



WARRNAMBOOL
CITY COUNCIL

Revenue and Rating Plan

2025-2029

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1 Introduction

Council has a number of revenue streams that are used to fund the delivery of community services and infrastructure that is provided to the community.

The most significant of these revenue streams are:

- Rates (approximately 50% of total revenue),
- Fees, charges & fines (25%) and
- Grants (20%).

Other streams of revenue that are not specifically covered as part of this plan include (but is not limited to); Interest earned on Council investments, Contributions received from developers, Rental income and Asset Valuation adjustments.

These items are not included as part of this plan as they are either covered under other Council Plans and/or strategies, immaterial in nature, or not wholly within Council's control (such as asset valuation adjustments).

To ensure the Local Government Act 2020 rating objectives of stability and predictability are achieved, it is important that Warrnambool City Council has a Revenue and Rating Plan in place that is transparent to the community and reviewed annually as part of the budget process.

The important matters to be considered in relation to the Revenue and Rating Plan include:

- The legislative framework
- What rates and charges can be declared
- The rate base
- Uniform or Differential rates
- Cultural and Recreational Lands
- Impact of Council revaluations and supplementary valuations
- The municipal charge
- Service rates and charges (including the Waste Charge)
- Special rates
- Rebates and concessions
- Exempt Properties
- Collections
- Emergency Services and Volunteers Fund Levy

1.1 What is a Revenue and Rating Plan?

The *Local Government Act 2020* states that councils must adopt a Revenue and Rating Plan by 30 June in the year following a general election, covering a period of at least the next 4 financial years. Council adopted the first Revenue and Rating Plan under the *Act 2020* in 2021.

This Revenue and Rating Plan covers the period 1 July 2025 to 30 June 2029.

A Revenue and Rating Plan provides the framework by which council considers factors of importance in making decisions about how Council raises revenue, including the rating system settings that Council uses.

The rating system determines how Council will raise taxation revenue (rates) from properties within the municipality. The system itself does not influence the total amount to be raised, only the share of revenue contributed by each property. The rating system comprises the valuation base and actual rating instruments allowed under the *Local Government Act* to calculate property owners' liability for rates.

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

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

Through the integrated planning framework, Council ensures that all its activities and financial resources are aligned to meet the aspirations, needs and expectations of the Warrnambool community. Integrated planning documents include the Council Plan, Long Term Financial Plan, Asset Plan, and Council's annual budget document.

1.2 Objectives of the Council Plan

When considering the Revenue and Rating Plan, Council needs to meet the objectives set out in the Council Plan. The Warrnambool City Council Plan 2025-2029 is due for adoption in June 2025 and will be reviewed annually.

The following table lists the Strategic pillars as described in the Warrnambool Council Plan 2025-2029.

Strategic Pillar	Strategic Goal
City Futures	Activating a vibrant, liveable and safe city through enhancing outcomes for all.
City Wellbeing	Working to enable everyone at every stage of life to participate in welcoming and inclusive environments which foster learning connection health and wellbeing.
City Sustainability	Caring for our natural environment by promoting energy efficiency, best practice circular economy and embracing new technology.
City Infrastructure	Renewal and maintenance of Council's infrastructure while balancing the needs of our growing city through sound asset management.
City Leadership	Advocate for our community, operate efficiently, maintain sound governance, care for our team, and embrace a rapidly changing technological landscape.

2. Rates

2.1 Rating – the Legislative Framework

In constructing its rating system, Council must consider the legislative framework for rates. The relevant legislation guiding councils in terms of levying property owners are the following acts:

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

A rating review was commissioned by the Victorian government in 2019. The government's response to the recommendations of the review was that there will be no fundamental changes to the way rates are levied in Victoria.

2.1.1 Objectives of the rating system

The legislation specifies several major objectives for the rating system:

- the equitable imposition of rates and charges
- a reasonable degree of stability in the level of the rates effort

The two objectives which the rating system must have the greatest regard to are the achievement of equity and efficiency. Other objectives to be considered in a rating system include:

- a contribution to the equitable and efficient carrying out of Council functions
- an application of principles of financial management, including simplicity and transparency.

It is good practice for Council to also consider cost-of living pressures facing residents and rate payers when setting rates, fees and charges.

2.1.2 Equitable distribution

In order to determine what constitutes an equitable imposition of rates and charges, Council must consider both Horizontal and Vertical equity.

Horizontal equity refers to justice or fairness in the treatment of like properties - in other words, that similar rates are paid by similar properties. There is a fundamental importance on which characteristics define similarity. The most widely used metric to consider similarity is property valuations.

Vertical equity refers to justice or fairness in the treatment of properties in different circumstances (e.g. different property types – residential/commercial/ vacant land). It implies a "relativity" dimension to the fairness of the tax burden.

The three main ways in which the distribution of rates can be varied are:

- the benefit (or user pays) principle – some groups have more access to, make more use of, and benefit from more, specific council services;
- the capacity to pay principle – some ratepayers have more ability to pay rates than do others

with similarly valued properties;

- the incentive or encouragement principle – some ratepayers may be doing more towards achieving council goals than others in areas such as environmental or heritage protection.

2.1.3 The Benefit Principle

A popular complaint levelled at councils is that “the rates I pay have no correlation with the services I consume or the benefits I receive”. This argument is based on the benefit principle (the opposite of the wealth tax principle) that argues there should be a nexus between consumption/benefit and the rate effort.

