East Gippsland Shire Council

Four Year Revenue and Rating Plan

2025/26 to 2028/29

Adopted at Council meeting held on 23 June 2025

EAST GIPPSLAND
SHIRE COUNCIL

Acknowledgement of Country

East Gippsland Shire Council acknowledges the Gunaikurnai, Monero and the Bidawel people as the Traditional Custodians of this land that encompasses East Gippsland Shire, and their enduring relationship with country. the Traditional Custodians have cared and nurtured East Gippsland for tens of thousands of years.

Council values their living culture and practices and their right to self-determination. council pays respect to all Aboriginal and Torres Strait Islander people living in East Gippsland, their Elders, past, present, and future.

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1 Purpose

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

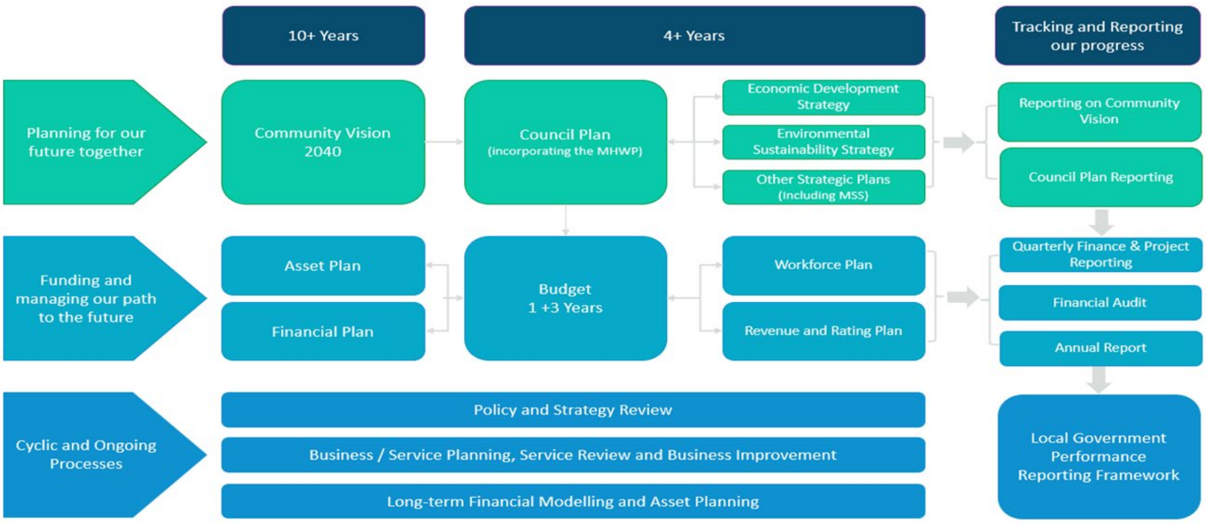
In the 2025 to 2029 Council Plan, there are four themes:

- Community Wellbeing and Social Responsibility
- Prosperity
- Making the Most of What We've Got
- Managing Council Well

The Local Government Act 2020 (the 2020 Act) requires each Council to prepare a Revenue and Rating Plan to cover a minimum period of four years following each Council election. The Revenue and Rating Plan establishes the revenue raising framework within which the Council proposes to work. This Plan is an important part of East Gippsland Shire Council's integrated planning framework, all of which is created to achieve the Community Vision 2040.

Strategies outlined in this plan align with the themes 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.

The Integrated Planning and Reporting Framework guides us in identifying community needs and aspirations over the long-term through the Community Vision and Long-Term Financial Plan; the medium-term through the Council Plan, Workforce Plan, and Revenue and Rating Plan; and short-term through Department Plans and the Budget. East Gippsland Shire Council holds itself accountable through the Organisational and Financial Performance Reports and the Annual Report.



MHWP = Municipal Health and Wellbeing Plan
MSS = Municipal Strategic Statement
LGPRF = Local Government Performance Reporting

This Rating and Revenue 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 Rating and Revenue Plan will set out decisions that Council has made in relation to rating options available to it under the 2020 Act 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.

1.1 Overview

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
- 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)
- Other income - interest from investments, sale of Assets

