City of
ST0NNINGT0N

Draft Revenue and Rating Plan 2025 – 2029

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1. Purpose

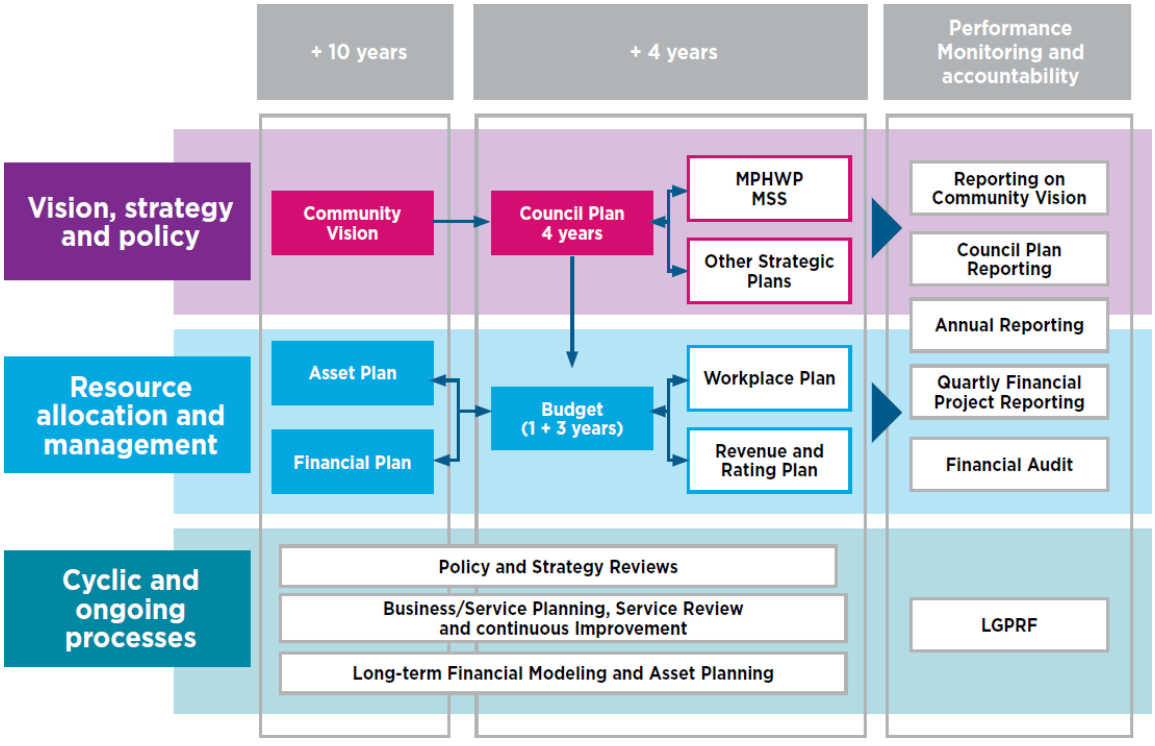
The purpose of the Revenue and Rating Plan is to determine the most equitable, affordable and sustainable approach to raising revenue that, alongside other income sources, enables Council to deliver on the objectives of the Council Plan and manage the municipality's assets responsibly in line with community expectations.
Section 93 of the *Local Government Act 2020* requires each Council to prepare a Revenue and Rating Plan to cover a period of at least four years following each Council election. The last Council election was held on 26 October 2024."This 2025-29 Revenue and Rating Plan provides the framework for how Council will generate revenue in a manner that supports long-term financial sustainability and aligns with community priorities."

This plan is an important part of Council's integrated planning framework, all of which is created to achieve our Community Vision 2040 and Council Plan 2025 – 2029 – Stonnington Tomorrow.

Strategies outlined in this plan align with the strategic directions and objectives contained in the Council Plan and they inform our budgeting, long-term financial planning, another key documents within Council's integrated planning framework.

It provides a medium-term plan for how Council will generate income to deliver on the Council Plan, program and services and capital works commitments (including asset renewal requirements) over a 4-year period. It defines the revenue and rating 'envelope' within which Council proposes to operate.

Figure 1: Stonnington's Integrated Planning Framework



This plan will explain how Council calculates the revenue needed to fund its service and asset management activities, and how the share of costs will be distributed between ratepayers and other users of Council facilities and services through fees and charges.

In particular, this plan will include the considerations undertaken and decisions that Council has made in relation to rating options available under the *Local Government Act 2020* to determine the strategy/methodology that allows for 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.

1.1 Introduction

City of Stonnington provides a number of services and facilities to the local community, and in doing so, collects revenue to cover the cost of providing these services and facilities.

Council's revenue sources include:

- Rates and Charges (including Special Rates and Special Charges)
- Waste and garbage charges
- Grants from other levels of government
- Statutory Fees and Fines
- User Fees
- Cash and non-cash contributions from other parties (i.e. open space, developers, community groups)
- Sale of assets
- Other Revenue (i.e. investment interest, rent).

Rates and charges are the most significant revenue source for Council and makes up approximately 63.6% of total revenue, with the remaining operating revenue coming from:

- user fees and charges – 11.4%,
- statutory fees and fines charges - 10.8%
- contributions/asset sales/other income - 10.7%
- operating grants - 2.6%
- capital grants - 0.9%

(calculations based on adopted 2024-25 Budget values).

The introduction of rate capping under the Victorian Government's Fair Go Rates System (FGRS) in 2015 has had an enduring impact on Council's long-term financial sustainability. The FGRS continues to limit Council's ability to raise revenue above the rate cap unless an application is made to the Essential Services Commission for a variation.

Council provides a wide range of services to the community, often some of which incur a user 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 the 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 and Council's Financial Management Principles policy.

Council revenue can also be negatively affected by changes in 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 in the future.

1.2 Strategic Directions of the Council Plan

The Revenue and Rating Plan is required to meet the objectives set out in the Council Plan. Council needs to ensure the plan it adopts is capable of raising sufficient income to deliver the strategic direction set out in the Council Plan.

Stonnington's Council Plan 2025-29 is in development and will be approved during the first half of 2025-26, ahead of the legislative deadline of 31 October 2025. It is expected to be based around the following five themes, with the emerging Strategic Directions included in brackets:

- City (Liveable City)
- Economy and destination (Vibrant Destination)
- Community (Inclusive Community)
- Environment (Sustainable Environment)
- Organisation (Well Governed Organisation)

1.3 Community Engagement

Deliberative community engagement is not a requirement for a Revenue and Rating Plan under either the Local Government Act 2020, or the Local Government (Planning and Reporting) Regulations 2020. However, the community is provided with an opportunity to offer feedback on proposed rates and charges through the annual Budget adoption process. Should Council propose any future changes to the current rating methodology, a comprehensive community engagement process would be necessary to ensure transparency and informed decision-making.

