Revenue and Rating Plan 2025-2029

Proposed

GREATER DANDENONG
City of Opportunity

Revenue and Rating Plan 2025-2029

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TABLE OF CONTENTS

1. PURPOSE 3
2. INTRODUCTION 4
3. RESPONSE TO THE OVERARCHING GOVERNANCE PRINCIPLES OF THE LOCAL GOVERNMENT ACT 2020 5
4. COMMUNITY ENGAGEMENT 6
5. RATES AND CHARGES 6
   - 5.1 RATING - LEGISLATIVE FRAMEWORK 8
   - 5.2 EQUITY 9
   - 5.3 FAIR GO RATES SYSTEM 10
6. DETERMINING WHICH VALUATION BASE TO USE 11
   - 6.1 PROPERTY VALUATIONS 14
   - 6.2 NO WINDFALL GAIN 14
   - 6.3 DATE OF VALUATIONS 14
   - 6.4 SUPPLEMENTARY VALUATIONS 14
   - 6.5 OBJECTIONS TO PROPERTY VALUATIONS 14
7. RATING DIFFERENTIALS 15
   - 7.1 GENERAL RATES (RESIDENTIAL) 17
   - 7.2 COMMERCIAL 17
   - 7.3 INDUSTRIAL 18
   - 7.4 RESIDENTIAL – VACANT LAND 18
   - 7.5 FARM 18
   - 7.6 APPLICATION OF DIFFERENTIAL RATES 19
   - 7.7 DIFFERENTIAL RATE OBJECTIVES 21
   - 7.8 UNDERSTANDING THE IMPACT OF GENERAL REVALUATIONS 28
8. OTHER TYPES OF CHARGES 29
   - 8.1 SPECIAL RATES AND CHARGES 29
   - 8.2 MUNICIPAL CHARGE 30
   - 8.3 SERVICE RATES AND CHARGES 30
   - 8.4 FIRE SERVICES PROPERTY LEVY 31
   - 8.5 MAINTENANCE LEVIES 32
   - 8.6 VICTORIAN GOVERNMENT LEVIES 34
   - 8.7 CULTURAL AND RECREATIONAL LANDS (CRL) 35
9. COLLECTION AND ADMINISTRATION OF RATES AND CHARGES 36
   - 9.1 LIABILITY TO PAY RATES 36
   - 9.2 PAYMENT DATE FOR RATES 36
   - 9.3 PAYMENT METHODS 37
   - 9.4 PENSIONER CONCESSIONS 37
   - 9.5 INTEREST ON RATE ARREARS AND OVERDUE RATES 38

9.6 RATES AND CHARGES HARDSHIP POLICY 38
9.7 DEBT RECOVERY 38
9.8 MINISTERIAL GUIDELINES RELATING TO PAYMENT OF RATES AND CHARGES 39

10. OTHER REVENUE 39

10.1 USER FEES AND CHARGES 39
10.2 FEE SETTING 41
10.3 OTHER FACTORS TO BE CONSIDERED IN FEE SETTING 42
10.4 STATUTORY FEES AND CHARGES 42
10.5 GRANTS 43
10.6 CONTRIBUTIONS 43
10.7 OTHER INCOME 44

11. CHARTER OF HUMAN RIGHTS AND RESPONSIBILITIES ACT 2006 – COMPATIBILITY STATEMENT 44

12. RESPONSE TO THE GENDER EQUALITY ACT 2020 44

13. CONSIDERATION OF CLIMATE CHANGE AND SUSTAINABILITY 45

14. RESPONSIBILITIES 45

15. REFERENCES AND RELATED DOCUMENTS 45

1. PURPOSE

The purpose of the Revenue and Rating Plan (this Plan) is to determine the most appropriate and affordable revenue and rating approach for the City of Greater Dandenong which, in conjunction with other income sources, will adequately finance the objectives proposed in the Council Plan.

The *Local Government Act 2020* 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 Council's integrated planning framework, all of which is created to achieve our vision in the Imagine 2030 Community Plan. Strategies outlined in this plan align with the objectives contained in the Council Plan and will feed into our budgeting and long-term financial planning documents, as well as other strategic planning documents under our Council's strategic planning framework.

In an ideal world this plan would outline how Council will generate income to deliver on the Council Plan, program and services and capital works commitments over a 4-year period. The reality is that with capped rates and government grants representing over 85% of Councils income, Councils ability to increase revenue to match expenditure requirements is limited. The Plan instead defines the revenue and rating 'envelope' within which Council proposes to operate.

This plan will explain how the funding burden will be apportioned between ratepayers and other users of Council facilities and services.

In particular, this plan will set out the decisions that Council has made in relation to rating options available to it under the Local Government Act 2020 to ensure the fair and equitable distribution of rates across property owners.

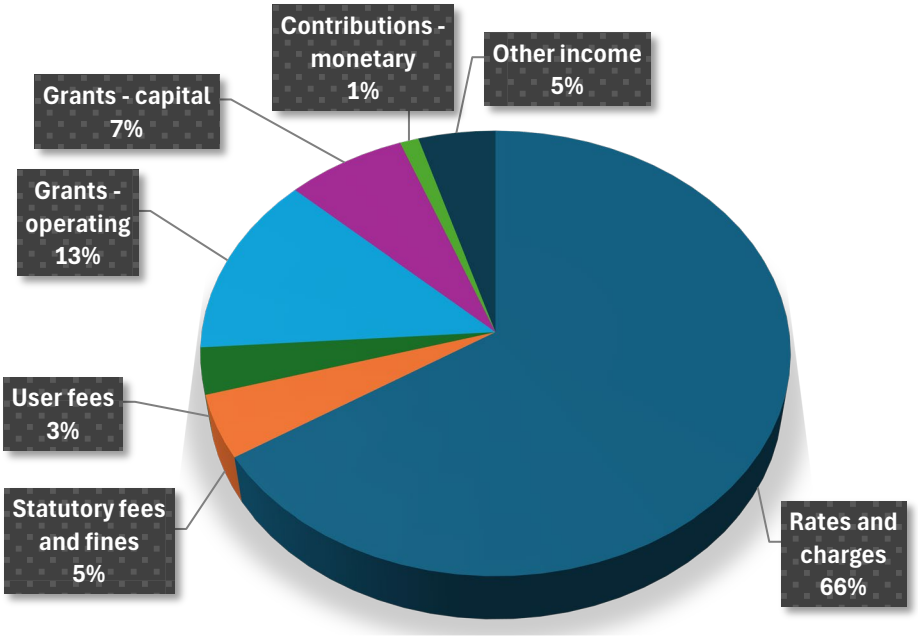
It will also set out the robust principles and practices for fee and charge setting and other revenue items to ensure Council's commitment to responsible financial management is achieved, while at the same time continuing to provide high quality, accessible services to the community. It is also important to note that this plan does not set revenue targets for Council, it outlines the strategic framework and decisions that inform how Council will go about calculating and collecting its revenue.

2. INTRODUCTION

Greater Dandenong City 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 charges
- Grants from other levels of Government
- Statutory Fees and Fines
- User Fees
- Cash contributions from other parties (i.e. developers, community groups)
- Interest from investments
- Sale of assets. (*)



Rates and charges are the most significant revenue source for Council and constitutes approximately 66% of total revenue, with 20% of income from operating and capital grants, 8% of raised through user fees, statutory fines and charges (based on Proposed Budget 2025-26 and excludes non-monetary contributions).

(*) Sale of assets is a non-recurring source of income and does not form part of this revenue and rating plan

The introduction of rate capping under the Victorian Government's rate capping legislation has brought a renewed focus on Council's financial sustainability. Rate capping continues to restrict Council's ability to raise revenue above the rate cap unless application is made to the Essential Services Commission for a variation. Optimising and 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, Council usually has 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.