Application of the benefit principle is difficult in practice because of the complexity and, in some cases, impossibility, of measuring the relative levels of access and consumption across the full range of council services. In some ways the arguing of the benefit principle with respect to council rates is like trying to do the same for the income tax that is used to fund a wide range of universally accessed services.

It is likely to be quite costly to regularly undertake in-depth analyses on service access, consumption patterns and costs in order to attempt to review the level of benefit, unless the service is widely used and measured, and the costs are understood. In any event many subjective assumptions will have to be introduced. Other pricing instruments such as user charges, special rates and charges and service rates and charges better lend themselves to dealing with the issue of benefit.

2.1.4 Capacity to Pay

Notwithstanding the practical limitations, council can make choices about the tax treatment of classes of real property in so much as they believe that a class of property will reflect the financial position of a household or business and its capacity to pay. However, the most vexed issue related to capacity to pay is assessing it across different classes of property.

While personal income tax is more reflective of the capacity to pay, it is not possible to expect a property tax system to deal practically with all aspects of capacity to pay based on individual households and businesses. It is also not practical or acceptable to shift, modify or manipulate the existing system to the benefit of one group of ratepayers at the expense of another unless such shift is widely accepted and for a proper purpose.

Council has the option of introducing a Council rebate to certain groups to reduce that property's rate effort. Presently pensioners within the municipality can access the State Government Rebate.

Consideration of capacity to pay does become relevant when determining any flat or fixed charge as these charges are regressive in nature.

2.1.5 Efficiency

Efficiency can be defined as the ratio of ends produced (output) to means used (inputs). In other words, it can be considered directly related to the cost of administering the rates system. Administration costs relating to a rates system include the issuing of assessments, collection of rates, including maintaining and improving collection systems, monitoring outcomes, educating and informing ratepayers, and enforcement and debt recovery. It also includes the maximization of additional rate income through supplementary valuations by ensuring the timeliness and accuracy of amended rate notices.

A simple rating system is more transparent, meaning that the purpose and principles behind the design of a rate are clearer - who is liable for a particular rate and how rate liability is calculated. However, it is also possible for a simple rate system to be costly if it is unpopular and results in increased appeals and higher collection costs.

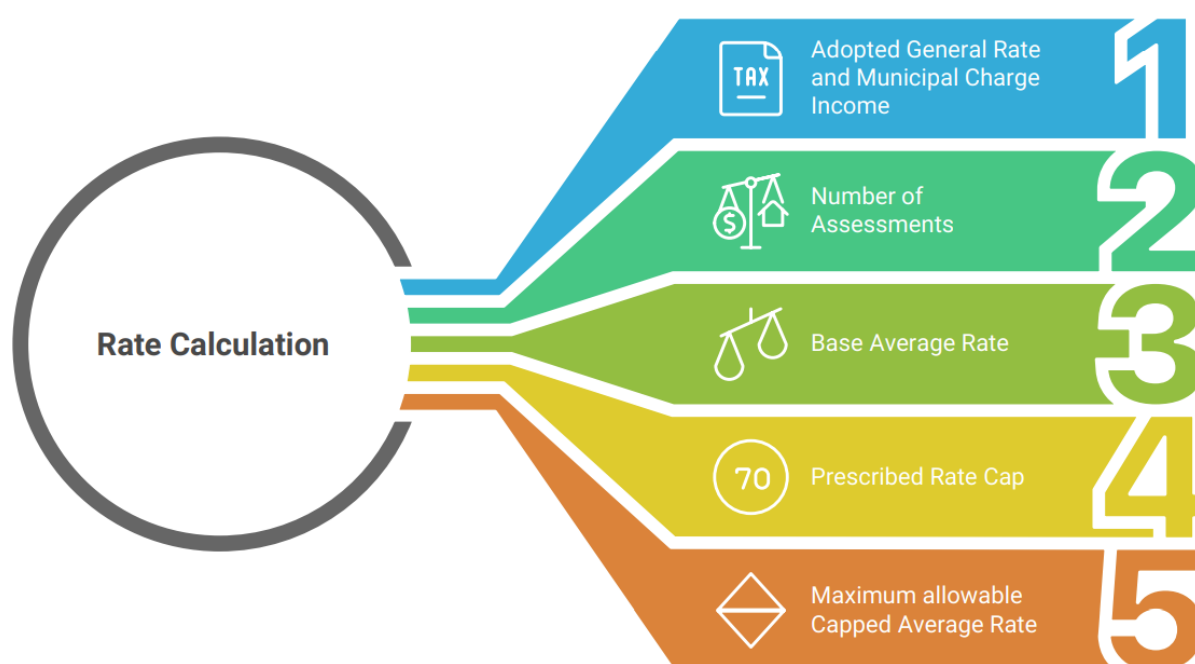
2.1.6 Anomalies with Property Taxation

Property taxes do not recognise the situation where ratepayers are “asset rich” and “income poor”. In these cases, ratepayers may have considerable wealth reflected in the property they own but have a low level of income. Examples include pensioners, businesses subject to cyclical downturn, and households with large families and property owners with little equity. In a commercial sense the argument has also been expressed in terms of the ability of property to generate a reasonable return.

2.1.7 Fair Go Rates System

The State Government’s Fair Go Rates System (FGRS) sets out the maximum amount councils may increase rates in any given year. The cap applies to general rates and the municipal charge and is calculated based on council’s average rates and charges.

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



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

Council’s Long Term Financial Plan has forecasted rate income increasing by the forecasted rate cap (per Victorian Department of Treasury inflation forecasts). Not increasing rates by the rate cap would introduce a structural deficit to Council’s financial position (as the rate cap is based on CPI), which could lead to a reduction in Council’s ability to deliver programs and services.

