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Knox City Council

Revenue and Rating Plan 2021-22

Adopted by Council on 28 June 2021

Contents

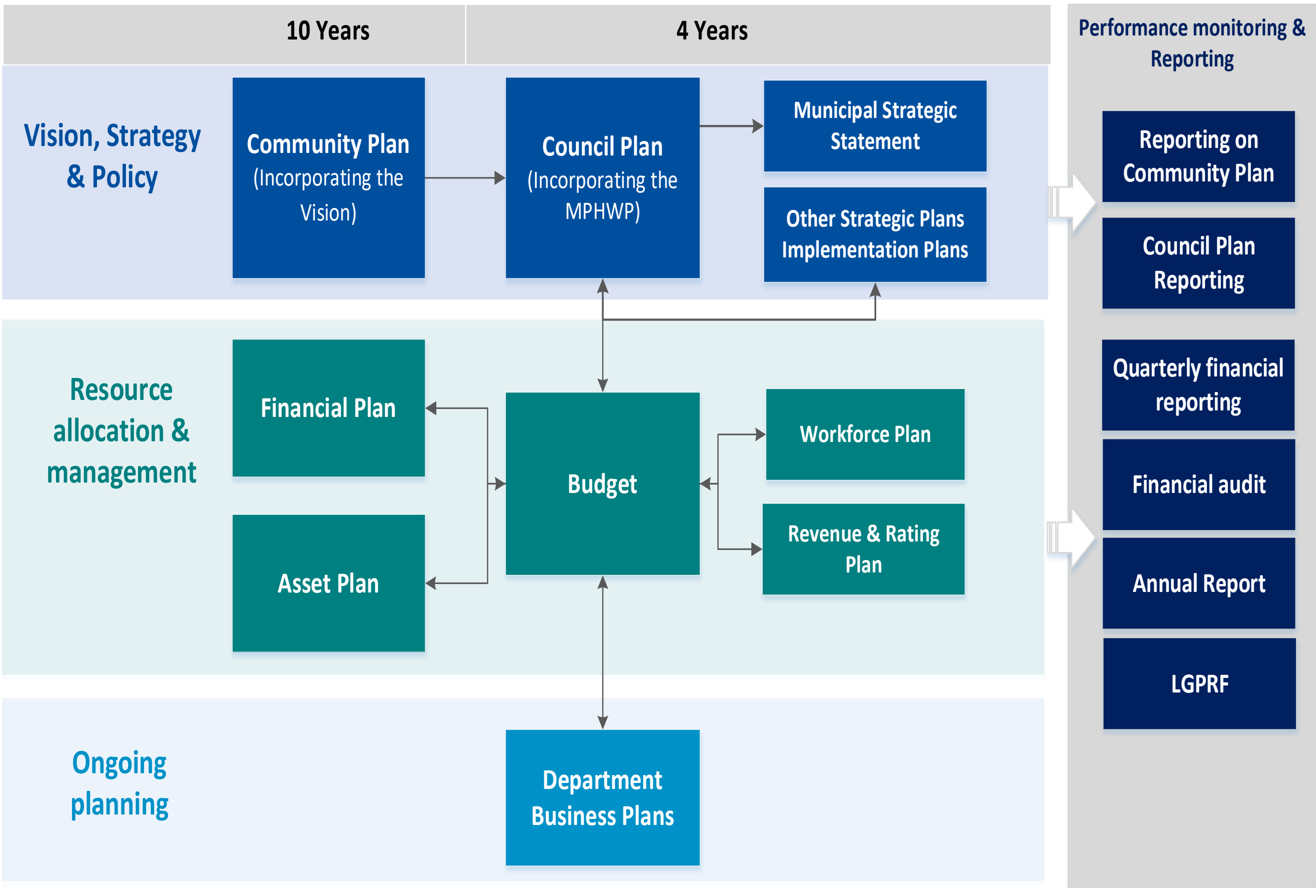
1. Purpose

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

The *Local Government Act 2020* requires each council to prepare a Revenue and Rating Plan to cover a minimum period of four years following each Council election. The Revenue and Rating Plan establishes the revenue raising framework within which the Council proposes to work.