3. RESPONSE TO THE OVERARCHING GOVERNANCE PRINCIPLES OF THE LOCAL GOVERNMENT ACT 2020

Section 9(1) of the Local Government Act 2020 states that a Council must in the performance of its role give effect to the overarching governance principles. This Plan gives effect to these by:

- complying with the relevant law (section 9(2)(a) of the Act);
- giving priority to achieving the best outcomes for the municipality, including future generations (section 9(2)(b) of the Act). This policy ensures that in relation to community engagement practices, Council Officers are compliant, act with integrity and act in the best interests of Council and the community.
- the economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is promoted (section 9(2)(c) of the Act). This policy has no impact on the economic and social sustainability of Council but has considered climate change and sustainability in its preparation (see section 13 of this plan).
- innovation and continuous improvement have been pursued (section 9(2)(e) of the Act). This policy has provision for evaluation, monitoring and review.
- collaboration with other Councils and Governments and statutory bodies has been sought (section 9(2)(f) of the Act).
- transparency of Council decisions, actions and information is ensured by the enactment of this policy (section 9(2)(i) of the Act).

In giving effect to the overarching governance principles, a Council must also consider the principles and specific requirements of the Local Government Act 2020 relevant to the development of a Revenue and Rating Plan. Key provisions are:

- Section 89: Strategic Planning Principles
- Section 93: Revenue and Rating Plan
- Section 101: Financial Management Principles
- Section 106: Service Performance Principles.

4. COMMUNITY ENGAGEMENT

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

- Proposed Revenue and Rating Plan prepared.
- Proposed Revenue and Rating Plan placed on public exhibition for 28 days community feedback,
- Consider community feedback and perform revisions as required; and
- Revenue and Rating Plan presented to the June Council meeting for adoption.

5. RATES AND CHARGES

The selection of rating philosophies and the choice between the limited rating options available under the *Local Government Act 1989* 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 Council under the *Local Government Act 1989*, and how Council's choices in applying these options contribute towards meeting an equitable rating strategy.

It is important to note at the outset that the focus of this Plan is very different to that of the Long-Term Financial Plan document/Annual Budget (+ 3 years). In these latter documents the key concern is the quantum of rates required to be raised for Council to deliver the services and capital expenditure required. In this Plan, the focus instead is on how the obligation to pay this quantum will be equitably distributed amongst Council's ratepayers.

Council rates are a property-based tax that allow Council to raise revenue to fund essential public services and major initiatives to benefit the municipal population. The important feature of rates is that they are a tax and not a fee for service.

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

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

- **General rates** – Based on values (using the Capital Improved Valuation methodology), which is indicative of capacity to pay and form the central basis of rating under the *Local Government Act 1989*.

- **Fixed charges** – a fixed service charge to recoup the full cost of waste services. A user pays component for council services to reflect the benefits provided by Council who benefit from the waste services. The charge is not capped under the Fair Go Rates System.

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

Council makes a further distinction when applying general rates by applying rating differentials based on the purpose for which the property used. That is, whether the property is used for residential, commercial/industrial, farming and vacant residential purposes. The distribution 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 City of Greater Dandenong rating structure comprises five differential rates (general, commercial, industrial, farm and vacant residential land). These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the *Local Government Act 1989* and the Ministerial Guidelines for Differential Rating 2013.

The differential rates are set as follows:

- Residential (General) 100%
- Commercial 165%
- Industrial 210%
- Residential – Vacant Land 150%
- Farm 75%

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)

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

Rates and charges are an important source of revenue, accounting for approximately 66% 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 State Government's rate capping legislation, all rate increases are capped to a rate declared by the Minister for Local Government, which is announced in December for the following financial year

Council currently utilises a waste service charge to recoup the full cost of waste services including collection, disposal, street sweeping, footpath sweeping, state government landfill levies, plus street and drain litter collection. The waste service charge is not capped under the rate cap.

Council provided some rate exemptions (i.e. non-rateable properties) under provisions contained in section 154(1) & (2) of the *Local Government Act 1989*. Exceptions include land owned by Government, land used for public or municipal purposes, land used for charitable purpose (does not include retail sale of goods or business for profit), the residence of a practicing Minister of Religion, Mining and Forestry land, and defined Services Clubs.

5.1 Rating - legislative framework

The purpose of this section is to outline the legislative framework in which Council must operate in constructing its rating system and the various issues that Council must consider in making its decision on the rating objectives. The relevant legislation guiding councils in terms of levying property owners are the following acts:

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

The legislative framework set out in the *Local Government Act 1989* determines council's ability to develop a rating system. Section 155 of the *Local Government Act 1989* 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.

Council does not charge rate payers a municipal charge nor does Council currently apply any special rates or charges.

The recommended strategy in relation to municipal charges, service rates and charges and special rates and charges are discussed later in this document. 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 three choices in terms of which valuation base to utilise. They are: Site Valuation, Capital Improved Valuation (CIV) and Net Annual Value (NAV). The advantages and disadvantages of the respective valuation basis are discussed further in this document.

Whilst this document outlines Council's strategy regarding rates revenue, rates data will be contained in the Council's Budget (+ 3 years) as required by the *Local Government Act 2020.*

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

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

Section 94(3) of the *Local Government Act 2020* also states that Council must ensure that, if applicable, the budget also contains a statement –

a) that the Council intends to apply for a special order to increase the Council's average rate cap for the financial year or any other financial year; or

b) that the Council has made an application to the ESC for a special order and is waiting for the outcome of the application; or
c) that a special Order has been made in respect of the Council and specifying the average rate cap that applies for the financial year or any other financial year.

This Plan outlines the principles and strategic framework Council will utilise in calculating and distributing the rating burden to property owners, however, the quantum of rate revenue will be determined in City of Greater Dandenong's Budget.

5.2 Equity

Having determined that Council must review its Revenue and Rating Plan in terms of the equitable imposition of rates and charges, it is a much more vexed question in terms of how to define and determine what is in fact equitable in the view of Council.

In considering what rating approaches are equitable with reference to differential rates, Council should consider the following good practice taxation principles:

- Wealth Tax
- Equity
- Efficiency
- Simplicity
- Benefit
- Capacity to Pay
- Diversity
- Cross border competitiveness
- Competitive neutrality.

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

Under this taxation principle, the levying of rates should ideally be carried out in a way that minimises the impact that rates have on both residents and businesses decision making on what choices they need to make in both conducting their normal business.

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. (Noting again that rates are a form of taxation and not a fee for service.

Capacity to Pay

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

Diversity

Cross-border competitiveness: to what extent does the rating system undermine the competitiveness of Council as a place to live and/or own a property or operate a business? This has relevance to Greater Dandenong given the disparity in our differential rating structure to adjoining Councils.

Competitive neutrality: are all businesses conducting similar activities treated in similar ways within the municipality?

Simultaneously applying all these taxation principles is an impossible task within the City of Greater Dandenong environment and therefore trade-offs between these taxation principles are necessary. The rating challenge for Council therefore is to determine the appropriate balancing of competing considerations.

5.3 Fair Go Rates System

The State Government's Fair Go Rates System (FGRS) sets out the maximum amount councils may increase rates in a year. The prescribed rates caps were set at:

Financial Year	Rate Cap
2025/26	3.00%
2024/25	2.75%
2023/24	3.50%
2022/23	1.75%
2021/22	1.50%
2020/21	2.00%
2019/20	2.50%
2018/19	2.25%
2017/18	2.00%
2016/17	2.50%

These assumptions are based on forecast CPI changes.

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

$$\frac{\text{Adopted General Rate and Municipal Charge Income + Annualised Supplementary Rate and Municipal Charge Income}}{\text{Number of Assessments as at 30 June}} = \text{Base Average Rate}$$

$$\text{Base Average Rate} \times (1 + \text{Prescribed Rate Cap}) = \text{Maximum allowable Capped Average Rate}$$

The level of required rates and charges has been considered in this context, with reference to Council's other sources of income and the planned expenditure on services and works to be undertaken for the Greater Dandenong community. In situations where the rate cap is not enough for Council's needs, Council can apply to the Essential Services Commission for a higher cap; this is known as a variation.

6. DETERMINING WHICH VALUATION BASE TO USE

The *Local Government Act 1989* and the *Valuation of Land Act 1960* are the principle Acts in determining property valuations. The purpose of this section is to outline the different methods that Council can utilise to value land and the issues that Council must consider in making its decision on the valuation method.

Under section 157 (1) of the *Local Government Act 1989*, Council has three options as to the valuation base it elects to use. They are:

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

Capital Improved Value (CIV)

Capital Improved Value is the most commonly used valuation base by Victorian Local Government with over 90% of Victorian Councils applying this methodology. Based on the value of both land and all improvements on the land, it is generally easily understood by ratepayers as it equates to the market value of the property.

