



DRAFT **REVENUE & RATING** PLAN

TABLE OF CONTENTS

1.1 Purpose.....	2
1.2 Introduction.....	3
1.3 Community Engagement.....	4
1.4 Rates and Charges.....	4
1.4.1 Rating Principles.....	5
1.4.2 Determining which Valuation Base to use.....	6
1.4.3 Rating Differentials.....	7
1.4.4 Municipal Charge.....	9
1.4.5 Special Charge Schemes.....	9
1.4.6 Service Rates and Charges.....	10
1.4.7 Administration Collection of Rates and Charges.....	10
1.5 Other Revenue Items.....	11
1.5.1 User Fees and Charges.....	11
1.5.2 Statutory Fees and Charges.....	12
1.5.3 Grants.....	13
1.5.4 Contributions.....	13
1.5.5 Interest on Investments.....	13
1.5.6 Borrowings.....	14

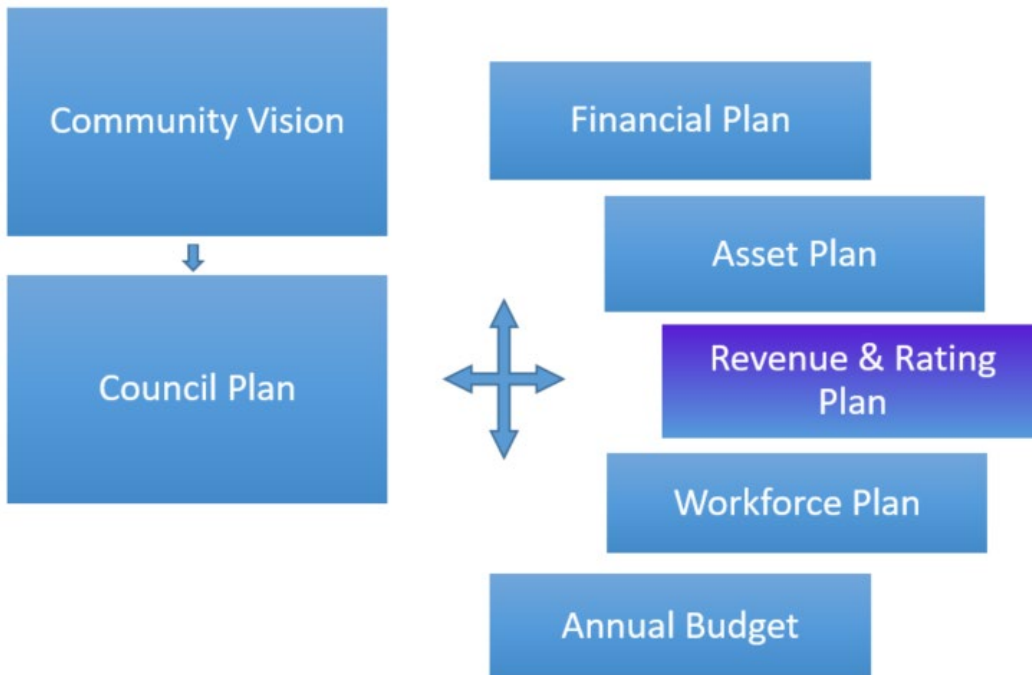
1.1 PURPOSE

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 within which the council proposes to work.

The purpose of the revenue and rating plan is to determine the most appropriate and affordable revenue and rating approach 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 council plan strategic objective of "our decisions will be evidence based, financially viable and for the longer term"

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



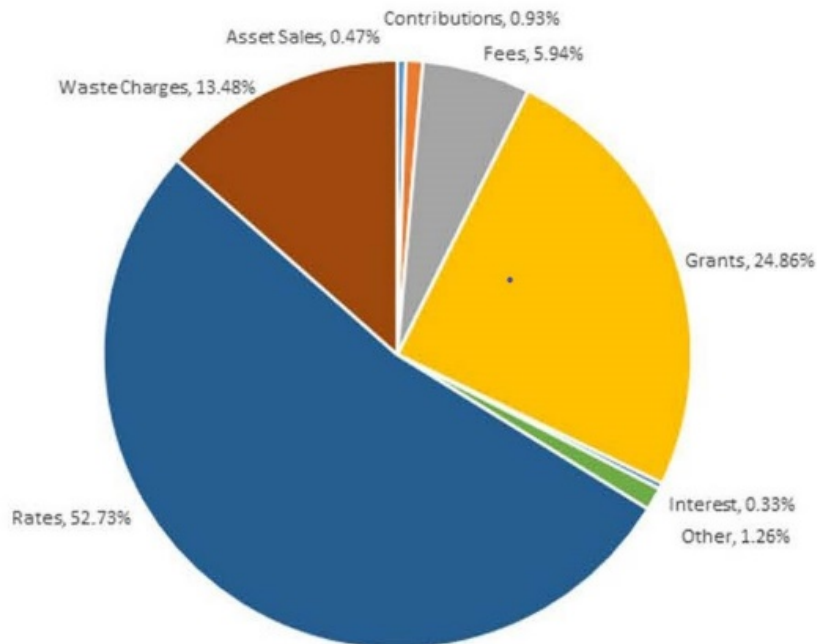
This plan will explain how Council calculates the revenue needed to fund its activities, and how the funding burden will be apportioned between ratepayers and other users of Council facilities and services.