This plan is an important part of Council's integrated planning framework, all of which is created to help Council achieve its community vision: *"Knox: where we connect with our people and our environment, ensuring they are safe, supported and have every opportunity to thrive"*.

Strategies outlined in this plan align with the key directions contained in the Community and Council Plans 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 and reporting 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 1989* and *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.

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 and facilities.

Council's revenue sources include:

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

Rates are the most significant revenue source for Council and make up just under 65% of total annual revenue, with 20% of income from grants and 9% raised through user fees, statutory fees and fines and 5% from contributions.

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 rate 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 options to actively 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 sports pavilions. It is important for Council to be clear about what grants it intends to apply for, and the obligations that grants create in the delivery of services or infrastructure.

3. Community Engagement

The Revenue and Rating Plan outlines Council's decision-making process on how revenues are calculated and collected. Deliberative community engagement is not prescribed for a Revenue and Rating Plan in either the *Local Government Act 2020*, or the Local Government (Planning and Reporting) Regulations 2020. However, 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 prepared;
- Draft Revenue and Rating Plan placed on public exhibition at April Council meeting for a period of 28 days and calling for public submissions via Council's Have Your Say platform;
- Community engagement through local news outlets and social media;
- Hearing of public submissions in early June; and
- Draft Revenue and Rating Plan (with any revisions) presented to June Council meeting for adoption.

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 two key elements. These are:

- General Rates – Based on property values (using the Capital Improved Valuation methodology), which are indicative of perceived capacity to pay and form the central basis of rating under the *Local Government Act 1989*; and
- Service Charges – A 'user pays' component for council services to reflect benefits provided by Council to ratepayers who benefit from a service.

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 residential, commercial / industrial, or farming 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 Knox City Council rating structure comprises six differential rates (residential, retirement village, commercial, industrial, recreational and vacant or derelict). 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.

For the 2020-21 financial year the differential rates are set as follows:

- Residential 100%
- Retirement Village 80%
- Commercial 250%
- Industrial 265%
- Recreational 100%
- Vacant 310% and Derelict

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 around 65% 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 a service charge to fully recover the cost of Council's waste services and provide for future landfill rehabilitation costs. The garbage service charge is not capped under the Fair Go Rates System, and Council will allocate any surplus funds from this charge towards the provision of waste services.

4.1 Rating Legislation

Following the introduction of the *Local Government Act 2020*, council operates under provisions in the *Local Government Act 1989* and the *Local Government Act 2020*.

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 recommended strategy in relation to municipal charges, service rates and charges and special rates and charges are discussed later in this document.

In raising Council rates, Council is required to primarily use the valuation of the rateable property to levy rates. Section 157(1) of the *Local Government Act 1989* provides Council with three choices in terms of which valuation base to utilise. They are: Site Valuation, Capital Improved Valuation (CIV) and Net Annual Value (NAV).

The advantages and disadvantages of the respective valuation basis are discussed further in this document. Whilst this document outlines Council's strategy regarding rates revenue, rates data will be contained in the Council's 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;
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*; and
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 Knox City Council budget.

In seeking to achieve its primary objective, Council must have regard to the following objectives:

a) Promote the social, economic and environmental viability and sustainability of the municipal district;
b) Ensure resources are used efficiently and effectively;
c) Improve the overall quality of life of the people in the local community;
d) Promote appropriate business and employment opportunities;
e) Ensure services and facilities provided are accessible and equitable
f) Ensure the equitable imposition of rates and charges; and
g) Ensure transparency and accountability in Council decision making.

The issue of equity must therefore be addressed in the Revenue and Rating Strategy, and this strategy has paid careful attention to this aspect.