2. City of Stonnington – Context

In assessing Council's various revenue raising options, it is important to note that funding requirements are determined based on the service levels and asset demands of all people within our community, various legislated obligations and other aspirations of an economic, social or environment nature. Each Council faces a different and unique set of community needs, demographics, service areas, challenges, opportunities, risks and demands. While the term "Local Government' applies to all councils, the decisions facing each Council when considering the revenue required to meet these needs, demands, challenges and opportunities are very different. A municipality's revenue requirements are influenced by a range of factors, including population size, geographical area, demographic profile, the dispersion and density of service delivery, community expectations and service needs, the condition of existing assets, and the infrastructure required. To put this document in context and to establish a policy on revenue generation (including rates) and determine how Council can appropriately distribute this so as to pay for the provision of operational and capital works year on year, it is essential to consider some context about the City of Stonnington, both in its current state and as it evolves in the future.

2.1 Public Goods vs Private Goods

The majority of Council services funded through revenue raised are classified as public goods. These are services and assets that can be used by all members of the public regardless of whether they are actually used by any specific individual that contributes to the cost of operation via rates or other charges. Private goods, in contrast, provide specific benefits to individual users. When Councils provide private goods, it is appropriate to charge the full economic cost of the service, as the benefit accrues directly to the user (commonly referred to as the "User Pays Principle"). However, where there is a strong public policy rationale to encourage, support, or subsidise access to private goods for certain users, these services may be subsidised.

This approach inevitably places the burden of supporting these costs onto other members of the community. This policy outlines the appropriateness of charging the full economic cost to individual users of a service or facility, while also exploring options to fund community demands and obligations for public goods. Additionally, it considers how to support private goods where applicable, ensuring that the revenue required to deliver these services is allocated in an equitable, efficient, and sustainable manner to meet both current and future demands for all services and assets.

2.2 Population and Demographics

The City of Stonnington has a land area of 25.63 Km2, with an estimated 2023 resident population of 111,335 (a population density of 4,343 persons per Km2). The City of Stonnington is located in Melbourne's inner south-eastern suburbs, about 3 to 13 kilometers from the Melbourne CBD. The City of Stonnington is a residential and commercial area, with some industrial, office and institutional land use. The City includes some of Melbourne's most prestigious residential suburbs. Commercial areas include shopping and lifestyle strips along several of the main roads, including Chapel Street, High Street and Toorak Road.

Attachment 1 outlines the key demographic statistics for the City. The key highlights are:

Council outcomes are lower than Greater Melbourne and Victoria as a whole in the following areas:

Median Age	Aboriginal and Torres Strait Islander Population	Couples with Children	Older couples without children
Households with mortgages	Trade qualifications	Unemployment rate	SEIFA index of disadvantage

Council outcomes are higher than Greater Melbourne and Victoria as a whole in the following areas:

Lone person households	Medium and high density housing	Median weekly household income	Median weekly mortgage repayment
Median weekly rent	Households renting	University attendance and qualification	Workforce participation rate

Overall, the City of Stonnington is characterised by a population with higher incomes, lower levels of disadvantage, a younger demographic profile, a higher proportion of lone-person households, greater density living, fewer couples with children, and a significantly higher proportion of renters compared to Greater Melbourne and Victoria as a whole.This requires a different approach to service and assets than would be applicable to councils in other areas where there may be more family households, homeowners and higher disadvantage within the community. This policy focuses on Council's approach to revenue raising and outlines how the funding required for delivering services and maintaining community assets is distributed in an equitable, fair, and reasonable manner.The assessment of equity and fairness is not subjective; it involves balancing a range of competing considerations, including capacity to pay, direct user charges for services consumed, and the provision of subsidies or concessions where disadvantage may limit access or where there is a public benefit in encouraging service use by specific groups within the community.The funds raised via all revenue sources finance these services and assets for the good of the community as a whole. The selection of revenue-raising options—and the choice of one method over another—must be carefully reviewed and assessed within this broader community context.

2.3 Councils rating and valuation base

The City of Stonnington has over 67,000 ratable properties, of which just over 90% are residential and around 10% are commercial. These properties have a total capital improved value of $111.37 billion, with residential valuations making up 87% of this total. Of the remaining 13% for commercial valuations, Chadstone Shopping Centre alone represents about 37% of this value. As is demonstrated by these numbers, the City of Stonnington is predominantly residential with a very small number of commercial areas within the municipality. Council's current rating policy, as noted below, is to charge rates on a uniform basis (all property types are charged the same rate in the dollar on their individual capital improved valuation to determine rate revenue levied on each property). Any change in this policy would shift the overall rate revenue burden from one group to another.

Attachment 2 also highlights some important details about rates including:

- Since rate capping, the average nominal increase has fallen from 4.04% to 2.08%;
- Population and inflation cost drivers have increased on average by 1.05% and 2.67% per annum respectively over the last 14 years;
- Nominal rate increases have been below total cost driver (represented by population and inflation) growth in 10 of the past 14 years since 2011-12; and
- Nominal rate increases since rate capping have been between 0% and 3.5%, with the average rate per assessment being one of the lowest in Victoria.

In determining how rates and charges are raised to fund community services, it is important to note that all councils continue to experience increases in their costs from service demand (population growth) and in the general prices of goods and services purchased (inflation) within a legislative framework that restricts revenue growth (rate capping). While growth in the rate base due to development can provide additional revenue to support services, it also brings into the municipality further residents that require council services. This requires Council to consider the needs of both the current and future community while balancing these demands within available/restricted funding levels.

3. 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. There are a number of competing interests within all communities around how and to whom rate revenue is charged. It is also important to note that while the changing of the rating method may favour one group, it will place an additional charge on another given the overall total revenue needed will remain constant. It is therefore unlikely that any approach will achieve universal acceptance or agreement in any Local Government environment.

The purpose of the plan is therefore to consider what rating options are available toCouncil under the *Local Government Act 1989*, and how Council's choices inapplying these options contribute towards meeting the rating objectives of fairness, equity and simplicity in determining the approved 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. 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 both the short (1-4 years) and longer (10 years) terms. In this Plan, the focus instead is on how the obligation to pay this quantum will be equitably distributed amongst Council's ratepayers.

Rates and charges are an important source of revenue, accounting for around 63% of operating revenue received by Council. The collection of rates is therefore a very important factor in funding Council service delivery and asset requirements.

Planning for future rate increases is therefore an essential component of the long- term financial planning process and plays a significant role in funding additional service delivery, asset renewal/upgrade works, expansion/new asset requirements to meet community service/use needs and the increasing costs related to providing Council services and assets both now and in the future.

Council is aware of the balance between rate revenue (as an important income source) and community sensitivity to rate increases. With the introduction of the State Government's Fair Go Rates System, all rate increases are capped to a rate declared by the Minister for Local Government, which is announced in December for the following financial year. Each year the Minister sets a cap on rate increases based on that period's Consumer Price Index (CPI) and advice from the Essential Services Commission (ESC). This effectively sets the upper limit on rate increases in any given year. This declaration also reflects the ESC and the State Governments assessment/determination of the overall impact of inflation on all councils service cost base that is required to be funded for all Victorian Councils to meet their service obligations. This value is therefore both an upper limit and the minimum increase required to maintain services at their current levels given the impact of service and asset cost inflation on council's expenditure for any given year. In determining the application of the rate cap in any year, councils need to ensure they meet their responsibilities to prudently manage financial risks under Section 101 of the *Local Government Act* so that services and/or assets are not impacted in the long term by any short to medium term decision on the level of rate/charges increases/freezes/decreases.

3.1 Rating Legislation

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 and 221
- Special rates and charges under Section 163.

