



# Revenue and Rating Plan 2025/26 – 2028/29



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# Purpose

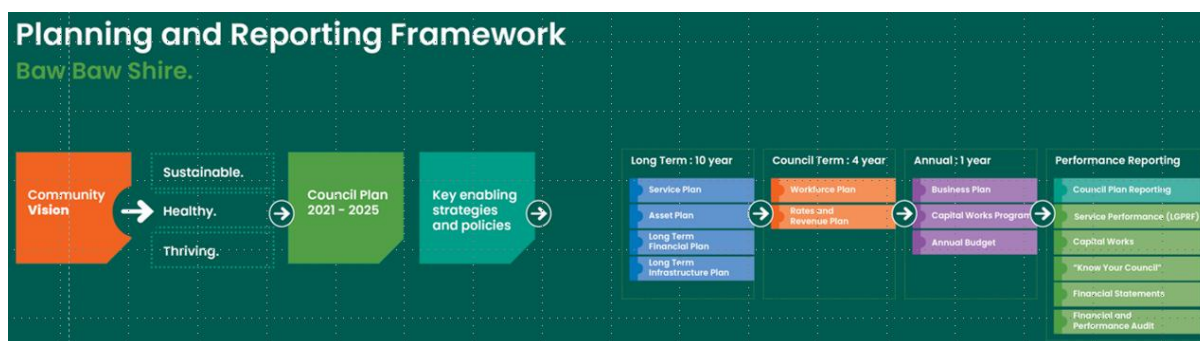
Section 93 of the *Local Government Act 2020* requires each Council to prepare a Revenue and Rating Plan to cover a minimum period of four financial years following each Council election. The Revenue and Rating Plan establishes the revenue raising framework within which the Council proposes to work.

The purpose of the Revenue and Rating Plan is to determine the most appropriate and affordable revenue and rating approach for Baw Baw 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 framework, all of which is created to help the Community achieve its long-term vision of the Shire – to be Sustainable, Healthy and Thriving:

Sustainable towns and villages that continue to benefit from our beautiful rural and natural environment, healthy people, living in connected communities and healthy environments, and thriving, diverse and resilient communities.

Strategies outlined in this Plan align with the objectives contained in the Council Plan and will feed into our budgeting and long-term financial planning documents, as well as other strategic planning documents under our Council’s strategic planning framework.



This Revenue and Rating 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 *Local Government Act 2020* to ensure the fair and equitable distribution of rates across property owners. It will also set out principles that are used in decision making for other revenue sources such as fees and charges.

It is also important to note that this plan does not set revenue targets for Council. It outlines the strategic framework and decisions that inform how Council will go about calculating and collecting its revenue. Information related to each specific financial year such as property numbers, rates in the dollar for each of the rate differentials, total rates forecast to be generated, aggregated CIV, waste charges amounts, etc. are not included in this plan but can be found in the adopted budget papers for the respective financial year.

## Executive Summary and Recommendations

This Plan details the framework and rating options that Baw Baw Shire Council will use in determining a fair and equitable distribution of rates for the community and also sets out the key principles that are used in decision-making for other revenue sources such as fees and charges.

**Four key platforms form the basis of the approach to rating at Baw Baw Shire Council and they are recommended for continuation:**

- a) Rates will continue to be based principally on an ad-valorem basis (i.e., based on the valuation of the various properties);
- b) Council will apply a service charge to recover the cost of the collection and disposal of waste;
- c) Council will continue to apply differential rating to ensure all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council; and
- d) Council does not levy a Municipal Charge.

The longer-term view is:

- a) To consider the use of a Special rate and/or charge on property owners who receive a "special benefit" to defray the costs of performance of a specific function or power of Council e.g. to cover costs of specific infrastructure works or services; and
- b) As confirmed by an independent financial review; continue Council's current financial sustainability strategy to conduct a service review program and robust consultation with the community and other stakeholders in order to ensure that:
  - the views of ratepayers and the community are taken into account with respect to:
    - the level and quality of services (including infrastructure) provided by Council
    - what services and infrastructure are provided by Council and what services and infrastructure are not provided by Council
    - Council's long-term strategies (including financial management policies and infrastructure plans)
  - where appropriate, reprioritisation of proposed expenditure is considered
  - the cost, efficiency and effectiveness of the chosen modes of delivery of services by Council are optimized; and

- all suitable alternative funding options (rather than the utilisation of rates) for required expenditure are explored.

If it is appropriate after exhausting all other applicable options, Council may make an application to the Essential Services Commission (ESC) under the “Fair Go Rates” system for a rate cap variation in compliance with the authoritative guidance published by the ESC on its website.

As at time of drafting this Plan there is considerable work involved before all other applicable options are exhausted and therefore it is not currently possible to estimate the timeframe for when Council may be in a position to contemplate a rate cap variation application. However, since it is neither more likely or less likely to be within the four years of this Revenue and Rating Plan, in the interests of transparency and full-disclosure the possibility is noted.

The following table summarises the 11 key decisions made with respect to Rates, Charges, Fees and Other income for the four financial years 2025/26 to 2028/29.

