

Revenue and Rating Plan

2021 – 2025

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1. EXECUTIVE SUMMARY

Under the *Local Government Act 2020* Council must prepare a revenue and rating plan by 30 June following a general election for a period of at least 4 years.

The Revenue and Rating Plan (Plan) is an important part of Council's integrated planning framework. It sets out the principles that guide how Council calculates and raises the revenue required to fund its activities, and how the funding burden will be apportioned between ratepayers and other users of Council facilities and services.

The Plan does not set revenue targets for Council, however it outlines the strategic framework and decisions that inform how Council will calculate and collect revenue to ensure that Council continues to be financially sustainable and well placed to deliver services and infrastructure for its community.

To ensure that Council's approach to revenue raising remains appropriate and affordable, Council intends to undertake several investigations during the life of this Plan. This includes a review of:

- its approach to rating, including the use of NAV and differential rates
- its approach to Cultural and Recreational rates
- the possible introduction of a waste service charge, for general waste and/or food and garden organic (FOGO) waste
- its approach to leasing of Council owned facilities, in particular, the fees and charges paid by tenants under lease and licence arrangements
- the way in which Council subsidises its fees for services such as those set out in section 6.1 of this Plan
- sustainable opportunities to diversify Council's revenue base, including non-rate and non-fee based revenue streams
- revenue streams directly and indirectly associated with value capture, utilising mechanisms under the *Planning and Environment Act 1987* and/or other future State Government mechanisms

Council also intends to undertake an education campaign to increase community and industry awareness about how the municipal rating system is applied in distributing property based rates, levies and charges.

This Plan will be effective for the period 1 July 2021 to 30 June 2025. Annual reviews of the Plan will be undertaken and enhancements to Council's revenue and rating strategies implemented incrementally during the life of this Plan.

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2. BACKGROUND

As set out in section 93 of the *Local Government Act 2020*, a Council must prepare and adopt a revenue and rating plan by 30 June following a general election for a period of at least 4 financial years.

To assist councils with this new requirement the Department of Jobs, Precincts and Regions released a *Local Government Revenue and Rating Plan Better Practice Guide* in early 2021. This Guide has informed the development of this plan.

2.1. PURPOSE

The purpose of the Revenue and Rating Plan (Plan) is to establish a revenue-raising framework within which Council proposes to work. The Plan determines the most appropriate and affordable revenue and rating approach for Council, which in conjunction with other income sources will adequately finance the objectives in the Council Plan and Council's operations.

The 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.

This Plan is an important part of Council's integrated planning framework, all of which is created to help Council achieve its vision of being a bold, inspirational and sustainable city.

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

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 1989* and the *City of Melbourne Act 2001* 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.

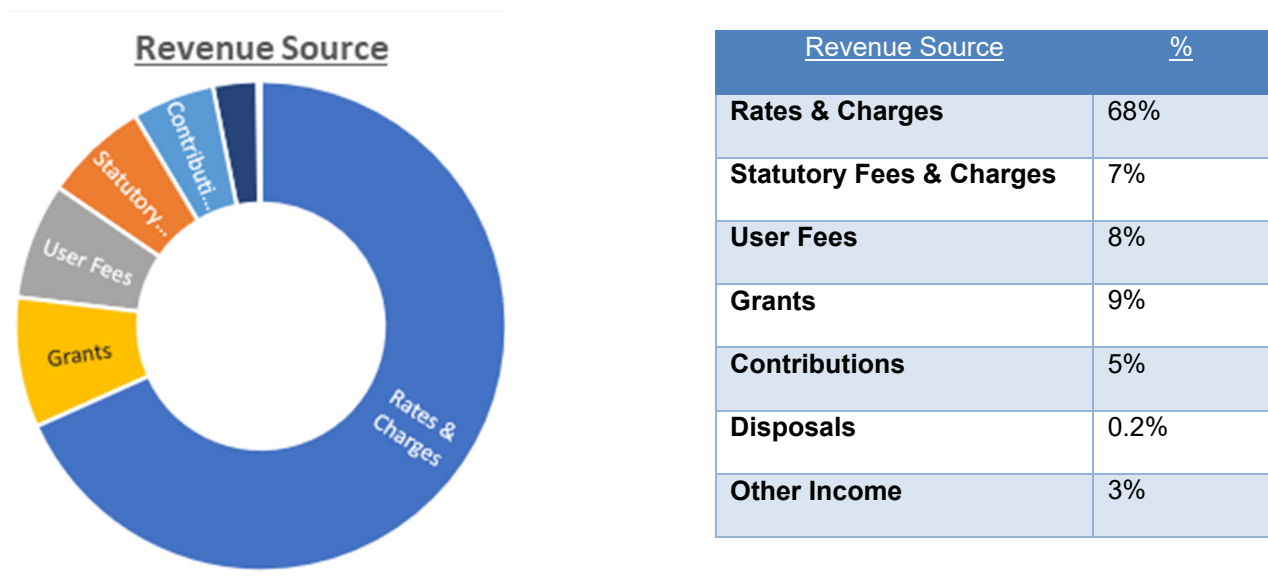
This Plan does not set revenue targets for Council; however, it outlines the strategic framework and decisions that inform how Council will go about calculating and collecting its revenue.