The recommended strategy in relation to municipal charges, service rates and charges and special rates and charges is 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 Annual Budget as required by the *Local Government Act 2020.*

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 Council's Annual Budget.

3.2 Principles of Taxation in Determining a Rating Strategy

In assessing the various rating methodology options available to Council, it is important to develop a framework or set of principles that can be used to evaluate both the benefits and detriments of each option. This will allow options to be assessed on a consistent/equal basis in determining which one is considered the most appropriate for use in the City of Stonnington. Details of the context for Stonnington City Council were outlined in Section 2 above.

In considering the available rating approaches, the State Government has outlined that Councils must have regard to established principles of taxation. (see Ministerial Guidelines for Differential Rating - April 2013), which are:

- **Equity**: does the tax burden fall appropriately across different classes of ratepayers?
  - Benefit principle: where the distribution of benefits is not uniform, should those who benefit more contribute more?
  - Capacity to pay: are those ratepayers with greater economic capacity in fact contributing more?
- **Simplicity**
  - Is the system practical and cost effective to administer and enforce? Is the system simple to understand and comply with?
- **Efficiency**: does the rating methodology significantly distort property ownership and development decisions in a way that results in significant efficiency costs?
- **Sustainability**: does the system generate sustainable, reliable revenues for Council and is it durable and flexible in changing conditions?

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

In applying all these criteria it is imperative to ensure that the approach taken in the assessment of the options is consistent, while also noting that there may be some criteria in the principles framework that are considered more important than others in determining the final option selected. The rating challenge for Council therefore is to determine the appropriate weighting of these competing considerations and that these reflect the broad sentiments of the community around the distribution of rating revenue levels throughout the municipality. While these principles are stated for taxation, they could equally apply to the consideration of the levels of other revenue sources charged by Council.

3.3 Declaring rates and charges

Section 158 of the *Local Government Act 1989* (the Act) provides that Council must at least once in respect of each financial year declare by 30 June the following for that year:

a) The amount which Council intends to raise by way of general rates, municipal charges, service rates and service charges.

b) Whether the general rates will be raised by application of:
   i. A uniform rate, or
   ii. . Differential rates (if Council is permitted to do so under Section 161(1))
   iii. . Residential use rates (if Council is permitted to do so under Section 161A).

4. Understanding the current rating framework at Stonnington City Council

There are two key platforms that have formed the basis of the current approach to rating at Stonnington City Council:

1. That rates will continue to be based principally on an ad-valorem basis (i.e. based on the capital improved valuation) of the various properties with separate charges for waste collection to be raised where applicable.

2. That Council will continue to apply a uniform rate against all rateable property classes. Whilst many Councils have differential rates for commercial/industrial and other types/classes of properties, in Stonnington the low proportion and total Capital Improved Value of commercial/industrial properties is unlikely to provide any significant change to residential ratepayers under various possible rating option scenarios.

Details of the current rating framework is provided in Table 1 below:

Table 1 - Current rating framework

Rating option/ LG Act reference	Description	Comments
General rate S158	A general rate is applied to all properties and can be set as either a uniform rate or a number of differential rates.	Overall provision for the setting and payment of rate

Rating option/ LG Act reference	Description	Comments
Uniform rate S160	A uniform rate is a single rate in the dollar that is applied to the value of all properties in the municipality.	Stonnington applies a uniform rate
Differential rates S161	Differential rates are different rates in the dollar that are applied to different classes of properties and are permitted if the Council uses Capital Improved Value as the rating valuation base. The Act allows the use of differential rates if the Council considers that this will contribute to the equitable and efficient carrying out of its functions.	Stonnington does not apply differential rates
Municipal charge S159	A municipal charge to cover some of the administrative costs of the Council. This is a flat-rate charge applied to all properties.	Stonnington does not levy a municipal charge.
Service rates and charges S162 and S 221	Service rates or annual service charges (or a combination of both) can be levied for provision of waste, recycling or resource recovery services.	Stonnington levies a service charge on all eligible residential properties and any businesses that elect to use Council's waste service. As part of the service charge an Base Waste Management charge for certain properties is levied as a contribution to service costs related to public/community related waste management activities (eg. street sweeping, parks/gardens and street waste collection) for: • residential properties required to service their own refuse disposal as a condition of a planning permit • commercial properties as required

Rating option/ LG Act reference	Description	Comments
Incentives for prompt payment S168	Council may declare that incentives will be given by it for the payment of rates and charges, in full, before the due date.	Stonnington does not offer an early payment discount

Rating option/ LG Act reference	Description	Comments
Rebates and concession s S169	The Act allows Councils to grant a rebate or concession in relation to any rate or charge to assist the proper development of all or part of the municipal district, preserve buildings or places that are of historical or environmental interest, or to restore or maintain buildings or places of historical, environmental, architectural or scientific importance.	Stonnington has provided rebates or concessions under this section of the Act for the 2020-21 financial year only as a consequent of COVID-19 which has now been completed.
Special rates and charges S163	A special rate or charge may be declared for purposes of: • defraying any expenses, or • repaying with interest any advance made or debt incurred or loan raised by Council.	Stonnington levies special rates and charges for promotional and marketing activities to assist retail associations. Currently there are 5 special rates schemes, which are: Chapel Street Precinct, Glenferrie Road Malvern, High Street Armadale, Toorak Road South Yarra and Toorak Village (1/1/2024 to 30/6/2028)
Cultural and Recreational Lands Act 1963 S 4	*The Cultural and Recreational Lands Act 1963* (CRLA) requires a council to levy rate equivalent amounts in lieu of rates in respect of any "recreational lands" which would otherwise be rateable land under the Act.	Council will declare rate equivalent amounts calculated by having regard to the services provided to eligible CRL properties and the benefit to the community derived from them, at the times and in the manner prescribed by the CRLA.

4.1 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:

1. **Capital Improved value (CIV)** – value of land and improvements upon the land;
2. **Site Value (SV)** – value of land only;
3. **Net Annual Value (NAV)** – rental valuation based on Capital improvement Value (CIV). For residential 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.

For CIV, business properties are valued primarily by the capitalisation method of valuation. This method of valuation is the industry standard for assessing the value of business properties and has as its base sale price and market rent of the property.

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 the wealth impact of property on an individuals/ratepayers financial position which has been used as a proxy for the overall “capacity to pay”. The CIV rating method takes into account the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.
- With the frequency of valuations now conducted annually (previously two year intervals), property values better reflect the changes in the real estate market as they occur, are more predictable/reflective of market trends and has reduced the level of objections resulting from valuations.
- The concept of the market value of property is more easily understood in the community 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 more equitably distribute the rating burden based on ability to afford council rates or enact different rate in the dollar values based on particular property/planning category types. CIV allows councils to apply higher or lower rating differentials to the commercial and industrial sector that offset or increase 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. This issue is also associated with the other options available under the Act as rates are a property tax and not an income tax. In addition, CIV can fluctuate significantly year on year, thus changing the rates payable per annum.

Site value (SV)
There are no Victorian Councils that use this valuation base. 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 Stonnington City 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 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 larger/significant dwellings in the property. The use of SV would result in land-owners with small dwelling 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. residential use properties). Large landowners 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.
- Differential rating is not an option under this method with the provision of the LG Act.

