

Maroondah City Council

Revenue and Rating Plan
2025/26 to 2028/29

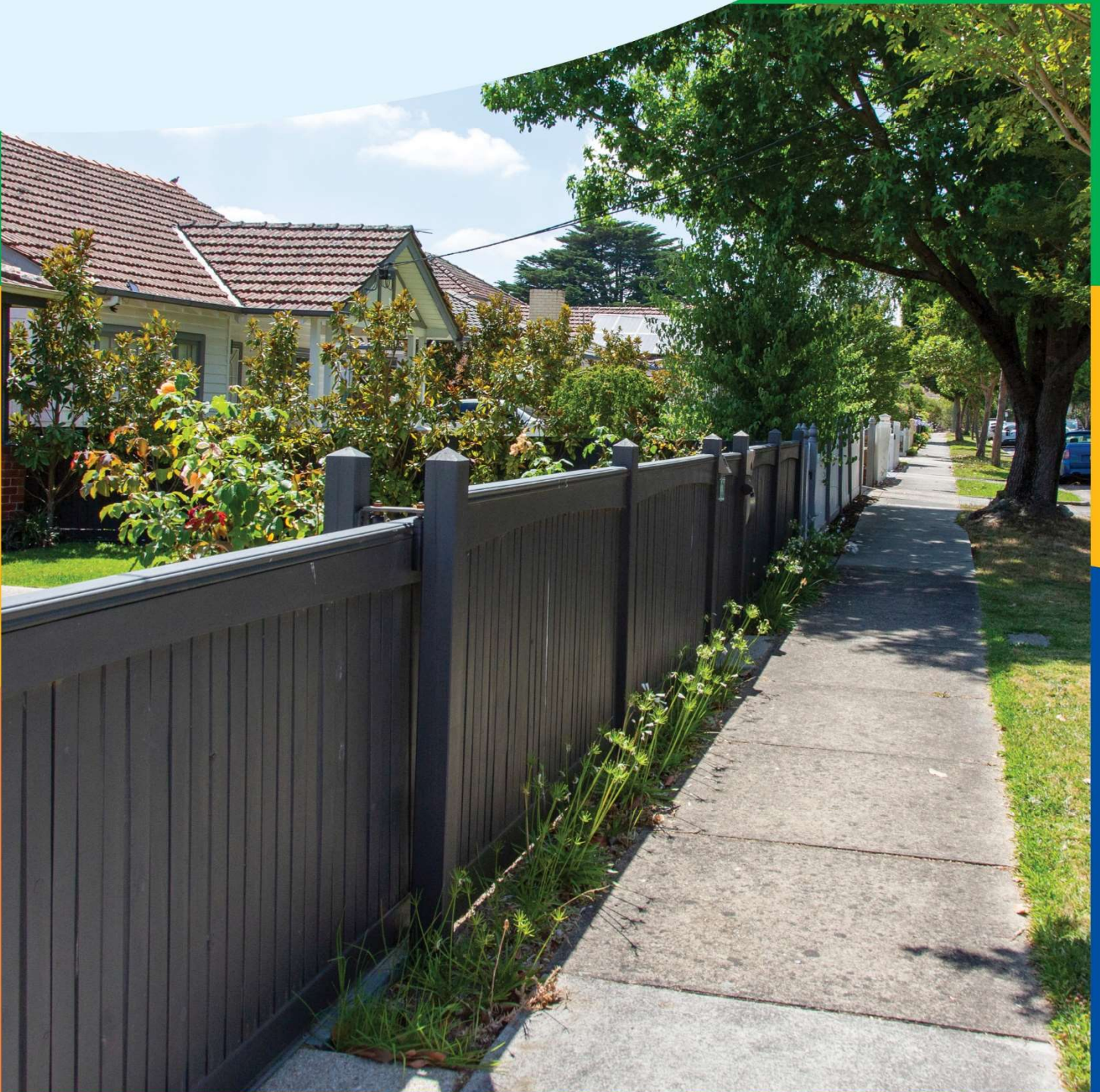


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1. Purpose

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

