



Revenue and Rating Plan 2025-2029



Morningside
Peninsula Shire

Acknowledgement of Country

Mornington Peninsula Shire acknowledges the Bunurong people, who have been the custodians of this land for many thousands of years; and pays respect to their elders past and present. We acknowledge that the land on which we meet is the place of age-old ceremonies, celebrations, initiation and renewal; and that the Bunurong peoples' living culture continues to have a unique role in the life of this region.



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Revenue and Rating Plan 2025 - 2029

1.1 PURPOSE

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 which Council proposes to work within.

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

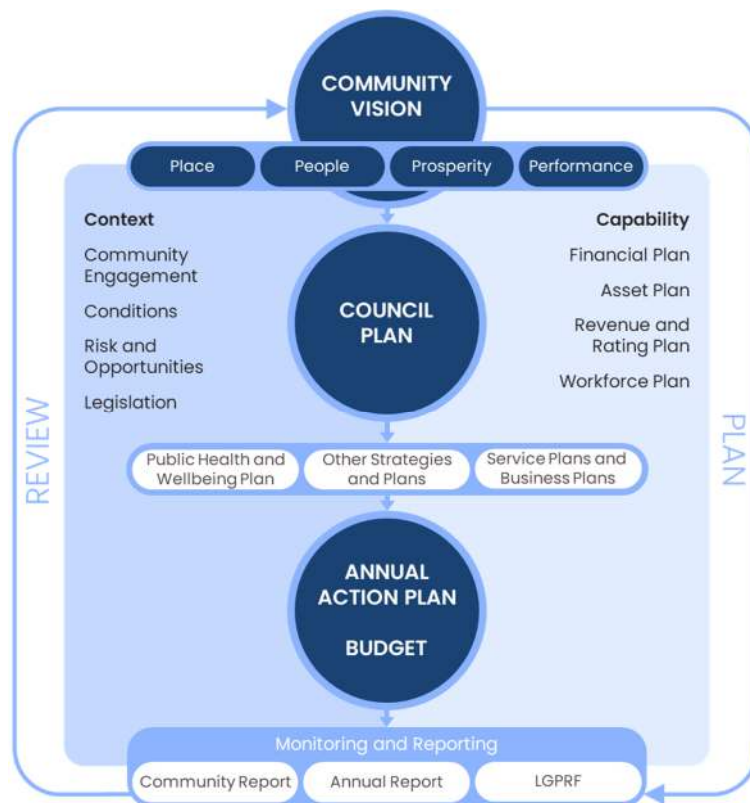
This plan is an important part of Council's integrated planning framework, all of which is created to help Council achieve its vision of:

Welcome (Wominjeka).

We celebrate, protect and enhance our unique blend of coast, hinterland, green wedge and heritage - fostering our diverse culture and connected villages, townships and community.

We are committed to supporting community groups, sustainable and balanced growth, a vibrant local economy, fit-for-purpose infrastructure, and ensuring a prosperous, safe, accessible, and inclusive future for all.

Strategies outlined in this plan align with the objectives contained in the draft Council Plan and will feed into the Mornington Peninsula Shire's budgeting and long-term financial planning documents, as well as other major plans and strategies under the Council's strategic planning framework, as outlined in the diagram below.



The Revenue and Rating Plan will explain how Council calculates the revenue needed to fund its activities, and how the funding burden will be apportioned between ratepayers and other users of Council facilities and services.

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This plan will set out decisions that Council has made in relation to its revenue and rating practices in accordance with the *Local Government Act 2020* to ensure the fair and equitable distribution of rates across property owners. It will also set out principles that are used in decision making for other revenue sources such as government grants, fees and charges.

It is also important to note that this plan does not set revenue targets for Council, it outlines the strategic framework and decisions that inform how Council will go about calculating and collecting its revenue.

1.2 INTRODUCTION

Description of Municipality

Mornington Peninsula Shire covers 723 square kilometres of land with a coastline that extends for 192 kilometres (approximately 10 per cent of Victoria's total). The region is one of Victoria's premier holiday and retirement destinations and has magnificent landscapes, coasts and beaches that are of state significance and attract more than 8 million visitors every year.

Our Community

The Shire has 42 towns and villages spread across the peninsula, with the majority of the residential population living along the coastline. The Shire has an estimated permanent resident population of 172,000, as well as a non-resident population who spend part of the week, or their holidays, on the peninsula. Many beach holiday houses are based along the Port Phillip coastline, with the population swelling by up to 30 per cent in the summer months.