Net annual value (NAV)
NAV, in concept, represents the annual rental value of a property. However, in practice, NAV is loosely linked to capital improved value for residential properties. Valuers derive the NAV directly as 5 per cent of CIV on residential properties only.

In contrast to the treatment of residential properties, NAV for commercial and industrial properties are assessed with regard to actual market rental. This differing treatment of commercial versus residential properties has led to some suggestions that all properties should be valued on a rental basis. The use of this option negates the fact that a large proportion of properties are used as primary places of residence and not for rental or leasing purposes.

Overall, the use of NAV is not largely supported. For residential 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.

Advantages of Net annual value

- Has the potential to equate rate revenue levied to the rental/commercial return of a property and not just its land/market value for all property types.

Disadvantages of Net annual value

- NAV 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 NAV valuation on their rate notices, due to the calculated and potential changes in the rental market for properties.
- NAV does not take into consideration that the main use for properties is not for rental but rather as a primary residence.
- Differential rating is not an option under this method with the provision of the LG Act.

Summary

City of Stonnington will apply Capital Improved Valuation as the valuation base for the following reasons:

- Capital Improved Value (CIV) is consider to be the closest approximation to an equitable basis for distribution of the rating burden as it reflects and is a better proxy for determining the overall financial position of a ratepayer.
- 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.
- As noted above, there are significantly more advantages and fewer disadvantages

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.

Revenue and Rating Strategic Principle

City of Stonnington will continue to apply Capital Improved Valuation as the valuation methodology to levy Council rates, which was introduced in 1994/95.

4.2 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. Stonnington City Council applies a Capital Improved Value (CIV) to all properties within the municipality to take into account the full development value of the property. This basis of valuation takes into account the total market value of the land including buildings and other improvements.

The value of land is always derived by the principle of valuing land for its highest and best use at the relevant time of valuation, which is undertaken on Council's behalf by the valuation authority being the Valuer-General of Victoria.

4.3 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.

4.4 How does the revaluation change in CIV affect my rates?

The general revaluation process leads to the re-apportionment of the total rate income required to fund services and asset works across the municipality, based on movements in property values.Properties which have increased in value by more than the average will receive a rate increase of more than the headline rate. Properties with an increase in value less than the average will receive a rate increase less than the headline rate.

Revenue and Rating Strategic Principle

That the City of Stonnington monitors the effect on rates of geographical and property type valuations over time.

5. Determining the rating system - uniform or differential

Council may choose a uniform rate or differential rates to address the revenue needs of the Council. They are quite different in application and have different administrative and appeal mechanisms that need to be taken into account.

Uniform rate

Section 160 of the Act stipulates that if a Council declares that general rates will be raised by the application of a uniform rate, the Council must specify a percentage as the uniform rate. Rates will be determined by multiplying that percentage by the value of the land (as determined under the valuation system used by the Council, being the CIV of a property).

The City of Stonnington has adopted a uniform rating system, as it considers this approach supports the equitable distribution of rates across the municipality.Stonnington is largely a residential area with a relatively small proportion of rateable land/properties used for non-residential purposes. The use of a uniform rate ensures that all properties are subject to the same percentage value on their property and that the specific valued levy is reflective of the difference in that ratepayers CIV when related to all CIV's in the municipality.

Differential rate
Differential rating allows Council to shift part of the rates levied from some groups of ratepayers to others, through different "rates in the dollar" for each class of property.

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

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, and
- land within the Urban Growth Zone without an approved Precinct Structure Plan in place.

As per these *Ministerial Guidelines* there is little to differentiate these apart from other medium density residential development.

Advantages of differential rating
The advantages of utilising a differential rating system are:

- Allows the charging of different property types at varying levels for the stated objectives and reasons outlined by council in applying this differential rate.

Disadvantages of differential rating
The disadvantages of utilising a differential rating system are:

- The justification of the differential rate can at times be difficult for the various groups to accept giving rise to queries and complaints where the differentials may seem to be excessive.
- Differential rates can be confusing to ratepayers, as they may have difficulty understanding the system. 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 can shift from one type to another (e.g. residential to commercial), requiring Council to update its records. Ensuring the accuracy/integrity of Council's database is critical to ensure that properties are correctly classified into their right category and charge the appropriate differential rate for their property.

Council considers that a uniform rate is the most equitable method of distributing rates across the municipality based on the CIV of properties, irrespective of property type including retirement villages.

Revenue and Rating Strategic Principle
That the City of Stonnington continues to apply uniform rating as its rating system.

6. Other types of charges

6.1 Special rates and charges

Special rates and charges are covered under Section 163 of the *Local Government Act 1989*, 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.

Alternatively, Council may consider the application of a special rate or special charge where the performance of a function or the exercise of a power is, or will be, of special benefit to the individuals required to pay the charge.

The introduction of a special rate or charge is governed by detailed procedural and statutory requirements, including strict guidelines on how the funds raised may be applied. This is undertaken as a separate statutory process for Council adoption.

Section 185 of the Act provides appeal rights to the Victorian Civil and Administrative Tribunal (Tribunal) in relation to the imposition of a special rate or charge. The

Tribunal has wide powers, which could affect the viability of the special rate or charge scheme.

At Stonnington,special rates and charges are raised at the request of Traders Associations in 5 of the major retail centres across the City. The funds raised are transferred to the Trader Associations upon receipt of evidence that marketing and other programs have been undertaken for the collective benefit of all traders in each scheme.

Council also has special charge schemes for the construction of right-of-ways where Council and property owners agree to share the cost of these works. There is currently one scheme in operation.

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

Revenue and Rating Strategic Principle

That Council uses special rates and charges for raising funds such as trader association marketing and promotion schemes.

6.2 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 about 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%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.

A municipal charge is seen to be a regressive tax as its application would result in lower valued properties paying higher overall rates and charges than they do with uniform rates applicable to all properties. The application of the municipal charge would also counteract the distributional benefits of a uniform rate as the calculation of the charge would not be solely based on the relative CIV of each property.

For this reason, this strategy recommends that Council continue to not apply a municipal charge.

Revenue and Rating Strategic Principle

That the City of Stonnington not utilise a Municipal Charge as part of its Rating Strategy.

6.3 Service rates and charges

Section 162 and 221 of the *Local Government Act 1989* provides Council with the opportunity to raise service rates and charges for any of the following services:

a) Waste, recycling or resource recovery services;
b) Any other prescribed service.

Stonnington currently applies a service charge for waste, recycling or resource recovery services. Council retains the objective of setting the service charge for waste/recycling/resource recovery at a level that fully recovers the cost of this service function. Further information is provided under Section 7, Council's Financial Management Principles policy and in Councils Waste Management policy.

The current structure of the waste charge allows users of the service to select the cost of the service through choosing between the two bin sizes subject to conditions which determine eligibility for 240l domestic refuse bins.

In addition, Council charges a Base Waste Management Charge as part of the waste charge for:

- Residents/Owners of apartments that through the terms of the planning permit supply their own waste collection service; and
- Potentially for commercial properties that use their own waste collection service.

This ensures that all residents contribute toward waste management in public places.