In 2019 the Victorian State Government conducted a Local Government Rating System Review. The Local Government Rating System Review Panel presented their final report and list of recommendations to the Victorian Government in March 2020. The Victorian Government subsequently published a response to the recommendations of the Panel's report. However, at the time of publication the recommended changes have not yet been implemented, and timelines to make these changes have not been announced.

Exemptions from Rating

Section 154 of the *Local Government Act 1989* declares that all land is rateable with a number of exceptions including land occupied for municipal purposes, land used exclusively for charitable purposes, land used exclusively for religious or religious education purposes, and land used exclusively for certain clubs or memorials under the *Veterans Act 2005*, Returned Services Leagues and related associations as defined.

4.2 Rating Principles

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

In considering what rating approaches are equitable, Council needs to have regard to the principles of taxation which are:

- 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

Equity is a subjective concept that is difficult to define. What is considered fair for one person may be considered unfair for another. There are two main equity concepts used to guide the development of rating strategies (and taxation more generally):

Horizontal equity – refers to justice or fairness in the treatment of like properties. In other words, 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 – refers to the justice or fairness in the treatment of properties in different circumstances. 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). In the case of property rates, it may be considered equitable for one type of property to have to bear more or less of the rates burden than another type of property. In achieving vertical equity in its Revenue and Rating Strategy, Council must consider the valuation base it chooses to adopt to apply property rates and the application of the various rating tools available to it under the Act (e.g. differential rates).

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. One of the more misunderstood elements of the rating system is that residents seek to equate the level of rates paid with the amount of benefit they individually achieve. The reality is however property rates are a system of taxation not dissimilar to P.A.Y.G tax. In paying a tax on salaries, it is rarely questioned what benefit is received with it being acknowledged that tax payments are required to pay for critical services such as health, education and social support. Local Government is not dissimilar, with rates being required to subsidise the delivery of services and capital works that would otherwise be unaffordable if charged on a case by case basis.

Capacity to Pay

The capacity of ratepayers or groups of ratepayers to pay rates. The valuation of property is an imperfect system in which to assess a resident's capacity to pay annual rates but one which Council is restricted to under the Act. A frequently raised example is in relation to pensioners who may live in their family home which carries a high value, but live on a pension. The equity question for consideration however, is should Council support residents in this situation with lower rates that will eventually be to the financial benefit of estate beneficiaries? Or alternatively should the ability to defer rates (in total or in part) represent a more equitable outcome for all ratepayers?

Diversity
The capacity of ratepayers within a group to pay rates. Despite the "likeness" of members of property classes, there will also be considerable diversity with each class.

Summary
Simultaneously applying all of these criteria it is imperative to ensure a balanced approach as possible. The rating challenge for Council therefore is to determine the appropriate balancing of competing considerations.

4.3 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*.

4.4 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.

For residential and farm 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.

Under the CIV method Councils also have the ability to apply differential rates.

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 takes into account 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 differential rates which greatly adds to council's ability to equitably distribute the rating burden based on ability to afford council rates. CIV allows council to apply higher rating differentials to the commercial and industrial sector that offset residential rates.
- The Fire Services Property Levy is calculated on the CIV and continued use of this reinforces the principle of calculating rates based on CIV.

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 Knox City Council context would cause a shift in rate burden from the industrial/commercial sectors onto the residential sector, and would hinder council's objective of a fair and equitable rating system.

In many ways, it is difficult to see an equity argument being served by the implementation of site valuation in the Knox City Council.

Advantages of Site Value

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

Disadvantages of using Site Value

- 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.
- Under SV, there will be a significant shift from the industrial/commercial sector onto the residential sector of council. The percentage increases in many cases would be in the extreme range.
- SV is a major burden on property owners that have large areas of land. Some of these owners may have much smaller/older dwellings compared to those who have smaller land areas but well developed dwellings - but will pay more in rates. A typical example is flats, units, or townhouses which will all pay low rates compared to traditional housing styles.
- The use of SV can place pressure on council to give concessions to categories of landowners on

whom the rating burden is seen to fall disproportionately (e.g. Farm land and residential use properties). Large landowners, such as farmers for example, are disadvantaged by the use of site value.
- SV will reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates.
- The community may have greater difficulty in understanding the SV valuation on their rate notices, as indicated by many inquiries from ratepayers on this issue handled by council's customer service and property revenue staff each year.
- The Fire Services Property Levy is calculated on the CIV and use of different valuations could also cause confusion as this levy is shown on the Rates Notice.
- SV may not necessarily reflect the income level/capacity to pay of the property owner.

