

# Revenue and Rating Plan

2025-2029



knox



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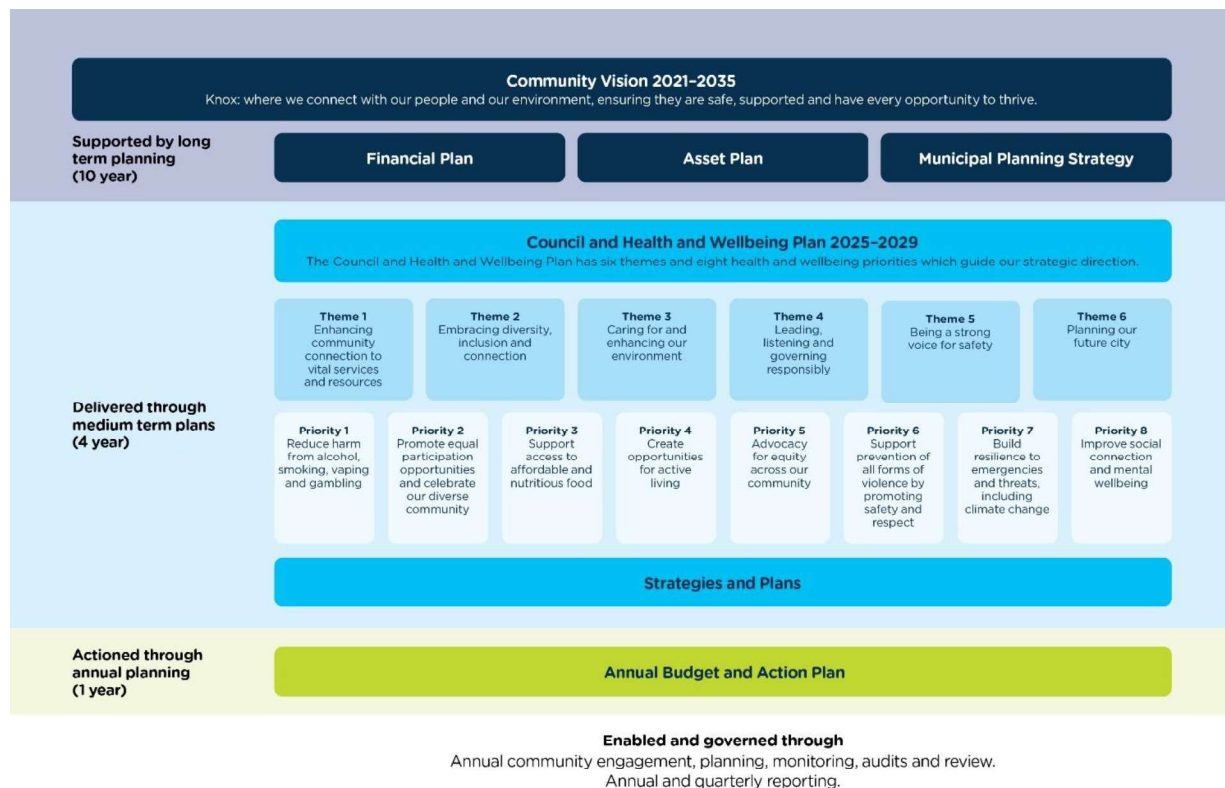
# 1. Purpose

The Revenue and Rating Plan establishes a revenue raising framework within which Council proposes to work. This plan determines the most appropriate and affordable revenue and rating approach for Knox City Council, which will adequately finance the vision and objectives outlined 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.

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 Council Health and Wellbeing Plan and will feed into our budgeting and financial planning documents, as well as other strategic planning documents under our Council's strategic planning and reporting framework.



This plan explains 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 also sets 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.

## 2. Introduction

In line with the Council Plan and Community Vision, Council provides a wide variety of services and facilities to our local community. In doing this, Council must collect revenue to cover the cost of providing these services and facilities.

Council's revenue sources include:

- Rates and Charges
- Waste 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 74% of total annual revenue, with 11% of income from grants, 9% raised through user fees and statutory fees and fines and 6% from contributions and other income.

