

# Keysborough South Maintenance Levy Information / Newsletter to Owners

May 2016



As an owner in the Keysborough South Maintenance Levy District, you will be aware that Council charges an additional \$350 per annum as a maintenance levy for properties within this area. The purpose of this newsletter is to provide you with further information on the maintenance levy, why it exists, what it is used for, how the funds are protected and the future considerations in regard to the levy.



## Why was the levy established?

**In 2006, Council entered into discussions with a property developer who wished to build a residential estate which was based on the provision of 20 per cent open space compared to the traditional open space amount of 5 per cent in other estates. The open space was to be finished and maintained to a high quality to act as an attraction for purchasers to purchase and reside in the area.**

Council and the developer entered into an agreement under the Planning and Environment Act (Section 173 agreement) for the developer to establish and maintain the open space for an initial three year period with this open space then reverting to Council to maintain into the future.

Given that the financial burden on Council was going to be significantly greater than other residential areas once the three years were concluded, the agreement between Council and the developer (and each successive owner of allotments within this area) was for a maintenance levy of \$350 per annum to be paid for the additional maintenance costs above and beyond a traditional estate. The levy was to remain fixed for three years and then, at Council's election, be increased by CPI.

The 2006 development represented stage 1 in the estate and was followed by Stages 2 and 3 in 2011, which have matching agreements. At present there is now 3387 properties paying the levy and it is estimated when the estate is fully developed, this will grow to approximately 4000 properties.

## Providing a high quality open space

The estates within Keysborough South were designed in conjunction with Tract Landscape and Urban Design to create a network of green which threads throughout the development for the enjoyment of residents and the community. The linear reserves rehabilitate natural waterways and provide a network of open spaces for both active and passive recreation.

The estates foster pedestrian and cycling networks and provide for the retention of native remnant vegetation. The quality of the open space in these estates has been recognised in several awards.



## Where does the levy area cover?





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## What expenditure can the levy be used for?

Funds collected from the levy are used for the additional 15 per cent maintenance costs associated with the estate and for capital improvements within the estate that are not directly funded by Council's capital works program.

## Are funds quarantined?

As from 1 July 2011, all levy funds paid to Council are placed in a dedicated Keysborough Maintenance Levy Reserve Fund and all expenditures from this Reserve are clearly identified. As at 30 June 2015, the balance of funds in this Reserve fund was \$945,000.

Residents can always view the latest balance in this Reserve Fund on an annual basis by reading Note 29 (Reserve Funds) in Council's published Financial Statements.

## Why is Council making a surplus from this levy?

Council is currently fully responsible for all open space associated with Stage 1 of the development and will progressively be handed responsibility to maintain Stages 2 & 3. This is resulting in the Reserve Fund continuing to grow each year but it is expected that in the next years the revenue will be exceeded by costs and the Reserve will decline.

Any surplus funds held at present will either provide for new facilities in the estate or be applied to deferring any need to increase the levy in the future.

## What options has Council considered in relation to the levy?

In 2013 Council discussed the potential to:

- a) remove the levy or
- b) reduce the levy.

Council considered removing the levy and passing these costs onto all residents. In previous years this would have required Council to increase rates on a sliding scale from 0.32 per cent in 2013-14 growing to 1.5 per cent by 2016 as all stages were passed to Council. With rate capping in place Council no longer has this option.

Council further considered options of either reducing the quality of open space (and associated higher maintenance costs) by replacing garden beds with grassed areas or even the ability to sell open space to reduce the current percentage from 20 per cent to a figure closer to traditional estates. Neither of these options was considered an appropriate outcome.

Given that Council is currently in surplus when annual revenue from the levy is directly compared with the associated annual expenditure, strong consideration was given to reducing the levy amount.

This would however lead to an outcome where the levy was reduced in one period and then steeply increased in the future as Stages 2 and 3 fully reverted to Council's responsibility to maintain. As a result, Council elected to maintain the levy at the constant amount which should both provide future funds for additional expenditures/facilities in the estate and defer to a later period any need to increase the levy beyond the current \$350 per annum.



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## GST status of the Maintenance Levy

When the levy was first introduced, Council sought both legal advice and a private tax ruling from the Australian Tax Office (ATO) on the GST status of the levy (2008). That advice indicated that as the levy was not a nominated exempt charge under Division 81 of the GST legislation, the levy would attract GST.

This legislation was then altered effective from 1 July 2011, which required all organisations to review the nature of their fees and charges to determine the GST status.

In August 2013, Council, with the assistance of experts in this area, sought a further private ruling from the ATO. This ruling determined that from 1 July, 2011, the maintenance levy was exempt from GST.

## Frequently asked questions

### ***Q. Is Tatterson Park maintenance part of the levy?***

A. Tatterson Park is within the declared area and forms part of the 20 per cent open space within this area. Consequently 75 per cent of the costs of maintaining the park and bushland is drawn from the Maintenance Levy.

### ***Q. Is Springers Leisure Centre Maintenance part of the levy?***

A. No funds are drawn from the Maintenance Levy to fund maintenance or operation of Springers Leisure Centre.

### ***Q. Is the new pavilion at Tatterson Park funded from the levy?***

A. No funds will be drawn from the Maintenance levy to fund this new facility.



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