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

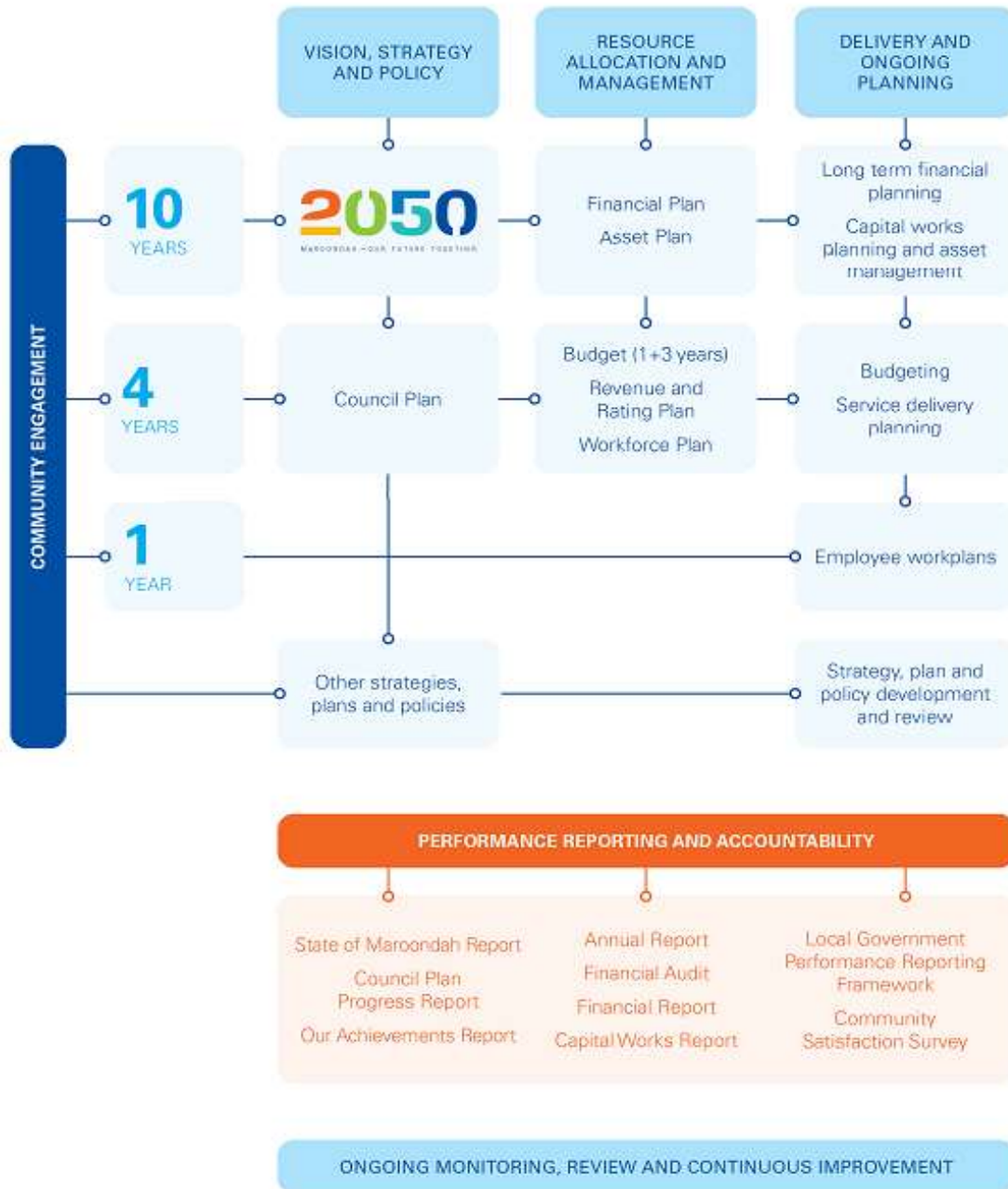
This plan is an important part of Council's integrated planning framework, all of which is created to help Council and the Community achieve its 2050 Vision.