In determining its revenue requirements, Council identifies what each source of revenue is, how much will be raised in each class, and the policy rationale/assumptions for each. Council considers:

- How revenue will be generated through rates on properties
- Fixed service charges that might be applied on services such as waste or recycling
- Fees and charges for services and programs including cost recovery policies and user charges
- Recurrent and non-recurrent operational and capital grants from other levels of Government
- Developer contributions and other revenue
- Revenue generated from the use or allocation of Council assets (including the application of discounts and waivers)

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. Providing appropriate service delivery levels and investing in community assets remain key priorities for Council.

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.

Each revenue source is discussed in more detail within the relevant section of this plan.



### 3. Community Engagement

Council's approach to community and stakeholder engagement is guided by the community engagement principles set out under Section 56 of the *Local Government Act 2020* and includes:

- A community engagement process must have a clearly defined objective and scope.
- Participants in community engagement must have access to objective, relevant and timely information to inform their participation.
- Participants in community engagement must be diverse and representative of the persons and groups affected by the matter that is the subject of the community engagement.
- Participants in community engagement are entitled to reasonable support to enable meaningful and informed engagement.
- Participants in community engagement are informed of the ways in which the community engagement process will influence Council decision making.

### 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 the 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 improves 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 if the land is vacant or property derelict. 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 seven differential rates:

- Residential
- Retirement village
- Commercial
- Industrial
- Recreational
- Vacant land
- Derelict land

These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the *Local Government Act 1989*, and the Ministerial Guidelines for Differential Rating 2013.

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

- 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 70% 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.

The advantages and disadvantages of the respective valuation basis are discussed further in this document. Whilst this document outlines Council's strategy regarding rates revenue, rates data will be contained in the Council's Annual Budget as required by the *Local Government Act 2020*.

This plan outlines the principles and strategic framework 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.

Equity must be a key consideration in the Revenue and Rating Strategy, and this strategy has been carefully prepared with that in mind.

## **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 flexibility for Council to tailor a system that suits its needs.

### **Local Government Act 2020**

Section 94 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*.

- 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*.

If applicable, the budget must also contain 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.

### **Local Government Act 1989**

Section 155 Charges that may be Declared: 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 these rates are discussed in the relevant sections within this document.

### **Fair Go Rates System**

The Victorian Government established the Fair Go Rates system (FGRS) in 2015 to govern the amount Victorian Councils can increase rates in a year without seeking additional approval. Each year the Minister for Local Government sets the average rate cap for the following rating year based on the forecast change in the Consumer Price Index (CPI). The annual cap, which applies to Council's average rate and charges, cannot be increased without the permission of the Essential Services Commission.

The FGRS has challenged long-term financial sustainability across local government, and it continues to restrict Council's ability to raise revenue to maintain service delivery levels and invest in community assets.

The CPI does not accurately reflect increases in costs faced by Councils as they have a significantly different expenditure composition compared to households. Key Council expenditures required to provide Council services and deliver infrastructure projects have been increasing faster than the CPI.

Any applications to the Essential Services Commission to apply for a rate cap variation will be considered by Council during the planning and adoption processes of Council's Annual Budget and Long-Term Financial Plan.

## **4.2 Rating Principles**

When developing a rating strategy Council considers the following good practice taxation principles:

**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.

When developing rates and charges revenue, the following good practice principles will apply:

- to 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.

#### **Exemptions from Rating:**

Section 154 of the *Local Government Act 1989* declares that all land is rateable with several exceptions. This includes land held or used for public or municipal purposes, land used exclusively for charitable, education or religious purposes, and certain clubs or memorials under the *Veterans Act 2005*, Returned Services League and related associations as defined.

The *Cultural and Recreational Land Act 1963* (CRLA) requires Council to set an applicable Charge ‘in lieu of Rates’ for ‘recreational lands’. Benefits of cultural and recreational land include social interaction, sporting programs, cultural promotion, provision of premises, employment opportunities and community development/meeting places. Council considers the services utilised by each property occupier and the benefit their land provides to the community and may levy a ‘charge in lieu of rates’ that provides a 35% discount to the equivalent municipal rates they would otherwise pay.

### **4.3 General Rates**

In line with section 158 of the *Local Government Act 1989*, by 30 June Council must declare the amount which the Council intends to raise by general rates for the coming year and specify whether the general rates will be raised by application of a uniform rate or differential rate.