In situations where the rate cap is not enough for Council’s needs, Council may elect to apply to the Essential Services Commission for an exemption to the rate cap; this is known as a rate cap variation. Warrnambool City Council will assess its financial position on an annual basis to decide whether it needs to apply for a variation to the rate cap for any given year.

2.1.8 What Rates and Charges may a Council declare?

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

Rating option	Description	Warrnambool structure
General rate	A general rate is applied to all properties and can be set as either a uniform rate or several differential	Warrnambool applies the differential rates listed below.
Uniform rate	A uniform rate is a single rate in the dollar that is applied to the value of all properties in the municipality.	Warrnambool does not apply a uniform rate.
Differential Rates	<p>Differential rates are different rates in the dollar that are applied to different classes of properties and are permitted if the Council uses Capital Improved Value as the rating valuation base.</p> <p>The <i>Local Government Act 1989</i> allows the use of differential rates if the Council considers that this will contribute to the equitable and efficient carrying out of its functions.</p>	<p>The following differential rates are levied:</p> <ul style="list-style-type: none"> • An Other Land (residential) rate • A Commercial rate which is higher than the Other Land rate • An Industrial rate which is higher than the Other Land rate • Vacant Land rate which is higher than the Other Land rate • Recreational Land rates which are different to the Other Land rate • Farm Land rate which is lower than Other Land rate
Municipal Charge	A municipal charge to cover some of the administrative costs of the Council. This is a flat-rate charge applied to all properties and could be considered a fixed minimum rate paid by all properties.	Warrnambool levies a municipal charge.
Service charges	Service rates can be levied for waste services as outlined in the <i>Local Government Act 1989</i> .	Warrnambool levies a waste management charge to recover the costs of waste collection, processing and disposal, and associated waste costs, while aiming to reduce waste being generated and going to landfill.
Special Rates and charges	<p>A special rate or charge may be declared for purposes of:</p> <ul style="list-style-type: none"> • Defraying any expenses, or Repaying with interest any advance made or debt incurred, or loan raised by Council. 	Warrnambool levies special rates and charges for street and drainage projects that deliver benefits to specified local areas from time to time

Rating option	Description	Warrnambool structure
Cultural and Recreational Lands	In accordance with the <i>Cultural and Recreational Lands Act 1963</i> Council may levy an amount in lieu of rates on properties that meet the definition of cultural and recreational lands.	Council levies two separate Cultural and Recreational Land rates as agreed between Council and the occupier of the land per the <i>Cultural and Recreational Lands Act 1963</i> .
Electricity Generation Lands	An amount payable in lieu of rates may be levied under the <i>Electricity Industry Act 2000</i> . This amount is agreed upon between the generator and the council	There are no lands where electricity is generated in a manner and volume where this provision currently applies in Warrnambool.
Cladding rectification charge	A Council may enter into a cladding rectification agreement in respect of rateable land with an existing building on it, to fund works that rectify fire- prone cladding. The costs are then recovered through a <u>charge on the property</u> .	Council has not received any requests for a cladding rectification agreement.
Environmental Upgrade Agreement	A Council may enter into an environmental upgrade agreement in respect of rateable land with an existing building on it to fund works that improve the energy, water or environmental efficiency or sustainability of the building on that rateable land, including climate change adaptation works on the building.	Council has a number of Environmental Upgrade Agreements with commercial enterprises within the municipality.

2.2 Determining which valuation base to use

The purpose of this section is to outline the different methods that Council can utilise to value land and the issues that Council must consider in making its decision on the valuation method.

2.2.1 Introduction

Three methods of valuing land are allowed under the *Local Government Act 1989*:

- Site Value (SV) – Value of land only
- Net Annual Value (NAV) – rental valuation based on Capital improvement Value (CIV). For residential and farm properties, NAV is calculated at 5 per cent of the CIV. For commercial properties NAV is calculated as the greater of the estimated annual rental value or 5 per cent of the CIV.
- Capital Improved Value (CIV) – value of land and improvements upon the land Warrnambool City Council utilises Capital Improved Value for rating purposes.

2.2.2 Site Value (SV)

This method places a value on the land only and does not consider any value of any buildings constructed on the land. This method of valuation excludes buildings or improvements made to properties, and as a result, is not considered the most equitable distribution of the rate effort.

With valuations based simply on the valuation of the land and with only very limited ability to apply differential rates, the implementation of site value in Warrnambool would cause a significant shift in rate effort from the business sector into the residential sector. In addition, there would be further rating movements away from modern townhouse style developments on relatively small land parcels to older established homes on the more typical quarter acre residential block.

There is no Victorian Council that currently uses this valuation base.

2.2.3 Net Annual Value (NAV)

Net Annual Value is a measure that seeks to represent the annual rental value of a property. However, in practice, NAV is closely linked to capital improved value. For residential properties Valuers derive the NAV directly as 5 per cent of the CIV.

In contrast to the treatment of residential, NAV for business properties is assessed with regard to the actual market rental. This differing treatment of business versus residential has led to some suggestions that all properties should be valued on a rental basis. There is currently no legislation that supports this suggestion.

Where a Council utilises NAV, it may only apply three differential rates. For example, City of Melbourne utilise NAV, applying a differential rate for residential and non-residential land only.

2.2.4 Capital Improved Value (CIV)

Capital Improved Value is the most commonly used valuation methodology by Victorian Local Government, with most Councils applying this valuation method. Based on the value of both land and all improvements on the land, it is relatively easy to understand by ratepayers as it equates to the market value of the property.

