

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations and to ensure that the differential rate in the dollar declared for defined general rate land properties is fair and equitable, having regard to the cost and the level of benefits derived from provision of Council services.

Types and classes

Rateable land having the relevant characteristics described below:

- (a) used primarily for residential purposes; or
- (b) any land that is not defined as rural rate.

Use of rate

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

Level of rate

100% of General Rate.

14.2 Rural Rate

Definition

Any land which is 'Farm Land' within the meaning of Section 2 (1) of the Valuation of Land Act 1960.

- (a) 'Farm Land' means any rateable land that is 2 or more hectares in area;
 - used primarily for primary producing purposes from its activities on the land; used primarily for grazing (including agistment), dairying, pig-farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities; and that is used by a business - that has a significant and substantial commercial purpose of character
 - that seeks to make a profit on a continuous or repetitive basis from its activities on the land, and
 - that is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way that it is operating.

Objectives

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations and to ensure that the differential rate in the dollar declared for defined Rural Rate land properties is fair and equitable, having regard to the cost and the level of benefits derived from provision of Council services with considerations to maintain agriculture as a major industry in the municipal district, to facilitate the longevity of the rural sector and achieve a balance between providing for municipal growth and retaining the important agricultural economic base.

Types and classes

Rural land having the relevant characteristics described as being used primarily for primary production purposes.

Use of rate

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

Level of rate

88% of the General Rate.

14.3 Advantages of a differential rating system

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

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

14.4 Disadvantages of a differential rating system

The disadvantages in applying differential rating summarised below are:

- The justification of the differential rate can at times be difficult for the various groups to accept

giving rise to queries and complaints where the differentials may seem to be excessive.

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

14.5 Council's intention

Council's position from 2002/03 was targeted at a rate distribution of 70:30 for Rural (70) and General (30) properties.

From 2014/15 Council had defined a differential rate split of 11%, with rural having a rate in the dollar of 89% of the general rate. Council considered this as a fair allocation of rates across property types at that time.

For the 2019/20 Budget, Council agreed to change the differential from 11% to 12%, being a modest adjustment to take account of the valuations changes that have shown a higher increase in rural valuations compared to residential valuations.

For the 2021/22 Budget, Council agreed to continue with the current differential rate split of 12% after reviewing valuation increases for both of the categories.

For future budgets, where the valuation increases are much higher for one property class over the other, it may be necessary to review the differential split during the budget process to ensure the fair allocation of rates remains.

15 Municipal charge

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

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

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

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

15.1 Council's intention

Council has a set municipal charge applied to each eligible property. This is increased in line with the rate cap indexation set by the Minister and is rounded for ease of application.

16 Special charge schemes

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

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

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

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

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

17 Service rates and charges

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

- (a) the provision of a water supply
- (b) the collection and disposal of refuse
- (c) the provision of sewage services
- (d) any other prescribed service.

Council currently applies a service charge for the collection and disposal of refuse on urban properties (compulsory) and rural properties (optional) and providing waste services for the municipality (street litter bins for instance). Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste services, including providing for the cost of rehabilitation of Council's landfill once it reaches the end of its useful life.

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

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

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

18 Collection and administration of rates and charges

18.1 Payment options

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

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

Council offers a range of payment options including:

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

18.2 Interest on arrears and overdue rates

Interest is charged on all overdue rates in accordance with Section 172 of the LGA 1989. The interest rate applied is fixed under Section 2 of the Penalty Interest Rates Act 1983, which is determined by the Minister and published by notice in the Government Gazette.

18.3 Pensioner rebates

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

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

18.4 Financial Hardship Policy

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

Ratepayers may elect to either negotiate a rate payment plan or apply for a rate deferral.

Ratepayers seeking to apply for such provision will be required to submit the necessary information outlined in the Financial Hardship Policy which is available at the Council offices, on the Council website or which can be posted upon request.