General Rates are calculated as: *Property Valuation x Rate in the Dollar* (Differential or Uniform Rate).

These two components of the general rate charge are discussed in the following sections.

#### **Property valuations**



## Legislation

Under Section 157 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.

The *Valuation of Land Act 1960* is the principal legislation in determining property valuations and states the Victorian Valuer-General must conduct property valuations on an annual basis. The value of land is always derived by the principal of assessing land for its highest and best use at the relevant time of valuation.

Regular reviews of property values are conducted by the Victorian Valuer-General during the year to ensure consistency and equity for rating purposes. These supplementary valuations are carried out for a variety of reasons including rezoning, subdivisions, amalgamations, renovations, new constructions, extensions, occupancy changes and corrections. Council is advised on a regular basis of valuation and Australian Valuation Property Classification Code (AVPCC) changes and process rate adjustments accordingly.

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.

## Determining the Valuation Base

### 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, this method is generally easily understood by ratepayers as it aligns 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 is often supported on the basis that it more closely reflects “capacity to pay”. The CIV rating method evaluated the full development value of the property and hence better meets the equity criteria than either the Site Value or 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 Emergency Services and Volunteer Fund 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 that rates are based on the total value of the property, which may not accurately reflect the property owner's income level, such as pensioners and low-income earners.

### **Site Value (SV)**

There are currently no Victorian Councils that use this valuation calculation 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. However, there is 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.
- Site Value (SV) can be a significant burden for property owners with large land areas. Some of these owners may have smaller or older dwellings compared to those with smaller land areas but more developed properties, yet they may end up paying higher 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.

### **Policy**

Knox City Council applies Capital Improved Value (CIV) to all properties within the municipality. This basis of valuation considers the total market value of land plus buildings and other improvements. It also allows for differential rating to be applied where it is believed to improve the equitable distribution of rates.

Capital Improved Value is the most 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.

### **Rate in the Dollar**

#### **Legislation**

Section 158 of the *Local Government Act 1989* requires Council to declare whether they intend to apply a differential or uniform rate in their general rate calculation.

Section 160 of the *Local Government Act 1989* requires Councils that elect to apply a Uniform Rate to specify the uniform rate percentage and calculate the rates charge by multiplying the value of the land by that percentage. Uniform rate allows differential rates in relation to farmland, urban farmland or residential use land.

Section 161 of the *Local Government Act 1989* allows Council to raise any general rates by the application of a differential rate if it uses the Capital Improved Value (CIV) system of valuing land. If the differential rate method is elected, Section 161 requires Council to specify the objectives of the differential rates and the characteristics of the land which the differential criteria apply. The highest differential rate in a municipal district must be no more than four times the lowest differential rate.

The *Ministerial Guidelines for Differential Rating 2013* provide guidelines which describe what types and classes of land may be considered for differentials and those that may not be appropriate for differential categories. Differential rating should be applied as equitably as is practical.

### **Policy**

Council considers that the application of a differential rate will contribute to the equitable and efficient distribution of the costs associated with carrying out its functions.

The Knox City Council rating structure comprises seven differential rates. These are:

- Residential
- Retirement village
- Commercial

- Industrial
- Recreational
- Vacant land
- Derelict land

Further detail on each of these differential rates can be found in Appendix A of this document.

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.

Most Victorian Local Government bodies apply a differential rate. A differential rate allows for a more balanced distribution of the rate burden between all classes of property. They allow consideration for ratepayer's ability to pay, the unique circumstances of some property types, the provision of specific property related services, development activity within the municipality, and any associated income tax benefits. Differential rates can be more complicated to understand and administer compared to applying a uniform rate to all property types.

Changing economic conditions, property valuations and other factors outside of Councils control may impact the equitable distribution of rates. To ensure the desired objectives of a differential rate continue to be achieved, Council reviews the differential rating definitions during the adoption of the Rating and Revenue Plan every four years, or periodically, as required.

## 4.4 Objections to Property Valuations

### Legislation

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.

### Policy

A property owner must lodge their objection to the valuation or the AVPCC in writing to the Knox City Council. Property owners may also 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).

## 4.5 Municipal Charge

### Legislation

Section 159 of the *Local Government Act 1989* permits Council to declare a municipal charge to cover some of the administrative costs of the Council. The total revenue from a municipal charge in a financial year must not exceed 20 per cent of the combined total of the Council's overall rate revenue.