3. INTRODUCTION

Council provides a number of services and facilities to our 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
- 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

The graphical display and table below shows the budgeted sources of revenue for Council in the 2021/22 financial year.



Rates are the most significant revenue source for Council and make up approximately 68 percent of annual income. To support its community through the challenges of the COVID-19 pandemic Council introduced a zero (0) per cent increase to overall rates last financial year (2020/21).

The introduction of rate capping under the Victorian Government's Fair Go Rates System (FGRS) has brought a renewed focus, and some challenges, to Council's long-term financial sustainability. The FGRS continues to restrict Council's ability to raise revenue above the rate cap, unless council applies for a variation, and the Essential Services Commission approves its application.

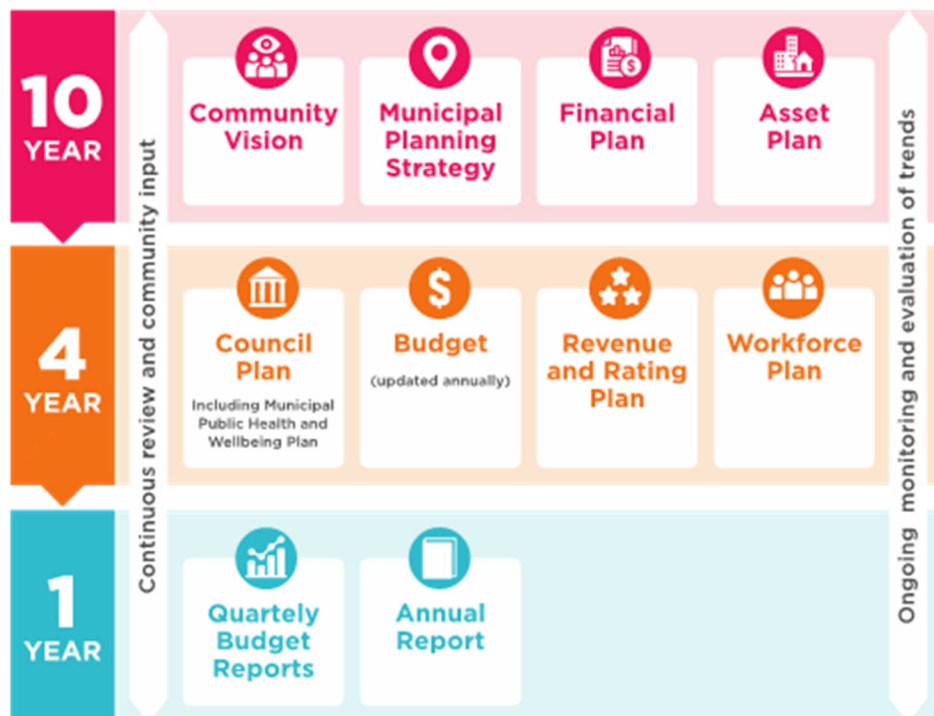
The ability to maintain service delivery levels and invest in community assets is a key priority for Council and so as part of this strategy Council seeks to address its reliance on rates revenue and actively pursue options to reduce this reliance.

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 Victorian

Government statute and are commonly known as regulatory fees. In these cases, Council usually has no control over service pricing as it has limited influence over Victorian Government decisions. Council has the ability to set a fee or charge for other services, and the principles outlined in this Plan set out how Council sets those fees and charges.

Changes to funding from other levels of government can adversely affect Council revenue. 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. In preparing its budget, Council considers the grants it intends to apply for, and the obligations that grants create in the delivery of services or infrastructure.

The City of Melbourne's planning framework includes a 10-year long-term vision and community goals, a four-year Council Plan and an Annual Plan and Budget. Future Melbourne 2026 represents the Council and community's 10-year aspirations and helps inform the Council's development of its Council Plan. The Municipal Strategic Statement is part of the Melbourne Planning Scheme. It sets out the Council's vision, objectives and strategies for managing land use change and development in its local area.



The Council Plan 2021-2025 considers the significant impact and extraordinary circumstances caused by the COVID-19 pandemic around the world and within our municipality. A community engagement process informed development of the Council Plan 2021-2025 and Council endorsed the Council Plan 2021-2025 on 30 June 2021.