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

Should Council elect not to have a waste service charge, this same amount would be required to be raised by way of an increased general rate – meaning that residents in higher valued properties would pay substantially more for the waste service than lower valued properties.

The mix of having a fixed charge for waste services combined with valuation driven rates for the remainder of the rate invoice provides for a more balanced and equitable outcome, while also recognising that those who benefit/use direct services of council should be charged the full economic cost for this service (User Pays Principle).

Revenue and Rating Strategic Principle

That the City of Stonnington continues to apply a waste service charge as part of its Rating Strategy based on full economic cost recovery basis of the waste service.

6.4 Victorian Government Levies

In recent years, Council has seen an increasing tendency for the State Government to use Local Government as a mechanism for collecting State-imposed charges, often presented under the guise of Council-issued rate notices.

This approach was previously seen with the now-defunct State Deficit Levy in the 1990s, and more recently has re-emerged through mechanisms such as the landfill levy. In this case, Councils are required to collect the levy from ratepayers, embedded within the waste charge for the City of Stonnington, and remit the amount to landfill operators, who then pay 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 2013-14, 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. This levy is not included in the rate cap and increases in the levy are at the discretion of the State Government.

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

Strategy 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.

6.5 Cultural and recreational lands (CRL)

The *Cultural and Recreational Lands Act 1963* (CRLA) outlines 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 thirteen properties which are “recreational lands” under the CRLA.

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.

In the 2020/21 Annual Budget, Council confirmed the basis by which CRL rates would be levied. The 2019/20 financial year was established as the base year for the calculation of the rates to be levied at 60% of the rate in the dollar of the base year and subsequently be increased by the prescribed rate cap.

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 outlines 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 returned 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 Council for the community. They can often add to the aesthetic values of Stonnington and contribute to the character and natural environment.

It has been argued that golf clubs appear to provide a greater 'benefit' to the community than other eligible properties. This perception is probably a combination of larger memberships and because "benefit to the community" also could extend to preserving tracts of open space (although admittedly often not generally available, even for passive use).

All CRL properties will be liable to pay Fire Services Property Levy, and will be required to pay waste charges as and when they utilise Council's waste service.

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 outlines for owners to appeal to the Minister, under Section 4(2) of the CRLA.

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 in line with the methodology adopted in 2020/21.

Strategy recommendation

It is recommended that Council continue to declare a rate-equivalent payment for the identified CRL properties, calculated with reference to the services provided and the corresponding community benefit derived from these properties. This should be done in accordance with the timing, manner, and methodology prescribed by the CRLA, consistent with the approach adopted in the 2020/21 financial year.

7. Collection and administration of rates and charges

7.1 Rate payment options

Ratepayers have the following options of paying rates and charges:

- Payment of rates is available by four instalments at the end of September, November, February and May.
- Single lump sum payment of rates in February
- Ratepayers can elect to have their savings accounts and credit cards automatically debited monthly for rate payments.
- Where rates are not paid in full by the due instalment or lump sum payment date, Council is authorised to charge penalty interest on outstanding amounts at the penalty interest rate which is set by the State Government and reviewed annually. The interest rate is set annually.

The Local Government Act 1989 states that Council must allow residents to pay rate instalments in four instalments S167 usually 30 September, 30 November, 28 February and 31 May. Council may also allow residents to pay one lump sum payment set at the 15 February (these dates are set by the Minister of Local Government).

Stonnington does not provide the option for early payment in order to receive a discount on rate under S168 of the Local Government Act 1989.

The various options available provide a satisfactory level of collection of rates across the financial year and hence assist Council to maintain its cash flow.

Revenue and Rating Strategic Principle

That the City of Stonnington continues to provide a range of rate payment options in future years.

7.2 Municipal 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 Municipal Concession Card (MCC), pensioners can then apply for the rebate at any time throughout the rating year. Retrospective claims up to a maximum of one previous financial year can be approved by Council on verification of eligibility criteria.For periods prior to this, claims may be approved by the relevant government department.

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.

7.3 Calculation of interest

Interest is charged on overdue rates and charges in accordance with Section 172 of the *Local Government Act* 1989, namely:

a. On the lump sum payment option as if the rates and charges were being paid by the four instalments option;
b. On the four instalment payment option after the date the lump sum payment for that financial year is due;
c. The interest is calculated at the rate either approved by the Minister for Local Government or fixed under section 2 of the *Penalty Interest Rates Act* 1983;
d. The penalty interest rate applied to rates and charges debts of those ratepayers eligible for the pensioner rate rebate and suffering financial hardship be determined each year during Council's Annual Budget process.

7.4 Rates and Charges Deferment and Financial Hardship Policy

Council recognises that managing financial hardship is a shared responsibility. Under Sections 170, 171, and 171A of the Local Government Act 1989, Council has the authority to defer and/or waive, in whole or in part, the payment of rates and charges where it determines that enforcement of payment would cause hardship to the ratepayer.

Council has a Rates and Charges Deferment and Financial Hardship Policy in place to provide assistance to ratepayers experiencing difficulty in paying their rates and charges. The policy is to enable a person liable for rates and charges and experiencing hardship, to make an 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.

Stonnington's Financial Hardship Policy establishes Council policy in relation to:

- Management of the payment of rates and charges by special arrangement;
- Applications to defer payment of rates and charges;
- Applications to have rates and charges waived; and
- Levying of penalty interest on outstanding rates and charges.

The application of fairness as a principle also applies to recognising the impact of unpaid rates on those who have paid their rates in full.

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.

7.5 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 acquisition of an interest in land.

In the event that an account becomes overdue, Council will issue an overdue reminder notice which will include accrued penalty interest. Other than the annual valuation and rate notice, at least four reminder notices are issued before considering legal action. In the event that the account remains unpaid, Council may take legal action without further notice to recover the overdue amount. All fees and court costs incurred will be recoverable from the ratepayer.

If rates payable on a property have been in arrears for three years or more, Council may initiate proceedings to sell the property in accordance with Section 181 of the *Local Government Act 1989*.

Revenue and Rating Strategic Principle

That the City of Stonnington continues to maintain the rates arrangements, deferral and waiver procedures as documented in the Financial Hardship Policy.

8. Other Revenue

8.1 User Fees and Charges

The City of Stonnington 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 councils to levy fees and charges.

Sound financial management—outlined in further detail in Council's *Financial Management Principles* policy—requires that fees and charges reflect the cost of delivering services at a defined quality. This is balanced by considerations of affordability, accessibility, equity, and the broader expectations and values of the community.

Council's financial resources are limited. The majority of Council's revenue comes from rates, with 11.4% of income raised through user fees and charges and 10.8% through statutory fees and fines charges (based on the Adopted 2024/25 Budget). 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:

- Kindergarten central registration and enrolment fees
- Meeting or Facility room hire
- Equipment hire fees
- Waste Management fees
- Active Ageing service fees.

Services funded by fees and charges provide enhanced community wellbeing. Council's Financial Strategy Principle on the Pricing of Services requires that fees and charges for services be set having regard to specific policies in applicable areas of Council, whilst incorporating cost recovery principles and marketplace competition.

Council's Financial Management Principles policy and internal guide to reviewing fees at Stonnington, ensures that fees are set in line with the objectives of supporting the community and balancing this with ensuring those who receive the benefit of services pay for these services. When setting fees and charges,factors considered include the users 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 may be undertaken for consideration by Councillors as part of the annual budget process.