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

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

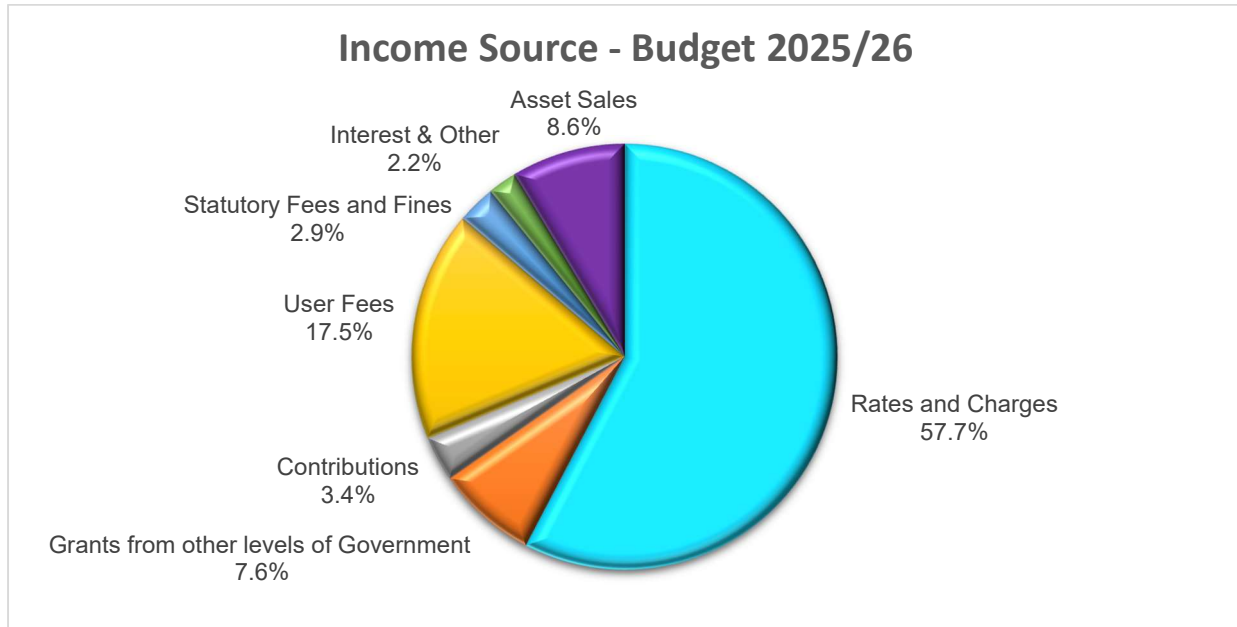
It is also important to note that this plan does not set revenue targets for Council, it outlines the strategic framework and decisions that inform how Council will go about calculating and collecting its revenue.

Integrated Planning and Reporting Framework



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
- Grants from other levels of Government
- Statutory Fees and Fines
- User Fees
- Cash and non-cash contributions from other parties (i.e. developers, community groups)
- Interest from investments
- Sale of Assets

Rates are the most significant revenue source for Council and make up roughly 57.7% of its annual income.

The introduction of rate capping under the Victorian Government's Fair Go Rates System (FGRS) has brought a renewed focus to Council's long-term financial sustainability. The FGRS continues to restrict Council's ability to raise revenue above the rate cap unless application is made to the Essential Services Commission for a variation. Maintaining service delivery levels and investing in community assets remain key priorities for Council. This strategy will address Council's reliance on rate income and provide options to actively reduce that reliance.

It is important to note that CPI forecasts have been conservative in the past creating a gap between Council's revenue raised through rates and the costs to deliver services. The gap between the rate cap and actual/forecast CPI across the last 5 years can be seen in the table below:

	2020-21	2021- 22	2022-23	2023-24	2024-25	2025-26	Cumulative
Actual Inflation	1.4	4.0	7.0	4.9	3.2	TBD	
Rate Cap	2.0	1.5	1.75	3.5	2.75	3.0	
Variance	0.6	(2.5)	(5.25)	(1.4)	(0.45)		(9.0%)

For Maroondah, the cumulative impact over the last 5 years represents a shortfall of approximately \$8M. This does not take into consideration that costs of materials and services in a lot of instances have been beyond the inflation rate.