4. COMMUNITY ENGAGEMENT

Council has undertaken community engagement as part of the process of developing this Plan, inviting feedback and submissions via Participate Melbourne. During the life of this Plan Council intends to undertake further community engagement, which may include seeking input on:

- its approach to rating, including the use of NAV and differential rates
- its approach to Cultural and Recreational rates
- the possible introduction of a waste service charge, for general waste and/or food and garden organic (FOGO) waste
- its approach to leasing of Council owned facilities, in particular, the fees and charges paid by tenants under lease and licence arrangements
- the way in which Council subsidises its fees for services such as those set out in section 6.1 of this Plan
- sustainable opportunities to diversify Council's revenue base, including non-rate and non-fee based revenue streams
- revenue streams directly and indirectly associated with value capture, utilising mechanisms under the *Planning and Environment Act 1987* and/or other future State Government mechanisms

Council also intends to undertake an education campaign to enhance community and industry awareness about how the municipal rating system is applied in distributing property based rates, levies and charges.

Community consultation will be determined through the development of community engagement plans for each of the 'next steps' as outlined in Section 9 of this Plan.

5. RATES AND CHARGES

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

- **General Rates** – Based on property values (using the Net Annual Valuation methodology), which are indicative of capacity to pay and form the central basis of rating under the *Local Government Act 1989*.

Council makes a further distinction when applying general rates by applying rating differentials based on the purpose for which the property is used, that is, whether the property is used for “residential” or “non-residential” purposes. This distinction is based on the concept that different property categories should pay a fair and equitable contribution, taking into account the benefits those properties derive from the local community. The differential rates are currently set as follows:

- Residential **100%**
- Non-Residential **110.64%**

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

- Valuation (Net Annual Value) x Rate in the Dollar (Differential Rate Type)

The rate in the dollar for each rating differential category is included in Council’s annual budget.

Rates and charges are an important source of revenue, accounting for approximately 68% of operating revenue received by Council. The collection of rates is an important factor in funding Council services.

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

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

The applied rate cap for the 2021/22 financial year is 1.5 per cent. Whilst the Victorian Government rate cap for 2020/21 was 2 per cent, Council applied a 0 per cent increase due to the economic hardship caused by the COVID-19 pandemic.

The movement in net annual values (property values) and municipal rates across the municipality over the past years is set out in the tables below:

Average Net Annual Value from 2016 - 2021

<u>Property Type</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Residential	\$28,984	\$28,520	\$30,243	\$30,433	\$30,689	\$30,794
Non-residential	\$168,404	\$165,772	\$168,025	\$180,531	\$187,129	\$182,552
Overall	\$59,814	\$57,241	\$57,115	\$57,956	\$57,907	\$55,678

Average Municipal Rates from 2016/17 – 2021/22

<u>Property Type</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
Residential	\$1,173	\$1,154	\$1,224	\$1,232	\$1,261	\$1,299
Non-residential	\$7,730	\$7,609	\$7,602	\$8,287	\$8,263	\$8,746
Overall	\$2,623	\$2,505	\$2,468	\$2,525	\$2,479	\$2,520

Council currently does not utilise a service charge to recover the cost of the waste services and landfill rehabilitation costs, either partially or in full. Such a waste service charge is not capped under the Fair Go Rates System. During the life of this Plan Council will examine the benefits and ramifications of introducing such a charge. Fairness, capacity to pay and proportionality will be central to any review conducted by Council. Council's Waste Strategy and Long Term Financial Plan will inform this investigation, as will the introduction of any additional waste services such as Food and Garden Organics (FOGO). As part of examining the possibility of the introduction of a waste service charge, Council will also consider properties that are exempt from rates (public, educational, religious and charitable use or ownership) but may attract a waste service charge if introduced. There are currently 1,482 properties exempt from rates representing 12.2 per cent of the rate base.

5.1. RATING LEGISLATION

The legislative framework set out in the *Local Government Act 1989* and the *City of Melbourne Act 2001* determine Council's ability to develop a rating system. The framework provides significant flexibility for Council to tailor a system to suit its needs and those of its community.

In raising Council rates, Council is required to primarily use the valuation of the rateable property to levy rates. Section 157 (1) of the *Local Government Act 1989* provides Council with the option to utilise one of three valuation bases being, Site Valuation, Capital Improved Valuation (CIV) and Net Annual Value (NAV).

The City of Melbourne has historically used NAV as a method of distributing municipal rates across property owners/tenants, and there are no immediate proposals to alter this system to either of the other value bases. It is recognised that the differential rating possibilities are broader under the CIV method of rating. However, as part of the community consultation process in future years, input from the community and industry on the most appropriate rating system for the City of Melbourne will be invited.

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 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 rates, if applicable;
- d) if the Council proposes to declare a uniform rate, the matters specified in section 160 of the *Local Government Act 1989*; and
- e) if the Council proposes to declare a differential rates for any land, the matters specified in section 161(2) of the *Local Government Act 1989*.

Section 94(3) of the *Local Government Act 2020* also sets out what a council must do if it intends to apply for a special order to increase its average rate cap for the financial year or any other financial year.

In 2019, the Victorian Government conducted a Local Government Rating System Review. The Local Government Rating System Review Panel presented its final report and list of recommendations to the Victorian Government in March 2020. The Victorian Government subsequently published a response to the recommendations of the Panel's report however at the time of publication of this Plan the recommended changes had not yet been implemented nor had timelines to make these changes been announced.