In particular, this plan will set out decisions that Council has made in relation to rating options available to it under the *Local Government Act 2020* to ensure the fair and equitable distribution of rates across property owners. It will also set out principles that are used in decision making for other revenue sources such as fees and charges.

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

1.2 INTRODUCTION

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



Council's revenue sources include:

- Rates and Charges
- Waste Charges and an environmental levy
- Grants from other levels of Government
- Statutory Fees and Fines
- User Fees
- Cash and non-cash contributions from other parties (ie developers, community groups)
- Interest from investments
- Sale of Assets

Rates are the most significant revenue source for Council and make up roughly 52% of its annual income.

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 Council. This strategy will address Council's reliance on rate income and provide possible options to reduce that reliance.

Council provides a wide range of services to the community, often for a fee or charge. The nature of these fees and charges generally depends on whether they relate to statutory or discretionary services. Some of these, such as statutory planning fees are set by State Government statute and are commonly known as regulatory fees. In these cases, councils usually have no control over service pricing. However, in relation to other services, Council has the ability to set a fee or charge and will set that fee based on the principles outlined in this Revenue and Rating Plan.

Council revenue can also be adversely affected by changes to funding from other levels of government. Some grants are tied to the delivery of council services, whilst many are tied directly to the delivery of new community assets, such as roads or recreation facilities.

1.3 COMMUNITY ENGAGEMENT

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

Revenue and Rating Plan community engagement process:

- Draft Revenue and Rating Plan placed on public exhibition at the April Council meeting for a period of 28 days and calling for public submissions;
- Community engagement through local news outlets and social media;
- Draft Revenue and Rating Plan (with any revisions) presented to June Council meeting for consideration.

1.4 RATES AND CHARGES

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

Council has established a rating structure comprised of these 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*;
- **Waste Charges** - A 'user pays' component for council services to reflect benefits provided by Council to ratepayers who benefit from a service;
- **Environmental Levy** – which spreads the costs of waste services to all ratepayers. It includes waste expenses for landfill and transfer stations, EPA compliance, direct overheads and a landfill capital works contribution.
- **Municipal Charge** - A 'fixed rate' portion per property to cover some of the administrative costs of Council.
-

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 62% of operating revenue received by Council. The collection of rates is an important factor in funding Council services.

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

Council is aware of the balance between rate revenue (as an important income source) and community sensitivity to rate increases. With the introduction of the State Government's 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 waste service charge and an environmental levy to fully recover the cost of Council's waste services and provide for future landfill rehabilitation costs and capital works.

1.4.1 RATING PRINCIPLES

TAXATION PRINCIPLES

When developing a rating strategy, in particular 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).
Vertical equity – those who are better off should pay more rates than those worse off (the rationale applies for the use of progressive and proportional income taxation. It implies a "relativity" dimension to the fairness of the tax burden).

Efficiency

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

Simplicity

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

Benefit

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

Capacity to Pay

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

Diversity

The capacity of ratepayers within a group to pay rates.

The rating challenge for Council therefore is to determine the appropriate balancing of competing considerations.

RATES AND CHARGES REVENUE PRINCIPLES

Property rates will:

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

Differential rating should be applied as equitably as is practical and will comply with the Ministerial Guidelines for Differential Rating 2013.

1.4.2 DETERMINING WHICH VALUATION BASE TO USE

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.

Recommended valuation base

Moira Shire applies Capital Improved Value (CIV) to all properties within the municipality to take into account the fully developed value of the property. This basis of valuation takes into account the total market value of the land plus buildings and other improvements.

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. Council applies a 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 principal of valuing land for its highest and best use at the relevant time of valuation.