For CIV, business properties are valued primarily by the capitalisation method of valuation. This method of valuation is the industry standard for assessing the value of business properties and has as its base sale price and market rent of the property. For this reason, rental details are sought by Valuers every 2 years. When analysed on a per square metre basis, rents provide a means of establishing the rental market in a location.

The advantages of using CIV include:

- CIV includes all 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 or NAV.
- The concept of the market value of property is far more easily understood with CIV rather than NAV or Site Value.
- The use of CIV allows Council to apply differential rates which greatly adds to Council's ability to equitably distribute the rating effort based on ability to afford Council rates.

The major disadvantage with CIV, and indeed all the other rating methods, is that rates are based on the property value which may not necessarily reflect the income level of the property owner as with pensioners and low-income earners. This is a hallmark of the "wealth based" property taxation system that exists in Victoria.

2.3 Determining the Rating System – Uniform or differential

The purpose of this section is to outline the two rating systems (uniform or differential) that Council can utilise to apply rates and the issues that Council must consider in making its decision on the rating system.

2.3.1 Uniform rate

If a Council declares that general rates will be raised by application of a uniform rate, the Council must specify a percentage as a uniform rate. A uniform rate will apply to the value of every rateable property within the municipality.

Rates will be determined by multiplying the percentage (the rate in the dollar) by the value of the land. Warrnambool City Council believes that a uniform rate should not be applied to all properties because it is not equitable. Such a rate does not reflect the use of Council services and infrastructure, nor does it create incentive for best use of property in the municipality.

Warrnambool has adopted differential rating as it considers that differential rating contributes to the equitable distribution of the rating effort. Differential rating allows classes of properties to be assessed at different levels from the general rate set for the municipality. Differential rating allows Council to shift part of the rate effort from some groups of ratepayers to others, through different 'rates in the dollar' for each class of property. Council is entitled to apply many differential rates provided it used CIV as its base for rating.

Section 161 of the *Local Government Act 1989* outlines the regulations relating to differential rates. This section is outlined below:

- 1) A Council must raise any general rates by application of a differential rate, if it uses the CIV system of valuing rates,
 - a) Council considers that the differential rate will contribute to the equitable and efficient carrying out of its functions.
- 2) If a Council declares a differential rate for any land, the Council must:
 - a) Specify the objectives of the differential rate, which must be consistent with the equitable and efficient carrying out of the Councils functions and must include the following:
 - i. A definition of the types of classes of land which are subject to the rate and a statement of the reasons for the use of that rate.
 - ii. An identification of the type or classes of land which are subject to the rate in respect of the uses, geographical location (other than location based on whether the land is within a specific ward in Councils district) and planning scheme zoning of the land, and
 - iii. If there has been a change in the valuation system, any provision for relief from a rate to ease the transition for that land, and
 - b) Specify the characteristics of the land which are the criteria for declaring the differential rate.

The maximum differential allowed is no more than 4 times the lowest differential rate. For Warrnambool, the lowest rate is the Residential Improved rate.

Council has the option of increasing each respective differential rate in order to influence the behaviour of landowners.

There is no theoretical limit on the number or type of differentials which can be levied.

2.3.2 Differential Rates

Advantages of a differential rating system

The perceived advantages of utilising a differential rating system are:

- There is a greater flexibility to distribute the rate effort between all classes of property and therefore link rates with the ability to pay and reflecting the tax deductibility of rates for businesses;
- Differential rates allow Council to better reflect the investment required by Council to establish infrastructure to meet the needs to the commercial and industrial sector; and
- Enables Council to encourage developments through its' rating approach e.g. encourage building on vacant land.

Disadvantages of a differential rating system

The perceived disadvantages of utilising a differential rating system are:

- The justification of the differential rate can at times be difficult for the various rating groups to understand, giving rise to queries, objections and complaints.
- Differential rating involves a degree of administrative complexity, as properties can change from one classification to another (e.g. vacant land to residential) requiring Council to process supplementary valuations.

Objectives of the rate and characteristics

Council considers that each differential rate will contribute to the equitable and efficient carrying out of Council functions.

Details of the objectives of each differential rate are set out below.

Other Land Rate

Definition:

Other Land is any land, which is:

- a) Occupied for the principal purpose of human habitation, including dwellings, flats and units,
- b) "residential land use" as described in Section 2 of the Valuation of Land Act, 1960, or
- c) "urban farm land" as described in Section 2 of the Valuation of Land Act, 1960.

Objective:

The objective of this differential rate is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the:

- a) Construction and maintenance of infrastructure assets,
- b) Development and provision of health and community services, and
- c) Provision of general support 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 Farm Land, Vacant Land, or Commercial/Industrial Land (and being

rated under the differential rate for those classes of land).

Use of Differential Rate:

The differential rate will be used to fund some of those items of expenditure and Capital Works described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above, and will be adopted in line with the annual council budget.

Farm Land 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;
- b) 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
- c) 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.

Objective

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 Farm 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 farm sector and achieve a balance between providing for municipal growth and supporting the agricultural economic base.

Types and Classes

Farm Land having the relevant characteristics described above, and used primarily for primary production purposes.

Use of Differential Rate:

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

Use of Differential Rate:

Lower than the Other Land Rate and set as part of the annual budget process.

Commercial Land Rate

Definition:

Commercial Land is any land, which is:

- a) Occupied for the principal purpose of carrying out the manufacture or production of, or trade in, goods or services; or
- b) Unoccupied but zoned commercial under the Warrnambool City Planning Scheme.