Consideration	Plan Recommendations
Rates: Determining which valuation base to use	That Baw Baw Shire Council continues to apply Capital Improved Value (CIV) as the valuation methodology to levy Council rates.
Rates: Determining the rating system	That Council continues to apply differential rating as its rating system.
Rates: What differential rates should be applied?	<p>That Council applies differential rates for:</p> <ol style="list-style-type: none"> <li>1. General / Residential Land, including flats and units, at the general rate; and</li> <li>2. Farm Land at a discount of 20 per cent to the general rate; and</li> <li>3. Commercial and Industrial Land with a surcharge of 30 percent on the general rate.</li> </ol> <p>That Council abolishes the following previous differential rates for:</p> <ul style="list-style-type: none"> <li>• Vacant Land</li> <li>• Urban Living</li> <li>• Residential Development</li> <li>• Commercial and Industrial Vacant Land</li> </ul>
Rebates: Cultural and Recreational Lands rebates	That Council continues to grant a 100 per cent rebate of rates (with the exception of the Warragul Country Club, which is to be rebated by 47 per cent)

Consideration	Plan Recommendations
	<p>on Cultural and Recreational Land for the 2025/26 financial year.</p> <p>That Council applies a rebate on Cultural and Recreational Land for the 2026/27 financial year equal to 75 per cent of the current rebate levels (i.e., 75 per cent of the 100 per cent rebate, and 75 per cent of the 47 per cent rebate for the Warragul Country Club).</p> <p>That Council undertakes a review of Cultural and Recreational Land charges over the next 12 months to determine whether any appropriate future discount arrangements should apply, taking into consideration the level of public benefit provided by the use of the land.</p>
Rebates: Eligible pensioner rebate	That Council phases out the Council eligible pensioner rebate over two years. The State Government Rebate will remain. Council's additional rebate will be reduced from \$50 to \$25 for all eligible pension card holders in 2025/26 and then discontinued from 2026/27.
Rates: Impact of Council revaluations	That Council continues to review the impacts of revaluations, provided by the Victorian Valuer General, as they occur.
Rates: Fair Go Rates System	That annually Council apply the declared per cent rate cap as per the Fair Go Rates System (FGRS).
Rates: Special rates and charges	<p>That Council uses special rates and charges only in instances that fit the following circumstances:</p> <ul style="list-style-type: none"> <li>• funding of narrowly defined capital projects (e.g., streetscape works, private road sealing) where special benefit can be shown to exist for a particular grouping of property owners;</li> <li>• raising funds for a dedicated purpose where the use of CIV is not the most equitable method of calculating property owner contributions. (e.g., Natural Disaster funds); and/or</li> <li>• covering the cost of an expense relating to a specific group of ratepayers (e.g. licensed premises).</li> </ul>

Consideration	Plan Recommendations
	<p>In circumstances outside of the above three scenarios, Council will use differential rating to achieve its objectives.</p>
Rates: Municipal charge	<p>That Council continues to not implement a Municipal Charge.</p>
Rates: Service rates and charges	<p>That Council continues to apply a Waste Service Charge. From 2025/26 onwards the Waste Service Charge is to be based on full cost recovery of the waste function.</p>
Rates: Rate payment date options	<p>That Council continues to apply, in accordance with Section 167(1) of the Local Government Act 1989, charging rates and charges by way of four instalments per financial year and does not offer the February lump sum payment option.</p> <p>Payments are due on the prescribed dates below:</p> <ul style="list-style-type: none"> <li>• <b>1st Instalment:</b> 30 September</li> <li>• <b>2nd Instalment:</b> 30 November</li> <li>• <b>3rd Instalment:</b> 28 February</li> <li>• <b>4th Instalment:</b> 31 May</li> </ul>
Early Bird Incentive	<p>That Council ceases the early payment competition for ratepayers who choose to pay their rates and charges in full on or before the 30<sup>th</sup> September to ensure fairness and equity for all ratepayers.</p>
Other income	<p>Council Fees and Charges will change in line with the detailed Fees and Charges Schedule published with each financial year's adopted budget.</p> <p>Statutory Fees and Fines will continue to be based on Penalty Units as defined by the Department of Treasury and Finance.</p> <p>Non-statutory fees and charges will be reviewed each year in accordance with the following general principles:</p> <ul style="list-style-type: none"> <li>• Apply a % increase (to approximate inflation) and then round to the nearest 5 cents (in limited cases the nearest dollar)</li> <li>• Benchmark the resultant fee/charge against other Councils to ensure market compatibility</li> </ul>

# 1. Introduction

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

## **Council's revenue sources include:**

- Rates and Charges
- Waste and garbage charges (if applicable)
- Grants from other levels of Government
- Statutory Fees and Fines
- User Fees
- Cash and non-cash contributions from other parties (i.e. developers, community groups)
- Interest from investments
- Sale of Assets
- Other income

Rates are the most significant revenue source for Council and made up approximately 87% of total annual own-source income in 2023/24.

The introduction of rate capping under the Victorian Government's *Fair Go Rates System* (FGRS) brought a renewed focus to Council's long-term financial sustainability. The FGRS continues to restrict Council's ability to raise revenue above the rate cap unless application is made to the Essential Services Commission for a variation. Maintaining service delivery levels and investing in community assets remain key priorities for Council. This Plan will address Council's reliance on rate income and provide options to actively address that reliance.