In order to provide a comprehensive range of services to the community, it is necessary to occasionally implement fees or charges. The specific nature of these fees and charges typically depends on whether they are associated with 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 can 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. Engagement Principles

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*.

For the purposes of this document, all historic data and information was considered in the development of the Revenue and Rating Plan 2025/26 to 2028/29. Inputs from the engagement and learnings from the 2050 Community Vision, Council Plan and Budget engagement process, all contributed to the overall engagement outcomes required to develop this document.

As per organisational process, at the start of a new strategic period, the document is placed on public exhibition, providing an opportunity for feedback and consideration of that feedback before it is considered 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 capacity to pay and form the central basis of rating under the *Local Government Act 1989*;
- **Service Charges** - A 'user pays' component for council services to reflect benefits provided by Council to ratepayers who benefit from a service; and

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, considering the benefits those properties derive from the local community.

The Maroondah City Council rating structure comprises five differential rates (general land, commercial land industrial land, Vacant Land and 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 differential rates are currently set as follows:

- General Land 100%
- Commercial Land 120%
- Industrial Land 120%
- Vacant Land 150%
- Derelict Land 200%

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.

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 continue to allocate surplus funds from this charge towards the provision of waste services.

4.1 Rating Legislation

The legislative framework set out in the Local Government Act 1989 determines council's ability to develop a rating system. The framework provides significant flexibility for Council to tailor a system that suits its needs. 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;
- 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 Maroondah City Council's Budget document.

In December 2020, the Local Government Rating System Review made recommendations regarding ratepayers facing financial difficulties. The outcomes of the review and the introduction of the Local Government Legislative Amendment (Rating and Other Matters Act 2022) came into effect in 20 June 2023 and requires Councils to:

- offer the ability for ratepayers to enter a payment arrangement.
- Not charge interest while the payment arrangement is in place and being adhered to.
- Not instigate legal recovery actions for outstanding rates and charges for two years after default by ratepayers.

Council's Rates Financial Hardship Policy has been reviewed to incorporate the legislative amendment. Further information is available on Council's website and in sections 4.8 and 4.9 below.

4.2 Rating Principles

Taxation Principles:

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

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

Wealth Tax

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

Efficiency

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

Simplicity

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

Benefit

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

Capacity to Pay

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

Diversity

The capacity of ratepayers within a group to pay rates.

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

Rates and Charges Revenue Principles:

Property rates will:

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

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

4.3 Determining which Valuation Base to Use

Under section 157(1) of 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 properties, NAV is calculated at 5 per cent of the Capital Improved Value. For commercial and industrial properties, NAV is calculated as the greater of the estimated annual rental value or 5 per cent of the CIV.

Capital Improved Value (CIV)

Capital Improved Value is the most commonly used valuation base by local government with over 90% of Victorian councils applying this methodology. Based on the value of both land and all improvements on the land, it is generally easily understood by ratepayers as it equates to the market value of the property.

Section 161 of the *Local Government Act 1989* provides that a Council may raise any general rates by the application of a differential rate if –

- a) It uses the capital improved value system of valuing land; and
- b) It considers that a differential rate will contribute to the equitable and efficient carrying out of its functions.

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

Advantages of using Capital Improved Value (CIV) - Council's Adopted Method

- CIV includes all property improvements, and hence is often supported on the basis that it more closely reflects "capacity to pay". The CIV rating method considers the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.
- With the increased frequency of valuations (previously two year intervals, now annual intervals) the market values are more predictable and has reduced the level of objections resulting from valuations.
- The concept of the market value of property is more easily understood with CIV rather than NAV or SV.
- Most councils in Victoria have now adopted CIV which makes it easier to compare relative movements in rates and valuations across councils.
- The use of CIV allows council to apply 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.

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 Victorian 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.