Objective:

The objective of this differential rate is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the:

- a) Construction and maintenance of infrastructure assets,
- b) Development and provision of health and community services,
- c) Economic development and planning services, having direct benefit to the use of Commercial Land, or
- d) Provision of general support services.

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 Commercial properties is fair and equitable, having regard to the cost and the level of benefits derived from provision of Council services.

The commercial businesses of Warrnambool City Council benefit from ongoing significant investment by Council in services and infrastructure. Council also notes the tax deductibility of Council rates for commercial properties which is not available to the residential sector, and also the income generating capability of commercial properties.

The Commercial differential rate is applied to promote the economic development objectives for the Warrnambool City Council as outlined in the Council Plan. These objectives include an ongoing significant investment to create a thriving economy and includes the maintenance and improvement of tourism and community infrastructure, development and provision of health and community services and the general provision of economic development support.

Types and Classes

The types and classes of rateable land within this differential are those having the relevant characteristics of rateable property used for business and administrative purposes, including, but not limited to, properties used for:

- a) The sale or hire of goods by retail or trade sales, e.g. shops, auction rooms, milk bars, newsagents;
- b) The manufacture of goods where the goods are sold on the property;
- c) The provision of entertainment, e.g. theatres, cinemas, amusement parlours;
- d) Media establishments, e.g. radio stations, newspaper offices, television stations;
- e) The provision of accommodation other than residential, e.g. motels, caravan parks, camping grounds, camps, accommodation houses, hostels, boarding houses;
- f) The provision of hospitality, e.g. hotels, bottle shops, restaurants, cafes, takeaway food establishments, tearooms;
- g) Tourist and leisure industry, e.g. flora and fauna parks, gymnasiums, boatsheds, indoor sports stadiums, gaming establishments;
- h) The provision of education, e.g. schools, museums, art galleries;
- i) Showrooms, e.g. display of goods; (j) Religious purposes;

Use of Differential Rate:

The differential rate will be used to fund items of expenditure described in the Budget adopted by

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

Use of Differential Rate:

Higher than the Other Land Rate and set as part of the annual budget process.

Industrial Land Rate

Definition:

Industrial Land is any land, which is:

- a) Occupied for the principal purpose of carrying out the manufacture or production of, or trade in, goods or services; or
- b) Unoccupied but zoned Industrial under the Warrnambool City Planning Scheme.

Objective:

The objective of this differential rate is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the:

- a) Construction and maintenance of infrastructure assets,
- b) Development and provision of health and community services,
- c) Economic development and planning services, having direct benefit to the use of Industrial Land, or
- d) Provision of general support services.

The Industrial businesses of Warrnambool benefit from ongoing significant investment by Council in services and infrastructure. Council also notes the tax deductibility of Council rates for these types of properties which is not available to the residential sector, and also the income generating capability of industrial based properties.

The Industrial differential rate is applied to promote the economic development objectives for the Warrnambool City Council as outlined in the Council Plan. These objectives include an ongoing significant investment to create a thriving economy and includes the maintenance and improvement of tourism infrastructure. Construction and maintenance of public infrastructure and the general provision of support services and promotion of industry in the municipality.

Types and Classes

The types and classes of rateable land within this differential are those having the relevant characteristics of rateable property used for industrial purposes, including, but not limited to, properties used for manufacturing or production.

Use of Differential Rate:

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

Use of Differential Rate:

Higher than the Other Land Rate and set as part of the annual budget process.

Vacant Land Rate

Definition:

Vacant Land is any land on which no building designed or adapted for human occupation is erected.

Objective:

The objective of the Vacant Land Differential is 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 Vacant 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

Vacant Land having the relevant characteristics described below:

- a) Industrial/Commercial or Residential use land, or
- b) Undeveloped land.

Use of Differential Rate:

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

Use of Differential Rate:

Higher than the Other Land Rate and set as part of the annual budget process.

2.4 Cultural and Recreational Lands

The *Cultural and Recreation Lands Act 1963* is relatively small and the main provisions of the Act are; The definition of “recreational land” must be satisfied ie; such lands must be vested in or occupied by a not-for-profit body “which exists for the purpose of providing or promoting cultural or sporting recreational or similar facilities or objectives...” and which uses such lands “for out-door sporting recreational or cultural purposes or similar outdoor activities”.

Other types of land (including specific sites) are included the definition of “recreational land” within the Act, however the only one which has relevance for this municipality is “lands which are used primarily as agricultural showgrounds”. The amount of rates payable in respect of such recreational lands shall be an amount as the “council thinks reasonable having regard to the services provided by the municipal council in relation to such lands and having regard to the benefit derived from such recreational lands”.

In other words, Council has the discretion of granting a concession which could range from 0% to 100% of the normal rates and charges which would apply to such rateable land.

Under Sections 4.(3) and 4.(4) of the this Act, once the Council has determined the degree of concession for each item of recreational land, this concession must be operative until the commencement of each new general revaluation, except that rates payable may be adjusted in proportion to shifts in the level of general rates.

Part 5 of this Act also enables a Council to “impose and collect a reasonable charge for any service provided or available to any recreational lands”. In the absence of any local law to this effect, the amount of such charge is “as is agreed between the occupier of the lands and the body imposing the charge”.

Anybody which is aggrieved by the amount of rate determined may appeal to the Minister, who then has the prerogative of determining the amount of rates actually paid. (It would appear that a right of appeal exists even in the situation where the Council chose to not utilise the provisions of the Cultural and Recreation Lands Act ie; the right of appeal would appear to exist providing any land satisfies the definition of “recreational land”).