Section 161 of the *Local Government Act 1989* provides that a Council may raise any general rates by application of a differential rate if:

a) It uses the capital improved value system of valuing land; and

b) It considers that a differential rate will contribute to the equitable and efficient carrying out of its functions.

The advantages of using Capital Improved Value (CIV)

- CIV includes all property improvements and hence is often supported on the basis that it more closely reflects “capacity to pay”. The CIV rating method considers the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.
- With the frequency of valuations now conducted annually (previously two-year intervals) the market values are more predictable and has reduced the level of objections resulting from valuations.
- The concept of the market value of property is more easily understood with CIV rather than NAV or SV.
- Most councils in Victoria have now adopted CIV which makes it easier to compare relative movements in rates and valuations across councils.
- The use of CIV allows councils to apply differential rates which greatly adds to council’s ability to equitably distribute the rating burden based on ability to afford council rates. CIV allows councils to apply higher rating differentials to the commercial and industrial sector that offset residential rates.

Disadvantages of using CIV

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

Site value (SV)

Site Valuation differs to CIV in that it is based solely on the valuation of the land only and does not include the improvements on the land.

With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of Site Value would cause a massive shift in rate burden from the industrial/commercial sectors onto the residential sector.

There would be further rating distribution movements away from modern townhouse style developments on relatively small land parcels to older established homes on the more typical quarter acre residential block.

In many ways it is difficult to see an equity argument being served by the implementation of Site Value in the City of Greater Dandenong Council.

Advantages of Site Value

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

Disadvantages of using Site Value

- Under SV, there will be a significant shift from the industrial/commercial sector onto the residential sector of council. The percentage increases in many cases would be in the extreme range.

- SV is a major burden on property owners that have large areas of land. Some of these owners may have much smaller/older dwellings compared to those who have smaller land areas but well-developed dwellings - but will pay more in rates. A typical example is flats, units, or townhouses which will all pay low rates compared to traditional housing styles.
- The use of SV can place pressure on council to give concessions to categories of landowners on whom the rating burden is seen to fall disproportionately (e.g. Farm land and residential use properties). Large landowners, such as farmers for example, are disadvantaged by the use of site value.
- SV will reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates.
- The community may have greater difficulty in understanding the SV valuation on their rate notices, as indicated by many inquiries from ratepayers on this issue handled by council's customer service and property revenue staff each year.

Net annual value (NAV)

NAV is based on the rental value of a property. In practice for general residential properties and farm rated properties the general assumption is that a rental return of 5% of the capital improved valuation is made. This differs however for units and commercial and industrial properties where the valuation is assessed on the actual market rental achieved on those properties.

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

Recommended valuation base

The City of Greater Dandenong Council applies Capital Improved Valuation as the valuation base for the following reasons:

- CIV is 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. Limited differential rating is available under the other rating bases.
- It should be noted that most of the 79 Victorian Councils apply CIV as their rating base and as such, it has a wider community acceptance and understanding than the other rating bases.

All three types of valuation method have a common basis in that rates are based on the property value which may not necessarily reflect the annual income of the ratepayer for example pensioners and low-income earners.

Plan recommendation
The City of Greater Dandenong Council applies Capital Improved Valuation as the valuation methodology to levy Council rates.

6.1 Property valuations

The *Valuation of Land Act 1960* is the principle legislation in determining property valuations. Under the *Valuation of Land Act 1960*, the Victorian Valuer-General conducts property valuations on an annual basis. Greater Dandenong City Council applies a Capital Improved Value (CIV) to all properties within the municipality to consider the full development value of the property. This basis of valuation considers the total market value of the land including buildings and other improvements. The value of land is always derived by the principal of valuing land for its highest and best use at the relevant time of valuation

6.2 No windfall gain

There is a common misconception that if a property's valuation rises then Council receives a "windfall gain" with additional income. This is not so as the revaluation process results in a redistribution of the rate levied across all properties in the municipality. Any increase to total valuations of the municipality is offset by a reduction to the rate in dollar used to calculate the rate for each property. Properties which have increased in value by more than the average will receive a rate increase of more than the headline rate. Properties with an increase in value less than the average will receive a rate increase less than the headline rate.

6.3 Date of valuations

All properties are valued with an effective date of 1 January for use by Council in the upcoming rating year and are in force until 30 June the following year. Where something (other than market fluctuations) has changed the property value, supplementary valuations must be performed between general valuations, and these may be performed at any time of year.

6.4 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 monthly of valuation and Australian Valuation Property Classification Code (AVPCC) changes.

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

6.5 Objections to property valuations

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

A property owner must lodge their objection to the valuation or the AVPCC in writing to the Victorian City 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).

7. RATING DIFFERENTIALS

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

Under the *Local Government Act 1989 (S161),* Council is entitled to apply differential rates **provided it uses Capital Improved Valuations** as its base for rating. The maximum differential allowed is no more than four times the lowest differential.

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

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

Ministerial Guidelines released in April 2013 state that:

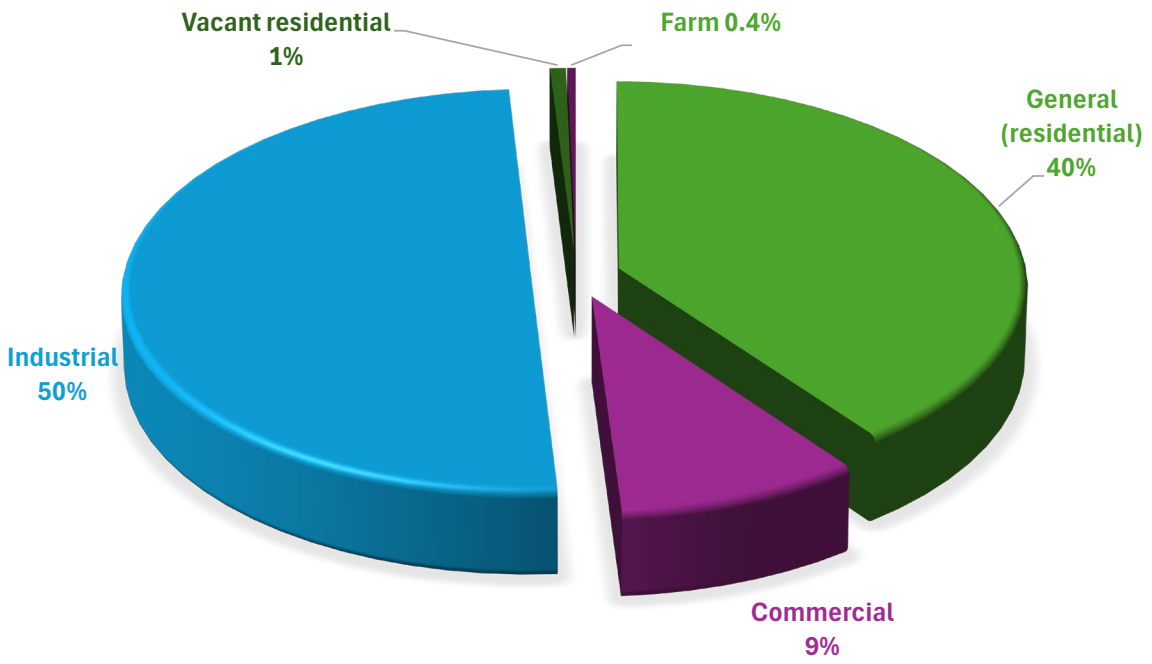
It is **not appropriate** to declare a differential rate that is defined narrowly and applied specifically or exclusively to the following types and classes of land:

- electronic gaming machine venues or casinos
- liquor licensed venues or liquor outlet premises
- business premises defined whole or in part by hours of trade
- fast food franchises or premises
- tree plantations in the farming and rural activity zones, and
- land within the Urban Growth Zone without an approved Precinct Structure Plan in place.

What differentials should be applied?

Council currently applies differential rating (versus uniform rating) and has five differential rates in use. The below table and graph display the respective revenues from the various differential rates. It highlights that 59 per cent of Council rate revenue is derived from Industrial and Commercial sources (based on the proposed budget 2025-26).