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

Council revenue can also be adversely affected by changes to funding from other levels of government. Some grants are tied to the delivery of council services, whilst many are tied directly to the delivery of new community assets, such as roads or

sports pavilions. It is important for Council to be clear about what grants it intends to apply for, and the obligations that grants create in the delivery of services or infrastructure.

## 1.1 Community Engagement

This Revenue and Rating Plan outlines Council's decision-making process on how revenues are calculated and collected. The following public consultation process will be/was followed to ensure due consideration and feedback is received from relevant stakeholders in accordance with council's adopted Community Engagement Policy.

Revenue and Rating Plan community engagement process:

- Draft Revenue and Rating Plan prepared by officers;
- Draft Revenue and Rating Plan placed on public exhibition at Council meeting during April for a period of 28 days and calling for public submissions;
- Community engagement through local news outlets and social media;
- Hearing of public submissions following elapse of the public exhibition period; and
- Revenue and Rating Plan presented to Council meeting for adoption by no later than 30 June.

## 2. Rates and Charges

Rates and charges are an important source of revenue, accounting for over 87% of own-source revenue received by Council. The collection of rates is an important factor in funding Council services.

Planning for future rate increases is therefore an essential component of the long-term financial planning process and plays a significant role in funding both additional service delivery and the increasing costs related to providing Council services.

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

Council currently utilises a service charge to fully recover the cost of Council's waste services and provides for future landfill rehabilitation costs. The waste service charge is not capped under the Fair Go Rates System.

Rates are property taxes that allow Council to raise revenue to fund essential public services to cater to the municipal population.

Importantly, the rating system is a taxation system that includes flexibility for councils to utilise different tools in the rating structure to accommodate issues of equity and to ensure fairness in rating for all ratepayers in the municipality.

Council has established a rating structure comprised of two key elements. These are:

- General Rates – Based on property values (using the Capital Improved Valuation methodology), which are indicative of capacity to pay and form the central basis of rating under the Local Government Act 1989; and
- Service Charges – A 'user pays' component for Council services to reflect benefits provided by Council to specific ratepayers who benefit from a particular service.

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

Council makes a further distinction when administering general rates by applying rating differentials based on the purpose for which the property is used. That is, whether the property is used for residential, commercial/industrial, or farming purposes.

This distinction is based on the concept that different property categories should pay a fair and equitable contribution, considering the differing benefits those properties derive from the local community and Council's services.

Baw Baw Shire Council's rating structure comprises three differential rates (residential or general, commercial/industrial, and farm). These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the *Local Government Act 1989*, and the Ministerial Guidelines for Differential Rating 2013.

The differential rates are as follows:

Differential Category	% to General rate
General / Residential rate	100%
Farm rate	80%
Commercial and Industrial rate	130%

The rate in the dollar for each rating differential category is specified in Council's annual budget. The rate in the dollar for each rating differential other than General / Residential is calculated by multiplying the relevant % from the table above by the rate in the dollar declared in the Budget for the General / Residential differential.

The formula for calculating the amount of General Rates related to a specific property (excluding any additional charges, arrears or additional supplementary rates) is:

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

## 2.1 Rating Legislation

The legislative framework set out in the *Local Government Act 1989* determines Councils' ability to develop a rating system. The framework provides significant flexibility for Council to tailor a system that suits its needs.

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

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

In raising general rates, Council is required to primarily use the valuation of the rateable property to levy rates. Section 157 (1) of the *Local Government Act 1989* provides Council with three choices in terms of which valuation base to use. They are: Site Valuation (SV), Capital Improved Valuation (CIV) and Net Annual Value (NAV). If a Council chooses to levy differential rates (rather than a uniform rate) then it cannot utilise Site Valuation.

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, specific rates data will be contained in Council's Annual Budget as required by the *Local Government Act 2020*

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

- a) the total amount that the Council intends to raise by rates and charges;
- b) a statement as to whether the rates will be raised by the application of a uniform rate or a differential rate;
- c) a description of any fixed component of the rates, if applicable;
- d) if the Council proposes to declare a uniform rate, the matters specified in section 160 of the Act;
- e) if the Council proposes to declare a differential rate for any land, the matters specified in section 161(2) of the *Local Government Act 1989* .

Section 94(3) of the Act 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 applications; 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.

This Plan outlines the principles and strategic framework that Council will utilise in calculating and distributing the rating burden to property owners, however, the quantum of rate revenue and rating differential amounts will be set out for each financial year in the respective annual Baw Baw Shire Council adopted budget.

## 2.2 Rating Principles

### 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.

### Rates and Charges Revenue Principles:

Property rates will:

- be reviewed annually and subject to the Fair Go Rates System rate cap,
- not change dramatically from one year to the next, and
- be sufficient to fund current expenditure commitments and:
  - Council's Vision, and:
  - Deliverables outlined in the Council Plan, Long Term 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*.

### 3. Determining which valuation base to use

Under the Local Government Act 1989, Council has three options as to the valuation base it elects to use. They are:

- a) **Capital Improved Valuation (CIV)** – Value of land and improvements upon the land
- b) **Site Valuation (SV)** – Value of land only
- c) **Net Annual Value (NAV)** – Rental valuation based on CIV.

For residential and farm properties, NAV is calculated at five per cent of the Capital Improved Value. For commercial and industrial properties NAV is calculated as the greater of the estimated annual rental value or five per cent of the CIV.