This Act also provides for 10 years “back rates” ie; difference between normal rates and concessionary levels of rates over 10 years, when lands cease to be recreational lands, and on the basis of the valuation applicable after cessation.

There are no known guidelines relating to the application of this Act to promote a consistent approach from municipality to municipality. However, it is important for a council to approach the determination of any concession of this nature on a systematic and consistent basis, bearing in mind the normal principles of accountability and procedural fairness.

In summary, the concession under this Act is by reason of net services benefit to the general community derived from certain out-door sporting, recreational or cultural purposes or activities for a particular parcel of “recreational land”. The following categories for concessions under the Cultural and Recreation Lands Act currently apply within the Warrnambool City Council –

Category 1 minor concession:

- Notwithstanding cultural sporting/recreational activities and objectives relating to the property, properties in this category would have established gaming and commercial bar facilities. These are considered as substantial income-generating elements of a commercial nature, albeit that such element is located within a contiguous area of a property, which is not eligible to be defined as “recreational land” under this Act.
- The turnover and scale of operations on these properties would usually be sub-regional in nature, and sometimes with off-site effects to which general ratepayers meet the cost of upgrading or ameliorative treatment.
- For land owned or managed by Council, the degree to which these payments are below market value will also be a relevant consideration.
- In establishing any amount payable the following assessment is to be made
 1. The area of the site, which is used for gaming and associated activities must be valued and treated as commercial thus attracting an amount equivalent to the differential rate established for commercial properties within the municipality, and
 2. The balance of the site that is devoted to cultural sporting/recreational activities shall be valued as such and an amount equivalent to the advalorem rate that would apply within the municipality less a 25% discount calculated.

Having determined the above 2 amounts the charge levied shall be the sum total of these 2 amounts in addition to all service charges and any municipal charge that may be levied in accordance with Councils Revenue and Rating Plan.

Category 2- moderate concession:

- Properties in this category would normally have significant membership and substantial clubrooms, sometimes with liquor a license but no gaming facilities.
- Normally well-established with demonstrated ability to meet normal recurrent operating costs.
- For land owned or managed by Council, any concession from market-value lease would also be a relevant consideration.
- Scale of operation essentially district or neighbourhood in nature. The amount payable following assessment being made shall be 75% of the advalorem rate that would apply within the municipality in addition to all service charges and any municipal charge that may be levied in accordance with Councils rating policy.

Category 3 – significant concession:

- Small to moderate membership, or with significant junior component.
- Would typically not have a full-service liquor licence.

- Clubrooms would be typically small scale and modest without major social areas.
- Concession from market rent in any Council lease would also be relevant consideration.
- Relatively limited income generating capacity, apart from members' dues and small scale fund raising efforts.
- Distinctly local/neighborhood in character.

The amount payable following assessment being made shall be 50% of the advalorem rate that would apply within the municipality in addition to all service charges and any municipal charge that may be levied in accordance with Councils Revenue and Rating Plan.

Council currently has 1 property that is classified as cultural and recreational land category 1 and has 15 properties that are classified as cultural and recreational land category 2. As indicated, Council is required to consider a rating discount for these properties under the Cultural and Recreational Lands Act based on considered benefits to the community and the services provided by Council. These properties are reviewed every two years in line with general revaluations.

2.5 The Impacts of Revaluations and Supplementary Valuations

The purpose of this section is to provide an overview of the rate revaluation and supplementary valuation processes.

2.5.1 Introduction

Under the *Valuations of Land Act 1960*, the Valuer-General revalues properties annually.

Property values are determined by qualified Valuers comparing each property to the recent sales figures of similar properties in the neighbourhood. The key factors are location, land size, type of house and condition.

Valuations are conducted using Best Practice Guidelines formulated and published by the Valuer General Victoria.

2.5.2 No Windfall Gain

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

The general revaluation process enables Council to re-apportion the rate income across the municipality in accordance with movements in property values. Properties which have increased in value by more than the average will receive a rate increase of more than the headline rate. Properties with an increase in value less than the average will receive a rate increase less than the headline rate.

2.5.3 Supplementary Valuations

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

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

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

Supplementary valuations are conducted by contractors appointed by the Valuer-General and are subject to the timing specified by the Valuer-General. Supplementary Valuations are conducted between July and March as the Valuer-General does not generally conduct and certify Supplementary Valuation in the latter part of the financial year.

2.6 Municipal Charge

The purpose of this section is to outline the municipal charge that Council may utilise to apply rates and the issues that Council consider when applying a municipal charge.

Another principle rating option available to Councils is the application of a municipal charge. Under Section 159 of the Local Government Act 1989, Warrnambool City Council has declared 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. This is similar to the State Government's approach to the levying of the Emergency Services Volunteer Fund Levy (Formerly the Fire Services Levy) in two parts, being a fixed charge and a variable charge based on property values.

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

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

2.7 Service Charges / Service Rates

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

- a) The provision of a water supply;
- b) The collection and disposal of refuse;
- c) The provision of sewage services;
- d) Any other prescribed service.

Warrnambool City Council currently applies a service charge for the collection and disposal of refuse 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 the legislatively prescribed aftercare of Council's decommissioned landfill.

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 pay substantially more for the waste service than 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.

Collection and administration of rates and charges

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

Payment options

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

- 1st Instalment: 30 September,
- 2nd Instalment: 30 November,
- 3rd Instalment: 28 February, and
- 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 monthly),
- via BPAY,
- Australia Post (over the counter, over the phone via credit card and on the internet),
- by mail (cheques and money orders only).