Our Environment

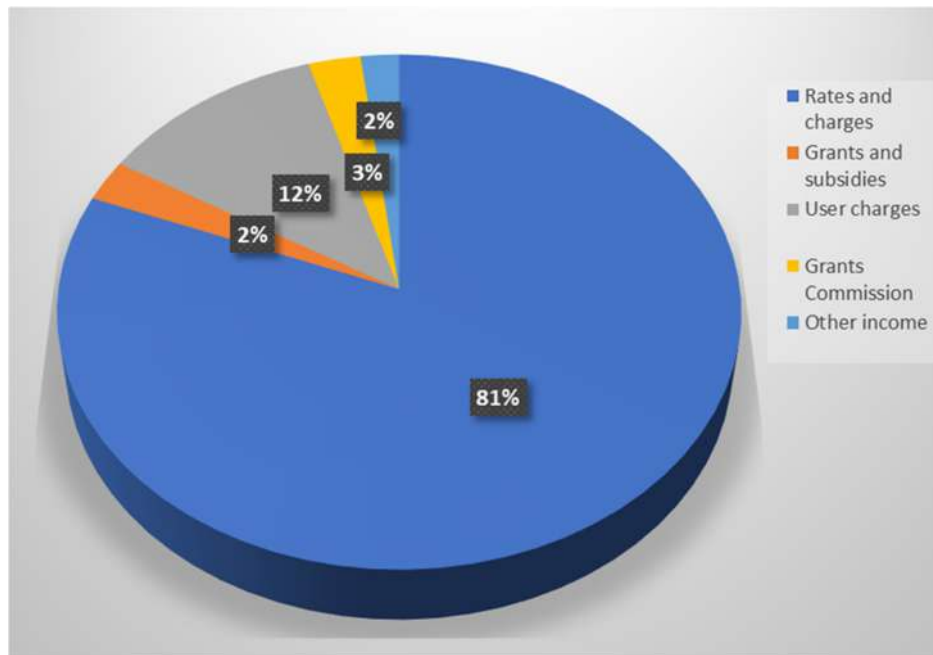
Approximately 70 per cent of the Shire is retained as rural land within the Green Wedge planning zone, whilst the other 30 per cent is taken up by towns and villages. Within the Green Wedge, there are areas of highly productive farmland as well as highly significant landscapes and ecosystems. The Mornington Peninsula and Western Port have become part of the world-wide network of biosphere reserves recognised by the United Nations. The region has been recognised for its: high biological diversity; many significant, rare native plants and vegetation; wetlands; sites of geomorphological significance; remnant indigenous vegetation; highly scenic landscape values; and sites of historic importance.

Our Economy

The Shire has a strong local economy, with \$10.6 billion in GRP (Gross Regional Product). There are over 17,000 businesses from a diverse range of industries including retail, manufacturing, construction, and business services. The region also has a distinguished agricultural history, including beef, viticulture (grapes) and horticulture (fruit, vegetables, and flowers), with the existing food and wine producers being recognised as world class and industry leaders in their respective fields. Tourism is also another sector that plays a significant role in our local economy.

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

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Council's revenue sources include:

- Rates and Charges (including waste service)
- Statutory Fees and Fines
- User Fees
- Grants from other levels of Government
- Cash and non-cash contributions from other parties (i.e. developers, community groups)
- Interest, rental income and dividends from investments
- Sale of Assets

Rates and charges are the most significant revenue source for Council and make up roughly 77% of its annual operating income ¹ and 81% of total income ².

The introduction of rate capping under the Victorian Government's Fair Go Rates System (FGRS) has brought a renewed focus to Council's long-term financial sustainability. The FGRS continues to restrict Council's ability to raise revenue above the rate cap unless application is made to the Essential Services Commission for a variation. Maintaining service delivery levels and investing in community assets remain key priorities for the Council. The council is looking for opportunities to increase non-rate income in order to reduce reliance on its rates income.

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 statutory fees. In these cases, councils usually have no control over service pricing. However, in relation to other services, Council can determine the user fee or charge and will set that fee based on the principles outlined in this Revenue and Rating Plan.

¹ Draft Budget FY25/26

² Performance Statement Results 2024, *Rates concentration Rates compared to adjusted underlying revenue*; [MPS AnnualReport 2024](#) Pg 150

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Council revenue can also be adversely affected by changes to funding from other levels of government. Some grants are tied to the delivery of council services, whilst many are tied directly to the delivery of new community assets, such as roads or sports pavilions. It is important for Council to be clear about what grants it intends to apply for, and the obligations that grants create in the delivery of services or infrastructure.

1.3 COMMUNITY ENGAGEMENT

The Revenue and Rating Plan outlines Council's decision-making process on how revenues are calculated and collected. Development and review of the Revenue and Rating Plan is in accordance with the Council's Community Engagement Strategy and Policy, Council Wellbeing Plan, Financial Plan and Asset Plan.

It is proposed that a full rate strategy review is conducted by end of 2025 which will allow for extensive community consultation and ensure due consideration and feedback is received from relevant stakeholders.

1.4 RATES AND CHARGES

Council rates are a property-based tax that allows Council to raise revenue to fund essential public services and major initiatives to benefit the municipal population.