In choosing a valuation base, councils must decide on whether they want 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 wishes to choose a differential rating system, under the Act, it must adopt either of the CIV or NAV methods of rating.

#### 3.1 Capital Improved Value (CIV)

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

Section 161 of the Act provides that a Council may raise any general rates by the application of a differential rate if it uses the capital improved value system of valuing land.

##### Advantages of using Capital Improved Value (CIV)

- CIV includes all improvements, and hence is often supported on the basis that it more closely reflects “capacity to pay”. The CIV valuation method takes into account the full development value of the property and hence better meets the equity criteria than SV and NAV.
- With the increased frequency of valuations (previously two-year intervals, now annual intervals), the market values are more predictable and this has reduced the level of objections resulting from valuations.
- The concept of the market value of property is far more easily understood with CIV rather than NAV or SV.
- Most councils in Victoria have now adopted CIV, which makes it easier to compare relative movements in rates and valuations across councils.

- The use of CIV allows councils to apply differential rates so as to equitably distribute the rating burden based on ability to afford rates. CIV allows Council to apply higher rating differentials to the commercial and industrial sector that offset farm and general/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.

### 3.2 Site Value (SV)

Valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of Site Value would cause a 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 Baw Baw Shire Council.

#### Advantages of Site Value (SV)

- There is a perception that under site valuation, a uniform rate would promote development of land, particularly commercial and industrial developments. There is, however, little evidence to prove that this is the case.
- Scope for possible concessions for urban farm land and residential use land.

#### Disadvantages in using Site Value (SV)

- SV would reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates.
- Under SV, there would be a significant shift of the rate burden from the Industrial/Commercial sector onto the residential sector of the municipality. 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 would all pay low rates compared to traditional housing styles.
- The use of SV can place pressure on Council to give concessions to categories of landowners on whom the rating burden is seen to fall

disproportionately (e.g. Farm land and residential use properties). Large landowners, such as farmers for example, are disadvantaged by the use of site value.

- 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.

### 3.3 Net Annual Value (NAV)

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

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

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

### 3.4 Recommended Valuation Base

Baw Baw Shire 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. Therefore, it is considered to be the closest approximation to an equitable basis for distribution of the rating burden and it provides Council with the ability to levy a range of differential rates. 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(1) of the *Local Government Act 1989* outlines the requirements relating to differential rates, which include:

- a) A Council may raise any general rates by the application of a differential rate, if Council considers that the differential rate will contribute to the equitable and efficient carrying out of its functions.
- b) If a Council declares a differential rate for any land, the Council must 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:

- a. A definition of the types or classes of land which are subject to the rate and a statement 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. Specify the characteristics of the land, which are the criteria for declaring the differential rate.

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 *Local Government Act 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.

#### Plan Recommendation

That Baw Baw Shire Council continues to apply Capital Improved Value as the valuation methodology to levy Council rates.

### Property Valuations

The *Valuation of Land Act 1960* is the principal legislation in determining property valuations. Under the *Valuation of Land Act 1960*, the Victorian Valuer-General conducts property valuations on an annual basis. Baw Baw Shire Council applies the 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.

### **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 a monthly basis of 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.

### **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.

An objection can be lodged in the valuation objection portal or in writing with Baw Baw Shire 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).

## 4. Determining the Rating System – Uniform or Differential?

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

### 4.1 Uniform rate

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

Council has not adopted uniform rates and continues to adopt a differential rating system.

### 4.2 Differential Rates

Council has designed the rating system so that each differential rate will contribute to the equitable and efficient carrying out of council functions.

The Act allows councils to “differentiate” rates based on the use of the land, the geographic locality of the land or a combination of the use and locality of the land.

Council has a diverse mix of geographically located and land use properties. The establishment of differential tariff groups ensures greater equity and contribution from rates according to land use characteristics in relation to affordability and taxation principles.

Since differential rating allows rates for particular classes of properties to be assessed at different levels from the general rate set for the municipality it allows Council to shift part of the rate burden from some groups of ratepayers to others via different “rates in the dollar” for each class of property. 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 further below.

Council has considered the Ministerial Guidelines for Differential Rating 2013 and the taxation principles in setting the rating structure. In so doing, the previous differential rates for Vacant Land, Urban Living, Residential Development and Commercial and Industrial Vacant Land have been abolished.

Council, in striking the rate through the Annual Budget process, sets the differential rate for each of the classes of properties at higher or lower amounts than the general rate.

### 4.3 Advantages of a differential rating system

The advantages of utilising a differential rating system are that it:

- provides greater flexibility to distribute the rate burden between all classes of property and therefore to link rates with the ability to pay, including reflecting the tax deductibility of rates for Commercial and Industrial Land;
- allows Council to better reflect the investment required to establish infrastructure, especially to meet the needs of the commercial and industrial sector;
- enables Council to encourage particular types of development through its rating approach (e.g. encourage building on vacant blocks);
- recognises the ability of some ratepayers to obtain concessions via the tax deductibility of Council rates. This takes into account low relative economic return to large landholdings, avoids distortions in the market and provides an ability to contribute above the standard charge.
- can promote and encourage economic development throughout the municipality
- 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); and allows Council discretion in the imposition of rates to 'facilitate and encourage appropriate development of its municipal district in the best interests of the community'.