Councils must also comply with the Federal Government's Competitive Neutrality Policy for significant business activities they provide and adjust their service prices to neutralise any competitive advantages when competing with the private sector.

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

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

A. Market Pricing
B. Full Economic Cost Recovery Pricing
C. Accessible Pricing (Subsidised Pricing)
D. Disincentive Pricing.

The following pages describe the applicable pricing principle that is to be applied in each circumstance.

Market Pricing (A)

This includes services that provide discretionary activities not mandated by legislation or agency agreements. These activities may provide revenue support and complement other social policy actions.

Ideally, the price should achieve full economic cost recovery (including both direct and indirect costs plus the present and future cost of asset works) and be at a level similar to those charged in the market as a whole. If a price less than full economic cost recovery is contemplated, Council may consider a review of whether it should provide the service, or whether there is a community service obligation that warrants a public interest test.

Council is required to price services that compete in the open market on a 'level playing field' basis, and any decision to depart from a commercial pricing model must be made transparently.. Any Council service that competes in the open market may be subject to competitive neutrality requirements if it is a significant business activity as determined by market share or sales volume.

Full Economic Cost Recovery Pricing (B)

Full economic cost recovery price (B) aims to recover all direct and overhead costs plus present and future cost of asset works incurred by Council. This pricing should be used in particular where a service provided by council benefits individual customers specifically, rather than the community as a whole. In principle, fees and charges should be set at a level that recovers the full economic cost of providing the services unless there is an overriding policy or imperative in favour of subsidisation.

Example of full cost recovery



For an example, the net costs of waste management and associated services are fully recovered by Council through the waste management charges.

The Waste Management Policy outlines the objectives of this strategy, which are to reduce the volume of waste sent to landfills, maximise recycling efforts, and achieve sustainable environmental outcomes by delivering best-practice services to the Stonnington community. An implementation plan has been developed, detailing the actions, priorities, and resources required to achieve these goals.

The costs considered in waste charges include waste to landfill (including taxes and levies), food and green organics waste services, the recycling service, hard-waste collection, operation of the Riversdale Road Transfer Station, Clayton Landfill, street sweeping services, public place waste and recycling services, and waste collection in public parks, gardens, sportsgrounds, and community buildings. Additionally, costs cover bin renewal, disposal of electronic waste, and waste management resources and overheads. Waste bin fees and transfer station tipping fees have been set to recover the full costs of all these services.

Another example where council could consider using this method is for Residential Car Parking Permits. As the benefit of the parking is derived by the permit owner, the cost to administer this could be applied. Another option to consider in the potential charging for these permits is the use of disincentive pricing (outlined below) in order to encourage more off-street parking within the municipality.

Accessible Pricing (Subsidised Pricing) (C)
Accessible pricing (C) is where council subsidises a service by not passing the full economic 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 economic cost of providing a service.

Disincentive Pricing (D)
Council may have an applicable policy objective that supports disincentive pricing and performs the role to regulate and restrict certain behaviour.

Council has developed the Financial Management Principles to help guide the fair and equitable setting of prices.

The policy outlines the process for setting fee prices and includes key principles such as:

- Both direct and indirect costs plus costs associated with the present and future capital needs for the service must to be taken into account when setting prices (full economic cost recovery);
- Accessibility, affordability and efficient delivery of services must be taken into account; and
- Competitive neutrality with commercial providers.

Council will develop a table of fees and charges as part of its annual budget each year. Proposed pricing changes will be included in this table and will be communicated to stakeholders before the budget is adopted, giving them the chance to review and provide valuable feedback before the fees are locked in.

8.2 Statutory Maximum or Non-Discretionary Pricing

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
- Building Information Certificate fees

Penalty and fee units are used in Victoria's Acts and Regulations to describe the amount of a fine or a fee.

Penalty units
Penalty units are used to define the amount payable for fines for many offences. For example, the fine for selling a tobacco product to a person aged under 18 is four penalty units.

One penalty unit is currently $197.59, from 1 July 2024 to 30 June 2025.

The rate for penalty units is indexed each financial year so that it is raised in line with inflation. Any change to the value of a penalty unit will happen on 1 July each year.

Fee units
Fee units are used to calculate the cost of a certificate, registration or licence that is set out in an Act or Regulation.
Unit fees are determined each year by the State Government These values may increase at the beginning of a financial year, at the same time as penalty units. The applicable fee is included in the Adopted Budget each year.

The cost of fees and penalties is calculated by multiplying the number of units by the current value of the fee or unit. The exact cost may be rounded up or down.

8.3 Grants
Grant revenue represents income usually received from other levels of government, such as the Victorian Local Government Grants Commission (VLGGC) or Federal Government for capital works projects. 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 Adopted 2024-25 Budget, government grants total $7.86 million (including $5.9 million in operating and $1.96 million in capital grants are projected to be received by Council to support service delivery and capital construction works. While some grants are not tied to specific services or capital projects, many are provided 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. In addition, the growth of untied grants such as those provided through the Victorian Grants Commission process have not kept up with the cost of service, thus requiring Council to use other sources such as rates to support the levels of services provided to the community.

Stonnington does not benefit from untied grants to the same extent as most other councils in Victoria. Many grants are adjusted by State and Federal Governments on the basis of capacity to pay and other socio-economic factors and therefore Stonnington is one of the lowest recipients with grant income equivalent to
$25.60 per resident in Stonnington (Source 2024-25 Victorian Local Government Grants Commission Annual Allocation Report).

Council will pro-actively advocate to other levels of government for grant funding support to deliver important infrastructure and service outcomes for the community. Council may use its own funds to leverage higher grant funding and maximise external funding opportunities.

When preparing the 10 year Financial Plan, Council considers its project proposal pipeline, advocacy priorities, upcoming grant program opportunities, and co-funding options to determine what grants to apply for.

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

8.4 Contributions

Contributions represent funds received by Council, usually from non-government sources, and are usually linked to projects. Contributions can be made to Council in the form of either cash payments or asset hand-overs.

Examples of contributions include:

- Monies collected from developers under planning and development agreements (i.e. open space contributions)
- 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.

8.5 Sale of Assets

The sale of assets will be considered in line with Council's Financial Management Principles regarding property (for further details please refer to Principle 8. Property Portfolio Management Principle in this policy).

Assets will only be considered for disposal where there is no clear Council or community need for that asset in the foreseeable future. All property considered for disposal will undergo a thorough evaluation based on both financial and community benefit factors. Any proceeds derived from property realisation will be directed towards funding land acquisition, new/upgrade capital works or debt reduction and will not be used to fund operating expenditure. Council will not necessarily hold property that has no current or future identified purpose, or if that purpose can be met more effectively in other ways.

Existing property holdings or strategic acquisitions must address current needs, emerging needs, or align with adopted strategies. To enhance community benefit, opportunities for alternative uses of property, including asset realisation, will be explored.

Regular reviews of asset holdings will be conducted to identify opportunities for asset realisation. Asset management plans, asset usage, land use planning documents and community benefit will be considerations in such reviews.