Importantly, it is a taxation system that includes flexibility for councils to utilise different tools in its rating structure to accommodate issues of equity and to ensure fairness in rating for all ratepayers. Council has established a rating structure comprised of two key elements. These are:

- **General Rates** – Based on property values (using the Capital Improved Valuation methodology), which are indicative of capacity to pay and form the central basis of rating under the *Local Government Act 1989*;
- **Fixed Charges** - a fixed service charge to recoup the full cost of waste services. The charge is not capped under the Fair Go Rates System and applies equally to all properties.

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 is used. That is, whether the property is used for general residential, vacant residential or commercial/industrial, agricultural, conservation or trust for nature purposes. This distinction is based on the concept that different property categories should pay a fair and equitable contribution, taking into account the benefits those properties derive from the local community.

The Mornington Peninsula Shire rating structure comprises six differential rates (general, vacant residential, vacant commercial/industrial, agricultural, conservation or trust for nature). 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 currently set as follows:

- General 100%
- Vacant residential 140%
- Vacant commercial / industrial 140%
- Conservation land 75%
- Mornington Peninsula agricultural 35%
- Trust for nature 35%

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

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

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

Rates and charges are an important source of revenue, accounting for over roughly 77% of its annual operating income received by Council. The collection of rates is an important factor in funding Council services.

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

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

Council currently utilises a waste service charge to recoup the full cost of waste services including collection, disposal, street sweeping, footpath sweeping, beach cleaning, state government landfill levy, plus street and drain litter collection. The waste service charge is not capped under the Fair Go Rates System and applies equally to all properties.

1.4.1 RATING LEGISLATION

The legislative framework set out in the *Local Government Act 1989* determines council's ability to develop a rating system. The framework provides significant flexibility for Council to tailor a system that suits its needs. Section 155 of the *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

The Council does not charge rate payers a municipal charge.

The recommended strategy in relation to 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 Annual Budget as required by the *Local Government Act 2020*.

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

- a) the total amount that the Council intends to raise by rates and charges;

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- 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 that Council will utilise in calculating and distributing the rating burden to property owners, however, the quantum of rate revenue and rating differential amounts will be determined in the annual Mornington Peninsula Shire budget.

The Victorian State Government appointed a Ministerial Panel in 2019 to lead to a review of the Local Government Rating System in consultation with the community, ratepayers and councils. The Panel presented its final report and list of recommendations to the Victorian Government in March 2020 and the Victorian Government subsequently published a response to the recommendations of the Panel's report in December 2020. The recommended changes have not yet been implemented and timelines to make these changes have not been announced.

1.4.2 RATING PRINCIPLES

Taxation Principles:

When developing a rating strategy, with reference to differential rates, a Council should give consideration to the following good practice taxation principles:

- Wealth Tax
- Equity
- Efficiency
- Simplicity
- Benefit
- Capacity to Pay
- Diversity

Wealth Tax

The "wealth tax" principle implies that the rates paid are dependent upon the value of a ratepayer's real property and have no correlation to the individual ratepayer's consumption of services or the perceived benefits derived by individual ratepayers from the expenditures funded from rates.

Equity

Horizontal equity – ratepayers in similar situations should pay similar amounts of rates (ensured mainly by accurate property valuations, undertaken in a consistent manner, their classification into homogenous property classes and the right of appeal against valuation).

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Vertical equity – those who are better off should pay more rates than those worse off (the rationale applies for the use of progressive and proportional income taxation. It implies a “relativity” dimension to the fairness of the tax burden).

Efficiency

Economic efficiency is measured by the extent to which production and consumption decisions by people are affected by rates.

Simplicity

How easily a rates system can be understood by ratepayers and the practicality and ease of administration.

Benefit

The extent to which there is a nexus between consumption/benefit and the rate burden.

Capacity to Pay

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

Diversity

The capacity of ratepayers within a group to pay rates.

Simultaneously applying all of these criteria may not always be feasible so; there are likely to be trade-offs among them. The most efficient system may place an excessive burden on segments of the community where, from an equity point of view, this is not desirable. Alternatively, it may be too expensive for councils to administer, or for ratepayers to reasonably understand.

Therefore, the design challenge is one of appropriately balancing competing considerations. That is, the preferred design of the rating system, and the extent to which it satisfies the criteria above, hinges on the weight that councils assign to a different criterion.

Rates and Charges Revenue Principles:

Total revenue will:

- be reviewed annually;
- will not change dramatically from one year to next; and
- subject to rate capping as set by the Minister of Local Government.

Differential rating should be applied as equitably as is practical and will comply with the [Ministerial Guidelines for Differential Rating 2013](#)

1.4.3 DETERMINING WHICH VALUATION BASE TO USE

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

Under 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 CIV.

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For residential and agricultural properties, NAV is calculated at 5 per cent of the Capital Improved Value. For commercial and industrial properties, NAV is calculated as the greater of the estimated annual rental value or 5 per cent of the CIV.

Capital Improved Value (CIV)

Capital Improved Value is the most commonly used valuation base by local government with over 90% of Victorian councils applying this methodology. Based on the value of both land and all improvements on the land, it is generally easily understood by ratepayers as it equates to the market value of the property. Section 161 of the *Local Government Act 1989* provides that a Council may raise any general rates by the 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.