### 4.4 Disadvantages of Differential Rating

The disadvantages in applying differential rating are that:

- the justification of the differential rate can, at times, be difficult for the various rating groups to accept, giving rise to queries, objections 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. Ratepayers within some rating categories may feel that they are unfavourably treated because they are paying a higher level of rates than other ratepayer groups; and
- differential rating involves a degree of administrative complexity as properties continually shift from one differential rating category to another (e.g. Residential to Commercial, Vacant to Residential) requiring Council to continually update its records. Ensuring the accuracy/integrity of Council's database is critical to ensure that properties are correctly classified into their correct differential rating categories.

#### Plan Recommendation

That Baw Baw Shire Council continues to apply differential rating as its rating system.

## 5. What differential rates should be applied?

### 5.1 General / Residential Rate

For details regarding the numbers of properties, aggregate CIV, total estimated rates and the rate in the dollar applicable to a financial year for properties within this rate differential please refer to the Baw Baw Shire Council Annual Budget for the respective financial year.

#### Definition:

General / Residential land is any rateable land which does not have the characteristics of Farm land and/or Commercial / Industrial land.

#### 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.

#### Type 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 or Commercial/Industrial Land.

#### Use of 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.

#### Level of Rate

100 per cent of General Rate.

#### Use of land:

Any use permitted under the Baw Baw Shire Council planning scheme

#### Geographic Location:

Wherever located within the municipal district

### **Planning Scheme Zoning:**

The zoning applicable to each rateable land within this category, is as determined by consulting maps referred to in the relevant Baw Baw Shire Council Planning Scheme.

### **Types of Buildings:**

All buildings which are already constructed on the land or which are constructed prior to the end of the financial year.

## **5.2 Commercial and Industrial Rate**

For details regarding the numbers of properties, aggregate CIV, total estimated rates and the rate in the dollar applicable to a financial year for properties within this rate differential please refer to the Baw Baw Shire Council Annual Budget for the respective financial year.

### **Definition:**

Commercial and Industrial Land is any land, which is:

- a) Used primarily for carrying out the manufacture or production of, or trade in goods or services; or
- b) Unoccupied building erected which is zoned Commercial or Industrial under the Baw Baw Shire Council planning scheme; or
- c) Unoccupied land which is zoned Commercial or Industrial under the Baw Baw Shire Council Planning Scheme.

### **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 Commercial/Industrial Rate land properties is fair and equitable, having regard to the cost and the level of benefits derived from provision of Council services.

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

### **Types and Classes:**

Commercial and Industrial having the relevant characteristics described below:

- a) used primarily for commercial or industrial purposes; or
- b) any land that is not defined as General Land or Farm Land.

### **Use of 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.

**Level of Rate:**

130% of the General Rate.

**Use of Land:**

Any use permitted under the Baw Baw Shire Council Planning Scheme.

**Geographic Location:**

Wherever located within the municipal district.

**Planning Scheme Zoning**

The planning scheme zoning, is the zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme

**Types of Buildings:**

All buildings which are already constructed on the land or which are constructed prior to the end of the financial year.

## 5.3 Farm

For details regarding the numbers of properties, aggregate CIV, total estimated rates and the rate in the dollar applicable to a financial year for properties within this rate differential please refer to the Baw Baw Shire Council Annual Budget for the respective financial year.

**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.

To avoid doubt, 'business' for the purposes of identifying Farm Land has the same meaning as that given to it by section 2(1) of the *Valuation of Land Act 1960*

### **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 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 retaining the important agricultural economic base. This rate differential is intended to encourage uses compatible with the physical capability of the land; minimise the need for urban works and services to the non-urban area; conserve the resources of soil, flora and fauna and the significant natural features in the areas identified as having ecological and landscape interest value; conserve as far as possible the existing patterns of vegetation to maintain landscape quality; assist in the maintenance of farming activities within areas eminently suited for that purpose; and discourage the proliferation of non-agricultural activities on soil of high agricultural value by protecting the social characteristics of the rural community from the encroachment of urban-type development.

### **Types and Classes**

Farm Land having the relevant characteristics described below:

- a) any land that is not defined as General / Residential land or Commercial and Industrial Land; and
- b) has an area of at least 40 hectares and is used predominantly for the business of 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; or
- c) has an area of not less than 2 hectares and less than 40 hectares 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 demonstrates, upon application, that the primary source of income is derived from the land that is used for a business.

### **Use of 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.

**Level of Rate:**

80% of the General Rate

**Use of Land:**

Any use permitted under the Baw Baw Shire Council Planning Scheme.

**Geographic Location:**

Wherever located within the municipal district.

**Planning Scheme Zoning**

The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Victorian City Council Planning Scheme.

**Types of Buildings:**

All buildings which are already constructed on the land or which are constructed prior to the end of the financial year.

**Plan Recommendations**

That Council applies differential rates for:

- General / Residential Land; and
- Commercial and Industrial Land, with a surcharge 30 percent to the general rate; and
- Farm Land, at a discount of 20 percent to the general rate.