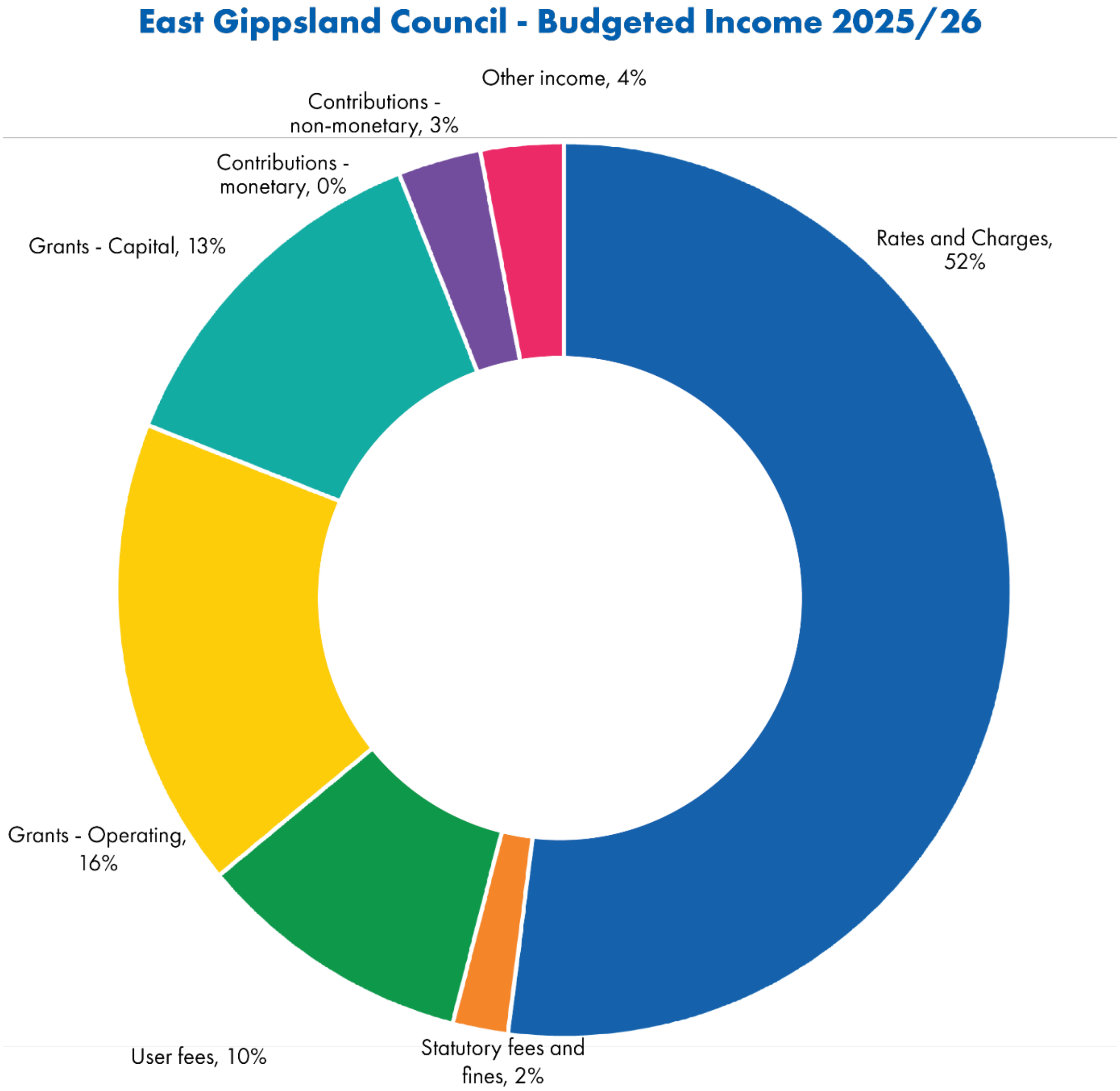
Rates are the most significant revenue source for Council and on average make up over 50% of its annual income.

For the 2025/26 year rates and charges are estimated to be 52% of total income, with 20% from operating and capital grants and 10% from user fees.

The introduction of rate capping under the Victorian Government's Fair Go Rates System (FGRS) has brought a renewed focus to Council's long-term financial sustainability. Maintaining service delivery levels and investing in community assets remain key priorities for Council.

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.


East Gippsland Council - Budgeted Income 2025/26
Other income, 4%
Contributions - non-monetary, 3%
Contributions - monetary, 0%
Grants - Capital, 13%
Rates and Charges, 52%
Grants - Operating, 16%
User fees, 10%
Statutory fees and fines, 2%

1.2 Community Engagement

To inform the development of Council's integrated planning documents and assist in the review of the Community Vision 2040, Council undertook a significant community engagement campaign with input from over 4000 people - one of East Gippsland's most extensive community engagement program to date.

This engagement has shaped the Council Plan, Long-Term Financial Plan and Asset Plan.

The Revenue and Rating Plan outlines most appropriate and affordable revenue and rating approach for East Gippsland Shire Council which in conjunction with other income sources will adequately finance the objectives in the Council Plan.

The following public consultation process was undertaken to consider feedback from community:

- Draft Revenue and Rating Plan was released for community feedback from 7 – 21 May 2025,
- There was extensive advertising and promotion of the Plan with advertising in the local print media, radio, social media, My Council My Community, the engagement Portal on Council's website, as well as copies provided in all Service Centres and libraries,
- Council considered feedback on the plan; and
- The Revenue and Rating Plan was presented at the 23 June 2025 Council meeting for adoption.

2 Legislative Framework

2.1 Local Government Act

The *Local Government Act 2020* (the 2020 Act) empowers Councils to declare general rates, municipal charges, service rates and charges, and special rates and charges. The following sections of the 2020 Act support the legislative framework that is applicable for the Revenue and Rating Plan.

Section 9 – Overarching Governance Principles

A Council is required to give effect to the following overarching governance principles:

- Priority is to be given to achieving the best outcomes for the municipal community, including future generations.
- The economic, social and environmental sustainability of the municipal district is to be promoted.
- The municipal community is engaged in strategic planning and strategic decision making.
- The ongoing financial viability of the Council is to be ensured. In giving effect to the overarching governance principles.

Section 94 – The Budget

A Council is required to adopt a Budget by 30 June each year that includes:

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

A Council must ensure that, if applicable, the Budget also contains a statement:

- 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
- That the Council has made an application to the Essential Services Commission (ESC) for a special order and is waiting for the outcome of the application; or
- 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.

Section 101 – Financial Management Principles

A Council is required to consider the financial management principles that include:

- Revenue, expenses, assets, liabilities, investments and financial transactions must be managed in accordance with a Council's financial policies and strategic plans.
- Financial policies and strategic plans, including the Revenue and Rating Plan, must seek to provide stability and predictability in the financial impact on the municipal community.

2.2 Local Government Act 1989

The 1989 Act continues to be the authority for rating purposes. The legislative framework set out in the 1989 Act determine East Gippsland Shire Council's 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 1989 Act provides that a council may declare the following rates and charges on rateable land:

- General Rates under Section 158
- Municipal Charges under Section 159
- Service Rates and Charges under Section 162
- Special Rates and Charges under Section 163

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

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

Section 157(1) of the 1989 Act provides Council with the following three options in terms of which valuation base to apply:

- Site valuation
- Capital Improved Valuation (CIV)
- Net Annual Value (NAV)

This Revenue and Rating Plan outlines the principles and strategic framework that East Gippsland Shire 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 determined in the annual East Gippsland Shire Council Budget.

2.3 Rating Framework

The legislative provisions that outline rates and charges are still contained in the 1989 Act pending transition to the 2020 Act.

The selection of rating philosophies and the choice between the limited rating options available under the *Local Government Act* is a difficult one for all councils, and it is most likely that a perfect approach is almost impossible to achieve in any local government environment.