Where a council does not utilise CIV, it may only apply limited differential rates in relation to farm land, urban farm land or residential use land.

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 increased frequency of valuations (previously two-year intervals, now annual 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 council to apply various differential rates which greatly adds to council’s ability to equitably distribute the rating burden based on ability to afford council rates and council is not limited by the differential rates it can offer. CIV allows council to apply higher rating differentials to the vacant land sector that offsets conservation, agricultural and trust for nature 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)

There are currently 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 in a Mornington Peninsula Shire context would cause a shift in rate burden from the vacant land sectors onto the agricultural and conservation sectors, and would hinder council’s objective of a fair and equitable rating system.

There would be further rating movements away from modern townhouse style developments on relatively small land parcels to older established homes on quarter acre residential blocks. In many ways, it is difficult to see an equity argument being served by the implementation of site valuation in the Mornington Peninsula Shire.

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 and farm properties. Valuers derive the NAV directly as 5 per cent of CIV.

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

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

Recommended valuation base

Mornington Peninsula Shire applies Capital Improved Value (CIV) to all properties within the Shire to consider the fully developed value of the property. This basis of valuation considers the total market value of the land plus buildings and other improvements.

Differential rating allows (under the CIV method) council to shift part of the rate burden from some groups of ratepayers to others, through different “rates in the dollar” for each class of property.

Once the Council has declared a differential rate for any land, the Council must:

- a) Specify the objectives of the differential rates;
- b) Specify the characteristics of the land which are the criteria for declaring the differential rate.

The purpose is to ensure that Council has a sound basis on which to develop the various charging features when determining its revenue strategies and ensure that these are consistent with the provisions of the *Local Government Act 1989*.

The general objectives of each of the differential rates are to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council. There is no limit on the number or types of differential rates that can be levied, but the highest differential rate can be no more than four times the lowest differential rate.

Property Valuations

The *Valuation of Land Act 1960* is the principal legislation in determining property valuations. Under the *Valuation of Land Act 1960*, the Victorian Valuer-General conducts property valuations on an annual basis. Mornington Peninsula Shire applies a Capital Improved Value (CIV) to all properties within the municipality to account for the full development value of the property. This basis of valuation considers the total market value of the land including buildings and other improvements.

Property values are determined by analysis of market sales and rental evidence. The valuer builds a profile of value levels for each different area/property type by analysis of recent sales and leasing. This information is then applied to individual properties, taking into account the different characteristics of each property.

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.

Date of valuation

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.

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Supplementary Valuations

Supplementary valuations are carried out for a variety of reasons including rezoning, subdivisions, amalgamations, renovations, new constructions, extensions, occupancy changes and corrections.

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

Objections to property valuations

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

A property owner must lodge their objection to the valuation or the AVPCC in writing to the Mornington Peninsula Shire. 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).

1.4.4 RATING DIFFERENTIALS

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

General Rate

Definition:

General land is any rateable land which does not have the characteristics of lands eligible for the other differential rates (vacant residential, vacant commercial/industrial, agricultural, conservation or trust for nature).

Objectives:

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations and to ensure that the differential rate in the dollar declared for defined general rate land properties is fair and equitable, having regard to the cost and the level of benefits derived from provision of Council services.

Characteristics:

The classification of the land will be determined by the occupation of that land for its best use and have reference to the planning scheme zoning.

Types and Classes:

Rateable land having the relevant characteristics described below:

- a) used primarily for residential purposes; or
- b) any land that is not defined by other differential rates (vacant residential, vacant commercial/industrial, agricultural, conservation or trust for nature).

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Use of Rate:

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

Level of Rate:

100% of General Rate.

Use of Land:

Any use permitted under the Mornington Peninsula Shire Planning Scheme.

Geographic Location:

Wherever located within the municipal district.

Planning Scheme Zoning:

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

Types of Buildings:

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

Boatsheds

Boatsheds are rated at the general rate.

Boatshed owners have exclusive occupancy but the land remains Crown Land.

Boatshed rate payers are offered the same Council services offered to other rate payers supporting the equity taxation principle.

Residential – Vacant Land Rate

Definition:

Residential Vacant Land is land:

- (a) On which there is no dwelling or like building designed or adapted for human habitation; and
- (b) Which is located within any of the following zones under the Mornington Peninsula Planning Scheme;

- Residential Zone 1
- Low Density Residential Zone
- Comprehensive Development Zone 1
- Green Wedge Zone 4 (property less than 4,000m²)
- Special Use Zone 4.

Objective:

The objective of this differential rate is to ensure that owners of vacant residential land make an equitable financial contribution to the cost of carrying out the functions of Council, noting that Council incurs the cost of carrying out a range of functions irrespective of whether land is vacant or occupied.