Supplementary Valuations

Supplementary valuations are carried out for a variety of reasons including rezoning, subdivisions, amalgamations, renovations, new constructions, extensions, occupancy changes and corrections. The Victorian Valuer-General is tasked with undertaking supplementary valuations and advises council on a monthly basis of valuation and Australian Valuation Property Classification Code (AVPCC) changes.

Supplementary valuations bring the value of the affected property into line with the general valuation of other properties within the municipality. Objections to supplementary valuations can be lodged in accordance with Part 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 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 Council. Property owners also have the ability to object to the site valuations on receipt of their Land Tax Assessment. Property owners can appeal their land valuation within two months of receipt of their Council Rate Notice (via Council) or within two months of receipt of their Land Tax Assessment (via the State Revenue Office).

1.4.3 RATING DIFFERENTIALS

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.

Use of each differential rate:

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

The classes of land which are subject to each differential rate and the uses are set out below.

Moira Shire Differential Rates as a percentage:

• Residential Building	100%
• Residential Vacant	200%
• Rural Building	100%
• Rural Vacant	200%
• Farm Building	100%
• Farm Vacant	100%
• Commercial and Industrial Building	140%
• Commercial and Industrial Vacant	200%
• Cultural and Recreational	97%

There are no changes proposed to the differential rates.

Objective of each differential rate:

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 rate for land properties is fair and equitable, having regard to the cost and the level of benefits derived from provision of Council services.

Residential Building Rate

Applies to properties where the land is primarily used for residential purposes; meaning rateable land upon which there is an erected private dwelling, flat or unit. Pensioners can access a state government funded concession.

Residential Vacant Rate

This rate applies to unimproved residential land that when it is developed would be or be likely to be used primarily for residential purposes. The increased differential is applied as an incentive to encourage development of the land.

Rural Residential Rate

This rate applies to land that is sized between 0.4ha and 20ha located in rural, semi-rural or bushland setting with a single residential dwelling on it.

Rural Vacant Rate

This rate applies to unimproved rural land that when it is developed would be or be likely to be used primarily for rural residential purposes. The increased differential is applied as an incentive to encourage development of the land.

Farm Building or Farm Vacant Rate

Applies to land with an area greater than 2ha that undertakes a commercial farming activity.

Commercial Building Rate

Applies to land that is used primarily for, or is capable of use for the sale of goods or services. The increased differential recognises the impact that commercial land use places on council infrastructure and seeks to achieve vertical equity due to the tax deductible nature of rates on commercial properties.

Commercial Vacant Rate

This rate applies to unimproved land that when it is developed would be primarily used or capable of the use for the sale of good or services. The increased differential is applied as an incentive to encourage development of the land.

Industrial Building Rate

Applies to land used primarily for, or is capable of use primarily for industrial purposes, which includes manufacturing, processing, repairing and servicing. The increased differential is applied as an incentive to encourage development of the land.

Industrial Vacant Rate

This rate applies to unimproved land that when it is developed would be primarily used or capable of the use for industrial purposes, which includes manufacturing, processing, repairing and servicing. The differential is applied as an incentive to encourage development of the land.

Cultural and Recreational Land

Under the *Cultural and Recreational Land 1963*, provision is made for a Council to grant a rating concession to any recreational land which meet the test of being rateable land under the *Local Government Act 1989*. The setting of the Cultural and Recreational differential is excluded from the rate cap calculation.

Solar Farms – Payment in Lieu of Rates (PiLor)

Solar Farms have a variable and fixed charge calculated and is separate from the Fair Go Rates system, and is in lieu of paying rates. This is established under section 94(6A) of the *Electricity Industry Act 2000* (EI Act)

Solar Farms are required to make a PiLor and is calculated on the solar farm megawatt (MW) output in accordance with Section 94(6A) of the EI Act. For Solar Farms greater than 25MW output, the methodology combines a fixed charge with a variable charge based on the capacity of the Solar Farm in megawatts. The fixed charge in FY2020-21 is \$54,400 and the variable charge is \$1,225 per megawatt (MW), and is indexed to CPI.

For Solar Farms with a capacity less than 25MW, the established rates are as follows: For a commercial solar or wind generator: \$1.12 per MWh generated, or \$7,500, whichever is greater in each year; or for a community solar or wind generator: \$0.56 per MWh generated, or \$5,000, whichever is greater in each year. The minimum rate of \$7,500 for a commercial generator up to 25 MW capacity, and \$5,000 for a community owned generator up to 25 MW capacity applies

where actual generation is less than expected, for example in a year where a generator is offline. This ensures that councils receives revenue that contributes to local services.