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.

### **Policy**

Knox City Council has not applied a Municipal Charge due to its regressive nature, as it would result in lower valued properties paying comparatively higher rates and charges.

## **4.6 Special Rates and Charges**

### **Legislation**

Section 163 of the *Local Government Act 1989* permits Council to declare a special rate or charge to recover the cost of works from property owners who will gain special benefit from that work.

The special rates and charges provisions are flexible and can be used to achieve a wide range of community objectives. The fundamental principle of a special rate or charge is proof that a “special benefit” applies to those being levied.

### **Policy**

The application of special charge schemes will be considered as required by Council if required.

## **4.7 Service Rates and Charges**

### **Legislation**

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.

The *Local Government (Planning and Reporting) Regulations 2020* state that any declared Service Rates or Charges are described in the Council’s Annual Budget and The *Local Government (General) Regulations 2015* requires details of declared Service Rate or Charge to be described on the rate notice.

### **Policy**

Applying a waste service charge is a simple and efficient charge which ensures fairness, as those who benefit from waste services are responsible to cover the costs of that service.

Council applies a compulsory 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, food organics and green organics (FOGO), kerbside bundled green waste and kerbside hard rubbish.

For declared residential service areas, the service composition is an 80L general waste bin, a 240L recycling bin and a 240L green FOGO bin. In addition, kerbside bundled green waste and kerbside hard waste services are provided.

Residents may apply for an upgraded 120L general waste bin, a secondary 120L general waste bin, a secondary 240L recycling bin or a secondary 240L FOGO bin. These secondary bins all incur additional charges, except where a valid exemption applies.

Residents with two 120L general waste bins (a combined capacity of 240L) can apply to consolidate these into a single 240L bin.

Timely delivery of these bins is dependent on the property owner contacting Council and requesting a new and/or changed service.

Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste services. Waste services recovered in the waste charge are:

- Garbage collection service
- Kerbside recycling collection service
- Hard rubbish collection service
- Litter bin collection service
- Street cleaning service
- Landfill remediation
- Bundled green waste service
- Food organics and green organics (FOGO) waste collection service

When determining the annual financial year waste service charge, Council will set the charge/fee levels through its annual budget and will determine value/movement in these charges with reference to changes in the cost of service delivery.

Waste charges will be calculated on a full economic operating and capital replacement expenses cost recovery basis. This includes passing-on any cost increases resulting from State Government fees, legislation or levies associated with waste collection and disposal.

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

## **4.8 Administration of Rates and Charges**

### **Legislation**

Section 167 of the *Local Government Act 1989* allows ratepayers to pay a rate or charge in four instalments. Councils also have the option to allow a lump sum instalment. Instalment dates are set by the Minister by notice published in the Government Gazette.

Section 172 of the *Local Government Act 1989* allows Council to charge interest on all overdue rates. 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.

Sections 230 and 231 of the *Local Government Act 1989* requires the buyer of property, or their agents (e.g. solicitors and or conveyancers), to notify Council by way of notice of acquisition of an interest in land.

Section 181 of the *Local Government Act 1989* allows Council to sell land to recover unpaid rates and charges.

### **Policy**

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).

### **Overdue Rates**

Council makes every effort to contact ratepayers at their notified address and it is the ratepayers' responsibility to properly advise Council of their contact details.

In the event that an account becomes overdue, Council will issue an overdue reminder notice which will include accrued penalty interest where a payment plan is not in place. If the account remains unpaid, Council may take legal action 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 and the value of rates outstanding is greater than twenty percent of the property valuation, there is no payment plan in place and a Court order has been issued requiring payment in part of full, Council may take action to sell the property.

## **4.9 Rebates and Concessions**

### **Legislation**

Section 169 of the *Local Government Act 1989* provides that a Council may grant a rebate or concession in relation to any rate or charge to:

- Assist the proper development of the municipal district; or
- Preserve buildings or places in the municipal district which are of historical or environmental interest; or
- Restore or maintain buildings or places of historical, environmental, architectural or scientific importance in the municipal district; or
- Assist the proper development of part of the municipal district.

A Council resolution granting a rebate or concession must specify the benefit to the community resulting from the rebate or concession.