Interest on arrears and overdue rates

Interest is charged on all overdue rates in accordance with Section 172 of the *Local Government Act 1989*. 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.

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.

Deferred payments

Under Section 170 of the *Local Government Act 1989*, Council may defer the payment of any rate or charge for an eligible ratepayer whose property is their sole place of residency, allowing ratepayers an extended period of time to make payments or alternatively to forestall payments on an indefinite basis until the ratepayer ceases to own or occupy the land in respect of which rates and charges are to be levied.

Deferral of rates and charges are available to all ratepayers who satisfy the eligibility criteria and have proven financial difficulties. Where Council approves an application for deferral of rates or charges, interest will continue to be levied on the outstanding balance of rates and charges but at an interest rate fixed annually by Council.

Ratepayers seeking to apply for such provision will be required to submit a Rates Deferment Application form which is available at the council offices, on the Council website or which can be posted upon request.

Debt Management Policy

It is acknowledged at the outset that various ratepayers may experience financial hardship for a whole range of issues and that meeting rate obligations constitutes just one element of a number of difficulties that may be faced. The purpose of the Debt Management 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 an Application for Rate Relief which is available at the council offices, website or can be posted upon request.

Debt recovery

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

In the event that an account becomes overdue, Council will issue an overdue reminder notice which will include accrued penalty interest. 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 Local Government Act 1989 Section 181.

Fire Services Property Levy

In 2016 the Victorian State Government passed legislation requiring the Fire Services Property Levy to be collected from ratepayers. Previously this was collected through building and property insurance premiums. The Fire Services Property Levy helps fund the services provided by the Metropolitan Fire Brigade (MFB) and Country Fire Authority (CFA), and all levies collected by Council are passed through to the State Government. The Fire Services Property Levy is based on two components, a fixed charge, and a variable charge which is linked to the Capital Improved Value of the property. This levy is not included in the rate cap and increases in the levy are at the discretion of the State Government.

Emergency Services and Volunteers Fund

In 2025 the Victorian State Government replaced the Fire Services Property Levy with the Emergency Services and Volunteers Fund Levy. This levy increased the amount of levies collected from Victorian ratepayers to help fund the state's emergency services.

3. Government Grants

Council pursues all avenues to obtain external grant funds for prioritised works. Government Grants make up approximately 20% of Council's yearly revenue and the largest consistent proportion of government grants is made up of the Financial Assistance grant provided by the Commonwealth Government under the *Local Government (Financial Assistance) Act 1995* (Commonwealth) Grants Commission Scheme and distributed annually to 79 local governing bodies within Victoria via the Victorian Local Government Grants Commission.

The Financial Assistance Grant (VLGGC) program consists of two components:

- A general-purpose component, which is distributed between the states and territories according to population (i.e. on a per capita basis), and
- An identified local road component, which is distributed between the states and territories according to fixed historical shares.

Both components of the grant are un-tied in the hands of local government, allowing councils to spend the grants according to local priorities. Council applies the local roads component to road rehabilitation projects in its Capital Works Program and utilises the general-purpose component to fund Council operations and Capital works.

In addition to financial assistance grants, each year Council receives several other grants from the State & Federal Government. Grants received may be to help fund capital works and short-term initiative projects or to help fund the provision of regular Council services. These grants are split into two categories based on whether they are of a recurrent (received each year) or non-recurrent (once-off) nature.

The volume of non-recurrent grants fluctuates from year to year and typically represent grants received towards the funding of capital projects or small ad-hoc initiatives. Government departments generally designate a total pool of funding available and eligibility criteria to access the funding. Council is responsible for identifying funding that it may be eligible for and then making appropriate applications.

Recurrent grants are relatively consistent from year to year and are typically granted to Council to help fund the provision of specific services (Home Care, Children's Services, Maternal & Child Health, School Crossings, etc.). The grants may designate specific obligations tied to the funding such as the requirement for Council to delivering a minimum amount of service levels. If these obligations are not fully met, a portion of the funding may be forfeited and need to be returned.

Council has no control over the available funding put forward by State and Federal Government. However, Council is able to exercise an element of control over grant funding by; ensuring that applications are made for all applicable grant funding pools, all funding obligations are met and the prioritization of capital works takes into account each projects eligibility for grant funding.

4. Fees and Charges

Council provides a wide mix of goods and services to the community. All council services can be reviewed to assess whether they are appropriate to attract user fees and charges. Council services which are deemed public infrastructure are generally provided free of charge and associated expenditure is fully funded by rates and/or grants. This includes the provision of roads, parks, footpaths, drainage, trees, etc.

Where a service is provided on an individual basis, they may often attract a fee or charge. The ability for Council to set the fees and charges for these services may be impacted by state and/or federal government legislation of funding conditions that either prohibit or sets ceilings for pricing. Some of these, such as planning fees, are set by state government statute and are commonly known as 'statutory fees'. In these cases, councils usually have no control over the setting of the fee price.

For fees & charges other than 'statutory fees', each service is analysed as to whether it is of a commercial or community-benefit nature. Services are deemed to be of a community-benefit nature if the provision of the service delivers benefits to the wider community, and if the most at-risk members of our community would be unfairly disadvantaged if they could not access the service. There are also some fees and charges charged by Council not explicitly for the provision of a service, but of a punitive nature (e.g. fines) with the explicit purpose of discouraging and deterring certain behaviours.