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.

In contrast to the treatment of residential and farm properties, NAV for commercial and industrial properties are assessed with regard to 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.

Summary Valuation Base

In choosing a valuation base, councils must decide on whether they wish to adopt a differential rating system (different rates in the dollar for different property categories) or a uniform rating system (same rate in the dollar). If a council was to choose the former, under the *Local Government Act 1989* it must adopt either of the CIV or NAV methods of rating.

Knox City Council will apply 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. This application is for the following reasons:
- CIV is considered to be the closest approximation to an equitable basis for distribution of the rating burden.
- CIV provides Council with the option to levy a full range of differential rates if required. Limited differential rating is available under the other rating bases.
- It should be noted that most of the 79 Victorian Councils apply CIV as their rating base and as such, it has a wider community acceptance and understanding than the other rating bases.

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.

The perceived advantages of utilising a differential system are:
- There is greater flexibility to distribute the rate burden between all classes of property, and therefore link rates with the ability to pay and reflecting the tax deductibility of rates for commercial and industrial premises;
- Differential rating allows Council to better reflect the investment required by Council to establish infrastructure to meet the needs of the commercial and industrial sector;
- Allows Council to reflect the unique circumstances of some rating categories where the application

of a uniform rate may create an inequitable outcome; and

- 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.

The perceived disadvantage in applying differential rating is the justification of the differential rate can at times be difficult for the various rating groups to accept. Some rating categories may feel they are unfavourably treated because they are paying a higher level of rates than other ratepayer groups. This gives rise to queries, objections and complaints where the differentials may seem to be excessive.
Section 161(1) of the *Local Government Act 1989* outlines the requirements relating to differential rates, which include:

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

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.

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

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

The value of land is always derived by the principal of valuing land for its highest and best use at the relevant time of valuation.

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.

There is a common misconception that if a property's valuation rises then Council receives a "windfall gain" with additional income. Any increase to total valuations of the municipality is offset by a reduction to the rate in dollar (ad valorem rate) used to calculate the rate for each property. The implementation of the Fair Go Rates System (also known as Rate Capping) places a cap on the average rates per assessment.

4.6 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.

4.7 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 Knox City Council. Property owners also have the ability to object to the site valuations on receipt of their Land Tax Assessment. Property owners can appeal their land valuation within two months of receipt of their Council Rate Notice (via Council) or within two months of receipt of their Land Tax Assessment (via the State Revenue Office).

4.8 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.

Residential Land

Definitions/Characteristics:

Any land which is not Vacant Land or Derelict Land, Retirement Village Land, Industrial Land, Commercial Land, or Cultural and Recreational Land.

Objective:

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

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

Types and Classes:
Rateable land having the relevant characteristics described in the definition/characteristics.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant Planning Scheme.

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

Types of Buildings:
All buildings which are now constructed on the land or which are constructed prior to the expiry of the 2019-20 financial year.

Retirement Village Land

Definitions/Characteristics:
Any land which is used primarily for the purposes of a retirement village.

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

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services; and
4. Requirement to ensure that Council has adequate funding to undertake its strategic, statutory, and service provision obligations; and
5. Recognition of expenditures made by Council on behalf of the retirement village sector.

Types and Classes:
Rateable land having the relevant characteristics described in the definition/characteristics.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant Planning Scheme.

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

Types of Buildings:
All buildings which are now constructed on the land or which are constructed prior to the expiry of the 2019-20 financial year.

Commercial Land

Definitions/Characteristics:
Any land which is used primarily for the purposes of a commercial land.