### **Policy**

Council provides a number of rebates for eligible rate payers:

#### **Pensioner Rebates**

Holders of a Pensioner Concession Card or a Veterans Affairs Gold Card 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, Council will declare and offer a further flat rebate for each eligible property (currently \$100) which supplements the State rebate.

#### **Community Land Rebates**

Council will declare a Community Land Rebate to acknowledge the contribution to Knox for enhancement of biodiversity:

- Community Benefit Rebate – a maximum rebate of 75% of the general rates payable for all rateable properties that apply and are successful in recognition as Community Benefit Land.

#### **Opportunity Shop Rebate**

Council will declare and offer a 100% rebate on the general rates for opportunity shops that meet all the following criteria:

1. The Valuation and Rates notice is issued in the name of the Opportunity Shop and/or the Opportunity Shop demonstrates it is responsible for payment of the rates:
  - a. The facility is being operated solely as an opportunity shop.
  - b. The operators of the Opportunity Shop are registered as a charitable institution.
2. The operators of the Opportunity Shop provide details with their application that the majority of profits from the shop are redistributed to the benefit of the Knox Community.
3. The operator of the Opportunity Shop provides copies of their annual financial statements with their application.

## **4.10 Rate Deferrals and Waivers**

### **Legislation**

Section 170 of the *Local Government Act 1989*, states Council may defer the payment of any rate or charge payable if it considers the payment of the rate or charge would cause financial hardship to that person.

Section 171 of the *Local Government Act 1989* states a Council may waive whole or part of any rate or charge or interest for an eligible recipient or any other class of persons determined by the Council for the purpose of waiving rates or charges on the grounds of financial hardship.

**Policy**

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.

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 many challenges 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.

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

#### **4.11 Emergency Services and Volunteer Fund**

The Victorian State Government legislates the collection of an annual charge for property owners to contribute towards the cost of the Victorian State Emergency Services, through the Emergency Services and Volunteers Fund (ESVF). The ESVF will include two components, a fixed charge, and a variable charge which is linked to the Capital Improved Value of the property. From 1 July 2026, a non-residential fixed charge will apply to all non-principal places of residence.

This charge was originally called the Fire Services Property Levy and was legislated by the *Fire Services Property Levy Act 2012*. On 1 July 2025 this levy is being replaced by the ESVF. This fund will help support a wider range of emergency services including but not limited to VICSES, Triple Zero Victoria, Emergency Management Victoria, as well as the Country Fire Authority (CFA) and Fire Rescue Victoria.

Active volunteers with VICSES and CFA may receive an exemption from the ESVF for their primary place of residence. Pensioner Concession Card and Department of Veterans' Affairs Gold Card holders are entitled to a \$50 concession on their ESVF liability for their principal place of residence.

**Policy**

ESVF charge will be collected by Council and passed through to the State Government. This charge is not included in the rate cap and increases in the charge are at the discretion of the State Government.

Council will continue to abide by the legislation set by the Victorian State Government and any updates to the calculation or application of this charge will be applied as required.

## 5. Other Revenue Items

### 5.1 User Fees and Charges

The provision of infrastructure and services form a key part of Council's role in supporting the local community. If a service provides a direct benefit or service to a specific group or groups in the community, a fee or charge may be raised for the use of that service. The nature of how a fee and charge is priced depends on whether it is related to the provision of a statutory (legislated) or discretionary service.

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.

Section 106 of *The Local Government Act 2020* provides the following key service performance principles in relation to fee and charge setting which must be met:

- Services should be provided in an equitable manner and be responsive to the diverse needs of the municipal community.
- Services should be accessible to the members of the municipal community for whom the services are intended.
- Quality and costs standards for services set by the Council should provide good value to the municipal community.

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. Examples include:

- Childcare fees
- Waste Management fees
- Asset Protection fee
- Leases, recreational reserve and facility hire fees.

In collecting a fee for these services, Council considers a range of principles. These include service cost and quality standards, value-for-money, community expectations and values. Council balances the affordability and accessibility of infrastructure and services with its financial capacity and long-term financial sustainability.

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.

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.

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.

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**

Council collects statutory fees and fines under the direction of legislation or other government directives. The rates used for statutory fees and fines are advised by the State government department responsible for the corresponding services or legislation, and Councils 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. Any change to the value of a penalty or fee unit will occur on 1 July each year.