## 6. Rebates

### 6.1 Cultural & Recreational Lands Rebates

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

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

- vested in or occupied by any body corporate or unincorporated body which exists for the purpose of providing or promoting cultural or sporting recreational or similar facilities or objectives and which applies its profits in promoting its objects and prohibits the payment of any dividend or amount to its members; and
- used for outdoor sporting recreational or cultural purposes or similar outdoor activities.

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

Council will provide a 100 per cent rebate on rates for properties classified as Cultural and Recreational Land, with the exception of the Warragul Country Club, which has received a 47 per cent rebate for 2025/26. These rebates are discretionary, and Council is not mandated to offer any additional concessions on Cultural and Recreational Land.

Council has chosen to phase out the Cultural and Recreational Land rebates after 2025/26. As part of this transition, the applicable rebate will be reduced in 2026/27 to 75 per cent of the current rebate. This represents a reduction from 100 per cent to 75 per cent for eligible properties, and from 47 per cent to 35.25 per cent for the Warragul Country Club.

Council will undertake a review of Cultural and Recreational Land charges over the next 12 months to determine whether any appropriate future discount arrangements should apply, taking into consideration the level of public benefit provided by the use of the land.

The following list sets out all applicable properties. The general rate is applied to fifty per cent of the value of these properties to determine the declared rates payable for the financial year and 100 per cent rebate will be applied for 2025/26 and 75 per cent rebate will be applied for 2026/27, with the exception of the Warragul Country Club, which is rebated by 50 per cent for 2025/26 and 35.25 per cent for 2026/27.

## Cultural and Recreation Land Property

### Properties receiving a 100% rebate in 2025/26 and 75% rebate in 2026/27

Drouin Bowling Club  
Drouin Golf Club  
Garfield Wattle Raceway / Drouin Speedway  
Longwarry Bowls Club  
Moe Field and Game and Angling Club  
Neerim District Bowling Club  
Thorpdale Bowling Club  
Trafalgar Bowls Club Incorporated  
Trafalgar Golf Club  
Trafalgar Park Bowls Club Incorporated  
Warragul Bowling Club  
Warragul Drouin Pistol Club Incorporated  
Yarragon Bowls Club

### Property Receiving a 47% rebate in 2025/26 and 35.25% rebate in 2026/27

Warragul Country Club Incorporated (rebate)

Service Charges are payable for any waste services received at the declared rate. For details regarding the aggregate CIV, total estimated rates, total estimated rebates and the rate in the dollar applicable to a financial year for properties within this rate differential please refer to the Baw Baw Shire Council Annual Budget for the respective financial year.

## Plan Recommendations

That Council continues to grant a 100 per cent rebate of rates (with the exception of the Warragul Country Club, which is to be rebated by 47 per cent) on Cultural and Recreational Land for the 2025/26 financial year.

That Council applies a rebate on Cultural and Recreational Land for the 2026/27 financial year equal to 75 per cent of the current rebate levels (i.e., 75 per cent of the 100 per cent rebate, and 75 per cent of the 47 per cent rebate for the Warragul Country Club).

That Council undertakes a review of Cultural and Recreational Land charges over the next 12 months to determine whether any appropriate future discount arrangements should apply, taking into consideration the level of public benefit provided by the use of the land.

## 6.2 Eligible Pensioner Rebates

Council has previously provided an additional (to rebates from other levels of government) \$50 rebate to eligible pensioners; understood to be one of only two Councils in Victoria to do so. Council is not mandated to provide any additional rebates from rates for eligible pensioners.

Council has chosen to phase out the Council eligible pensioner rebate over two consecutive financial years 2025/26 and 2026/27. Therefore, the rebate will reduce from \$50 to \$25 for all eligible pension card holders in 2025/26. Then in 2026/27 the rebate will reduce again from \$25 to \$Nil.

There are no changes to the eligibility criteria for the pensioner rebate.

### Plan Recommendations

That Council phases out the Council eligible pensioner rebate over two years. The State Government Rebate will remain. Council's additional rebate will be reduced from \$50 to \$25 for all eligible pension card holders in 2025/26 and then discontinued from 2026/27.

## 7. Revaluations and Rate Capping

### 7.1 Revaluations

Under the requirements of the Act, Council is required to conduct revaluations of all rateable assessments annually. Contrary to popular belief, because there is usually an increase in the aggregated CIV across the Shire, this does not mean that the annual revaluation process provides Council with any additional rate revenue. However, the annual revaluation process can significantly re-align how rates are distributed between ratepayers at both a rating group and individual level.

Under the Fair Go Rates System, the annual increase in total rates for a council is capped. In simple terms, the cap is applied firstly by determining the average annualised rates amount across all rateable properties in the municipality for the preceding financial year. The average annualised rates amount is then inflated by the rates cap and then multiplied by the estimated total number of rateable properties in the next financial year. The resultant figure is the total value of rates that can be raised under the rate cap. The total value of rates is then divided by the estimated aggregate CIV of all properties to determine the rate in the dollar.

Therefore, increases in the aggregate CIV do not generate additional rates for Council. The capped total rates amount is simply distributed across a greater aggregate CIV amount. Depending upon where the relative revaluation increases occur, they will alter the distribution of the total rates amount between the rate differentials and between individual properties.