1.4.4 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 does not require Council to specify what is covered by the charge.

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

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

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

Council will continue to set the municipal charge at or near the maximum 20% (Currently set at 19.1%)

1.4.5 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 on the basis of any criteria specified by the council in the rate (Section 163 (2)). In accordance with Section 163 (3), council must specify:

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

1.4.6 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 service charge and environmental levy for the collection and disposal of refuse and providing waste services for the municipality (street litter bins for instance). Council retains the objective of setting the service charges 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.

1.4.7 ADMINISTRATION COLLECTION 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.

Rate Collection Policy

Moira Shire Council have a Rate Collection Policy available on the Council website, or a copy can be obtained by calling the Customer Experience team. This document should be referred to for specific details on rate collection and procedures.

The objective of this policy is to provide guidance and inform ratepayers of Council's debt collection procedures to reduce outstanding debts while maintaining a professional relationship with ratepayers. Rates constitute the majority of the income for Moira Shire Council and the payment of rates by property owners is crucial to the effective operation of Council.

Currently rates and charges are levied against properties in accordance with the *Local Government Act 1989* (The Act). Once the new *Local Government Act 2020* has been updated to reflect the pending rates and charges provisions this policy will be updated within 3 months from that date.

Until such time the provisions of the *Local Government Act 1989* applies. The timely recovery of rates and charges is essential to ensure adequate funding of the ongoing services and capital work projects Council provides for community benefit.

To ensure equity to the broader community Council follows the payment due dates and interest calculation as set down in the Act. Where hardship has not been established, Council will avail themselves of the options under Sections 177, 180 and 181 of the Act to recover overdue amounts. These recovery methods may include legal action and ultimately the sale of the property in question.

Financial Hardship Policy

Moira Shire Council have a Financial Hardship Policy available on the Council website, or a copy can be obtained by calling the Customer Experience team. This document should be referred to for specific details on financial hardship.

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 a number of difficulties that may be faced. The purpose of the Policy is to provide options for ratepayers facing such situations to deal with the situation positively and reduce the strain imposed by financial hardship.

The Policy takes into account the principles of fairness, integrity, confidentiality and compliance with statutory requirements, whilst being empathetic in the process.

Pensioner rebates

Holders of a Centrelink or Veteran Affairs Pension Concession Card and (PCC) or a Veteran Affairs Gold Card which stipulates TPI or War Widow may claim a rebate on their sole or principal place of residence. Upon initial application, ongoing eligibility is maintained, unless rejected by Centrelink or the Department of Veteran Affairs during the annual verification procedure. Upon confirmation of an eligible pensioner concession status, the pensioner rebate is deducted from the rate account before payment is required by the ratepayer.

With regards to new applicants, after being granted a (PCC), pensioners can then apply for the rebate at any time throughout the rating year. Retrospective claims up to a maximum of one previous financial year can be approved by Council on verification of eligibility criteria, for periods prior to this claims may be approved by the relevant government department.

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) 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.

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:

- Pool visitation and membership fees
- Waste Management fees
- Aged and Health Care service fees
- Leases and facility hire fees
- Hire of Parks and recreation facilities

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.

Services are provided on the basis of 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.

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 in particular where a service provided by council benefits individual customers specifically, rather than the community as a whole.

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 (ie 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.

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:

- Planning and subdivision fees
- Building and Inspection fees
- Infringements and fines
- Land Information Certificate fees

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

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 \$165.22, from 1 July 2020 to 30 June 2021.

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 depositing a Will with the Supreme Court registrar of probates is 1.6 fee units.

The value of one fee unit is currently \$14.81. 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, 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 and infrastructure contribution plans
- Contributions from user groups towards upgrade of facilities
- Assets handed over to council from developers at the completion of a subdivision, such as roads, drainage, and streetlights.

Contributions should always be linked to a planning or funding agreement. Council will not undertake any work on a contribution-funded project until a signed agreement outlining the contribution details is in place.

Contributions linked to developments can be received well before any council expenditure occurs. In this situation, the funds will be identified and held separately for the specific works identified in the agreements.

1.5.5 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.

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 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).

www.moiravic.gov.au

Phone (03) 5871 9222 **NRS** 133 677

Fax (03) 5872 1567

Email info@moiravic.gov.au

Mail PO Box 578, Cobram Vic 3643

Main Administration Centre

44 Station Street, Cobram

Service Centre

100 Belmore Street, Yarrawonga