Where fees are set by State Government statute, 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.

### **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 most likely relating to services provided 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 budget and 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, able to be delivered within the required timeline and does not lead to the distortion of financial sustainability or 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.

### **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. Interest is added to Council's general revenue unless legislation requires it to be held and expended for a specific purpose.



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 may consider the sale of Council owned assets if the sale is in line with the objectives set in the Council Plan, Long Term Financial Plan and Asset Management Plan. These strategic decisions will be considered in line with annual and long-term planning processes, or as required, and will be accompanied with a business case outlining the benefits and impacts to community and Council.

The sale of a Council owned asset will be approved by Council resolution.

## **5.7 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. Council will continue to review its existing loans and look for opportunities to reduce requirements in future years.

## **Appendix A**

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. Provision of 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.

#### **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 end of the 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. Provision of 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 end of the financial year.

## **Commercial Land**

### **Definitions/Characteristics:**

Commercial Land is any land that does not have the characteristics of Residential, Retirement Village, Industrial, Vacant, Derelict or Cultural and Recreational Land and which is used, designed or adapted to be used primarily for the sale of goods or services or other commercial purposes.

The commercial businesses benefit from ongoing investment by Council in services and infrastructure. Council also notes the tax deductibility of Council rates for commercial properties which is not available to the residential sector, and the income generating capability of commercial based properties.

The Commercial differential rate is applied to recognise the additional demands placed on public infrastructure due to commerce attracting non-residents to the area, the higher demands of commercial properties on the natural environment.

**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. Provision of 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 and advocacy of employment opportunities; and
7. Promotion of economic development; and
8. Analysis, maintenance and construction of Council owned public drainage infrastructure; and
9. 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 already constructed on the land or which are constructed prior to the end of the financial year.

## **Industrial Land**

### **Definitions/Characteristics:**

Industrial Land is any land that does not have the characteristics of Residential, Retirement Village, Commercial, Vacant, Derelict or Cultural and Recreational Land and which is used, designed or adapted to be used primarily for the sale of goods or services or other industrial purposes.

The industrial businesses benefit from ongoing investment by Council in services and infrastructure. Council also notes the tax deductibility of Council rates for industrial properties which is not available to the residential sector, and the income generating capability of commercial based properties.

The Industrial differential rate is applied to recognise the additional demands placed on public infrastructure due to commerce attracting non-residents to the area, the higher demands of commercial properties on the natural environment.

### **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. Provision of 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 and advocacy of employment opportunities; and
7. Promotion of economic development; and
8. Analysis, maintenance and construction of public drainage infrastructure; and
9. 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 end of the 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. Provision of 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****Definition/Characteristics**

Any land on which there is no building.



**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. Provision of 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.

**Derelict Land****Definition/Characteristics**

Any land that 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.

Land may become classified as derelict after previously being designated as Residential land, Vacant land, Retirement Village land, Industrial land, Commercial land, or Cultural and Recreational land.

An owner or occupier of land must not cause or allow that land to be kept in a manner which is or is likely to constitute a danger to health or property.

An owner or occupier of land must not cause or allow that land to be kept in a manner which is unsightly or detrimental to the general amenity of the neighborhood in which it is located.

An owner or occupier of land must not cause or allow that land to be used in a manner so as to be detrimental to the amenity of the immediate area.

#### **Dilapidated buildings**

An owner or occupier of land:

(a) must not allow a building located on that private land to:

- (i) become dilapidated; or
- (ii) become dilapidated further; and

(b) must not fail to maintain any building on that private land in a state of good repair.

The owner or occupier of land on which there is a vacant dilapidated building must take all reasonable steps to secure the land from authorised access.

For the purposes of sub-clause (a), a building is dilapidated if it is in a state of disrepair or has deteriorated or fallen into a state of partial ruin as a result of age, neglect, poor maintenance or misuse.

#### **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. Promote the property be maintained in a manner that does not constitute a danger to health or property or is detrimental to the general amenity of the neighborhood or immediate area.
2. Construction and maintenance of public infrastructure; and
3. Provision of community services; and
4. Provision of general support services; and
5. Requirement to ensure that Council has adequate funding to undertake its 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.