18.5 Debt recovery

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

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

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

19 Payment in lieu of rates

Established under section 94(6A) of the Electrical Industry Act (EI Act), the Payment in Lieu of Rates (PiLoR) framework allows for councils and electricity generators to negotiate annual payments. Council intends to consider the use of this framework with regard to future electricity generation developments within the Shire.

A methodology currently exists under this section for estimating payments and applies to all coal, gas, solar, hydro and wind generators. The methodology

combines a fixed charge with a variable charge based on the capacity of the power station in megawatts. More guidance around the PiLoR framework is available at <https://www.energy.vic.gov.au/renewable-energy/community-energy> .

20 Fire services property levy

Under the Fire Services Property Levy Act 2012, introduced as a result of recommendations by the Victorian Bushfires Royal Commission (VBRC), the Fire Services Property Levy (FSPL) was introduced to fund operations of the Metropolitan Fire Brigade (MFB) and Country Fire Authority (CFA). From July 2013 a fire services property levy applied to all private property owners – including persons and organisations that do not currently pay council rates, such as churches, charities, private schools, water catchment authorities and Returned Services Leagues. A number of Council properties are also subject to the fire levy.

A set fixed charge is applied all for applicable residential properties and other property types such as industrial, commercial and farms.

A further variable component is applicable and is based on cents per \$1,000 of CIV and is determined by land category.

Pensioner discounts are available for current eligible recipients of council rate concessions. These ratepayers receive a reduction of the FSPL.

The FSPL is collection by Council on behalf of the state government. All funds collected from the FSPL are paid direct to the state government. Council receives a small administrative fee for administering this charge on an annual basis.

21 Statutory fees, fines and user charges

Fees and charges set by Council include statutory fees and fines, along with user fees.

21.1 User fees

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

Examples of user fees and charges include:

- kindergarten and childcare fees
- pool visitation and membership fees
- waste management fees
- aged and Health Care service fees
- leases and facility hire fees.

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

Councils must also comply with the government's Competitive Neutrality Policy for significant business activities they provide and adjust their service prices to neutralise any competitive advantages when competing with the private sector.

In providing services to the community, Council must determine the extent of cost recovery for particular services consistent with the level of both individual and collective benefit that the services provide and in line with the community's expectations.

Services are provided on the basis of one of the following pricing methods:

- (a) Market Price
- (b) Full Cost Recovery Price
- (c) Subsidised Price

Market pricing (a) is where Council sets prices based on the benchmarked competitive prices of alternate suppliers. In general market price represents full cost recovery plus an allowance for profit. Market prices will be used when other providers exist in the given market, and Council needs to meet its obligations under the government's Competitive Neutrality Policy.

It should be noted that if a market price is lower than Council's full cost price, then the market price would represent Council subsidising that service. If this situation exists, and there are other suppliers existing in the market at the same price, this may mean that Council is not the most efficient supplier in the marketplace. In this situation, Council will consider whether there is a community service obligation and whether Council should be providing this service at all.

Full cost recovery price (b) aims to recover all direct and indirect costs incurred by Council. This pricing should be used in particular where a service provided by council benefits individual customers specifically, rather than the community as a whole. In principle, fees and charges should be set at a level that recovers the full cost of providing the services unless there is an overriding policy or imperative in favour of subsidisation.

Subsidised pricing (c) is where Council subsidises a service by not passing the full cost of that service onto the customer. Subsidies may range from full subsidies (i.e. Council provides the service free of charge) to partial subsidies, where Council provides the service to the user with a discount. The subsidy can be funded from Council's rate revenue or other sources such as Commonwealth and state funding programs. Full Council subsidy pricing and partial cost pricing should always be based on knowledge of the full cost of providing a service.

As per the Victorian Auditor General's Office report 'Fees and charges – cost recovery by local government' recommendations, Council has developed a user fee pricing policy to help guide the fair and equitable setting of prices. The policy outlines the process for setting fee prices and includes such principles as:

- both direct and indirect costs to be taken into account when setting prices
- accessibility, affordability and efficient delivery of services must be taken into account, and
- competitive neutrality with commercial providers.