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

Disadvantages of using Site Value

- 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. residential use properties). Large land owners 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.

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

In contrast to the treatment of residential properties, NAV for commercial and industrial properties are assessed with regard to actual market rental. This differing treatment of commercial versus residential 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 ratepayers, actual rental values pose some problems. The artificial rental estimate used may not represent actual market value, and means the base is the same as CIV but is harder to understand.

Recommended valuation base

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.

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

Property Valuations

The *Valuation of Land Act 1960* is the principle legislation in determining property valuations. Under the *Valuation of Land Act 1960*, the Victorian Valuer-General conducts property valuations on an annual basis. Maroondah 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 considers 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.

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 when a valuation and/ or Australian Valuation Property Classification Code (AVPCC) changes, typically on a monthly basis.

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*.

Supplementary valuations begin in July and are concluded in March each financial year to allow the Victorian Valuer-General adequate time to prepare the annual revaluation.

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 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 using the Victoria State Government *Object to Rating Valuation* portal. 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 State Government portal) or within two months of receipt of their Land Tax Assessment (via the State Revenue Office).

4.4 Rating Differentials

Background

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.

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:
- c)
 - 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.

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.

Residential Land

Definitions/Characteristics:

Residential land is any land, which is used for private residential purposes or on which a habitable building is erected of which is unoccupied and which is zoned residential.

Objective:

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

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health & 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 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 relevant financial year.

Commercial Land

Definitions/Characteristics:

Commercial Land is any land that is primarily used, designed or adapted to be used for the sale of goods or services, other commercial purposes **and/or business/ administrative purposes.**

Objective:

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

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health & community services; and
3. Provision of general support services; and
4. Enhancement of the economic viability of the commercial and industrial sector through targeted programs and projects; and
5. Encouragement of employment opportunities; and
6. Promotion of economic development; and
7. Requirement to ensure that streetscaping and promotional activity is complimentary to the achievement of commercial and industrial 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 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 relevant financial year.

Industrial Land

Definitions/Characteristics:

Industrial Land is any land that is used, designed or adapted to be used primarily for industrial purposes.

Objective:

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

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health & community services; and
3. Provision of general support services; and
4. Enhancement of the economic viability of the commercial and industrial sector through targeted programs and projects; and
5. Encouragement of employment opportunities; and
6. Promotion of economic development; and
7. Requirement to ensure that streetscaping and promotional activity is complimentary to the achievement of commercial and industrial 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 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 relevant financial year.

Cultural and 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:

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.

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.

Vacant Land

Definitions/Characteristics:

Any land on which there is no building which is occupied or adapted for occupation and that is not General, Derelict, Commercial or 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:

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health & community services; and
3. Provision of general support services; and
4. Enhancement of the economic viability of the commercial and industrial sector through targeted programs and projects; and
5. Encouragement of development on land to reduce land banking and promote more housing within the municipality.

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 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

Definitions/Characteristics:

Land is “Derelict Land” where, at any point in the rating year, a notice to comply is issued to the Owner or Occupier of the land under the Local Law on the grounds that the land is unsightly, or derelict as defined in the Local Law, whereby;

1. The grounds in the notice to comply have not been addressed to an Authorised Officer’s satisfaction; and/or
2. More than one notice to comply is issued to the Owner or Occupier of the land on the grounds that the land is unsightly or derelict within a 12-month period.

For the purposes of this section:

“Land” includes all land within Council’s municipality, including land with or (where relevant) without structures or buildings on it, in any zone.

“Authorised Officer” means an officer appointed by Council as an Authorised Officer under s224 of the Local Government Act 1989.

Local Law means the Maroondah City Council Community Local Law 2023 as amended or replaced from time to time.

Objective:

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

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health & community services; and
3. Provision of general support services; and
4. To provide a strong incentive to ratepayers to proactively maintain the appearance, safety and condition of their properties

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 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 2024/25 financial Year.

Application and Removal:

To be applied and removed through the supplementary valuation process (Section 4.3).