Rating Type	Budget 2025-26 Number of assessments	Total CIV 2025-26	Total rates levied 2025-26	% rates of total 2025-26
General (residential)	58,492	39,686,765,000	60,796,873	40%
Commercial	3,406	5,508,568,500	13,923,815	9%
Industrial	6,924	23,751,970,455	76,410,753	50%
Vacant residential	537	445,147,500	1,022,894	1%
Farm	53	471,567,500	541,802	0.4%
Total number of assessments	**69,412**	**69,864,018,955**	**152,696,137**	**100%**
Waste charges			28,424,608	
Total rates and charges			**181,120,745**	



In terms of the differential rates that Council applies, the below table highlights the various 'surcharges and discounts' that are utilised in deriving the 2025-26 Council rates (proposed).

Rating Type	Budget 2025-26 Number of assessments	Budget 2025-26 cents/$CIV	% to general rate 2025-26
General (residential)	58,492	0.0015319181	100%
Commercial	3,406	0.0025276648	165%
Industrial	6,924	0.0032170280	210%
Vacant residential	537	0.0022978771	150%
Farm	53	0.0011489386	75%
Total number of assessments	**69,412**		

Council's application of a 210 per cent surcharge against industrial properties allows Council to provide a low residential rate which is essential given the lower socio-economic status of several areas of the City of Greater Dandenong.

In Greater Dandenong City Council, the average rates levied on a residential property is one of the lowest in metropolitan Melbourne. This is helped by the fact that the combined revenue from commercial and industrial property groups exceeds that of residential properties, despite residential assessments being nearly six times more than those in the commercial and industrial sectors.

The farms contribute 0.4 per cent of the overall rates collected. They currently enjoy a 25 per cent 'discount' against the residential rate.

7.1 General rates (residential)

This category, which has 58,492 assessments, includes all residential properties, including flats and units which until recent years were rated under a separate differential. It contributes 40 per cent of the total rates levied.

This strategy recommends that Council continue applying the general rate for all residential properties, including flats and units.

7.2 Commercial

Greater Dandenong City Council has 3,406 commercial properties.

Commercial properties are defined as those selling a product or providing a service. These properties are similar to industrial properties in respect that they are businesses providing employment opportunities.

Currently there is a significant difference in the rate in the dollar between the developed commercial and the developed industrial properties. Typically, commercial entities vary more in size than industrial properties ranging from milk bar operations to major shopping centre retailers and in many cases the capacity to pay higher rates in the commercial sector is marginal.

7.3 Industrial

Council has 6,924 industrial developed properties. Industrial properties are those that are used for the purposes of manufacturing. These properties which constitute 10 per cent of the total assessments, contribute 50 per cent of the total rates raised.

It must also be acknowledged that Council has been required to invest heavily in the construction of infrastructure for industrial development which does not typically apply in the commercial sector. The primary example of this is the Council contribution towards the infrastructure development within the two Industrial Developer Contributions Plans which are due to expire in 2030. Council's contribution is estimated at more than $25 million (of which $5 million has already been contributed).

7.4 Residential – vacant land

Greater Dandenong City Council has 537 properties attracting the residential vacant land differential which is currently 50 per cent higher than the general residential rate. The purpose of this differential has been to encourage property owners to develop vacant land rather than land bank it.

7.5 Farm

Currently there are 53 farm properties contributing 0.4 per cent to the total rates raised. These properties currently receive a 'discount' of 25 per cent against the general rate. One of the key issues with the farm rate is the eligibility requirement to receive this discount. Currently to receive the discount, a property must meet the definition of farmland under the Valuation of Land Act, which requires the following:

- At least 2 hectares.
- Primarily used for agricultural production.
- Used by a business that has a significant or substantial commercial purpose, seeks to make a profit on a continuous or repetitive basis or has a reasonable prospect of making a profit from the agricultural business being undertaken.

Most farm properties are very high in value (median $5.75 million in 2024-25) and consequently attract relatively high rates per assessment (average $6,659). There are currently 2 farm properties that are within the area that is rezoned industrial and residential (Urban Growth Boundary). This is a decreasing number as this land is being developed. The remaining 51 farm properties are within the green wedge zone with ownership mixed between developers and genuine farm interests.

Farming enterprises are also perceived as not receiving the same level of service that are received by urban ratepayers because of their distance from urban infrastructure and services. Many rural municipalities levy a farm rate and the average farm rate is approximately 80 per cent of the general rate. Greater Dandenong City Council's farm rate is currently 75 per cent of the general rate and the 25 per cent is comparable to the average farm rate discount provided across the State.

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

7.6 Application of differential rates

Greater Dandenong City Council currently has a far more active approach to the use of differential rating than any other Victorian Council. The below summary outlines the respective advantages and disadvantages of this approach.

Advantages of differential rating

The perceived advantages of utilising a differential rating system are:

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

Disadvantages of differential rating

The perceived disadvantages in applying differential rating are:

- The justification of the differential rate can at times be difficult for the various rating groups to accept giving rise to queries, objections and complaints where the differentials may seem to be excessive.
- Differential rates can be confusing to ratepayers, as they may have difficulty to understand the system. Some rating categories may feel they are unfavourably treated because they are paying a higher level of rates than other ratepayer groups.
- Differential rating involves a degree of administrative complexity as properties continually shift from one type to another (e.g. residential to commercial, vacant to developed) requiring Council to update its records. Ensuring the accuracy/integrity of Council's data base is critical to ensure that properties are correctly classified into their differential rate category.
- Council may not achieve the objectives it aims for through differential rating. For example, Council may set its differential rate objectives to levy a higher rate on land not developed, however it is uncertain as to whether the differential rate achieves those objectives.

Plan recommendations
1. That Greater Dandenong City Council continues to apply differential rating as its rating system.
2. That Council continues to apply a uniform general rate for all residential properties, including flats and units.
3. That Council continues to apply a Commercial and Industrial differential rate.
4. That Council continues to apply a Vacant Residential Land differential rate at a surcharge.
5. That Council continues to apply a discount to Farm Rated properties.

7.7 Differential rate objectives

In applying the differential rating framework, Council sets out the following objectives for each differential rate.

GENERAL (Residential)

Objective:

To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the:

1. Construction and maintenance of public infrastructure.

2. Development and provision of health and community services.

3. Provision of general support services.

4. Requirement to ensure that Council has adequate funding to undertake it's strategic, statutory, and service provision obligations.

Types and classes:

Any land which does not have the characteristics of Commercial, Industrial, Residential Vacant or Farm Land.

Use and level of differential rate:

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

Geographic location:

Wherever located within the municipal district.

Use of land:

Any use permitted under the relevant Planning Scheme.

Planning scheme zoning:

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

Types of buildings:

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

COMMERCIAL LAND

The Commercial rate is to promote economic development objectives for the City including the retail development of the Dandenong, Springvale and Noble Park Activity Centre's and the ongoing development of strip shopping centres.

The commercial differential rate further reflects the taxation benefit enjoyed by the commercial sector in that commercial rates are tax deductible.

Taxation principles

Whilst the City of Greater Dandenong is a strong investor in the growth of the commercial sector (benefit principle), the key taxation principle applied by this differential rate is the relative capacity to pay of this sector, acknowledging both the taxation benefit allowed to commercial properties and the relatively lower capacity to pay by the residential sector of Council.

Whilst the higher differential does impact on cross border competitiveness, this is offset to some extent by the level of Council investment in the sector.

Objective:

To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the:

1. Construction and maintenance of public infrastructure related to the commercial sector.
2. Enhancement of the economic viability of the commercial sector through targeted programs and projects.
3. Encouragement of employment opportunities.
4. Promotion of economic development.
5. Requirement to ensure that streetscaping and promotional activity is complementary to the achievement of commercial objectives.

Types and classes:

Any land which is primarily used for commercial purposes.

Use and level of differential rate:

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

Geographic location:

Wherever located within the municipal district.

Use of land:

Any use permitted under the relevant Planning Scheme.

Planning scheme zoning:

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

Types of buildings:

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

INDUSTRIAL LAND

The Industrial rate is to promote economic development objectives for the municipality including industrial development in appropriately zoned areas.