Council will develop a table of fees and charges as part of its Annual Budget each year. Proposed pricing changes will be included in this table and will be communicated to stakeholders before the budget is adopted, giving them the chance to review and provide valuable feedback before the fees are locked in.

21.2 Statutory fees and fines

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

Examples of statutory fees and fines include:

- planning and subdivision fees
- building and Inspection fees
- infringements and fines
- land information certificate fees.

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

21.2.1 Penalty units

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

One penalty unit is currently \$165.22, from 1 July 2020 to 30 June 2021.

The rate for penalty units is indexed each financial year so that it is raised in line with inflation. Any change to the value of a penalty unit will happen on 1 July each year.

21.2.2 Fee units

Fee units are used to calculate the cost of a certificate, registration or licence that is set out in an Act or Regulation. For example, the cost of depositing a Will with the Supreme Court registrar of probates is 1.6 fee units.

The value of one fee unit is currently \$14.81. This value may increase at the beginning of a financial year, at the same time as penalty units.

The cost of fees and penalties is calculated by multiplying the number of units by the current value of the fee or unit. The exact cost may be rounded up or down.



22 Other income

Other than those outlined above there are a number of other funding streams available to Council. These include but are not limited to:

- grant revenue (capital, operating, recurrent, non-recurrent)
- contributions
- reimbursements
- interest on investments
- borrowings.

These are collated by category and are included in the Financial Plan, Annual Budget and Financial Statements.

22.1 Grant revenue

Grant revenue represents income usually received from other levels of government. Some grants are singular and attached to the delivery of specific projects, whilst others can be of a recurrent nature and may or may not be linked to the delivery of projects.

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

When preparing its financial plan, Council considers its project proposal pipeline, advocacy priorities, upcoming grant program opportunities, and co-funding options to determine what grants 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.

Grant assumptions are then clearly detailed in Council's budget document. No project that is reliant on grant funding will proceed until a signed funding agreement is in place.



22.2 Contributions

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

Contributions can be made to Council in the form of either cash payments or asset hand-overs.

Examples of contributions include:

- monies collected from developers under planning and development agreements
- monies collected under developer contribution plans and infrastructure contribution plans
- contributions from user groups towards upgrade of facilities
- assets handed over to council from developers at the completion of a subdivision, such as roads, drainage, and streetlights.

Contributions should always be linked to a planning or funding agreement. Council will not undertake any work on a contribution-funded project until a signed agreement outlining the contribution details is in place.

Contributions linked to developments can be received well before any Council expenditure occurs. In this situation, the funds will be identified and held separately for the specific works identified in the agreements.

22.3 Reimbursements

Reimbursements include diesel fuel rebates from the Taxation Office, insurance rebates, Workcover reimbursements, and training reimbursements. It also includes Council's contract with Regional Roads Victoria includes an 'as of right' amount for routine maintenance works.

22.4 Interest on investments

Council receives interest on funds managed as part of its investment portfolio, where funds are held in advance of expenditure, or for special purposes. The investment portfolio is managed per council's investment policy, which seeks to earn the best return on funds, whilst minimising risk.

22.5 Borrowings

Whilst not currently a source of income, borrowings can be an important cash management tool in appropriate circumstances. Loans can only be approved by Council resolution. The following financial sustainability principles are recommended to be applied to new borrowings:

- borrowings must only be applied for where it can be proven that repayments can be met in the Financial Plan
- borrowings must not be used to fund ongoing operations
- borrowings are appropriate for funding large capital works where the benefits are provided to future generations.
- Council will maintain its debt at levels which are sustainable, with:
 - indebtedness <60% of rate and charges revenue, and
 - debt servicing cost <5% of total revenue (excluding capital revenue).



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