The purpose of this Plan is therefore to consider what rating options are available to East Gippsland Shire Council under the 1989 Act and how Council's choices in applying these options contribute towards meeting an equitable Revenue and Rating Plan.

East Gippsland Shire Council can have influence over a limited range of options available in the legislation and include the following:

- The choice of valuation base to be utilised (of the three available choices under the *Local Government Act*).
- Uniform versus differential rating for various classes of property.
- What is the most equitable level of differential rating across the property classes.
- Consideration of the application of a fixed service charge for waste collection and municipal administration.
- The application of rates and charges.
- Other levies applied under the *Local Government Act*.

It is important to note that the focus of this Rating and Revenue Plan is different to that of the Long-Term Financial Plan and Annual Budget. In these latter documents, the key concern is the quantum of rates required to be raised for East Gippsland Shire Council to deliver the services and capital expenditure required. In this Rating and Revenue Plan, the focus instead is on how the obligation to pay this quantum will be equitably distributed amongst Council's ratepayers.

Rates are property taxes that allow East Gippsland Shire Council to raise revenue to fund essential public services and major initiatives to benefit the municipal population. Importantly, it is a taxation system that includes flexibility for councils to utilise different tools in its rating structure to accommodate issues of equity and to ensure fairness in rating for all ratepayers. Rates and charges are an important source of revenue, accounting for over 50% of operating revenue received by Council. The collection of rates is an important factor in funding East Gippsland Shire 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.

East Gippsland Shire Council is aware of the balance between rate revenue (as an important income source) and community ability to pay. With the introduction of the Victorian Government's FGRS, 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.

2.4 Taxation principles

The Victorian Government's Local Government Better Practice Guide: Revenue and Rating Strategy 2014 states that when developing a Rating Strategy, with reference to differential rates, the Council should give consideration to the following key 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.

2.5 Rate capping

The Fair Go Rates System sets out the maximum amount councils may increase rates in a year. The cap applies to both general rates and municipal charges and is calculated based on Council's average rates and charges.

From the 2019-year, general revaluations of all properties have been undertaken on an annual basis. As a result, the actual rate increase for an individual rateable property may differ from the rate cap percentage due to changes in its valuation.

Where the change in an individual property valuation is higher than the average for all rateable properties, the rate increase for that property may be greater than the cap. Where the change in the property valuation is lower than the average for all properties, the rate increase may be lower than the cap.

3 Rates and Charges

3.1 Rates and Charges Revenue Principles

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

Property rates as an overall source of revenue 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, Long Term Financial Plan and Asset Plan

3.2 Rating Structure

Council has established a rating structure comprised of three 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 1989 Act;
- **Service Charges** - A ‘user pays’ component for council services to reflect benefits provided by Council to ratepayers who benefit from a service; and
- **Municipal Charge** - A ‘fixed rate” portion per property to cover some of the administrative costs of Council.

3.3 Valuation method

Under Section 157 of the 1989 Act, Council may use the Site Value, Net Annual Value or Capital Improved Value system of valuation. For the purposes of calculating the Site Value, Net Annual Value or Capital Improved Value of rateable land, a Council must use the current valuations made in respect of the land under the *Valuation of Land Act 1960*.

Policy

East Gippsland Shire Council uses the Capital Improved Value system of valuation.

The reasons for this are:

- Capital Improved Value is the most used valuation base by local government with over 90% of Victorian councils applying this methodology. Based on the value of both land and all improvements on the land, it is generally easily understood by ratepayers as it equates to the market value of the property.
- CIV is also considered to be the closest approximation to an equitable basis for distribution of the rating burden.
- CIV provides Council with the option to levy a full range of differential rates if required and there is no limit on the number or types of differential rates that can be levied. Limited differential rating is available under the other rating bases.

3.4 Impact of Revaluations

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

Key Points:

- Property revaluations are undertaken annually and do not generate extra revenue. Valuations can, however, have a significant impact on the rates that individual properties are allocated, as the total rates pool is redistributed based on the updated property values.
- Valuations are undertaken as at 1 January each year and will be in effect for the rates levied from 1 July for a period of one year.
- Ratepayers can object to their property valuation

3.4.1 Property Valuations

The *Valuation of Land Act 1960* is the principal piece of legislation in determining property valuations. Under the *Valuation of Land Act 1960*, the Victorian Valuer-General conducts property valuations on an annual basis, in this way we do not control the valuation process through which the valuation is determined.

This is so there is independence in the valuations set and because the Valuer-General's office has the specialist skills to be able to provide this information across Victoria.

- The value of each property is used to determine the share of the total rates and charges.
- Municipal valuations are influenced significantly by property sales data.
- We must use the valuations certified by the Valuer-General Victoria in the rate calculation process.
- Property valuations are shown on the annual valuation and rate notice.
- Ratepayers can object to their valuation, if they believe it is not correct, provided they do so within two months of the date of issue of the rates notice each year.

East Gippsland Shire Council needs to be mindful of the impacts of revaluations on the various property types in implementing the differential rating strategy to ensure that rises and falls in Council rates remain affordable and that rating 'shocks' are mitigated to some degree. This is explained more below.

3.4.2 No Windfall Gain

There is a common misconception that if a property's valuation rises, then Council receives and 'windfall gain' with additional income. This is not so, as the revaluation process results in a redistribution of the rate levied across all properties in the municipality. Any increase to total valuations of the municipality is offset by a reduction to the rate-in-the-dollar used to calculate the rate for each property. Rates collected by East Gippsland Shire Council are capped at an annual increase rate as set out by the Minister for Local Government.

3.4.3 How this Affects Rates

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

3.4.4 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 Three of the *Valuation of Land Act 1960*. Any objections must be lodged with Council within two months of the issue of the supplementary rates notice.

3.4.5 Objections to Property Valuations

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

3.5 Differential Rates

The value of each property serves as the basis for calculating what each property owner will pay, one mechanism that assists with equitable distribution of rates is differential rating, which allows us to shift part of the rates levied from some groups of ratepayers to others, through different ‘rates in the dollar’ for each class of property.

Under the 1989 Act (Section 161), East Gippsland Shire Council is entitled to apply differential rates, provided it uses Capital Improved Value as its base for rating.