5.2. RATING PRINCIPLES

As part of the process of developing this Plan, in particular with reference to differential rates, Council has given consideration to good practice taxation principles.

Municipal rates are distributed according to the value of a ratepayer's real property, and whilst this may not always be a reflection of a capacity to pay, Council does have mechanisms in place to financial assist those ratepayers, through hardship provisions and pensioner rates rebate policy. Subject to the legislative framework, Council generally supports the principle that ratepayers in similar situations in relation to the value of their property, should pay similar amounts of municipal 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). To enable a rates system that is easily understood by ratepayers and practically, efficiently and cost effectively administered by Council, two differential rates are currently used being "residential" and "non-residential".

Council aims to ensure that, subject to legislative constraints, that property rates will:

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

Council's differential rating is applied equitably, is practical and complies with the Ministerial Guidelines for Differential Rating 2013. However, during the life of this Plan Council will consider the way in which it levies and charges rates to determine the most appropriate methodology into the future.

5.3. VALUATION BASE

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

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

The City of Melbourne utilises the Net Annual Value rating system, which is, for residential properties, calculated at 5 per cent of the Capital Improved Value and for non-residential properties, is calculated as the greater of the estimated annual rental value or 5 per cent of the CIV.

The Net Annual Value rating system has been utilised by the City of Melbourne for a number of years and whilst there are no immediate proposals to alter this system, Council will engage with both the community and industry to determine the most appropriate rating system. It is recognised that the differential rating possibilities are broader under the CIV method of rating.

The general objectives of Council's differential rates, is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council. The continuation of the two (2) differential rates for "residential" and "non-residential" and the difference between the rates in the dollar, Council is of the opinion that this is currently fair and equitable to all ratepayers. The application of the differential rates will be reviewed during the life of this Plan.

The Valuation of Land Act 1960 is the principle legislation in determining property valuations. Under the Valuation of Land Act 1960, the Victorian Valuer-General conducts property valuations on an annual basis, the most recent being the values as at the 1st January 2021. The movement in Net Annual Values by property classification from 2020 to 2021 can be seen in the table below:

Class of Land	Assessments	2020/21 Net Annual value	2021/22 Net Annual value	% Movement
Residential	107,769	\$3,121,700,750	\$3,318,644,625	+6.31%
Non-Residential	21,137	\$4,009,239,819	\$3,858,612,025	-3.76%
Total	128,906	\$7,130,940,569	\$7,177,256,650	+0.65%

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 (1st January 2021). Council is 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. However, Council also acknowledges that movement in individual rates from one year to the next is driven by the movement in individual property values as a comparison to the movement in median property values across

the municipality. It is this principle that Council believes an education program to both the community and industry groups should be undertaken during the life of this Plan.

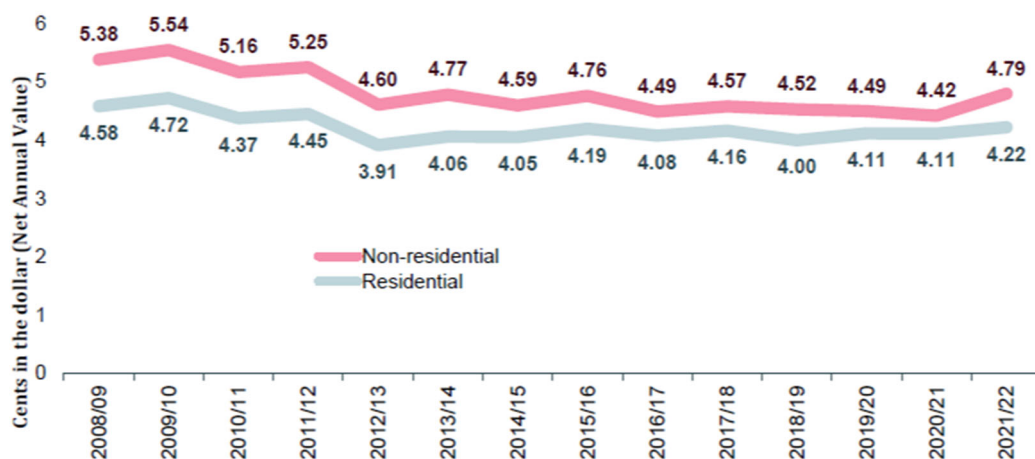
Whilst the general valuation is undertaken annually, supplementary valuations are regularly carried out throughout the year for a variety of reasons including rezoning, subdivisions, amalgamations, renovations, new constructions, extensions, occupancy changes and corrections. The Victorian Valuer-General is tasked with undertaking supplementary revaluations 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. Council received an additional \$11.8m in supplementary rate revenue income in 20/21.

Part 3 of the Valuation of Land Act 1960 provides that a property owner (or tenant) 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.