8.6 Other income – Leasing, Licensing and Rental

Council provides a range of assets for use by the public, community groups, and other organisations in support of its mission to deliver services, facilities, support, and advocacy that strengthen community connection and sense of place.

Sources of income may be generated through leasing and licensing arrangements involving Council-managed assets. These assets include Council-owned property, Crown Land where Council is the appointed Committee of Management, and any other land or buildings under Council control where an occupancy agreement is offered to a community group or other organisation.

Council also receives some commercial rental from properties it owns. These arrangements are determined on a commercial basis dependent on the property concerned.

8.7 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.

8.8 Sponsorship

Council will review and assess sponsorship opportunities for various events and other council works/activities where they arise. The assessment of these proposals is covered under council's Sponsorship Policy which is being updated.

9. Accountabilities

For all queries or feedback regarding the Revenue and Rating Plan, please contact the department below:

Contact Department	Contact email
Chief Financial Officer	finance@stonnington.vic.gov.au

9.1 Related Documents

- *Cultural and Recreational Lands Act 1963*
- Council and Recreational Land Policy
- Council's Engagement Policy
- Council's Financial Hardship Policy
- Council's Waste Collection Fees and Charges Policy (currently being updated for adoption in 2021-22)
- *Local Government Act 1989*
- *Local Government Act 2020*
- Local Government (Planning and Reporting) Regulations 2020
- Ministerial Guidelines for Differential Rating - April 2013
- *Penalty Interest Rates Act 1983*
- *Valuation of Land Act 1960*
- Valuation Best Practice Guide 2014
- Valuation Best Practice Specifications Guidelines 2020 and 2021

9.2 Policy Adoption, Authorisation and Review

Responsible Officer: Chief Financial Officer
Author: Senior Finance Business Partner
Authorised By: Council
Date of Adoption: <To be confirmed>
Review Date: June 2029
Policy Type: Council

Population highlights

Attachment 1

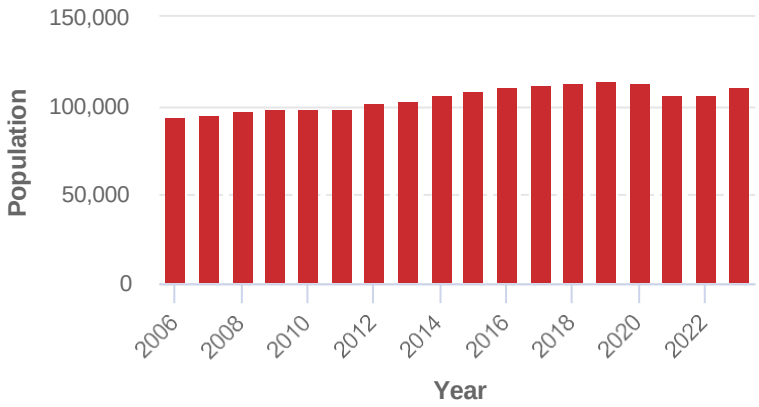
Population

111,335

ERP, 2023

▲ Grown by 4,811 from the previous year.

Estimated Resident Population
City of Stonnington



Source: Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0). Compiled and presented by .id (informed decisions)

2021 data with change from 2016 unless otherwise stated.

◂▸ No significant change since previous Census (less than +/-0.5%) ▲ Increased since previous Census
▼ Decreased since previous Census

Median age

37 ▲(2)

Greater Melbourne	37 ▲
Victoria	38 ▲
Australia	38 ◂▸

Aboriginal and Torres Strait Islander population

0.4% ◂▸ (0.1%)

Greater Melbourne	0.7% ◂▸
Victoria	1.0% ◂▸
Australia	3.2% ◂▸

Couples with children

18% ▼(-1.1%)

Greater Melbourne	33% ◂▸
Victoria	31% ▼
Australia	30% ▼

Older couples without children

8% ▲(0.7%)

Greater Melbourne	9% ▲
Victoria	10% ▲
Australia	10% ▲

Lone person households

37% ▲(5.6%)

Greater Melbourne	24% ▲
Victoria	25% ▲
Australia	24% ▲

Medium and high density Housing

75% ▲(1.1%)

Greater Melbourne	34% ▲
Victoria	28% ▲
Australia	28% ▲

Median weekly household income

$2,310 ▲($366)

Greater Melbourne	$1,866 ▲
Victoria	$1,802 ▲
Australia	$1,740 ▲

Median weekly mortgage repayment

$576 ▲($69)

Greater Melbourne	$461 ▲
Victoria	$428 ▲
Australia	$432 ▲

Median weekly rent

$421 ▲($21)

Greater Melbourne	$390 ▲
Victoria	$370 ▲
Australia	$380 ▲

Households renting

43% ◄►(-0%)

Greater Melbourne	29% ▲
Victoria	28% ▲
Australia	30% ▲

Households with a mortgage

23% ▲(2.5%)

Greater Melbourne	36% ▲
Victoria	35% ▲
Australia	33% ▲

Overseas born

31% ◄►(0.1%)

Greater Melbourne	36% ▲
Victoria	30% ▲
Australia	28% ▲

Language at home other than English

22% ▼(-1%)

Greater Melbourne	34% ▲
Victoria	28% ▲
Australia	22% ▲

University attendance

9% ▼(-1.1%)

Greater Melbourne	6% ▼
Victoria	5% ▼
Australia	5% ◄►

University qualification

53% ▲(6%)

Greater Melbourne	33% ▲
Victoria	29% ▲
Australia	26% ▲

Trade qualification (certificate)

7% ◄►(-0.4%)

Greater Melbourne	15% ◄►
Victoria	17% ◄►
Australia	19% ◄►

Unemployment rate

4.1% ▼ (-1.1%)

Greater Melbourne	5.3% ▼
Victoria	5.0% ▼
Australia	5.1% ▼

Participation rate (population in labour force)

69% ▲(3.5%)

Greater Melbourne	64% ▲
Victoria	62% ▲
Australia	61% ▲

Worked at home

44% ▲(38.5%)

Greater Melbourne	29% ▲
Victoria	26% ▲
Australia	21% ▲

SEIFA index of disadvantage 2021

1084

Greater Melbourne	1018 ▲
Victoria	1010 ▲
Australia	1001 ▲

Homeless persons estimated 2021 *

463 ▲(68)