The maximum differential allowed is no more than four times the lowest differential.

The regulations relating to differential rates is outlined below.

- A Council may raise any general rates in 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.
- 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 Council’s functions and must include the following:
    - A definition of the types of classes of land which are subject to the rate and a statement of the reasons for the use and level of that rate.
    - An identification of the type of classes 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).
  - Specify the characteristics of the land, which are the criteria for declaring the differential rate.

East Gippsland Shire Council must have regard to any Ministerial Guidelines before declaring a differential rate for any land. The Minister issued Guidelines in April 2013. These Guidelines attempt to spell out clearly what types and classes of land may be considered for differentials, and also those that are not appropriate or need to be ‘carefully considered’, in this way the differential rates are determined based on factors like property valuations, the type of property, and the services provided to those properties.

Council has utilised a differential rating system since 2004/05, when a Farm rate differential and a Commercial/Industrial rate differential were introduced.

We currently have three different rate categories depending on how a property is used. These are:

- General Residential
- Commercial/Industrial
- Farming

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

In considering how the differential rates were applied Council has taken into account the following notice of motion resolved at the 16 July 2024 Council meeting:

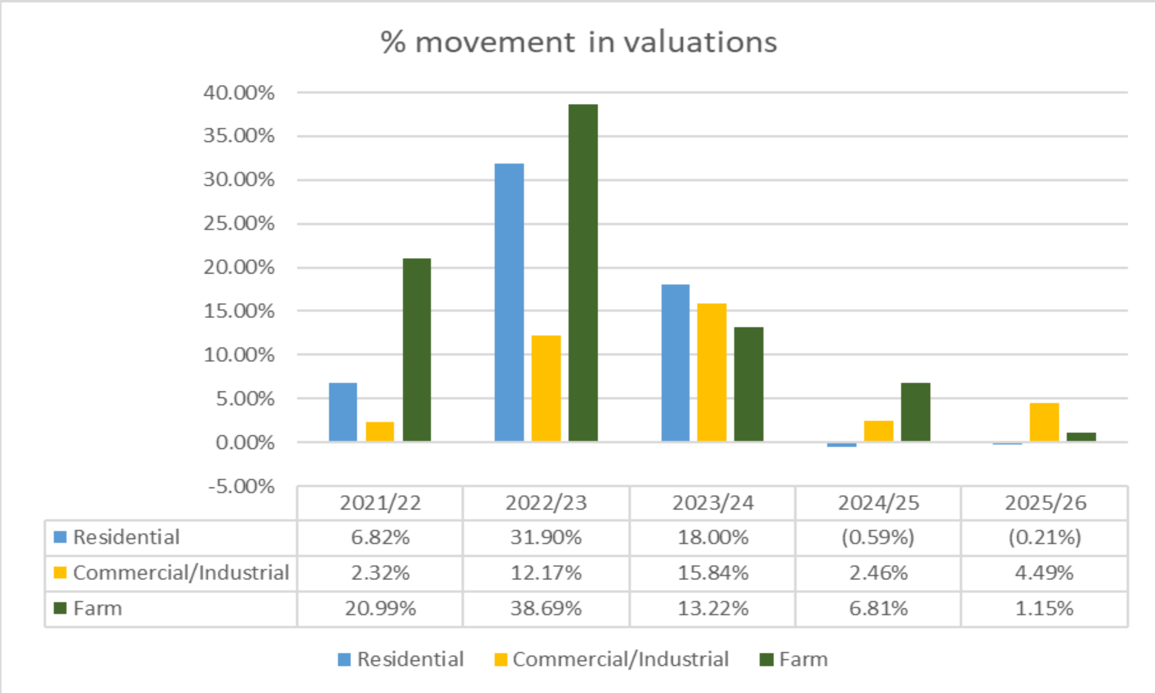
> *"Requests that Officers prepare a report to Council prior to preparation of the draft 2025/26 budget and its release for advertising and community feedback, outlining the:*
>
> - *evidence and options used to set rating differentials across the existing three property classes; and*
> - *consultation options available for Council in relation to the setting of rates, and in particular differential rates."*

In doing this analysis Council considered:

- Property valuation movements over the last 5 years
- The Rates Distribution over the last 5 years
- Differentials applied for the last 5 years
- Services provided to different property classes
- Fairness and equity among the property types
- Simplicity in application to help ratepayers to understanding
- Consistency and predictability