### 7.2 Fair Go Rates System

During 2024/25 Council commissioned an independent review of its current and future financial position. The report, received during December 2024 noted that:

- Baw Baw Shire Council is currently in a sound financial position. This report outlines several financial challenges that the Council will need to address in coming years, but keeping these challenges in context remains important. The issues facing Baw Baw Shire Council will be equally critical to most Victorian Councils.
- The report reflects on these industry challenges and notes the current Federal and State Government enquiries into the financial sustainability of local government. It further notes the impact that has been caused by rate capping, escalating costs to deliver services and infrastructure and the potential implementation of the Waste Best Practice guidelines on the financial sustainability of local government.

- The ongoing impacts of cost-shifting from Federal and State Governments to Local Governments are outlined. This trend given the current financial position of all levels of government is unlikely to change.
- The consequences of these outcomes place pressure on the Council's ability to fund an adequate capital program that would allow it to renew existing assets and to be able to meet the needs of a growing community that is seeking new facilities. It further places the Council in a position where it has very little contingent funding should any adverse event occur.
- This result is sound and one that is not shared by all other Councils. The result has however been achieved by reducing expenditure on capital works to an affordable level in future years of the plan.

The independent financial review confirms as appropriate Council's current financial sustainability strategy to conduct a service review program and robust consultation with the community and other stakeholders to ensure that:

- the views of ratepayers and the community are taken into account with respect to:
  - the level and quality of services (including infrastructure) provided by Council
  - what services and infrastructure are provided by Council and what services and infrastructure are not provided by Council
  - Council's long-term strategies (including financial management policies and infrastructure plans)
- where appropriate, reprioritisation of proposed expenditure is considered
- the cost, efficiency and effectiveness of the chosen modes of delivery of services by Council are optimised
- all suitable alternative funding options (rather than the utilisation of rates) for required expenditure are explored.

During the four years of this Revenue and Rates Plan, Council will pursue the financial sustainability strategy and continue to evaluate the financial challenges (industry-wide and Baw Baw Shire-specific) that need to be addressed in coming years. During the term of this plan, if it is appropriate after exhausting all other applicable options, Council may make an application to the Essential Services Commission (ESC) under the "Fair Go Rates" system for a rate cap variation in compliance with the authoritative guidance published by the ESC on its website ([Higher rate cap applications | Essential Services Commission](#)).

The ESC requires that an application for a rate cap variation needs to set out:

- the proposed higher cap for each specified financial year
- the reasons why the council is seeking the higher cap
- how the views of ratepayers and the community have been considered in proposing the higher cap

- how the higher cap is an efficient use of council resources and represents value for money
- whether other funding options have been considered and why those options are not adequate
- that the assumptions and proposals in the application are consistent with the council's long term strategy and financial management policies.

### Plan Recommendations

That Council continues to review the impacts of revaluations, provided by the Victorian Valuer General, as they occur.

That annually Council apply the declared per cent rate cap as per the Fair Go Rates System (FGRS).

## 8. Special Rates & Charges

The *Local Government Act 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 *Local Government Act 1989*) that allows councils to recover the cost of works from property owners who will gain special benefit from that work.

A 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.

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.

In summary, differential rates are much simpler to introduce and generally less exposed to challenge. There may be instances, however, where a special rate or charge is desirable if raising the levy by use of CIV is not equitable.

It is recommended that Council uses special rates and charges only in the instances outlined below.

### Plan Recommendations

That Council use special rates and charges in instances that fit the following circumstances:

- Funding of narrowly defined capital projects (e.g. streetscape works, private road sealing) where special benefit can be shown to exist only for a grouping of property owners.
- Raising funds for a dedicated purpose where the use of CIV is not the most equitable method of calculating property owner contributions. (e.g. Natural Disaster).
- Covering the cost of an expense relating to a specific group of ratepayers.

## 9. Municipal Charge

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

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

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

The arguments in favour of a municipal charge are similar to waste charges. They apply equally to all properties and are based upon the recovery of a fixed cost of providing administrative services irrespective of valuation. The same contribution amount per assessment to cover a portion of council's administrative costs can be seen as an equitable method of recovering these costs.

The argument against a municipal charge is that this charge is regressive in nature and would result in lower valued properties paying higher overall rates and charges than they do at present. The equity objective in levying rates against property values is lost in a municipal charge as it is levied uniformly across all assessments.

For this reason, this Revenue & Rating Plan recommends that Council does not apply a Municipal Charge.

### Plan Recommendations

That Council does not levy a Municipal Charge.

## 10. Service Rates and Charges

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

- a) the provision of a water supply;
- b) the collection and disposal of refuse;
- c) the provision of sewerage services; and
- d) 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 set the Waste Service Charge for waste at a level that fully recovers the cost of fulfilling the waste collection and disposal function.

The advantage of the Waste Service Charge is that it is readily understood and accepted by residents as a fee for a direct service that they receive. It further provides equity in the rating system in that all residents who receive exactly the same service level all pay an equivalent amount.

The disadvantage of the Waste Service Charge is similar to the municipal charge in that it is regressive in nature. A fixed charge to a low valued property comprises a far greater proportion of the overall rates than it does to a more highly valued property.

On balance, however, it is recommended that Council retains the existing Waste Service Charge. Unlike a municipal charge, where the direct benefit to the resident is invisible – the Waste Service Charge is a tangible service that is provided directly to all in the same fashion.

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.