Source: ABS, 2049.0 Estimating Homelessness, 2016

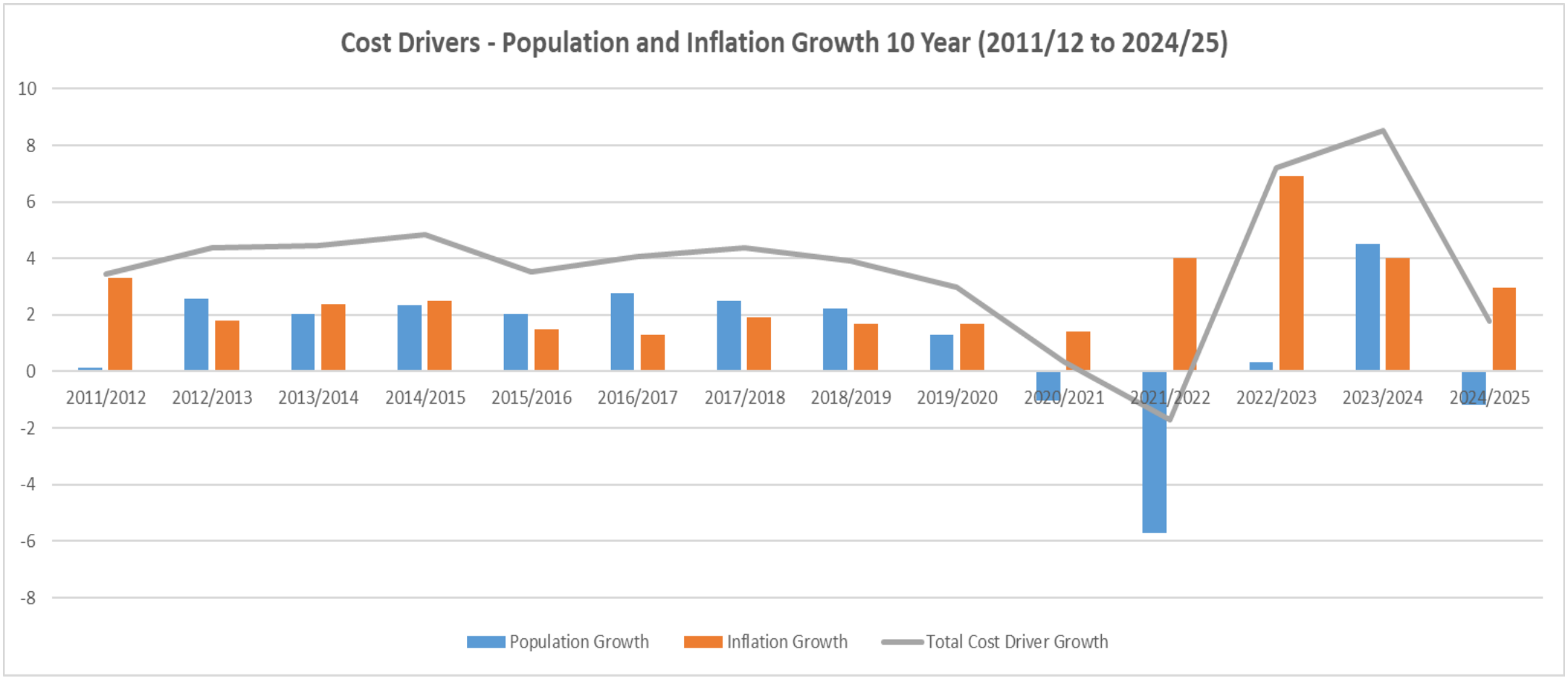
Council Rating and Valuations – Statistics

Attachment 2

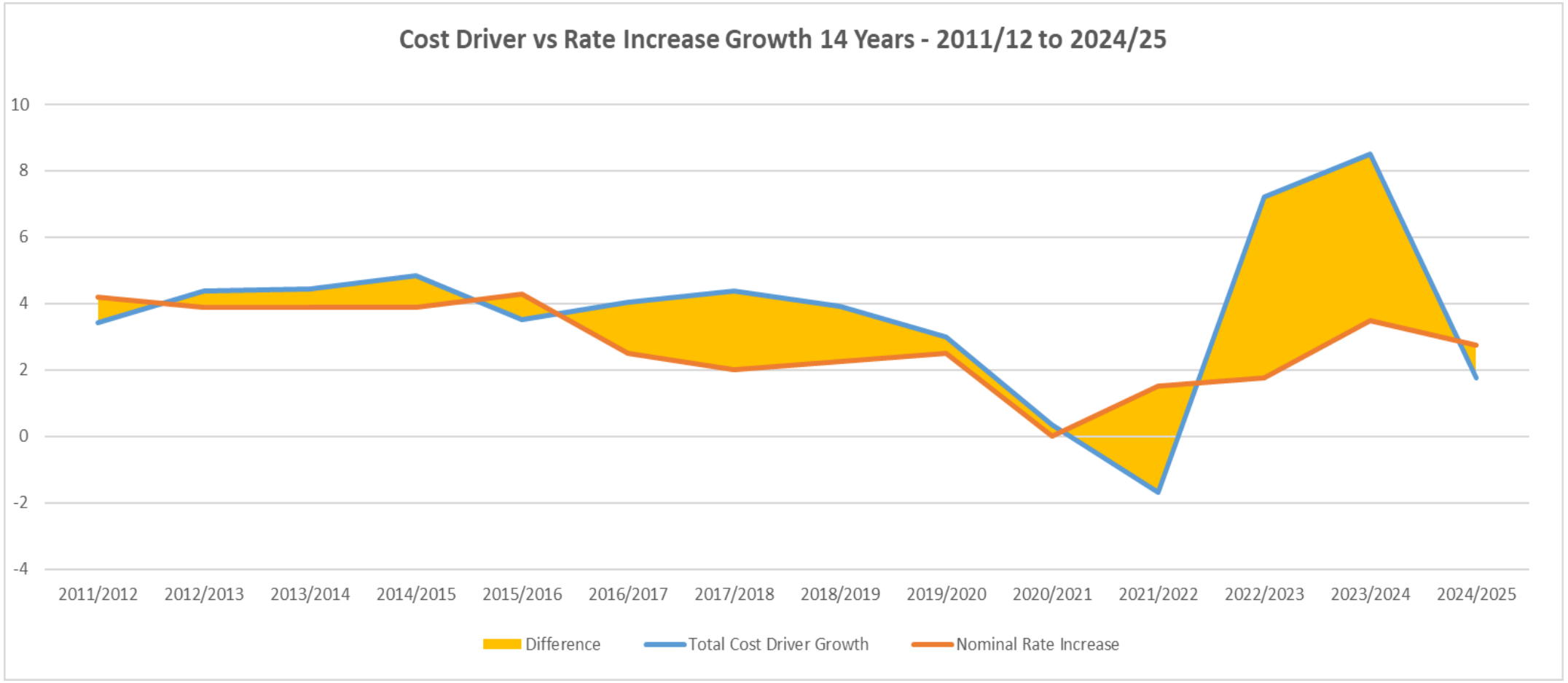
Rate Increases - 14 Years to 2024-25



Cost Growth - Main Drivers



Rates vs Cost Growth



Rate Revenue History

Year	Uniform Rate in Dollar on Capital Improved Value	Total Budget Rate Revenue (not including Supps) $'000	Prescribed Rate Cap	Average rates	Average rates Change (including supps growth)
2016-2017	0.001077	$81,762	2.50%	$1,343.27	NA
2017-2018	0.001098	$86,386	2%	$1,385.83	$42.56
2018-2019	0.000941	$89,741	2.25%	$1,412.73	$26.90
2019-2020	0.000999	$93,112	2.50%	$1,444.81	$32.08
2020-2021	0.0010177	$95,550	2% (less waiver 2%)	$1,445.61	$0.80
2021-2022	0.0010513	$99,304	1.50%	$1,498.54	$52.93
2022-2023	0.0009763	$101,905	1.75%	$1,535.39	$36.85
2023-2024	0.0010400	$106,499	3.50%	$1,594.53	$59.14
2024-2025	0.0010279	$110,208	2.75%	$1,639.12	$44.59