3.5.1 Property Valuations

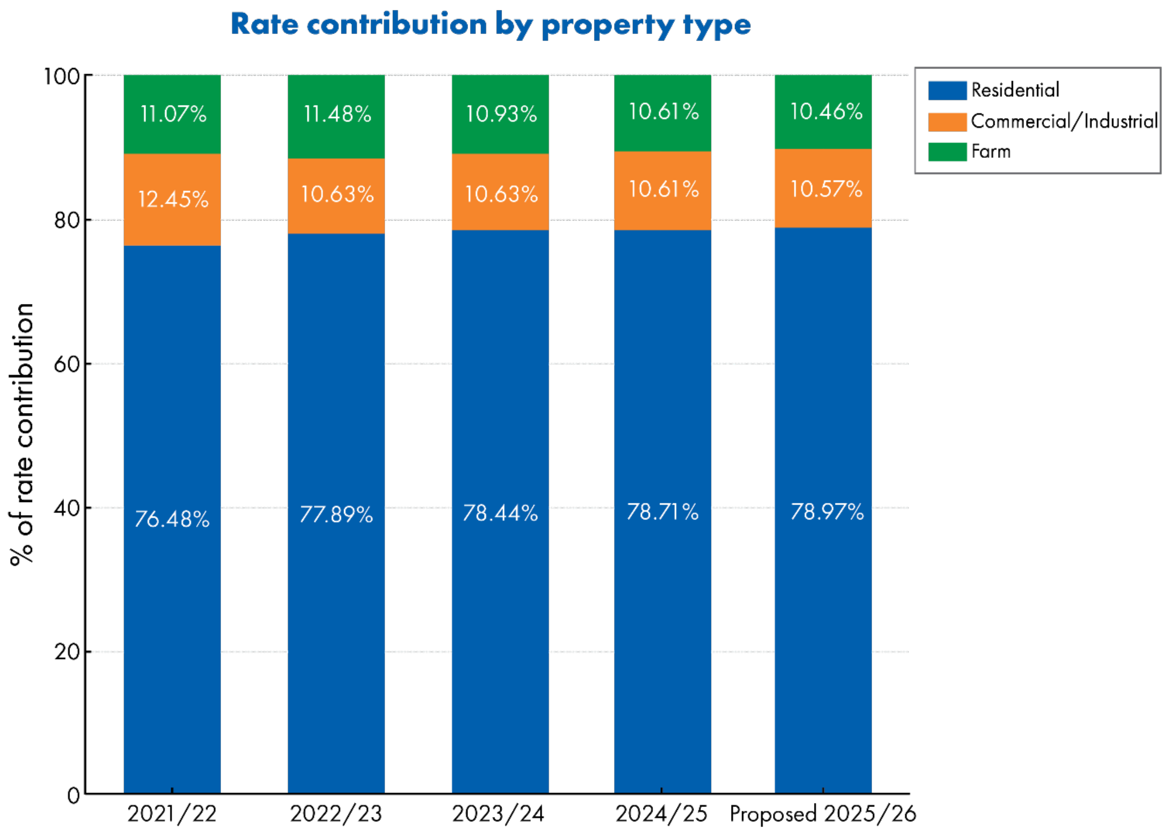
The graph below shows the movements in Valuations of our property classes over the last five years. This shows a significant upward trend across all classes of properties, especially farms after COVID-19.



3.5.2 Rates distribution

Since 2021 the rate distribution or amount of rates each property class pays has remained relatively consistent. This demonstrates the fairness that has been applied across the different property groups when dividing the rating burden.

The table below shows the percentage of total rates and municipal charge distribution for the three classes of properties since 2021/22 through to the proposed distribution for the 2025/26 year.



3.5.3 Differentials applied for the last 5 years

Class	20/21	21/22	22/23	23/24	24/25
Residential	100%	100%	100%	100%	100%
Commercial/Industrial	145%	145%	140%	140%	135%
Farm	80%	80%	80%	80%	75%

3.5.4 Services provided to different property classes

The rationale for a discount to farm properties over time has been because farm properties do not receive or require the same service levels as general properties and that in general terms, they account for a large percentage of the higher value properties within the Shire. The farm rate has also been used at times to provide additional relief to farmers during periods of hardship due to seasonal conditions (e.g. drought, flood) and other factors.

The rationale for Commercial/Industrial properties has been that these types of properties benefit from increased service levels for things like construction and maintenance of infrastructure assets, provision of tourism and visitor programs and services, streetscaping of key business areas, encouragement of economic and employment growth through services and programs.

3.5.5 Other principles used in determining the differential rates

Finally, the principles of Fairness and equity among the property types, Simplicity in application to help ratepayers to understanding and consistency and predictability to not create any rate shocks are taken into consideration.

Policy

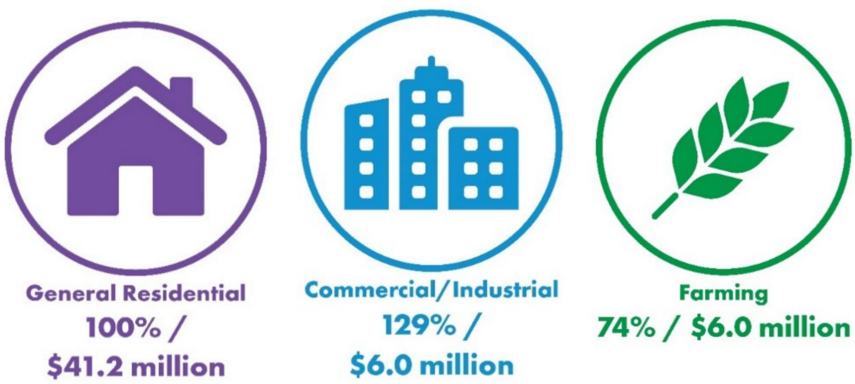
Council considered a range of options for differential rating in the 2025/26 year as part of the budget preparation.

When the different elements above were considered, Council is proposing to use the differential in a way that divides rates up in a way that ensures each class of property has the same average increase of approximately 2 per cent - which is aligned with the proposed rate increase.

In 2025/26 we are intending to apply the following differentials to the rates to achieve an overall 2 per cent on average for each property class.

This prioritises fairness and equity among the property types as well as ensuring the distribution is simple to understand and consistent for our ratepayers.

Differential rates will be applied in the percentages shown below:



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

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

3.5.6 Definitions for the three classes of property

General Rate

General land is any land that is:

- Used primarily for residential purposes; or
- Unoccupied but zoned Residential, Township or Rural Living under the East Gippsland Shire Council Planning Scheme; or
- Any land that is not defined as Farmland or Commercial/Industrial Land.

Objectives

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

- Construction and maintenance of infrastructure assets; and
- Development and provision of services to the community.

Characteristics

The characteristics of the Planning Scheme zoning are applicable to the determination of vacant land, which will be subject to the rate applicable to General land. The vacant land affected by this rate is any land that is zoned Residential, Township and/or Rural Living under the East Gippsland Shire Council Planning Scheme. The classification of land that is improved will be determined by the occupation and use of that land and have reference to the Planning Scheme zoning.

Types and Classes

Rateable land having the relevant characteristics described below:

- used primarily for residential purposes; or
- any land that is not defined as Farmland or Commercial/Industrial Land.

Use of Rate

Funds raised by the differential rate will be applied to the items of expenditure described in the Budget adopted by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land and to achieve the objectives specified above.

Use of Land

The use of the land within this differential rate, in the case of improved land, is any use of land.

Geographic Location

Wherever located within the municipal district.