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Types and Classes:

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

Use and level of differential rate:

The differential rate will be used to fund some of those items of expenditure describe in the budget adopted by Council including (but not limited to) the:

- Construction and maintenance of infrastructure assets
- Development and provision of health and community services
- Provision of general support services

The level of the differential rate is the level which Council considers is necessary to provide for an appropriate contribution to Council's budget expenditure, having regard to the characteristics of the land.

Geographic Location

Wherever located within the municipal district without reference to ward boundaries.

Use of Land

Not applicable.

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:

None.

Commercial – Vacant Land Rate

Definition:

Commercial Vacant Land is land:

- (a) On which there is no building designed or adapted for commercial or like use; and
- (b) Which is located within any of the following zones under the Mornington Peninsula Planning Scheme;

- Business Use Zone 1
- Business Use Zone 4
- Business Use Zone 5

Objective:

To ensure that owners of vacant commercial land make an equitable financial contribution to the cost of carrying out the functions of Council, noting that Council incurs the cost of carrying out a range of functions irrespective of whether land is vacant or occupied.

Types and Classes:

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

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Use and level of differential rate:

The differential rate will be used to fund some of those items of expenditure describe in the budget adopted by Council including (but not limited to) the:

- Construction and maintenance of infrastructure assets
- Development and provision of health and community services
- Provision of general support services

The level of the differential rate is the level which Council considers is necessary to provide for an appropriate contribution to Council's budget expenditure, having regard to the characteristics of the land.

Geographic Location

Wherever located within the municipal district without reference to ward boundaries.

Use of Land

Not applicable.

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:

None.

Industrial – Vacant Land Rate

Definition:

Industrial Vacant Land is land:

- (a) On which there is no building designed or adapted for industrial or like use; and
- (b) Which is located within any of the following zones under the Mornington Peninsula Planning Scheme;
 - Industrial Zone 3
 - Special Use Zone 1
 - Special Use Zone 3

Objective:

To ensure that owners of vacant industrial land make an equitable financial contribution to the cost of carrying out the functions of Council, noting that Council incurs the cost of carrying out a range of functions irrespective of whether land is vacant or occupied.

Types and Classes:

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

Use and level of differential rate:

The differential rate will be used to fund some of those items of expenditure describe in the budget adopted by Council including (but not limited to) the:

- Construction and maintenance of infrastructure assets
- Development and provision of health and community services
- Provision of general support services

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The level of the differential rate is the level which Council considers is necessary to provide for an appropriate contribution to Council's budget expenditure, having regard to the characteristics of the land.

Geographic Location

Wherever located within the municipal district without reference to ward boundaries.

Use of Land

Not applicable.

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:

None.

Mornington Peninsula Agricultural land (Farm land) Rate

Mornington Peninsula Shire is unique in that only the farm land portion of a rural property is eligible for the differential farm rate; the 'house and curtilage' attracts the general rate.

Definition:

Mornington Peninsula Agricultural Land is land which is 'farm land' within the meaning of section 2(1) of the *Valuation of Land Act 1960* but excluding any portion containing a residential, commercial or industrial building (or buildings) or an outbuilding or other similar form of improvement (including the curtilage to any principal residential or commercial building whether the curtilage is fenced off or not).

For the purposes of this definition:

- (a) 'curtilage' means an area of land measuring 2,000 square metres around the principal residential building or commercial building or industrial building. If there is both a principal residential building and a principal commercial or industrial building on such land, the curtilage will be the area around the residential building alone;
- (b) 'residential building' means a building used or designed or adapted for residential purposes;
- (c) 'commercial building' means a building used or designed or adapted for commercial purposes; and
- (d) 'industrial building' means a building used or designed or adapted for industrial purposes.

Objective:

- To support the planning objectives of Melbourne 2030 as they relate to urban containment
- To preserve the rural amenity of the Mornington Peninsula and ensure the wider community can continue to enjoy those benefits.
- To preserve and protect agricultural land as a productive resource.
- To ensure that eligible land is managed in a responsible way.

Types and Classes:

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

Use and level of differential rate:

The differential rate will be used to fund some of those items of expenditure describe in the budget adopted by Council including (but not limited to) the:

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- Construction and maintenance of infrastructure assets
- Development and provision of health and community services
- Provision of general support services

The level of the differential rate is the level which Council considers is necessary to provide for an appropriate contribution to Council's budget expenditure, having regard to the characteristics of the land.

Geographic Location

Council currently uses its agricultural differential rate to protect areas which are suited to agriculture and to ensure that eligible land is managed in a responsible way.

Use of Land

Any use corresponding with the relevant characteristics described in the declaration.

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.

Council currently uses its agricultural differential rate to protect areas which are suited to agriculture and to ensure that eligible land is managed in a responsible way.