The City of Greater Dandenong has a strong and growing industrial sector that has high demands for new infrastructure and one which creates a high level of stress on existing infrastructure. Council has provided significant capital funding for industrial infrastructure in the past and it is noteworthy will contribute in excess of $25 million as part of Council's contribution to the two industrial development contribution plans in Council's south.

The City of Greater Dandenong has a strong focus on business activities within this Council and has formulated a division of Council focused on the ongoing development of commercial and industrial sectors. This unit has an operational spend of approximately $3.3 million in 2024-25.

The industrial differential rate further reflects the taxation benefit enjoyed by the commercial sector in that commercial rates are tax deductible

The industrial differential rate will be part of a rating system which maintains, as far as possible, the current rates burden on industrial properties given the tax deductibility of rates for businesses and the extent of use of the city infrastructure by industry, especially the road network.

Taxation principles

Whilst the City of Greater Dandenong is a strong investor in the growth of the industrial sector (benefit principle), the key taxation principle applied by this differential rate is the relative capacity to pay of this sector, acknowledging both the taxation benefit allowed to industrial properties and the relatively lower capacity to pay by the residential sector of Council.

Whilst the higher differential does impact on cross border competitiveness, this is offset to some extent by the level of Council investment in the sector.

Objective:

To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the:

1. Construction and maintenance of public infrastructure related to the industrial sector.
2. Enhancement of the economic viability of the industrial sector through targeted programs and projects.
3. Encouragement of employment opportunities.
4. Promotion of economic development.
5. Requirement to ensure that street scaping and promotional activity is complementary to the achievement of industrial objectives.

Types and classes:

Any land which is used primarily for industrial purposes.

Use and level of differential rate:

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

Geographic location:

Wherever located within the municipal district.

Use of land:

Any use permitted under the relevant Planning Scheme.

Planning scheme zoning:

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

Types of buildings:

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

RESIDENTIAL VACANT LAND

The residential vacant land rate is to promote housing development objectives for the municipality including the development of vacant land in residential zoned areas.

Taxation principles

The taxation principle applied in this differential is the efficiency principle where Council is endeavouring to discourage the banking of residential land and provide a financial incentive for its development.

Objective:

To provide an economic incentive for the development of residential vacant land and a disincentive for residential land-banking in order that all rateable land makes an equitable contribution to the cost of carrying out the functions of Council, including the:

1. Construction and maintenance of public infrastructure.
2. Development and provision of health and community services.
3. Provision of general support services.
4. Requirement to ensure that Council has adequate funding to undertake its strategic, statutory, and service provision obligations.

Types and classes:

Any land which is vacant residential land.

Use and level of differential rate:

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

Geographic location:

Wherever located within the municipal district.

Use of land:

Any use permitted under the relevant Planning Scheme.

Planning scheme zoning:

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

FARM LAND

The main objectives of having a farm rate are:

- To promote and support the use of sound agricultural practices.
- To conserve and protect areas which are suited to certain agricultural pursuits.
- To encourage proper land use consistent with genuine farming activities.

Taxation principles

The key taxation principle applied with this rating differential is one of capacity to pay. Council has just 53 farm properties which are typically either just within or just beyond the urban growth boundary leading to high valuations for the respective use of the land. The farm differential applied reflects the high level of rates applied to land which is used for agricultural rather than development purposes.

Objective:

To provide a financial subsidy to rateable farm land to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the:

1. Construction and maintenance of public infrastructure.

2. Development and provision of health and community services.

3. Provision of general support services.

4. Requirement to ensure that Council has adequate funding to undertake its strategic, statutory, and service provision obligations.

Types and classes:

Any land which is primarily used for the purposes of farming.

Use and level of differential rate:

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

Geographic location:

Wherever located within the municipal district.

Use of land:

Any use permitted under the relevant Planning Scheme.

Planning scheme zoning:

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

Types of buildings:

Not applicable.

7.8 Understanding the impact of general revaluations

Amendments to the Valuation of Land Act 1960 mean that from 1 July 2018, the Valuer-General became the valuation authority for annual valuations of all land in Victoria for council rates and the fire services property levy. Each year, all rateable properties are revalued with a valuation date of 1 January.

A revaluation does NOT provide Council with any additional rate revenue but can significantly re-align how rates are distributed between ratepayers at both a rating group and individual level.

The below table highlights the impact of the 2025 Council revaluation.

Rating Type	Foreast 2024-25 Revaluation CIV $'000	Budget 2025-26 Revaluation CIV $'000	Movement in valuations
General (residential)	39,331,715,000	39,686,765,000	0.90%
Commercial	5,404,040,500	5,508,568,500	1.93%
Industrial	22,263,387,500	23,751,970,455	6.69%
Vacant residential	447,117,500	445,147,500	-0.44%
Farm	450,922,500	471,567,500	4.58%
Total value of land	**67,897,183,000**	**69,864,018,955**	**2.90%**

The table highlights that overall Council properties have increased by 2.90 per cent over the year (1 January 2024 to 1 January 2025). Industrial and farm valuations have experienced the highest increases over the past twelve months compared to residential and commercial. Residential vacant valuations, on the other hand, have decreased from the prior year by 0.44%.

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

Rating Type	Existing rating differential 2024-25	Proposed rating differential 2025-26	% increase 2024-25 to 2025-26
General (residential)	100%	100%	0.11%
Commercial	165%	165%	1.13%
Industrial	210%	210%	5.85%
Vacant residential	150%	150%	-1.23%
Farm	75%	75%	3.75%
Total value of land			**3.00%**

The above model retains the differentials for 2025-26. Industrial and farm categories have all experienced an increase in the level of valuations in 2025-26 and will see higher than average rate increases in 2025-26. Retaining the existing differential in 2025-26 will see residential rates increase on average by 0.11 per cent, well below the rate cap of 3 per cent.

On this basis, it is recommended that the existing differential rating structures be retained considering the impacts of the 2025 Council revaluation.

Revenue and Rating Plan recommendation

1. That Council annually reviews its differential rating structure, taking account of the annual impact of revaluations and including the equitable application of taxation principles.

8. OTHER TYPES OF CHARGES

8.1 Special rates and charges

Special rates and charges are covered under Section 163 of the Local Government Act, which enables Council to declare a special rate or charge or a combination of both for the purposes of:

- Defraying any expenses, or
- Repaying with interest any advance made, or debt incurred, or loan raised by Council.

In relation to the performance of a function or the exercise of a power of the Council, if the Council considers that the performance of the function or the exercise of the power is or will be of special benefit to the persons required to pay the special rate or special charge.

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

Section 185 of the Local Government Act provides appeal rights to the Victorian Civil and Administrative Tribunal (VCAT) in relation to the imposition of a special rate or charge. VCAT has wide powers, which could affect the viability of the special rate or charge. It can set the rate or charge completely aside if it is satisfied that certain criteria are met.

Council should be particularly mindful of the issue of proving that special benefit exists to those that are being levied the rate or charge.

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

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

Plan recommendations

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

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

In circumstances outside of the above two scenarios, Council will use differential rating to achieve its objectives.

8.2 Municipal charge

Another principle rating option available to Councils is the application of a municipal charge. Under Section 159 of the Local Government Act (1989), 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 *Local Government Act 1989*, a council's total revenue from a municipal charge in a financial year must not exceed 20 per cent of the combined sum total of the Council's total revenue from the municipal charge and the revenue from general rates (total rates).

The municipal charge applies equally to all properties and is based upon the recovery of a fixed cost of providing administrative services irrespective of valuation. The argument against a municipal charge is that this charge is regressive in nature and would result in lower valued properties paying higher overall rates and charges than they do at present. The equity objective in levying rates against property values is lost in a municipal charge as it is levied uniformly across all assessments.

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

For this reason, this strategy recommends that Council continue to not apply a Municipal Charge.

Revenue and Rating Plan recommendation
That Council not utilise a Municipal Charge as part of its rating plan.

8.3 Service rates and charges

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

a) The provision of a water supply.

b) The collection and disposal of refuse.

c) The provision of sewerage services.

d) Any other prescribed service.

Greater Dandenong City Council currently applies a service charge for the collection and disposal of refuse on properties that fall within the collection area. Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste function.