5.4. RATING DIFFERENTIALS

As set out in this Plan, Council utilises the Net Annual Value (NAV) rating system. Council has also historically introduced two (2) differential rates, “residential” and “non-residential”. These rates for 2021/22 for “residential” will increase from 4.1084 cents to 4.2187 cents and for “non-residential” will increase from 4.4159 cents to 4.7908 cents, representing a discount factor to residential properties of 10.64%. As can be seen from the graph below, the rates in the dollar “residential” and “non-residential” have been declining as property values have been increasing. The discount factor between the “residential” and “non-residential” rate in the dollar, has been gradually reduced from 19% in 2000/01. This will be reviewed during the life of this Plan as part of a broader review of Council’s approach to rating.

History of the Rates in \$



<u>Year</u>	<u>Non-Res Rate in \$</u>	<u>Res Rate in \$</u>	<u>Discount Factor</u> <u>Rate in \$</u>	<u>Discount Factor</u> <u>%</u>
2000 to 2001	7.90	6.40	1.50	18.99%
2001 to 2002	8.10	6.50	1.60	19.75%
2002 to 2003	6.40	5.60	0.80	12.50%
2003 to 2004	6.50	5.70	0.80	12.31%
2004 to 2005	5.80	5.00	0.80	13.79%
2005 to 2006	6.00	5.10	0.90	15.00%
2006 to 2007	5.90	5.10	0.80	13.56%
2007 to 2008	6.10	5.30	0.80	13.11%
2008 to 2009	5.30	4.50	0.80	15.09%
2009 to 2010	5.50	4.70	0.80	14.55%
2010 to 2011	5.20	4.40	0.80	15.38%
2011 to 2012	5.20	4.40	0.80	15.38%
2012 to 2013	4.60	3.90	0.70	15.22%
2013 to 2014	4.80	4.10	0.70	14.58%
2014 to 2015	4.60	4.00	0.60	13.04%
2015 to 2016	4.80	4.20	0.60	12.50%
2016 to 2017	4.50	4.10	0.40	8.89%
2017 to 2018	4.60	4.10	0.50	10.87%
2018 to 2019	4.60	4.00	0.60	13.04%
2019 to 2020	4.50	4.11	0.39	8.67%
2020 to 2021	4.40	4.10	0.30	6.82%
2021 to 2022	4.70	4.20	0.50	10.64%

Council utilises two (2) differential rates on the Net Annual Value of rateable properties within the municipality, “residential” and “non-residential”. The definitions of the differential are as follows:

Residential land is any land, which is used primarily for residential purposes (as defined in the Valuation Best Practice Specifications which is prepared by the Valuer-General under section 5AA of the Valuation of Land Act 1960); or vacant land but which by reason of its locality, zoning or other relevant criteria would, if developed, be or be likely to be used primarily for residential purposes.

Non-Residential land is all rateable land (including vacant and unoccupied land), wherever located in the municipality and howsoever zoned under the planning scheme, which does not have the characteristics of Residential land.

The objective of Council's differential rates, 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 both "residential" and "non-residential" properties is fair and equitable, having regard to the cost and the level of benefits derived from provision of Council services. An example of the application of Council's differential rates, is as follows:

Example

An example of a "residential" and "non-residential" property, both valued at \$1.0 million in the 2021 general valuation.

Residential property valued @ \$1.0 million, with a net annual value of \$50,000 (5 % of CIV), therefore, municipal rates calculated @ **\$50,000 x \$0.042187 = \$2,109.35**

Non-residential property valued @ \$1.0 million, with a net annual value of \$50,000 (rental value assessed at \$40,000 pa, however, 5 % of CIV applied as a minimum), therefore, municipal rates calculated @ **\$50,000 x \$0.047908 = \$2,395.40**

The difference between the municipal rates assessed on the two (2) property types above, represents what Council believes characterises a fair and equitable system, whereby the non-residential and income producing property, has a slightly higher rates obligation than the residential property.

During the life of this Plan, council will undertake analysis of the advantages and disadvantages of either remaining on the Net Annual Value rating system or moving to the Capital Improved Value rating system as part of a broader rating review. This will include consultation with the community on the most appropriate rate in the dollar, as a percentage for "residential" and "non-residential" properties.

5.5. MUNICIPAL CHARGES, SPECIAL RATES SCHEME AND SERVICE RATES AND CHARGES

The City of Melbourne currently does not levy any rates or charges under the following sections of the *Local Government Act 1989*:

- Section 159 – Municipal charge
- Section 162 – Service rate and service charge
- Section 163 – Special rate and special charge

The possible introduction of any of the above charges will be examined as part of a broader rating review to be undertaken during the life of this Plan along with the development and review of other applicable Council strategies and policies, such as the Waste and Resource Recovery Strategy 2030.

5.6. 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. Payment dates are due on the prescribed dates below:

- Instalment 1: 30 September
- Instalment 2: 30 November
- Instalment 3: 28 February
- Instalment 4: 31 May

Ratepayers may also elect to pay rates in one lump sum payment on or before 15 February or in 10 monthly instalments (by direct debit only).