The differential operates as follows:

- 35% of the general rate is applied to the farmland component of property only
- Farmhouse (plus curtilage) currently bears the full general rate
- Commercial or industrial components are separately rated

Conservation Land Rate

Definition:

Conservation Land is land:

- (a) Which is 2 hectares or greater but excluding any portion containing a residential, commercial or industrial building or an outbuilding or other similar form of improvement (including the curtilage to any principal residential or commercial/industrial building)
- (b) Does not receive the Agricultural rate
- (c) Committed to, and managed for, the protection and enhancement of the natural environment
- (d) Committed to undertake sustainable land management actions outlined in the application
- (e) Allow relevant Shire Officers to inspect property to establish and maintain eligibility
- (f) Maintain records of works carried out as part of the agreement
- (g) Provide annual work and property management plans

For the purposes of this definition, "curtilage" means an area of land measuring 2000 square metres around the principal residential or commercial/industrial building.

Objective:

- To encourage the protection and enhancement of the natural environment and biodiversity of the Peninsula.
- To preserve the rural amenity of the Mornington Peninsula and ensure the wider community can continue to enjoy those benefits

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- To ensure that eligible land is managed in a responsible way.

Types and Classes:

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

Use and level of differential rate:

The differential rate will be used to fund some of those items of expenditure describe in the budget adopted by Council including (but not limited to) the:

- Construction and maintenance of infrastructure assets
- Development and provision of health and community services
- Provision of general support services

The level of the differential rate is the level which Council considers is necessary to provide for an appropriate contribution to Council's budget expenditure, having regard to the characteristics of the land.

Geographic Location

Wherever located within the municipal district without reference to ward boundaries.

Use of Land

Not applicable.

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.

Trust for Nature Rate

Definition:

Trust for Nature Land is land that is under Trust for Nature conservation covenant.

Objective:

The objective of this differential rate is to recognise the commitment towards protection of biodiversity of Mornington Peninsula Shire and provide the highest level of recognition possible within the limits of differential rating. A conservation covenant is a voluntary agreement between Trust for Nature and the landowners.

- To encourage the protection and enhancement of the natural environment and biodiversity of the Peninsula.
- To preserve the rural amenity of the Mornington Peninsula and ensure the wider community can continue to enjoy those benefits
- To ensure that eligible land is managed in a responsible way.

Types and Classes:

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

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Use and level of differential rate:

The differential rate will be used to fund some of those items of expenditure describe in the budget adopted by Council including (but not limited to) the:

- Construction and maintenance of infrastructure assets
- Development and provision of health and community services
- Provision of general support services

The level of the differential rate is the level which Council considers is necessary to provide for an appropriate contribution to Council's budget expenditure, having regard to the characteristics of the land.

Geographic Location

Wherever located within the municipal district without reference to ward boundaries.

Use of Land

Not applicable.

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.

Other

Lysaght Steel Works

The Steel Works is subject to the Western Port (Steel Works Rating) Act 1971. An annual rate payable as defined in the Act is payable by the Corporation for the use of Council's services.

HMAS Cerberus

The naval base is a non-rateable property that makes a contribution to Council equal to 50% of the general rate to take in to account the use of Council services within the community by the occupants of the naval base.

Culture and Recreation

Various classes of sporting groups and clubs are levied an amount in lieu of rates determined under the provisions of the Cultural and Recreational Lands Act, not the Local Government Act 1989.

Classes of sporting groups rated under the Cultural and Recreational Lands Act include:

- Golf Clubs (not in private ownership)
- Yacht and Sailing Clubs
- (Mornington) Racing Club
- Various other "passive recreation" groups

The basis for levying their rates and charges is not the valuation, but rather "*such amount (not exceeding the amount that would otherwise have been payable by way of rates) as the council of the municipality thinks reasonable having regard to the services provided by the municipality in relation to such lands and having regard to the benefit to the community derived from such recreational lands.*"

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Advantages of a differential rating system

The advantages of utilising a differential rating system summarised below are:

- There is greater flexibility to distribute the rate burden between all classes of property, and therefore link rates with the ability to pay.
- Differential rating allows Council to better reflect the investment required by Council to establish infrastructure to meet the needs of other sectors.
- 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. agricultural enterprises, conservation and Land for Nature eligible landowners).
- 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. (i.e. conservation properties still attract the conservation differential rate)

Disadvantages of a differential rating system

The disadvantages in applying differential rating summarised below 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 unfavorably 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,) 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 right 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 may be difficult to prove whether the rate achieves those objectives.

1.4.5 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.

Mornington Peninsula Shire does not charge ratepayers a municipal charge.

1.4.6 SPECIAL CHARGE SCHEMES

The *Local Government Act 1989* recognises that councils need help to provide improved infrastructure for their local communities. Legislation allows councils to pass on the cost of capital infrastructure to the owner of a property that generally receives a unique benefit from the construction works. The technical explanation of a Special Charge comes from legislation (under the *Local Government Act 1989*) that allows councils to recover the cost of works from property owners who will gain special benefit from that work.

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

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

- a. the wards, groups, uses or areas for which the special rate or charge is declared; and

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- b. the land in relation to which the special rate or special charge is declared;
- c. the manner in which the special rate or special charge will be assessed and levied; and
- d. details of the period for which the special rate or special charge remains in force.