Planning Scheme Zoning

The characteristics of the Planning Scheme zoning are applicable to the determination of vacant land, which will be subject to the rate applicable to General land. The vacant land affected by this rate is any land that is zoned Residential, Township and/or Rural Living under the East Gippsland Shire Council Planning Scheme. The classification of land that is improved will be determined by the occupation and use of that land and have reference to the Planning Scheme zoning.

Types of Buildings

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

Commercial/Industrial Rate

Commercial and industrial land is any land that is:

- Used primarily for the manufacture, or production of, or trade in, goods or services; or
- Obviously adapted for the primary use of commercial or industrial purposes; or
- Occupied primarily for the purpose of service delivery for tourism, leisure and/or accommodation; or
- Unoccupied but zoned Business, Industrial, Mixed Use, Special Use or Comprehensive Development Zone under the East Gippsland Shire Council Planning Scheme; or
- Conforming to East Gippsland Shire Council guidelines for the classification of property as Commercial/Industrial Land.

Objectives

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

- Construction and maintenance of infrastructure assets;
- Development and provision of services to the community;
- Provision of tourism and visitor programs and services;
- Physical beautification of key business areas; and
- Encouragement of economic and employment growth through a range of programs and services.

Characteristics

The characteristics of Planning Scheme zoning are applicable to the determination of vacant land that will be subject to the rate applicable to Commercial and Industrial land. The vacant land affected by this rate is that which is zoned Business, Industrial, Mixed Use, Special Use or Comprehensive Development under the East Gippsland Shire Council Planning Scheme.

Types and Classes

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.

Use of Rate

Included in the 129% differential rate for Commercial/Industrial properties is a 5% component that is allocated to an Economic Development Discretionary Fund to be used for specific economic development and tourism activities as determined by Council.

Use of Land

The use of land within this differential rate, in the case of improved land, is any use of land.

Geographic Location

The geographic location of the land within this differential rate is wherever it is located within the municipal district.

Planning Scheme Zoning

The characteristics of Planning Scheme zoning are applicable to the determination of vacant land that will be subject to the rate applicable to Commercial and Industrial land. The vacant land affected by this rate is that which is zoned Business, Industrial, Mixed Use, Special Use or Comprehensive Development under the East Gippsland Shire Council Planning Scheme.

Types of Buildings

The types of buildings on the land within this differential rate are all buildings that are now constructed on the land or which are constructed prior to the end of the financial year.

Farm Rate

In order for a property to be classified under the Differential Farm rate land must fulfil the following criteria and be defined as such. Farming land is any land that is:

- Used primarily for a farming or agricultural business; and
- Any land which is "Farm Land" within the meaning of Section 2(1) of the *Valuation of Land Act 1960.*
    - Farm Land means any rateable land that is 2 or more hectares in area;
    - used primarily for primary producing purposes from its activities on the land; used primarily for grazing (including agistment), dairying, pig-farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities; and
- Conforming to East Gippsland Shire Council guidelines for the classification of property as Farm Land; and
- The ratepayer has Primary Producer status with the Australian Taxation Office and be located in a Farm Zone in accordance with Council's planning scheme or have a permit from Council to operate a farming business on that land or meets the criteria for pre-existing use as a farm.

That is used by a business –

- That has a significant and substantial commercial purpose of character;
- That seeks to make a profit on a continuous or repetitive basis from its activities on the land; and
- That is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way that it is operating.

Objectives

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

- Construction and maintenance of infrastructure assets;
- Development and provision of services to the community;
- Preservation and protection of agricultural land as a productive resource; and
- To recognise and address the special circumstances that impact farm properties, including variable income and seasonal fluctuations.

Characteristics

The characteristics of the planning scheme zoning are applicable to the determination of farm land which will be subject to the rate of commercial land. The classification of the land will be determined by the occupation of that land for its best use and have reference to the planning scheme zoning.

Types and Classes

Farm Land having the relevant characteristics described below:

- used primarily for primary production purposes; or
- any land that is not defined as General Land or Commercial/Industrial Land.

Use of Rate

Funds raised by the differential rate will be applied to the items of expenditure described in the adopted Budget. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council’s budgeted expenditure, having regard to the characteristics of the land.

Use of Land

The use of land within this differential rate, in the case of improved land, is any use of land.

Geographic Location

The geographic location of the land within this differential rate is wherever it is located within the municipal district.

Planning Scheme Zoning

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.

Types of Buildings

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

3.6 Other types of Charges

3.6.1 Municipal Charge

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

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

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

Council has applied a municipal charge since amalgamation occurred in December 1994.

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

It also had a 'softening' effect for higher valued properties, such as commercial/industrial and farming properties. It was of particular benefit to the farming sector in that there are exemptions available to properties that qualify under the 1989 Act as a single farm enterprise and a large proportion of farm properties would be in the higher valued property bracket due to their size.

Policy

Continue to apply a municipal charge based on the principles of equity (equal contribution from all). For 2025/26 the fee is proposed as $257. The revenue to be raised through the application of a municipal charge for the 2025/26 year is approximately 14 per cent of total rates and municipal charges.

3.6.2 Service Rates and Charges

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

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

Kerbside Collection Charge

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

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

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

Waste Levy

A Waste Levy service charge of $37 was introduced in the 2022/23 year. The waste levy applies to all property assessments on the same basis as the application of the municipal charge. The Waste Levy service charge is proposed to remain at $51 in the 2025/26 year. It is estimated that the Waste Levy will raise revenue of $1.695 million in the 2025/26 year.

As a result of the significant increase in the Environment Protection Authority (EPA) levy charges on waste to landfill, together with the increased costs for landfill compliance requirements, the application of a waste levy has been determined to be an equitable spread of these externally imposed waste management expenses. It is proposed that the kerbside collection charge unit rates increase at the rate increase percentage of 2 percent for the 2025/26 year. It is proposed that waste facility user charges will generally increase by 3 percent in the 2025/26 year.

3.6.3 Special Charge Schemes

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

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

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

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

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

Landscaping and environmental improvement programs that benefit small or localised areas could also be funded using special rates or charges.