Rates notices are normally sent to ratepayers in mid-September and rates can be paid; in person at some Council offices, online via Council's ratepayer portal, using BPAY and BPAY View, by direct debit, by phone with a credit card, at Australia Post outlets (over the counter payment) or by mail (complete and detach the bottom portion of your rate notice and post with your cheque).

Interest on arrears and overdue rates

Council charges interest on late payments, in accordance with Section 172 of the *Local Government Act 1989*. Interest is charged at the penalty interest rate, currently 10 per cent per annum, as fixed under Section 2 of the *Penalty Interest Rates Act 1983*. Penalty interest on any arrears of rates and charges will continue to accrue. Interest is calculated from the date when each quarterly instalment was due, irrespective of whether or not a ratepayer has chosen to pay by the instalment or lump sum option.

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 claim may be approved by the relevant government department.

In 2021, this Victorian Government Rebate was \$291 per household (inclusive of the rebate on the fire services levy, which is \$50). In addition to this Victorian Government rebate,

Council operates a Pensioner Rebate scheme under which those eligible to receive the Victorian Government rebate receive an additional City of Melbourne rebate equivalent to 50 per cent of the Victorian Government rate rebate. In 2021, this is \$120.50 per household.

Deferred payments/ Rates Assistance Policy/ Debt recovery

Council has a Rates Financial Hardship Policy which assists ratepayers experiencing difficulty paying their outstanding rates, fees and charges. The Policy provides assistance to ratepayers who meet the following criteria:

- a. For waiver of rates – a ratepayer of a residential property who is also the owner-occupier
- b. For deferment of rates – both residential and commercial ratepayers
- c. For suspension, reduction or waiving of interest charges – both residential and commercial ratepayers.

Council also has a General Financial Hardship Policy, which assists eligible residents and businesses experiencing financial difficulty due to COVID-19. Applicants can request a deferment, waiver, payment plan, extension or refund, on such items as general fines (excluding parking infringements), parking permits, busking permits, town planning fees – permit extensions, land information certificates, aged and health services relating to food, domestic assistance and personal care, leisure and recreation centre memberships and marine berthing – 30-year lease (outgoings only). Businesses can request help in paying general fines (excluding parking infringements), parking, advertisement, handbill or estate agent permits, street trading and kerbside cafe permits, Food Act registrations, town planning fees – permit extensions, land information certificates, building fine – new pool legislation, marine berthing – 30-year lease (outgoings only) and waste management fees and charges.

To assist ratepayers that may be facing current financial hardship, Council is providing the option to defer the payment of outstanding council rates. Council recognises the impact the COVID-19 pandemic is having across our community and encourage ratepayers to set-up a payment plan as early as possible to reduce debt.

Fire Services Property Levy

In 2013, the Victorian Government passed legislation requiring the Fire Services Property Levy (FSPL) to be collected from ratepayers by all councils across Victoria. Previously the FSPL was collected through building and property insurance premiums. The FSPL 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 Victorian Government. The FSPL 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 Victorian Government.

6. OTHER REVENUE ITEMS

6.1. USER FEES

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

- Leisure centres and other recreation facilities
- Child care/children's programs fees
- Building services
- Permits and Regulations
- Hardship Assistance
- Other fees and charges

The provision of infrastructure and services form a key part of Council's role in supporting our local community. In providing these, Council considers a range of 'Best Value' principles including service cost and quality standards, value-for-money, and community expectations and values. Council also balances the affordability and accessibility of infrastructure and services with its financial capacity and in the interests of long-term financial sustainability. Council must also comply with the Victorian Government's Competitive Neutrality Policy for significant business activities Council provides to the community and adjust their service prices to neutralise any competitive advantages when competing with the private sector. These fees are forecast to return approximately \$35 million to Council or 8% of total revenue in the 2021/22 financial year. As part of the process of setting these fees, Council currently adopts the "subsidised pricing model" where Council subsidises services by not passing the full cost of that service onto the user(s). During the life of this Plan Council will review the level of subsidy provided for services.

6.2. STATUTORY FEES AND CHARGES

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 Council 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. These fees are forecast to return approximately \$31 million to Council or 7% of total revenue in the 2021/22 financial year

6.3. 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. When preparing its financial plan, Council considers its project proposal pipeline, advocacy priorities, upcoming grant program opportunities, and co-funding options and determines where grant applications can be made. Grant assumptions are detailed in Council's budget document. In 2020/21, grants totalled \$38.9 million (\$14.9 mil in operating grants and \$24 mil in capital grants) or 9% of total revenue and is forecast to total \$55.77 million or 10.2% of total revenue in 2021/22.

Council actively advocates for grant funding from other levels of government to ensure that services and infrastructure is delivered to the community, including residents, industry, workers, visitors and students.

6.4. 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 asset hand-overs. Examples of contributions include:

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

In 2020/21, contributions totalled \$24.6 million or 5% of total revenue and is forecast to total \$22.75 million or 4.1% of total revenue in 2021/22.