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

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

1.4.7 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 sewage services;
- d. Any other prescribed service.

Council currently applies a waste service charge for the collection and disposal of refuse on all rateable properties (compulsory) and providing waste services for the municipality (services including collection, disposal, street sweeping, footpath sweeping, beach cleaning, state government landfill levy, plus street and drain litter collection). The waste service charge is not a ‘fee for service’ levy based on services received or accessed. Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste services, including providing for the cost of rehabilitation of the council’s landfill once it reaches the end of its useful life.

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.

1.4.8 REBATES

Heritage Rebate

The purpose of the Heritage rebate program is to recognise the value of heritage places on the Mornington Peninsula and assist landowners to undertake preservation, restoration or maintenance work to conserve the heritage value of their properties.

Under the Mornington Peninsula Shire’s Heritage Places Policy landowners of properties of properties covered by the Heritage Overlay (HO) in the Mornington Peninsula Planning Scheme (planning scheme) can apply to Council to receive a rebate pursuant to section 169 of the Local Government Act 1989 as follows:

- up to 25% for individually listed heritage places based on the difference between the Capital Improved Value and the Site Value
- up to 12.5% for contributory places in a heritage precinct based on the difference between the Capital Improved Value and the Site Value

1.4.9 COLLECTION AND ADMINISTRATION OF RATES AND CHARGES

The purpose of this section is to outline the rate payment options, processes, and the support provided to ratepayers facing financial hardship.

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Payment options

In accordance with section 167(1) of the *Local Government Act 1989* ratepayers have the option of paying rates and charges by way of four instalments, nine monthly payments or one lump sum payment in full by 15 February.

All rate payers will receive their annual rates notice during August each year.

If paying quarterly instalments, the first instalment must be paid by 30 September. Payments received after 30 September will be treated as part payments only and the balance must be paid in full by 15 February.

If paying quarterly instalments, the second, third and fourth reminder instalment notices are issued 3 weeks before the payment due date.

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:

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

Monthly payments are payable on the 15th of each month from September to May the following calendar year.

Council offers a range of payment options including:

- in person at Council offices (cash, cheques, EFTPOS, Mastercard or Visa),
- online by credit card via Council's payments portal,
- direct debit,
- BPAY,
- Payble ® new payment provider (self service online app with options to pay in regular instalments or make a one off payment)
- Australia Post (over the counter, over the phone via credit card and on the internet via PostBillpay),
- by mail (cheques only).

Centrepay also enables Centrelink customers to pay their rate and debtor accounts as a direct debit deduction from their fortnightly income. An arrangement plan can be discussed by contacting the council offices Revenue team.

Interest on arrears and overdue rates

Interest may be 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.

Interest on late payments is currently charged at 10% p.a.

Interest will continue to accrue until the overdue amount, including state government fire services property levy and accrued interest is paid in full. For full payment not received by the due date, interest will be calculated as if the property owner chose to pay via instalments.

Pensioner rebates

Holders of a Centrelink or Veteran Affairs Pension Concession card or a Veteran Affairs Gold card which stipulates TPI or War Widow may claim a rebate on their sole or principal place of residence. Upon initial application, ongoing eligibility is maintained, unless rejected by Centrelink

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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.

Rates Payment Assistance

It is acknowledged at the outset that various ratepayers may experience financial hardship for a whole range of issues and that meeting rate obligations constitutes just one element of several difficulties that may be faced. The purpose of the Rates Payment Assistance is to provide options for ratepayers facing such situations to deal with the situation positively and reduce the strain imposed by financial hardship.

Refer to the Council Financial Hardship policy to assist with available rate payment assistance options.

Deferred payments

Under Section 170 of the *Local Government Act 1989*, Council may defer the payment of any rate or charge for an eligible ratepayer whose property is their sole place of residency, allowing ratepayers an extended period of time to make payments or alternatively to forestall payments on an indefinite basis until the ratepayer ceases to own or occupy the land in respect of which rates and charges are to be levied.

Deferral of rates and charges are available to all ratepayers who satisfy the eligibility criteria and have proven financial difficulties. Where Council approves an application for deferral of rates or charges, interest will continue to be levied on the outstanding balance of rates and charges after 15 February but at an interest rate fixed annually by Council.

Ratepayers seeking to apply for such provision will be required to request in writing and supported by sufficient documentation to assess the request. This may include details of assets owned, income received and living expenses, as well as any other information considered relevant by the applicant.

Deferment of rates may only be granted on an annual basis. Applicants requiring longer deferrals will be required to reapply each year. All requests for rate relief will be treated as confidential.

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 a reminder notice. If the account remains unpaid, Council will issue a final notice which will include accrued penalty interest. Accounts with an overdue balance greater than \$1,000 that remain unpaid may be subject to legal action without further notice to recover the overdue amount. All fees and court costs incurred will be recoverable from the ratepayer.