Other Differential - Retirement Village Differential

In accordance with the Ministerial Guidelines for Differential Rating, Council has considered the application of a differential rate for retirement village properties. This consideration involved reviewing the nature of services provided to all residents, modelling the financial impact of a potential differential, and assessing the equity implications across the broader ratepayer base.

Council acknowledges that some retirement villages maintain internal infrastructure privately; however, residents of these villages continue to have available to them, a wide range of municipal services.

The uniform residential rate already accounts for varying property values, and eligible pensioners continue to receive the State Government rebates. Applying a differential rate for one category of residential housing was not deemed feasible or equitable. Council is committed to long-term intergenerational equity and recognises that community service usage fluctuates across life stages and housing types. For these reasons, Council is not currently considering the adoption of a retirement village differential.

Maroondah City Council does not have a retirement village differential rate applied.

4.5 Municipal Charge

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

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 councils administrative costs can be seen as an equitable method of recovering these costs.

Maroondah City Council does not levy a municipal charge.

4.6 Special Charge Schemes

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

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

The special rate or special charges may be declared 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. For example, they could be used to fund co-operative fire prevention schemes. This would ensure that there were no ‘free-riders’ reaping the benefits but not contributing to fire prevention.

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

4.7 Service Rates and Charges

Section 162 of the *Local Government Act 1989* provides council with the opportunity to raise service rates and charges for any of the following services:

- a. The provision of a water supply;
- b. The collection and disposal of refuse;
- c. The provision of sewage services;
- d. Any other prescribed service.

Council currently applies a service charge for the collection and disposal of refuse and providing waste services for the municipality (street litter bins for instance). Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste services.

4.8 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

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

Ratepayers can pay via 9 instalments, due at the end of each month (or next business day) from September to May each year. This payment option is available via direct debit only.

Council also offer a pay in full date being the 15th of February each financial year.

Council will also investigate, during the Plan Period, the ability to have a pay at any time, so long as it is on time, option. Providing greater flexibility to the ratepayer to manage their payment times and options.

Payment methods

Council offers a range of payment options including:

- online via Council's ratepayer portal, direct debit (via any standard payment method,
- BPAY
- in person at Council offices (cheques, money orders, EFTPOS, credit/debit cards and cash),
- by mail (cheques and money orders only).
- CentrePay

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. Interest will not be charged to ratepayers that have an active financial assistance or hardship agreement with Council.

Pensioner concessions

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, an amended rate notice will be sent within 10 business days.

With regards to new applicants, after being granted a Pensioner Concession Card (PCC), pensioners can then apply for the concession 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.

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 have severe circumstances and proven financial difficulties. Applications are required in line with Council's Rates Financial Hardship Policy.

5. Financial Difficulty

To ensure equity and fairness in the administration of rates and charges, Council recognises the importance of providing support to ratepayers facing financial hardship. The Rates Financial Hardship Policy is designed to address the specific needs of ratepayers experiencing financial difficulties, offering equitable and fair solutions to manage rates and charges while maintaining the financial sustainability of Council.

Council understands that financial hardship can arise due to various reasons and is committed to working with ratepayers to find suitable payment arrangements that are fair and manageable. Open communication is encouraged, and ratepayers are urged to seek assistance as soon as they anticipate or experience financial difficulties.

When assessing applications for financial hardship, individual circumstances, including income, expenses, and extenuating circumstances are given due consideration. Flexible payment options, such as extended payment plans or deferred payments, are provided to ensure ratepayers can meet their obligations without undue financial burden.

By incorporating equity and fairness into rates financial hardship support, Council aims to create a responsive system that meets the needs of ratepayers while maintaining financial stability. Continuous review and improvement of policies and processes are undertaken to ensure fair and respectful treatment of all ratepayers.

Whilst the collection of rates and charges at Maroondah City Council is in accordance with the *Local Government Act 1989*, Council offers the below programs as an alternative payment option for those experiencing financial difficulty. These programs along with the Financial Hardship Policy have been introduced and documented in line with the *Local Government Legislative Amendment (Rating and Other matters) Act 2020*.