4 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

Policy - Rate Payment Options

Council aims to make the payment of rates as flexible as possible for ratepayers. There are numerous options for paying rates and charges including:

Four instalments

Payments are due on the prescribed dates below:

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

Lump sum

Council also allows a person to pay a rate or charge in a single lump sum payment. The date for this payment is set by the Minister for Local Government and is currently 15 February.

Flexible payment plans

Council also offers flexible payment plans (weekly or fortnightly) that allows the ratepayer to spread the payment of rates and charges across the year or multiple years.

Interest on arrears and overdue rates

Statutory interest can be charged on overdue rates in accordance with the 1989 Act that do not have an approved payment plan.

As outlined above Council has numerous options for paying rates. Penalty interest is used as an incentive to engage with Council to set up a payment arrangement or get Hardship assistance.

Debt recovery

Council makes every effort to contact ratepayers at their correct address, but it is the ratepayers' responsibility to properly advise Council of their contact details. The 1989 Act Sections 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.

If an account becomes overdue, Council will issue a final notice which will include accrued penalty interest and advise the ratepayer of their options to enter into a payment plan or apply for assistance under Council's Financial Hardship Policy. If the account remains unpaid with no payment plan in place, Council may take further action to recover the debt. If the account accrues more than two years of arrears with no payment plan in place, Council may commence legal action to recover the overdue amount. All fees and court costs incurred will be recoverable from the ratepayer.

Rebates

A rebate is a mechanism through which a targeted group receives a discount or concession to achieve certain objectives. Essentially rebates are funded through the general rate pool. More specifically, the amount required to fund the rebate is calculated and incorporated into the total rates and charges requirement. For transparency, the amount of any rebate or concession funded by ratepayers should be declared on an annual basis.

Council may grant rebates of concessions in accordance with the 1989 Act to assist the proper development of the municipal district, to preserve, maintain and restore historical, environmental, architectural or scientific buildings or places of interest important within and to the municipality, or to generally assist the proper development of all or part of the municipal district. Generally, conditions or undertakings are required and if not met, require the rebate or concession to be repaid in part of in full, as the case may be.

Pensioner Rebates

Council introduced a pensioner rate rebate of 5% of the calculated rate in the 2005/06 rating year. The pensioner rate rebate was introduced to provide rate relief to eligible pensioners, in addition to the Victorian Government concession. The rebate recognises pensioners' limited income source.

In 2013/14 the Council pensioner rate rebate was altered from 5% of the calculated rate to a fixed amount of $50.00. This resulted from an analysis of the implementation of the pensioner rebate that demonstrated that at 5% of the calculated rate, the upper 30% of higher valued properties were receiving 45% of Council's allocated budget for the rebate, with the remaining 55% of the allocated budget distributed amongst the remaining 70% of lower valued properties. This scenario was inconsistent with the principle of ensuring a fair and equitable distribution of rates and charges.

When the Council Pensioner Rate Rebate was introduced, it was proposed to increase in line with increases in the government concession. However, Victorian Government concessions do not increase in line with the Consumer Price Index (CPI) but rather, increase by a percentage set by the relevant Minister. In the past, this has been slightly less than the corresponding CPI increase. Consequently, in 2014/15 Council resolved to increase the Council-provided concession by CPI.

This change ensured that any concessional offset amount provided to ratepayers was applied on a consistent, fair and equitable basis. Therefore, as the rates increases included an amount attributed to CPI movements, it was considered appropriate that any concessions be increased by the same percentage. This further ensured that eligible pensioners were quarantined as much as possible from rate increases and that the value of the concession was consistent across rating periods.

In 2018/19 a further change in approach was adopted, with Council's Pensioner Rate Rebate amount increasing by the same percentage as the rate cap. As the proposed rate increase for the 2025/26 year is less than the rate cap, the rebate has been increased by 2.00% the same percentage increase as rates. This resulted in the rebate for 2025/26 being set at $65.47 up from $64.19 in 2024/25.

Policy

Council have considered that this rebate should continue for 2025/26.

Financial Hardship Policy

Sections 170, 171 and 171A of the 1989 Act gives Council the power to defer and/or waive in whole or part, the payment of rates and charges if Council determines the enforcement of the requirement to pay would cause hardship to the ratepayer.

Whilst Council must consider its overall revenue requirements from a strategic perspective taking into account the needs of the community as a whole, it is important that Council has a further mechanism to consider the needs of individuals who are suffering financial hardship.

The purpose of the Hardship Policy is to provide Council with a policy framework to provide rate relief to individuals who need assistance.

Council recognised that during times of financial difficulty, mounting bills can feel incredibly overwhelming.

Hardship options include a reduced payment plan, an extension of time before rates are due to be paid, or a full or partial waiver of rates and charges.

This type of support is offered to all ratepayers who are experiencing hardship or financial hardship.

Ratepayers seeking to apply for this be required to submit an application form, which is available at the Council offices, on the webpage: Payment Assistance and Hardship (eastgippsland.vic.gov.au) or posted upon request.

Council also works in partnership with a free financial counselling service provider who can help assess ratepayer's financial situation, as well as give information and options with debt issues.

State Government Imposed Emergency Services and Volunteers Fund

In December 2024 the Victorian Government introduced a new levy which replaces the Fire Services Property Levy. The new levy is expanded to fund the State Emergency Service, Triple Zero Victoria, the State Control Centre, Forest Fire Management Victoria and Emergency Recovery Victoria.

The Victorian Government introduced this expanded levy without consultation and Council has spent from December 2024 to June 2025 heavily advocating against the expanded levy as it is an increase in what our community will have to pay and does not go to local Council at all, but rather directly to State Government.

The Fire Service Property Amendment (Emergency Services and Volunteers Fund) Bill 2025 however was passed in May and mandates that the Levy must be collected by Council with the money collected sent through to the State Government, in this way the levy **is a State Government levy and not a Council charge.**

The Emergency Services and Volunteer Fund is based on two components, a fixed charge, and a variable charge which is linked to the Capital Improved Value of the property. To reiterate the levy is not included in the rate cap and increases in the levy are at the discretion of the State Government.