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

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services; and
4. Requirement to ensure that Council has adequate funding to undertake its strategic, statutory, and service provision obligations; and
5. Enhancement of the economic viability of the commercial and industrial sector through targeted programs and projects; and
6. Encouragement of employment opportunities; and
7. Promotion of economic development; and
8. Analysis, maintenance and construction of public drainage infrastructure; and
9. Requirement to ensure that infrastructure investment and promotional activity is complementary to the achievement of industrial and commercial objectives.

Types and Classes:
Rateable land having the relevant characteristics described in the definition/characteristics.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the Budget

adopted by Council.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant Planning Scheme.

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

Types of Buildings:
All buildings which are now constructed on the land or which are constructed prior to the expiry of the 2019-20 financial year

Industrial Land

Definitions/Characteristics:
Any land which is used primarily for the purposes of an industrial land.

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

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services; and
4. Requirement to ensure that Council has adequate funding to undertake its strategic, statutory, and service provision obligations; and
5. Enhancement of the economic viability of the commercial and industrial sector through targeted programs and projects; and
6. Encouragement of employment opportunities; and
7. Promotion of economic development; and
8. Analysis, maintenance and construction of public drainage infrastructure; and
9. Requirement to ensure that infrastructure investment and promotional activity is complementary to the achievement of industrial and commercial objectives.

Types and Classes:
Rateable land having the relevant characteristics described in the definition/characteristics.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant Planning Scheme.

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

Types of Buildings:
All buildings which are now constructed on the land or which are constructed prior to the expiry of the 2019-20 financial year.

Recreational Land

Definitions/Characteristics:
Any land upon which sporting, recreational or cultural activities are conducted, including buildings which may be ancillary to such activities, in accordance with the *Cultural and Recreational Lands Act 1963*.

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

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services; and
4. Requirement to ensure that Council has adequate funding to undertake its strategic, statutory, and service provision obligations; and
5. Recognition of expenditures made by Council in cultural and recreational sporting programs and infrastructure.

Types and Classes:
Rateable land having the relevant characteristics described in the definition/characteristics.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant Planning Scheme.

Vacant Land or Derelict Land

Definition/Characteristics
Any land on which there is no building that is occupied or adapted for occupation, or contains a building that is ordinarily adapted for occupation which is abandoned, unoccupied and in a very poor condition resulting from both disuse and neglect.

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

1. Encouragement of development/and or improvement of land; and
2. Construction and maintenance of public infrastructure; and
3. Development and provision of health and community services; and
4. Provision of general support services; and

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

Types and Classes:

Rateable land having the relevant characteristics described in the definition/characteristics.

Use and Level of Differential Rate:

The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council.

The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:

Wherever located within the municipal district.

Use of Land:

Any use permitted under the relevant Planning Scheme.

Planning Scheme Zoning:

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

4.9 Municipal Charge

Another principle rating option available to Councils is the application of a municipal charge. Under Section 159 of the *Local Government Act 1989*, Council may declare a municipal charge to cover some of the administrative costs of the Council. The legislation is not definitive on what comprises administrative costs and does not require Council to specify what is covered by the charge.

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

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

The municipal charge applies equally to all properties and is based upon the recovery of a fixed cost of providing administrative services irrespective of valuation. The 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.

The argument against a municipal charge is that this charge is regressive in nature and would result in lower valued properties paying higher overall rates and charges than they would if it was removed. The equity objective in levying rates against property values is reduced by using a municipal charge as it is levied uniformly across all assessments.

Knox City Council's strategy position is that it will not apply a Municipal Charge.

4.10 Special Rates and Charges

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.

In relation to the performance of a function or the exercise of a power of the Council, if the Council considers that the performance of the function or the exercise of the power is or will be of special benefit to the persons required to pay the special rate or special charge, Section 163 of the *Local Government Act 1989* enables Council to declare a special rate or charge or a combination of both for the purposes of:

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

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

Section 185 of the *Local Government Act 1989* provides appeal rights to VCAT in relation to the imposition of a special rate or charge. The Tribunal has wide powers, which could affect the viability of the special rate or charge. It can set the rate or charge completely aside if it is satisfied that certain criteria are not met. Council should be particularly mindful of the issue of proving that a special benefit exists to those that are being levied the rate or charge.