### Plan Recommendations

That Council:

Continues to apply a Waste Service Charge. From 2025/26 onwards the Waste Service Charge is to be based on full cost recovery of the waste function.

## 11. 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.

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:

- **First Instalment:** 30 September
- **Second Instalment:** 30 November
- **Third Instalment:** 28 February
- **Fourth 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 website.
- PostBillPay
- By mail (cheques and money orders only)
- BPAY
- Australia Post (over the counter or over the phone via credit card).
- Direct Debit

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

The choice of mandatory instalments is aimed at better matching when Council receives its rate revenue against when it needs to expend these same amounts. This also means that Council is more closely aligned with virtually every other utility service provider.

### Plan Recommendations

That Council continues to apply the option of mandatory four instalment payments for rating years and does not provide a lump sum payment option.

## **Ministerial Guidelines on the Payment of Rates and Charges**

The Ministerial Guidelines on the Payment of Rates and Charges (the Guidelines), issued in December 2025 under section 181AA of the *Local Government Act 1989*, provide a consistent statewide framework for how councils support ratepayers experiencing hardship or financial hardship. The Guidelines set out mandatory principles for fair, compassionate and transparent debt management, and require councils to offer flexible payment arrangements, clear communication and appropriate hardship pathways to ensure rates are administered in a way that is equitable and aligned with community expectations.

### **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. Ratepayers seeking to apply for such provision will be required to submit a Rates Deferral Application form which is available from Council upon request.

## Exemptions

Council provide some Rate exemptions (i.e. non-rateable properties) under provisions contained in section 154(1) & (2) of the *Local Government Act 1989*. Exceptions include land owned by:

- Government,
- land used for public or municipal purposes
- land used for charitable purpose

Ratepayers seeking to apply for such, will be required to apply via an application form available on Council's website or can be mailed upon request.

## Payment of Rates and Charges – 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 several difficulties that may be faced. The purpose of Council's Payment of Rates and Charges – 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 an application form.

Council's Payment of Rates and Charges – Hardship Policy will be adopted by Council in May 2026 to reflect the mandatory principles and recommendations of the Guidelines.

## Debt recovery

Council makes every effort to contact ratepayers at their correct address, however, 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 further 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*.

## Emergency Services and Volunteers Fund

The Fire Services Property Levy will be replaced by the Emergency Services and Volunteers Fund (ESVF) effective from 1 July 2025. The new levy has an expanded funding purpose to support a broader range of emergency services, including the State Emergency Service (VICSES), Triple Zero Victoria, the State Control Centre, Forest Fire Management Victoria, and Emergency Recovery Victoria, in addition to the Country Fire Authority (CFA) and Fire Rescue Victoria (FRV).

The Fire Services Property Levy Act 2012 requires the levy to be collected from ratepayers by local councils. Prior to its introduction in 2013, fire services were primarily funded through insurance premiums.

The levy is calculated using two components:

- a fixed charge, The fixed charge is different for residential and non-residential properties and increases annually based on the consumer price index.
- The variable component is based on a property's capital improved value (CIV) and a variable rate (cents per \$'000 of CIV) depending on its property classification.

This levy is not subject to the rate cap and any changes to the fixed or variable components are determined by the State Government.

### Volunteer Rebate

From 2025–26, eligible CFA and VICSES volunteers and life members may apply for a rebate on the ESVF for their principal place of residence or primary production property.

**Note:** Eligibility for this rebate is assessed and managed by the Department of Government Services. Councils do not determine eligibility or process applications.

### Vacant Land Category

The former 'vacant land' category will be removed under the ESVF. Properties previously classified as vacant will instead be reassigned based on actual land use, in accordance with updated levy regulations.

Further information is available from the Victorian Department of Treasury and Finance:

[www.dtf.vic.gov.au/emergency-services-and-volunteers-fund](http://www.dtf.vic.gov.au/emergency-services-and-volunteers-fund)

## 12. Other Revenue

For details regarding total estimated revenue applicable to a financial year for any of the following other sources of revenue please refer to the Baw Baw Shire Council Annual Budget for the respective financial year.

### 12.1 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.

#### 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.

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.

#### 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.

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.

Statutory fees are included to the Fees and Charges Schedule detailed at Appendix A in the Annual Budget, the rates are charged as per State government direction and updated once the State announces new rates. The timing of the State budget is different to council budget timeframes.

## 12.2 User fees and charges

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
- Leisure Centre, Gym, and Pool visitation and membership fees
- Waste Management 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.

In setting the Annual Budget, the key principle for determining the level of user charge has been to ensure fees and charges are set in accordance with Council's pricing policy. Commercial users are charged market price, with subsidy to community users where appropriate.

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

- Fees and charges are indexed in line with an appropriate measure of inflation.
- Fees and charges are set in line with other like services through a benchmarking exercise where possible.
- 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.
- Reduced fees or subsidised model is incorporated to encourage community participation and achieve positive health outcomes.

- Fees are set in line with State or Federal government legislation or Local Laws.

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.

## 12.3 Grants

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.

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

## 12.4 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 assets handed over to council from developers.

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.

## 12.5 Other income

Other income mainly comprises interest revenue from investments plus rent received from commercial tenants. In addition, Council receives ad hoc receipts from time-to-time that are classified as other.

### 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, for an acceptable/minimal amount of risk.