Council currently collects open space contributions under the *Subdivisions Act 1988*. The contribution is collected at the time of subdivision as a percentage of the value of undeveloped land. Funds are held in the Public Open Space Reserve and are used by Council to acquire new open spaces and improve existing open spaces in accordance with the *Subdivisions Act 1988* and Council policy. The current Public Open Space Reserve balance is \$77.1 million.

6.5. INTEREST ON INVESTMENTS

Council receives interest on funds managed as part of its investment portfolio. The investment portfolio is managed in accordance with Council's Investment and Strategic Income policy, which seeks to earn the best return on funds whilst minimising risk. Council is reasonably risk averse and any investment will be taken prudently having regards to risk.

In accordance with section 103 of the *Local Government Act 2020*, Council's money may be invested in fixed securities and with an Authorised Deposit-Taking Institution (ADI). The concept of Socially Responsible Investment is preferred by Council where practical as part of achieving its strategic objectives. Socially Responsible Investment is defined by the United Nations Principles for Responsible Investment (UNPRI 2014) as an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance factors and of the long-term health stability of the market as a whole.

Investments in FY21/22 is budgeted to result in \$0.2 million interest earned which is lower than the \$0.9 million forecast of interest earned in year 2020-21. This is due to the forecast lower interest rate and lower average cash balance in our holdings.

6.6. BORROWINGS

Whilst not a source of income, borrowings are an important cash management tool in Council's overall financial and funding strategy. In year 2021-22, Council projects borrowings of \$159 million (compared to \$43 million in year 2020-21) to fund the capital works and to deliver its productive purposes, including post-COVID-19 recovery. The borrowings will result in \$0.7 million interest payable which is higher than the forecast \$0.1 million interest payable in the year 2020-21. The higher interest payable is due to the higher amount of projected average borrowing throughout the year. Council borrowings will be conducted as per its Borrowing Policy.

6.7. USE OF COUNCIL PROPERTY

Council has significant land holdings that are managed in different ways based on service delivery needs and operational purposes. Property may be occupied and used for; direct service delivery by Council, the delivery of community services, corporate accommodation, commercial activities, open space, environmental management, car parking or to enhance strategic outcomes. Council currently managed over 500 occupancy agreements across its property portfolio.

Prior to COVID-19 Council generated around \$5.3 million annually in revenue from its property portfolio. During the COVID-19 pandemic Council supported its tenants in accordance with the *COVID-19 Omnibus (Emergency Measures) Act 2020*, including the provision of rent relief. In 2020/21 Council provided rent relief to the value of approximately \$1.5 million. It is anticipated that some tenant cohorts may require continued financial support into the 2021/22 financial year, and in addition the commercial portfolio may experience a higher than usual vacancy rate due to poorer market conditions, particularly in the retail sector. It is anticipated that revenue from the property portfolio will return to pre COVID-19 levels in the coming years.

7. STRATEGIES AND PLANS

7.1. CURRENT STRATEGIES AND POLICIES

Council has an integrated planning framework to ensure its strategies and plans fit together to achieve its vision of growing Melbourne as a bold, inspirational and sustainable city. In accordance with the integrated planning framework, this Plan is aligned to the following strategies, policies and procedure documentation:

Council Plan 2017-21 (2019 Update) - published August 2019 and Council Plan 2021-2025

The Council Plan 2017-2021 (incorporating the Municipal Public Health and Wellbeing Plan) is the Council's key strategic document. It describes the outcomes the Council intends to achieve during its four-year term, how it will achieve these outcomes, the resources required, and how it will measure success. The Council Plan is implemented through the Annual Plan and Budget, which reflects the Council's decisions on the specific initiatives to be funded each year. The Council's performance against the Council Plan is recorded in the Annual Report. The Council Plan 2021-25 was endorsed by Council on 30 June 2021. Due to the timing of endorsement of the Council Plan 2021-2025 and this Plan, requirements from the Council Plan 2021-2025 that have not been captured in this Plan will be included in years 2, 3 and 4.

Transport Strategy 2030 - published 16 October 2019

Council's 10 year Transport Strategy establishes a long-term vision for all city commuters, and will see more space for pedestrians, cyclists and greening. Council will commit operational and capital funds to deliver the actions and initiatives in this strategy. Our Transport Strategy 2030 will provide more space for people on footpaths and around major transport hubs, to boost Melbourne's \$5.7 billion retail and hospitality sector, and deliver \$870 million in economic benefits to Victoria over the next decade.

Waste and Resource Recovery Strategy 2030 - published 17 July 2019

Council's 10 year Waste and Resource Recovery Strategy will guide the way the city collects and processes waste, while encouraging a decrease in waste production. The overall goal of the strategy is for a cost-effective and environmentally responsive waste and resource recovery system. The strategy is based on the principles of the circular economy and waste hierarchy.

Asset Management Strategy 2015-25 - published 14 October 2015

This strategy has been developed as part of a long-term plan to assess, monitor and plan for the assets that will be needed by Council in the coming decade. By managing our assets carefully we aim to meet future challenges and ensure long-term sustainability and liveability. Over the last 10 years the Council's annual capital budget has averaged approximately \$81 million, which has included the maintenance, renewal and upgrading of assets, as well as the purchase or construction of new assets.