5 Fees and Charges

5.1 Pricing Policy

The following pricing principles provide guidance for East Gippsland Shire Council's approach in setting appropriate levels of fees, fines and charges, taking into account community benefit, user groups and Community (Council) Plan objectives. This policy applies to all fees and charges that are listed in the Fees and Charges Schedule, which is published in the Annual Budget. This policy seeks to ensure that the following key objectives are met:

- **Efficiency** – the fees are simple to understand and administer.
- **Equity** – the fees are fairly applied across a range of users and consider users' capability to pay.
- **Effectiveness** – the fees provide appropriate signals to users, value for money and ensure that everyone contributes appropriately to the delivery of services.
- **Transparency** – the method of determining pricing is consistent.

5.1.1 Pricing Options

The first step is to consider whether the fee is statutory in nature (in which case Council has no discretion over the fee setting) or whether the fee and fee level is resolved by Council.

Where the fee is a Council discretionary fee, Council then needs to primarily determine the relationship between the fee levels and the associated expenditure with which the fee is related to.

The options available to Council are to either:

- Set the fee at a level that exceeds related costs therefore creating a revenue flow for Council that assists in offsetting funds required from rates; or
- Set the fee at a level that results in full cost recovery, therefore making the respective service revenue neutral for Council; or
- Set the fee at a subsidised level where Council rate funding (and/or grants) is required for the service.

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

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

- Statutory Pricing
- Market Pricing
- Full Cost Recovery Pricing
- Subsidised Pricing

Statutory Pricing

Pricing applied for fees and charges are generally advised by the Victorian Government department responsible for the corresponding services or legislation. Generally, Councils will have limited discretion in applying these fees.

Market Pricing

Price set above full cost recovery and in-line with benchmarked market prices where the service is considered discretionary and without strong community benefit. Market price often represents full cost recovery plus an allowance for profit. Market prices will be used when other providers exist in the given market, and Council needs to meet its obligations under the government's Competitive Neutrality Policy. It should be noted that if a market price is lower than Council's full cost price, then the market price would represent Council subsidising that service. If this situation exists, and there are other suppliers existing in the market at the same price, this may mean that Council is not the most efficient supplier in the marketplace. In this situation, Council will consider whether there is a community service obligation and whether Council should be providing this service at all.

Full cost recovery pricing

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

Subsidised pricing

The price is set between full subsidy (no charge) and full cost recovery based on the level of community benefit and accessibility of the service (e.g. recreation facilities). Accessible pricing applies where Council subsidises a service by not passing the full cost of that service onto the customer. Subsidies may range from full subsidies (i.e. Council provides the service free-of-charge) to partial subsidies, where Council provides the service to the user with a discount. The subsidy can be funded from Council's rate revenue or other sources such as Australian and Victorian Government funding programs. Full Council subsidy pricing and partial cost pricing should be based on knowledge of the full cost of providing a service.

Council considers the following criteria when determining the level of subsidy applied to fees and charges:

- Is the service designed as a benefit to the community (public good)?
- Is the service private in nature but has public benefits?
- Is there a need for the service?
- Can the community pay for the service?
- What is the nature of the service?

National Competition Policy (Australian Government) and Competitive Neutrality Policy (Victorian Government)

Council's policy framework is to be assessed in the context of both the Australian Government and Victorian Government guidance material regarding competitive neutrality. In setting its pricing, Council is required to price services that compete in the open market on a 'level playing field' basis and to be transparent in regard to any decision to depart from a commercial basis for pricing. Competitive neutrality requires that Council's business activities should not enjoy a net competitive advantage over their private sector competitors as a result of public sector ownership. Where there are significant competitors in the marketplace, Council is required to consider and justify any subsidy in the case of significant services which compete with the private sector.

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:

- Caravan Park fees
- Livestock Exchange fees
- Marina fees
- Leisure Centre, Gym, and Pool visitation and membership fees
- Theatre fees
- Waste facilities 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 services consistent with the level of both individual and collective benefit that the services provide and in line with the community's expectations.

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

- Both direct and indirect costs to be taken into account when setting prices;
- Accessibility, affordability and efficient delivery of services must be taken into account; and
- Competitive neutrality with commercial providers.

Council will develop a schedule 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, where relevant, before the budget is adopted, giving them the chance to review and provide valuable feedback before the fees are adopted by Council.

5.2 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 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.

6 Grants and Contributions

6.1 Government 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 project proposals, advocacy priorities, upcoming grant program opportunities, and co-funding options to determine what grants to apply for. Council will only apply for and accept external funding if it is consistent with the Community Vision and does not lead to the distortion of Council Plan priorities.

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

6.2 Contributions

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

Contributions can be made to council in the form of either cash payments or asset being handed over to Council ownership.

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.

7 Other Revenue

Council earns other sources of revenue from sale of assets, lease and licensing, interest on investments and interest on rate arrears. The amount of revenue earned from these sources fluctuates from year-to-year, such as the level of cash and investments, and outstanding rates and charges balances.

7.1 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 in accordance with Council's Investment Policy, which seeks to earn the best return on funds, whilst minimising risk.

7.2 Sale of Assets

Assets will only be considered for disposal where there is no clear Council or community need for that asset in the foreseeable future. All property considered for disposal will undergo an evaluation based on both financial and community benefit factors. Existing holdings or strategic acquisitions must meet existing needs, new identified needs or adopted strategies.

To enhance community benefit opportunities for the alternative use of property (including asset realisation) will be investigated. Regular reviews of asset holdings will be conducted to identify opportunities for asset realisation and consolidation. Asset management plans, asset usage, the ability for Council to maintain assets, land use planning documents and community benefit will be considerations in such reviews.

7.3 Lease and Licensing

Council provides a range of assets for use by the public, community groups and other organisations to contribute to the achievement of Council's strategic objectives and desired service delivery. Sources of income may be received from leasing and licensing arrangements managed through East Gippsland Shire Council's Lease and Licensing Policy. The Policy applies to all Council-managed assets, including Council-owned, Crown Land (where Council is the appointed Committee of Management) and any other land Council has control over, where an occupancy agreement is to be offered to a community group or other organisation. The Leasing Policy outlines what occupancy agreements are covered