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

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

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

Should Council elect not to have a waste service charge, this same amount would be required to be raised by way of an increased general rate – meaning that residents in higher valued properties would substantially pay for the waste service of lower valued properties. Whilst this same principle applies for rates in general, the mix of having a single fixed charge combined with valuation driven rates for the remainder of the rate invoice provides a balanced and equitable outcome.

It should further be noted that should Council elect not to have a Service Charge and to recover this amount via general rates, this would need to be approved via an application to exceed the rate cap in Councils general rate increase.

Council residents are offered multiple choices regarding their waste service. Residents can elect various bin options and sizes and have a choice between six different service options – each with a differing price value.

Revenue and Rating Plan recommendation
That Council continues to apply a waste service charge as part of its rating plan based on full cost recovery of the waste function.

8.4 Fire Services Property Levy

The Victorian Government introduced a property-based levy to fund the Metropolitan Fire Brigade (MFB) and the Country Fire Authority (CFA) from 1 July 2013.

The Fire Services Property Levy replaced the insurance-based funding model as recommended by the Victorian Bushfires Royal Commission.

Under the property-based levy:

- councils collect the levy through rates notices.
- the levy is calculated based on the capital improved value of a property.
- the levy consists of a fixed component plus a variable component calculated.
- as a percentage of capital improved property values.
- the fixed component varies for residential properties and non-residential properties; and
- the levy rate varies for different property types such as residential, industrial, commercial and primary production.

The fire services property levy is shown separately on rate notices.

It is important to note that Council is not raising any additional revenue from the levy; it is merely acting as a collection agency on behalf of the Victorian Government.

At the time of preparing this Plan the Victorian Government is proposing the replacement of the Fire Services Property Levy with the Emergency Services and Volunteers Fund (ESVF), if introduced this would expand the funding to support a broader range of emergency services,

including the Country Fire Authority (CFA), Fire Rescue Victoria (FRV) and Victoria State Emergency Service (VICSES). Council will continue to monitor the progress of changes.

8.5 Maintenance Levies

In 2006, Council entered into a Section 173 agreement in respect of new subdivisions proposed in Keysborough South. The estates would be built with an open space component of 20 per cent (compared to the traditional 5 per cent) and be established and maintained at a high level of quality.

In return, the developer would maintain the open space for an initial period of three years before handing this responsibility to Council. As a key component of the Section 173 agreement, the developer (and each successive owner of respective allotments) would also pay to Council an amount of $350 per year as a maintenance levy on each allotment. This levy was to remain fixed for three years and could then, at Council's election, be increased by CPI.

The 2006 development which represented Stage 1 has subsequently been followed by Stages 2 and 3 which have matching Section 173 agreements signed in late 2011.

In 2024-25, there are now approximately 5,133 assessments that are paying the $350 levy, raising revenue of $1.8 million. It is unknown what the final number of assessments will be when the developments are fully completed but this revenue is now reaching its peak.

As from 2011-12, all revenue received is being placed in the Keysborough Maintenance Levy Reserve fund. Prior to this point, the funds were not reserved and were expended on both operational costs and as a funding source for the capital development of Tatterson Reserve.

It should also Council continues to assume responsibility for the maintenance of some of the later stages as the initial three-year maintenance period expires and therefore Councils expenditure in this area is continuing to grow year on year.

At present the estimated cost in 2024-25 for operational maintenance is $2.6 million. Of this amount, 75 per cent is then funded by a transfer from the Reserve fund ($1.97 million), which represents the excess amount of Open Space over the traditional estate of 5 per cent.

With the growth in costs and Councils decision to elect to not index the Maintenance Levy since its inception the current level of Reserve funds are expected to be depleted in the coming five-year period requiring Council general rates to pay for a greater share of this increased open space.

The below table highlights that the current reserve level of $2.8 million is expected to be fully consumed by 2032-33 with Council rates then picking up an increasing share of the expenditure burden to maintain this area.

Reserve	Financial Plan Projections									
	2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000	2029-30 $'000	2030-31 $'000	2031-32 $'000	2032-33 $'000	2033-34 $'000	2034-35 $'000
Keysborough maintenance levy										
Opening balance	2,834	2,603	2,318	1,978	1,582	1,127	613	38	0	0
Income from levy	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Expenditure on open space	(2,031)	(2,085)	(2,140)	(2,197)	(2,255)	(2,314)	(2,375)	(2,438)	(2,502)	(2,569)
Closing balance	**2,603**	**2,318**	**1,978**	**1,582**	**1,127**	**613**	**38**	**0**	**0**	**0**
Expenditure funded from rates								**(600)**	**(702)**	**(769)**

What are respective arguments in favour of retaining or discontinuing the levy?

The arguments in favour of retaining the maintenance levy are essentially:

- The residents of this area receive a significantly higher service level and recreational assets with 20 per cent open space compared to 5 per cent in other areas of Council.
- Residents were aware of the maintenance levy at the point of purchase of their allotments.
- The increased open space (and quality) comes with an attached financial obligation for Council to fund – and it would be inequitable for Council to make all ratepayers pay for this service level.
- Whilst it is argued that all residents can access these areas, it would be a very small number of residents – other than those living in these areas – that would avail themselves of this opportunity.
- Whilst the costs are reasonably low at this point, they will increase very significantly in the next three years. Should Council elect to discontinue the levy at this point, the additional expenditure amount would need to be funded from general rates – noting that Council cannot increase rates under the current rate capped regime without first receiving a variation approval from the Essential Services Commission.

The arguments put forward in terms of discontinuing the levy are based around the following:

- The concept of the open space being available to all to access.
- The concern that many of these residents are already paying quite high levels of Council rates because their valuations are so much higher than the average residential valuation with City of Greater Dandenong.

In terms of this latter point, the average residential rates raised by the City of Greater Dandenong are below the average of benchmark councils. But it also needs to be kept in mind that our average residential valuation in 2024 was $665,000 and this is also below that of adjoining municipalities. The average valuation of all properties paying the maintenance levy is $1,150,000 (2024 valuation).

Revenue and Rating Plan recommendation
That Council continues to utilise maintenance levies where open space amenity provided by developers exceeds the standard level of 5 per cent and where Council is required to accept responsibility for the ongoing maintenance of these areas. Further that maintenance levies be based on transparent recording and communication to residents on revenue inflows and how these funds are expended.

8.6 Victorian Government Levies

In recent years, Council has seen an increased propensity for State Government to view Local Government as a means of collecting State taxes under the branding of Council's rate notice.

This occurred with the now defunct State Deficit Levy in the 1990's and has in recent times been revived with Councils as the landfill levy with Councils having to collect this amount from ratepayers (which for Greater Dandenong is contained in the waste charge) and paid to the landfill operator who pays the levy to the State Government.

Council is also required to collect a Fire Services Property Levy (FSPL) on behalf of the State Government which has added a considerable amount to the average ratepayer's account.

In 2016 the Victorian State Government passed legislation requiring the Fire Services Property Levy to be collected from ratepayers. Previously this was collected through building and property insurance premiums. The Fire Services Property Levy helps fund the services provided by the Metropolitan Fire Brigade (MFB) and Country Fire Authority (CFA), and all levies collected by Council are passed through to the State Government, on a quarterly basis.

At the time of preparing this Plan the Victorian Government is proposing the replacement of the Fire Services Property Levy with the Emergency Services and Volunteers Fund (ESVF), if introduced this would expand the funding to support a broader range of emergency services, including the Country Fire Authority (CFA), Fire Rescue Victoria (FRV) and Victoria State Emergency Service (VICSES). Council will continue to monitor the progress of changes.

This levy is not included in the rate cap and increases in the levy are at the discretion of the State Government.

Revenue and Rating Plan recommendation

It is recommended from a rating policy outcome that Council adopt the following view:

a) That the Victorian Government taxes are best collected by the Victorian Government using its own available resources such as the State Revenue Office.
b) That in the event that Council is required to collect such Victorian Government taxes that these taxes be clearly identified as state charges.

That the Victorian Government fully reimburse local government for the cost of collecting state taxes

8.7 Cultural and recreational lands (CRL)

The *Cultural and Recreational Lands Act 1963* (CRLA) provides that an amount be payable in lieu of rates in each year in respect of any “recreational lands” which would otherwise be rateable land under the Act.