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

Fire Services Property Levy

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)

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and Country Fire Authority (CFA), and all levies collected by Council are passed through to the State Government.

The Fire Services Property Levy is based on two components, a fixed charge, and a variable charge which is linked to the Capital Improved Value of the property. This levy is not included in the rate cap and increases in the levy are at the discretion of the State Government.

It should be noted the Fire Services Property Levy will be replaced by the Emergency Services and Volunteers Fund effective 1 July 2025. [Emergency Services and Volunteers Fund | dtf.vic.gov.au](https://www.dtf.vic.gov.au)

1.5 OTHER REVENUE ITEMS

1.5.1 USER FEES AND CHARGES

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

Examples of user fees and charges include:

- Foreshore camping fees
- Child, youth, and family care services
- Leisure centre and recreation fees
- Permits and licenses
- Animal registrations
- Tip fees
- Opt-in green waste

Council will explore further opportunities to expand user fee for service potential. Council will reflect as part of the revenue strategy and long-term financial planning.

The provision of infrastructure and services form a key part of council's role in supporting the local community. In providing these, council must consider a range of 'Best Value' principles including service cost and quality standards, value-for-money, and community expectations and values. Council must also balance the affordability and accessibility of infrastructure and services with its financial capacity and in the interests of long-term financial sustainability.

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

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

Mornington Peninsula Shire services are provided based on one of the following pricing methods:

- a. Market Price
- b. Full Cost Recovery Price
- c. Subsidised Price

Market pricing (a) 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.

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It should be noted that if a market price is lower than council's full cost price, then the market price would represent council subsidising that service. If this situation exists, and there are other suppliers existing in the market at the same price, this may mean that council is not the most efficient supplier in the marketplace. In this situation, council will consider whether there is a community service obligation and whether council should be providing this service at all.

Full cost recovery price (b) aims to recover all direct and indirect 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 (c) is 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.

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

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

Council will develop a 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.

1.5.2 STATUTORY FEES AND CHARGES

Statutory fees and fines are those which council collects under the direction of legislation or other government directives. The rates used for statutory fees and fines are generally advised by the state government department responsible for the corresponding services or legislation, and generally councils will have limited discretion in applying these fees.

Examples of statutory fees and fines include:

- Town planning fees
- Permits
- Infringements and fines
- Land Information Certificate fees
- Swimming pool and spa registrations

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 not complying with written council notice requiring the owner to register a swimming pool or spa within a specified period is ten penalty units.

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

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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. For example, the cost of obtaining a land information certificate with the Council is 1.82 fee units each.

The value of one fee unit is currently \$16.33. This value may increase at the beginning of a financial year, at the same time as penalty units.

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.

1.5.3 GRANTS

Grant revenue represents income usually received from other levels of government. Some grants are singular and attached to the delivery of specific projects, whilst others can be of a recurrent nature and may or may not be linked to the delivery of projects.

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

When preparing its financial plan, council considers its project proposal pipeline and capacity to deliver services and meet infrastructure needs, advocacy priorities, upcoming grant program opportunities, and co-funding options to determine what grants to apply for. Council will only apply for and accept external funding if it is consistent with the Community Vision and does not lead to the distortion of Council Plan priorities.

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

1.5.4 CONTRIBUTIONS

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

Contributions can be made to council in the form of either cash payments or asset hand-overs.

Examples of contributions include:

- Monies collected from developers under planning and development agreements
- Monies collected under Developer Contribution Plans or Parking Overlays
- 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 or the contribution has been received. The exception to this is infrastructure listed in a Development Contributions Plan or Parking Overlay. In this case, Council must provide the identified infrastructure by the date or criteria specified in the Development Contributions Plan or Overlay.

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Contributions linked to developments can be received well before any council expenditure occurs. In this situation, the funds will be identified and held separately for the specific works identified in the agreements. The infrastructure must be delivered in a reasonable time period not exceeding 20-25 years.

1.5.5 REVENUE FROM INVESTMENTS

Council receives interest on funds and investment property rental income managed as part of its investment portfolio. The investment portfolio is managed per council's investment policy, which seeks to earn the best return on funds, whilst minimising risk.

1.5.6 BORROWINGS

Whilst not a source of income, borrowings can be an important cash management tool in appropriate circumstances. Loans can only be approved by council resolution. The following financial sustainability principles must be adhered to with new borrowings:

- Borrowings must only be applied for where it can be proven that repayments can be met in the Long-Term Financial Plan
- Borrowings must not be used to fund ongoing operations
- Borrowings are appropriate for funding large capital works where the benefits are provided to future generations.
- Council will maintain its debt at levels which are sustainable, with:
 - indebtedness <60% of rate and charges revenue, and
 - debt servicing cost <5% of total revenue (excluding capital revenue).

Contact Mornington Peninsula Shire

1300 850 600 (24 hours)

TIS: 133 677 then ask for 1300 850 600

NRS: connect to NRS on relayservice.com.au then ask for 1300 850 600

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