7.2. DRAFT STRATEGIES AND PLANS

Workforce Planning Strategy 2022

The Workforce Planning Strategy will examine all aspects of the workforce requirements for Council, from resourcing levels, skill levels, organisation design, leadership roles and service performance provisions. It is anticipated this strategy will be completed in 2022 and linked to this Plan in years 2, 3 and 4.

Ombudsman's Report - "How Councils Respond to Ratepayers in Financial Hardship"

The Ombudsman has commenced an investigation into how local councils respond to ratepayers in financial hardship. The report is expected to be completed and published in 2021 and it is anticipated that the report will make recommendations. This Plan (as well as our hardship policies) will take into account these recommendations, depending on the timing of its release, in Years 2, 3 and/or 4.

Leasing Policy

A Leasing Policy is under development to ensure that Council has a consistent and equitable approach to allocating properties for use, charging rent and outgoings and ensuring that Council property can respond to changing community needs. This Plan will be linked to the Leasing Policy requirements upon its completion and endorsement.

Property Strategy

The purpose of the Property Strategy is to provide a framework that ensures Council property delivers the highest possible public value through effective planning, management and utilisation, supporting Melbourne as a bold, inspirational and sustainable city. The scope of this strategy includes Council freehold land, Crown land where Council is the committee of management, leases, licences and roads and rights of ways either owned or vested in Council and no longer used for public access purposes.

Revenue Reform Review

The Revenue Reform Review aims to look forward to the next 10 financial years and beyond. It will define a revenue system that anticipates and responds to key drivers such as new world economic order, transformation of business and commerce, strong growth and cultural diversification of our population, deepening stresses between human activities and wider ecosystems, a shift of behaviour towards flexible working and further stresses on housing affordability.

8. 10-YEAR FINANCIAL PLAN

Council has developed a 10-Year Financial Plan to guide long-term financial decision-making. This plan is informed by a People's Panel which provided input on spending and revenue priorities for the next decade. When describing Melbourne, the People's Panel clearly articulated their aspirations for the city which included service and asset requirements. The Asset Management Strategy has been developed as a companion strategy to the 10-Year Financial Plan. The following tables highlights some of the rating assumptions the 10-Year Financial Plan is based.

A new 10-year Financial Plan is currently under development and is due for completion in October 2021. Applicable changes will be incorporated into this Plan in year 2.

Rates income assumptions	Assumption	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 30/31
Residential and non-residential	Victorian CPI	1.50%	1.75%	2.00%	2.00%	2.00%	2.00%	2.00%	2.50%	2.50%	2.50%
Culture & recreational	Victorian CPI	1.50%	1.75%	2.00%	2.00%	2.00%	2.00%	2.00%	2.50%	2.50%	2.50%
Supplementary rates and rate adjustments	Victorian Population	0.40%	1.10%	1.70%	2.00%	2.00%	2.00%	2.00%	2.50%	2.50%	2.50%
Interest on Rates & Charges	Rates debtors * 10%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Waiver on interest of rates and charges	Interest on Rates & Charges * 90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Conversion of previous year supplementary rates	Previous year supplementary rates * (1+50%)	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Segregation of supplementary rates to residential	Previous year segregation of Residential and non-residential against Culture & recreational	99.85%	99.86%	99.86%	99.86%	99.86%	99.86%	99.86%	99.86%	99.86%	99.86%
Segregation of supplementary rates to cultural & recreational	Previous year segregation of Residential and non-residential against Culture & recreational	0.15%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%

9. NEXT STEPS

To ensure that Council continues to be financial sustainable and well placed to deliver services and infrastructure for its community it is imperative that it builds on the foundation set out in this Plan. To achieve this, during the life of this Plan Council intends to review:

- its approach to rating, including the use of NAV and differential rates
- its approach to Cultural and Recreational rates
- the possible introduction of a waste service charge, for general waste and/or food and garden organic (FOGO) waste
- its approach to leasing of Council owned facilities, in particular, the fees and charges paid by tenants under lease and licence arrangements
- the way in which Council subsidises its fees for services such as those set out in section 6.1 of this Plan
- sustainable opportunities to diversify Council's revenue base, including non-rate and non-fee based revenue streams
- revenue streams directly and indirectly associated with value capture, utilising mechanisms under the *Planning and Environment Act 1987* and/or other future State Government mechanisms

Council also intends to undertake an education campaign to enhance community and industry awareness about how the municipal rating system is applied in distributing property based rates, levies and charges.

This Revenue and Rating Plan will be effective for the period 1 July 2021 to 30 June 2025. Annual reviews of the Plan will be completed and the Plan updated to reflect the requirements of relevant strategies and plans, including but not limited to; the Council Plan, Annual Budget, 10-Year Financial Plan and Asset Plan.