Section 2 of the CRLA relevantly defines "recreational lands" (i.e. CRL properties) as lands which are:

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

Under the CRLA, provision is made for a Council to effectively grant a rating concession to the holder of any “recreational lands” which meet the test of being “rateable land” under the Act. At the time of adopting the Plan there are 22 properties which are “recreational lands” under the CRLA, being:

Council remains open to considering whether other properties in its municipal district are eligible CRL properties and will assess those other properties as and when the need arises.

Determining eligibility and charge

Council will declare the rate equivalent amount for properties which have been identified as CRL properties” in accordance with Section 4 of the CRLA. The CRLA provides that “an amount be payable in lieu of rates in each year being such amount as the municipal council thinks reasonable having regard to the **services provided** in relation to such lands and having regard to the **benefit to the community** derived from such recreational lands”.

The types of “**Services provided to the land**”. Unlike most other properties, CRL properties do not benefit from some of the services provided by the Council. A review of Council services has been conducted to assess the type of services currently being ‘used’ by the CRL properties and it would be reasonable to assume that the following services provided to them are very similar or common:

- Road & Drainage Maintenance;
- Street Lighting;
- Street Signage;
- Car park/off street car parking.

The amount of the “**Community Benefit provided by the land**”. In response to surveys/questionnaires return by eligible properties, Council has identified the following potential community benefits:

- Social interaction;
- Sporting programs;
- Coaching opportunities;
- Cultural promotion;
- Environmental benefits;
- Subsidised entry fees;

- Provision of premises;
- Charitable donations;
- Employment opportunities;
- Community Development/Meeting Places.

Whilst the eligible properties clearly provide a benefit to the community, quantifying the level of benefit can be complicated. These organisations own and exclusively occupy valuable parcels of land, some with substantial improvements, and if rated in the normal fashion, would be liable for a significant rate burden relative to the activity carried out. The exclusive occupation of CRL properties also restricts, at least to an extent, the accessibility of these CRL properties for the broader community.

Equally, activities undertaken by some of these organisations complement the broader range of community facilities provided by Greater Dandenong for the community. They can often add to the aesthetic values of Greater Dandenong and contribute to the character and natural environment.

All CRL properties will be liable to pay Fire Services Property Levy.

Consultation and appeals

Written submissions about the calculation and determination of the rate equivalent amounts can be submitted by the owners of CRL properties. Property owners can also make verbal submissions to Council. The CRLA also provides for owners to appeal to the Minister, under Section 4(2) of the CRLA.

Revenue and Rating Plan recommendation
It is recommended that Council declares a rate equivalent payment calculated by having regard to the services provided to the identified CRL properties and the benefit to the community derived from them, at the times and in the manner prescribed by the CRLA.

9. COLLECTION AND ADMINISTRATION OF RATES AND CHARGES

The purpose of this section is to outline the rate payment options and processes that are in place in relation to payment of rates. It also includes the support provided to ratepayers facing hardship. Council must consider fairness, compassion, confidentiality and compliance with statutory requirements when reviewing these arrangements.

9.1 Liability to pay rates

The owner of the land is liable to pay the rates and charges on that land. In certain cases, the occupier, mortgagee or licensee holder is liable to pay the rates. The *Local Government Act 1989* declares the unpaid rate or charge, interest and costs to be the first charge upon the land, when the land is sold; ensuring Council receives the outstanding monies prior to the discharge of any mortgage and or charges on the land.

9.2 Payment date for rates

Ratepayers must have the option of paying rates and charges by way of four instalments under legislation. Payments are due on the prescribed dates below unless the date falls on a

weekend or public holiday, in which case the due date will be the next business day. Direct Debit agreements can be made with Council to make these payments.

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

If a customer elects to pay their rates in full, the amount must be paid by the first instalment date 30 September.

9.3 Payment methods

Council offers a range of payment options including:

- In person at Council offices (cheques, money orders, EFTPOS, credit/debit cards and cash)
- Online via Council's Payble payment portal (credit card processing fee may be charged)
- Internet via Council's website for MasterCard and Visa payments (credit card processing fee may be charged)
- BPAY
- BPAY view via ratepayers banking apps
- Australia Post (over the counter, over the phone via credit card and on the internet)
- Mail.

Direct debit agreements are also available to all ratepayers, allowing them to pay on a fortnightly or monthly or weekly frequency over a twelve-month period.

Council remains committed to providing flexible payment options and where necessary hardship options for community to access.

9.4 Pensioner concessions

Holders of a Centrelink or Veteran Affairs Pension Concession card or a Veteran Affairs Gold card which stipulates TPI, War Widow, EDA or POW 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 these claims may be approved by the relevant government department.

The Victorian Government-funded rebate provided under the Municipal Rates Concession Scheme was 50% reduction on Council rates up to a yearly maximum of $259.50 for 2024-25 and $50 off their Fire Services Property Levy.

9.5 Interest on rate arrears and overdue rates

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

9.6 Rates and charges hardship policy

Council recognises managing financial hardship is a shared responsibility. Sections 170, 171 and 171A of the *Local Government Act* 1989 give 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.

Council has a Rates and Charges Hardship Policy in place to aid ratepayers having trouble in paying their rates and charges. The policy is to enable a person liable for rates and charges and experiencing hardship, to make application to Council for assistance relating to rates and charges levied on a property under the *Local Government Act 1989*.

The Policy also provides Council officers a framework to provide financial relief to ratepayers who need assistance and to ensure all applications are treated consistently, sensitively and confidentially while ensuring other ratepayers are not disadvantaged by the granting of inappropriate relief from Council. It should be noted that Council is one of very few Councils that has a formal process in place to waive rates up to a maximum value.

The timely collection of rates and charges ensures adequate revenue for the provision of council services and planned capital works projects provided by Council for the community.

9.7 Debt recovery

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

If an account becomes overdue, Council will issue an overdue reminder notice which will include accrued penalty interest if applicable. Other than the annual valuation and rate notice, reminder notices are issued before considering legal action. If the account remains unpaid, Council may take legal action to recover the overdue amount. All fees and court costs incurred will be recoverable from the ratepayer.

The Act also imposes restrictions on when a council may commence recovery proceedings for unpaid debts. Recovery proceedings will be deferred (but not prohibited) in favour of more lenient arrangements for ratepayers. The Minister for Local Government will have the power to issue guidelines relating to the payment of rates and charges.

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

9.8 Ministerial Guidelines relating to payment of rates and charges

The Victorian Ombudsman's 2021 "Investigation into how local councils respond to ratepayers in financial hardship" recommended that the Victorian Government provide clear, consistent definition of 'financial hardship' and issue guidelines regarding rates hardship relief. At the time of exhibition of this Plan, these guidelines have not been released, other than in draft form. Once these guidelines have been published, Council will consider any additional provisions that may be required in Council's Revenue and Rating Plan, Rates and Charges Hardship Policy and Debt Collection.

Revenue and Rating Plan recommendation
1. That the City of Greater Dandenong continues to maintain the rates arrangements, deferral and waiver procedures as documented in the Rates and Charges Hardship Policy.

10. OTHER REVENUE

Greater Dandenong Council requires sufficient revenue to satisfy its service delivery needs and fund its infrastructure and asset management needs. These funds come from a range of sources including:

- Fees, charges and fines.
- Government Grants
- Contributions
- Other Income

All avenues are pursued to obtain external grant funds for prioritised works and projects. Similarly, Council actively seeks to grow its own-sourced revenue to provide additional funding for both service delivery and infrastructure projects to reduce the burden on ratepayers. Council reviews its fees and charges annually and increases/decreases the levels consistent with application of the user pays principle – that is, so far as is possible, the cost of providing a direct service will be met by the fees charged.

The following sections outline Council's pricing policy with respect to each of its major revenue streams.

10.1 User fees and charges

The City of Greater Dandenong provides a wide range of services, for which users pay a fee or charge which covers at least part of the cost of supply. The level of some fees and charges are statutorily set, however many are at the discretion of Council. Legislation provides for local governments to levy fees and charges.

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

Sound financial management of community service delivery requires fees and charges to reflect the cost of providing a service of a particular quality, moderated by considerations of affordability, accessibility and equity, as well as community expectations and values.

Council's financial resources are limited. Most of the Council's revenue comes from rates, with 3.4% of income raised through user fees and charges and 4.6% through statutory fines and charges. Although a relatively small proportion; fees and charges are an important source of income and increasingly so in a rate-capped environment.