Differential rates are much simpler to introduce and less subject to challenge. There may be instances however where a special charge is desirable due to the raising of the levy by use of CIV not being equitable.

Special rates for retail associations are an effective tool utilised across the sector to assist in delivering the business development and employment strategies within the particular business district. The special rates collected from the businesses operating in these shopping centres/ business districts are utilised for projects endorsed by business district retail associations and provided to Council.

Special rates schemes are reviewed at their expiry and not during the budget process. Special charges are subject to consultation and resolution of Council for a charge to be declared.

Council's position is that it may consider the use of special rates and charges in instances that fit the following circumstances:

- Funding of narrowly defined capital projects (e.g. streetscape works) where special benefit can be shown to exist to a group of property owners.
- Raising funds for a dedicated purpose where the use of CIV is not the most equitable method of calculating property owner contributions.
- Covering the cost of an expense relating to a specific group of ratepayers (e.g. Business precincts).

Knox City Council does not have in place any special rates and charges.

4.11 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 Residential Garbage Service Charge for the collection and disposal of residential waste to all residential land properties eligible for a Council waste service. The Residential Garbage Charge provides for the collection and disposal of general waste, recyclables, kerbside bundled green waste and kerbside hard rubbish.

For declared residential service areas, the service composition is an 80L general waste bin and a 240L recycling bin. In addition, kerbside bundled green waste and kerbside hard waste services are provided. Residents may apply for a 120L general waste bin or a 240L green waste bin. These are both charged services.

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.

User fees and charges are in place for the provision of residential green waste, commercial waste disposal and collection, industrial waste disposal and collection, and residential services above those covered by the Residential Garbage Service Charge.

It is recommended that council retain the existing Residential Garbage Service Charge. Should council elect not to have a waste service charge, this same amount would be required to be raised by way of an increased general rate, meaning that residents in higher valued properties would substantially pay for the waste service of lower valued properties.

Whilst this same principle applies for rates in general, the mix of having a single fixed charge combined with valuation driven rates for the remainder of the rate invoice provides a balanced and equitable outcome.

4.12 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.

Payment Options

Rates and charges can be paid in full or by instalments on or before the following dates.

Payments in full must be paid by 15 February.

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. Payments are due on the prescribed dates below:

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

Knox City Council also offer payment by nine instalments, with due dates as follows:

- 1st Instalment: 30 September
- 2nd Instalment: 31 October
- 3rd Instalment: 30 November
- 4th Instalment: 31 December
- 5th Instalment: 31 January
- 6th Instalment: 28 February
- 7th Instalment: 31 March
- 8th Instalment: 30 April
- 9th Instalment: 31 May

Council offers a range of payment options including:

- in person at Council offices (cheques, money orders, EFTPOS, credit/debit cards and cash);
- online via Council's ratepayer portal, direct debit (available for in full, four and nine monthly instalment payments);
- BPAY;
- Telephone (credit card);
- Australia Post (over the counter); or
- by mail (cheques and money orders only).

The *Local Government Act 1989* provides that incentives for prompt payment may be offered. Discounts for early payment should be based on cash flow benefit to council.

Council does not offer incentives for prompt payment primarily as:

- It would only benefit cash rich ratepayers;
- Council already provides a number of payment options and methods for ratepayers to pay their rates; and
- It would be administratively cumbersome and costly.

Interest on Arrears and Overdue Rates

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

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 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 this claims may be approved by the relevant government department.

In addition to the State Government pensioner rebate, Knox City Council offers a flat rebate for each eligible property (currently $100) which supplements the State rebate.