Each year as part of the budget process, Council reviews all fees and charges and adjusts the levels as appropriate. Community-benefit fees are kept low, such that the cost of the service is not fully recovered but is instead subsidised by Council's other revenue streams. Other commercial fees & charges are set consistent with application of the user pays principle – that is, so far as is possible, the cost of providing a direct service will be offset by the fees charged.

A schedule of the current user fees and charges is presented for public consultation and feedback as part of Council's annual budget process.

4.1 Cost recovery

Setting fees and charges is often determined by a notion that the fee charged for a service should correspond with the cost of providing the service – that is the costs borne by Council in providing the service are fully recovered by the fees & charges. However, this notion is balanced with Council's wish for some essential services to be accessible by the most disadvantaged members of our community as well as the commercial reality, that our fees need to be consistent with other providers in the market to remain competitive, as well as the supply and demand realities that if the costs are set too high, the usage of the service will drop, reducing our overall income.

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

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

4.1.1 Direct Costs

In line with sound financial management principles Council's systems are set up to allocate direct costs straight to the business unit providing the service. These costs include:

1. Labour – the wages and salaries of all staff directly working on that service.
2. Materials and supplies – supplies used in providing the service. This may include utilities, contractor costs and car operating expenses.
3. Administrative expenses – the office support for a service. Typically, an operational unit provides a number of services, so the administrative costs of that unit will need to be allocated across the different services.
4. Equipment used in providing the service – this may include the purchase of equipment, plant hire, leasing of equipment, etc.

These costs include staff on-costs, such as allowing for annual leave, sick leave, workers' compensation payments and long service leave.

4.1.2 Indirect Costs (Overheads)

Council has a range of "back office" operations that are not directly tied to any service delivery (e.g. IT, Customer Service and HR). Nonetheless, these involve real costs that are incurred in supporting the delivery of Council's services.

Council allocates indirect costs to the services it provides using a pro-rata approach. That is to say, Council allocates indirect costs on a proportionate basis by using measures that are easily available, such as staff involved in the activity as a percentage of total staff, total number of computers or the service unit's share of total office floor space.

There are alternative ways to allocate indirect costs such as using Activity based costing, however this process can be very labour intensive and costly, while a pro rata approach delivers similar results with less effort.

4.2 Fee setting

The responsibility for setting of fees & charges resides with the managerial unit responsible for delivering the service. The fee setting is done as part of the budget process, where the impact of changing fees can be seen against the unit's bottom line.

When setting the fees & charges for the new year, the following questions must be asked.

- Do any external constraints apply? Possibilities include:
 - Other levels of Government setting a statutory price for that service, or
 - Does Council need to take into account competitive neutrality adjustments?
- Would setting a price based on recovering the full cost of the service be competitive with other suppliers (nearby councils and/or private competitors)?
- How will a change in price impact volume of usage of that service?
- Does Council have a strategy to either:
 - Subsidise the cost of this service (setting prices below full costs)?
 - Use the service as a taxation mechanism (setting prices above the full cost level)?

4.3 Competitive Neutrality

Compared to the private sector, government departments have a number of competitive advantages and disadvantages when providing services in a competitive market. Competitive benefits may arise due to Council's taxation status or ability to subsidise a service with rates. Conversely Council may be disadvantaged due to increased red tape (additional reporting costs and legislation to comply with), limited flexibility in restructuring or comparative employment awards between the private and public sectors.

If Council deems that in the provision of any of its significant business activities it has a significant competitive advantage (or disadvantage) over the market due to its public sector ownership, then a competitive neutrality assessment may be required to be undertaken.

To undertake this assessment, the following steps are recommended by the Victorian Government's Competitive Neutrality Policy:

- Determine whether the operation is a "significant business activity" and whether Council has a net competitive advantage compared to the private sector.
- Weigh up the expected benefits and costs of introducing competitive neutrality policy measures.
- Determine if the public interest is served by implementing competitive neutrality policy measures.

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

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

The costs of applying competitive neutrality outweigh the benefits, or Council conducts and documents a "public interest test", which involves public consultation on costed options, and identifies clear public policy objectives for providing the service at below competitive neutral prices.

Council will conduct a competitive neutrality assessment of its services on a rolling basis. To date, no services have been identified as being a significant business activity where Council has a significant net competitive advantage over the private sector. As such no competitive neutrality adjustments have been required to be implemented to increase user fees.

4.4 Fee & Charge Principles

Council has developed a range of principles to determine the level of fees and charges to be applied to each service. Fees and charges will be reviewed on an annual basis in line with these principles:

- Fees are charged in line with State and Federal government legislation or Local Laws.
- Fees and charges are set at a level that is deemed to be fair and equitable to enable the majority of residents to access the services.
- Fees and charges are set to remain competitive with other 'like-services' available in the market.
- No fees (or low fees) are charged for some services with an aim to encourage community participation and positive health and wellbeing outcomes.
- Fees and charges that are punitive in nature, are set at a level significant enough to deter the targeted behaviour without being overly burdensome.

5. Review Period

This Revenue and Rating Plan covers the four-year period July 2025- June 2029. It will be reviewed and amended during this 4-year period, annually.

6. Related Documents

Warrnambool City Council Plan
Warrnambool City Council Annual Budget
Warrnambool City Council Hardship Policy

7. Related Legislation

Local Government Act 2020 Local Government Act 1989 Penalty Interest Rates Act 1983	
Cultural and Recreational Lands Act 1963 Valuation of Land Act 1960	
Victorian Competitive Neutrality Policy	