Examples of user fees and charges include:

- Aged and health care services
- Leisure centre and recreation fees
- Meeting or facility room hire
- Animal registrations
- Permits and licences
- Equipment hire fees
- Waste Management fees

When setting fees and charges factors considered include the user's capacity to pay, equity in the subsidisation of services, community service obligations, statutory or service agreement limitations and results of benchmarking of similar services.

Where higher or lower than budget parameter fee increases are proposed, benchmarking of other Council or competitor fees for the same service maybe undertaken for consideration by Councillors as part of the annual budget process.

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.

Cost Recovery

A general principle in setting fees and charges is that the fee charged for a service should correspond with the cost of providing the service – that is the costs borne by Council are fully recovered where possible. However, there are many factors that are considered when setting fees for Council services which means full cost recovery is not always equitable, practical or achievable, and these are discussed in the next section.

10.2 Fee setting

Understanding the pricing options

In summary, 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 the 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 as follows:

1. 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
2. Set the fee at a level that results in full cost recovery, therefore making the respective service revenue neutral for Council; or
3. Set the fee at a subsidised level where Council rate funding (and/or grants) is required for the service.

Greater Dandenong services are provided based on one of the following pricing methods:

A. Full Cost Recovery Pricing
B. Subsidised Pricing
C. Market Pricing

The following describes each applicable pricing principle that is to be applied in each circumstance.

Full Cost Recovery Pricing (A)

Full cost recovery price (A) aims to recover all direct and overhead costs incurred by Council. This pricing should be used 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 (partial cost recovery) (B)

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

Market Pricing (C)

Market pricing (C) is where council sets prices based on the benchmarked competitive prices of alternate suppliers. In general market price represents full cost recovery plus an allowance for profit. Market prices will be used when other providers exist in the given market, and council needs to meet its obligations under the government's Competitive Neutrality Policy. It should be noted that if a market price is lower than council's full cost price, then the market price would represent council subsidising that service. If this situation exists, and there are other suppliers

existing in the market at the same price, this may mean that council is not the most efficient supplier in the marketplace. In this situation, council will consider whether there is a community service obligation and whether council should be providing this service at all.

10.3 Other factors to be considered in fee setting

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

While cost recovery is a key consideration in determining fee levels, there are a number of other factors that are also important, and the relevance of these factors vary across Council's different services. These include:

- Do any external constraints or guidelines apply? eg statutory pricing or competitive neutrality requirements
- Is the price competitive with neighbouring councils and other local competitors?
- Is there a level of Council subsidisation that needs to be maintained or reduced?
- Does the price allow community access, equity and affordability?
- Is the price appropriate given market demand trends and current economic conditions?
- Can the required increase in Council revenue be achieved through growth in volumes rather than price? Eg. due to growth in demand or population
- Does the price encourage an appropriate level of utilisation of Council facilities and services?
- How sensitive are customers to price changes for a particular service?

As a government body, Council has a responsibility to ensure it sets fees at an appropriate level so as not to create an unfair disadvantage for its private sector competitors by subsidising service costs through other revenue streams.

10.4 Statutory fees and charges

Where fees are set by State Government statute (Statutory Fees); Council has no ability to alter the fee. These fees are fixed and result in a growing cost to the general ratepayer to provide services as the level of cost recovery is diminished over time. Fees will be amended in line with any increases should one be determined by State Government over the course of the year.

Examples of statutory fees and fines include:
- Infringements and fines
- Planning and subdivision fees
- Building and Inspection fees
- 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.

10.5 Grants

Grant revenue represents income usually received from other levels of government, such as the Victorian Local Government Grants Commission (VLGGC). 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.

In the 2024-25 Budget government grants totalled $43.81 million (or 17% of revenue) with the majority being tied grants which require Greater Dandenong to perform a service on behalf of the State or Federal government. In most cases the tied grants do not adequately fund the service provided and additional rate revenue is required to subsidise these services. This is known as cost shifting to local government and is widely recognised across the sector as a major issue.

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.

Grants can be both state and federally funded and can be received in one of two forms:

- **Operating** - all monies received from state and federal sources for the purposes of funding the delivery of Council's services to residents. These funds can be spent as council sees fit in accordance with local priorities.

- **Capital** - all monies received from state and federal sources for the purposes of funding the Capital Works Program. Receipt of this income is project dependant.

Grants can also be broken down into:

- **Recurrent** – where income is provided as part of an ongoing or regular funding program. This can include both general purpose grants, which can be spent at Council's discretion, and funding for specific services, which are tied to delivering on agreed targets or outputs.

- **Non recurrent** – one off grants provided for specific purposes, where conditions apply as to how the money is spent. Most funding received for Council's capital works program falls in this category, as well as some operational funding for specific projects.

The annual budget contains a summary giving a breakdown of the types of grants expected to be received each year under each of the above four categories. No project that is reliant on grant funding will proceed until a signed funding agreement is in place. All grants are recognised as revenue in accordance with relevant accounting standards.

10.6 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 handovers.

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.

10.7 Other income

- **Interest on investments**
  Council receives interest on funds managed as part of its investment portfolio, where funds are held in advance of expenditure, or for special purposes. The investment portfolio is managed per Council's Investment Policy, which seeks to earn the best return on funds, whilst minimising risk. The earnings on these investments provide an important additional source of revenue for Council.

- **Other income** – Council receives other income from a number of sources and for many different purposes. This includes leases and licences and cost recovery income.

11. CHARTER OF HUMAN RIGHTS AND RESPONSIBILITIES ACT 2006 – COMPATIBILITY STATEMENT

The *Victorian Charter of Human Rights and Responsibilities Act 2006* has been considered in relation to whether any human right under the Charter is restricted or interfered with in any way by enacting any part of this policy. It is considered that this policy is consistent with the rights outlined in the Charter.

12. RESPONSE TO THE GENDER EQUALITY ACT 2020

The *Gender Equality Act 2020* requires that Council completes Gender Impact Assessments (GIA) on all new policies, programs and services that directly and significantly impact the public including those that are up for review as from 31 March 2021.

Whilst the most significant revenue amounts in Councils Annual Budget and Long-Term Financial Plan arises from Rates and Charges and Government Grants, Council has little control over either of these processes. Rates are essentially a property tax based on a high degree of legislative guidance and grants are determined by the State and Federal Governments. Fees and Charges represent our third highest level of revenue and is the area that Council has the most discretion over. Council's guideline for setting fees and charges includes the requirement for all major fee areas to have a gender impact assessment completed.

13. CONSIDERATION OF CLIMATE CHANGE AND SUSTAINABILITY

Council's Declaration on a Climate and Ecological Emergency, Council's Climate Change Emergency Strategy 2020-2030 and the requirements of the *Local Government Act 2020* in relation to the overarching governance principle on climate change and sustainability have been considered in the preparation of this policy.

Funding and support of Climate Change initiatives will be considered as part of the preparations of the Council Plan, Annual Action Plan and the 2025-26 Budget. Revenues derived from the Revenue and Rating Plan will support the delivery of these actions, but it is not considered this plan has any other direct links.

This is due to the fact outlined in the introduction of the Plan where Council is unable to either introduce any special rate or levy to support and fund climate change and that its revenue amounts are to a large extent capped by either rate capping or state government grant approvals.

14. RESPONSIBILITIES

All Council Officers are responsible for ensuring compliance with this Plan.

15. REFERENCES AND RELATED DOCUMENTS

Legislation

- *Charter of Human Rights and Responsibilities Act 2006*
- *Cultural and Recreational Lands Act 1963*
- *Local Government Act 1989*
- *Local Government Act 2020*
- Local Government (Planning and Reporting) Regulations 2020
- *Local Government Legislation Amendment (Rating and Other Matters) Act 2022*
- *Penalty Interest Rates Act 1983*
- *Valuation of Land Act 1960*

Related Council and Other Policies, Procedures, Strategies, Protocols, Guidelines

- Greater Dandenong City Council Community Engagement Policy
- Greater Dandenong City Council Rates and Charges Hardship Policy
- Ministerial Guidelines for Differential Rating
- Valuation Best Practice Specifications Guidelines 2022