Community Land rebates
Council will declare two Community Land Rebates to acknowledge the contribution to Knox by community groups and bodies:

- Cultural and Recreational Community Land Rebate – a maximum rebate of 35% of the general rates payable will be applied to all rateable Recreational Land properties.
- Community Benefit Rebate – a maximum rebate of 75% of the general rates payable for all rateable Commercial Land or Industrial Land properties that apply and are successful in recognition as Community Benefit Land as defined in Schedule A of the Declaration of Rates, Charges and Rebates as adopted by Council each financial year.

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 but at an interest rate fixed annually by Council. This deferred interest rate will typically be well under the penalty interest rate levied by Council on unpaid rates and charges.

Ratepayers seeking to apply for such provision will be required to apply for a payment plan or extension via the Council website. If an online application cannot be made, Council can be contacted directly on 03 9298 8000.

Payment Assistance Policy
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 Payment Assistance Policy is to provide options for ratepayers facing such situations to deal with the situation positively and reduce the strain imposed by financial hardship.

Ratepayers may elect to either negotiate a rate payment plan or apply for a rate deferral. Ratepayers seeking to apply for such provision will be required to apply for a payment plan or extension via the Council website. If an online application cannot be made, Council can be contacted directly on 03 9298 8000.

Council does not waive rates and charges levied on a property. Council assesses each case on its merits when considering assistance.

Debt recovery

Council makes every effort to contact ratepayers at their notified 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.

In the event that an account becomes overdue, Council will issue an overdue reminder notice which will include accrued penalty interest. In the event that the account remains unpaid, Council may take legal action without further notice to recover the overdue amount. All fees and court costs incurred will be recoverable from the ratepayer.

If 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 2013 the Victorian State Government passed legislation (the *Fire Services Property Levy Act 1989*) 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.

The pensioner concession for the Fire Services Property Levy applies to those who are eligible to receive a pensioner concession from their local council for rates. The pensioner concession is currently a $50 reduction for the eligible pensioner's property, which is used exclusively as the owners' principal place of residence.

Property owners who currently receive a council rates concession for their principal place of residence automatically receive the Fire Services Property Levy concession.

5. Other Revenue Items

5.1 User Fees and Charges

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

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

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

Council's financial resources are limited. The majority of Council's revenue comes from rates. Although a relatively small proportion; fees and charges are an important source of income and increasingly so in a rate-capped environment.

Examples of user fees and charges include:

- Kindergarten and Childcare fees
- Waste Management fees
- Aged and Health Care service fees
- Leases, recreational reserve and facility hire fees

The provision of infrastructure and services form a key part of council’s role in supporting the local community and enhancing community wellbeing. 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)

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

Ideally, the price should achieve full cost recovery and be at a level similar to those charged in the market as a whole. If a price less than full cost recovery is contemplated, Council may consider a review of whether it should provide the service, or whether there is a community service obligation that warrants a public interest test.

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

Full cost recovery price (B)

Full cost recovery price aims to recover all direct and overhead 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. 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)

Subsidised pricing 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.

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.

5.2 Statutory Fees and Charges

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

Examples of statutory fees and fines include:

- 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.

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.

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 the 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

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 invest public funds in a manner which will provide the highest investment return with the maximum security of invested capital while meeting the daily cash flow demands of Council.

5.6 Sale of Assets

Council's Asset Management Policy states that decisions to rationalise assets will be aligned with service planning requirements and relevant Council policies. Disposal of surplus assets shall be based on a lifecycle costs assessment and service planning demand data.

The purpose of council's Sale of Land and Buildings Policy is to:

- optimise the value of property assets to the community, including the evaluation of unused or redundant assets and realising the funds tied up in these assets in order to acquire, develop or improve other assets;
- guide the strategic management of its property portfolio for the long-term best interests of the community; and
- define the process for identifying and proceeding with the sale of any Council owned land (with or without improvements) and to identify how the proceeds from land sales are to be allocated.

The decision to sell Council owned land is made carefully, considering the current and future needs of the municipality, and maximising public value (both financial and non-financial).