Financial Assistance Program

This program has three different options:

- General payment plan
For ratepayers who have the ability to pay before 30 June. However not within Council's standard payment options (i.e. Weekly payments spread over the full financial year).
- General Ad Hoc plan
For ratepayers who require a short term extension on a due date.
- Interest waiver
For ratepayers who have been charged interest due to unforeseen and uncharacteristic like circumstances resulting in late payment.

Financial Hardship Program

This program has three different options:

- Financial hardship payment plan
For ratepayers who are unable to meet their financial commitment to pay their Council rates by 30 June due to circumstances beyond their control. Council will accept minimal payments that may not see current or arrears paid before the end of the financial year.
- Financial hardship rate deferral
For those that are experiencing extenuating circumstances and require a periodic deferral. To be reviewed annually.
- Financial hardship rate waiver
In situations where extreme financial hardship has been established, Council may consider the waiving of rates on a case by case basis.

For further information relating to the above Council offered payment relief programs, refer to Maroondah City Council's Rates Financial Hardship Policy.

Debt recovery

In the event that an account becomes overdue, Council will issue an overdue reminder notice. In the event that the account remains unpaid, Council will apply penalty interest charges and may undertake debt recovery action to recover the overdue amount. All fees and any 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.

The *Local Government Act 1989* Section 230 and 231 requires the purchaser/transferee 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. Council makes every effort to contact ratepayers at their preferred address (post or email), it is however the ratepayers' responsibility to properly advise Council of their correct details and keep Council informed if there are any changes.

Emergency Services and Volunteers Fund

In 2012 the Victorian State Government passed legislation requiring the Fire Services Property Levy (FSPL) to be collected from ratepayers. Previously this was collected through building and property insurance premiums. The Fire Services Property Levy helped fund the services provided by the Fire Brigade, and all levies collected by Council are passed through to the State Government.

From July 1, 2025, the FSPL will be replaced by the Emergency Services and Volunteers Fund (ESVF) in Victoria, expanding funding to include other emergency services and offering exemptions for active CFA and VICSES volunteers and life members on their primary place of residence.

Like the FSPL, the ESVF will be calculated based on a fixed charge that varies by property type, and a variable charge based on property value. Pensioners, veterans and single farm enterprises will continue to receive concessions. The ESVF will still be collected through local councils.

6. Other Revenue Items

6.1 User Fees and Charges

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

Examples of user fees and charges include:

- Leisure centre and recreation membership and general visitation fees
- Aged and Health Care services
- Permits and licenses
- Animal registration fees
- Leases and facility hire fees

Council continuously explores opportunities to expand on its user fee for service potential. This will be reflected as part of this plan as well as Council's Long-Term Financial Planning. The provision of infrastructure and services form a key part of council's role in supporting the local community. In providing these, council must consider a range of 'Best Value' principles including service cost and quality standards, value-for-money, and community expectations and values.

Council must also balance the affordability and accessibility of infrastructure and services with its financial capacity and in the interests of long-term financial sustainability.

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

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

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 Price

Market pricing is where council sets prices based on the benchmarked competitive prices of alternate suppliers. In general market price represents full cost recovery plus an allowance for profit. Market prices will be used when other providers exist in the given market, and council needs to meet its obligations under the government's Competitive Neutrality Policy.

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

Full Cost Recovery Price

Full cost recovery price aims to recover all direct and indirect costs incurred by council. This pricing should be used in particular where a service provided by council benefits individual customers specifically, rather than the community as a whole. 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 Price

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.

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

The policy outlines the process for setting fee prices and includes such principles as:

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

Council will develop a table of fees and charges as part of its annual budget each year. Proposed pricing changes will be included in this table and will be communicated to the community before the budget is adopted, giving them the chance to review and provide valuable feedback before the fees are locked in.

6.2 Statutory Fees and Charges

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

Examples of statutory fees and fines include:

- Planning and subdivision fees
- Building and Inspection fees
- Infringements and fines
- Land Information Certificate fees
- Swimming Pool/Spa Registration 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 120 penalty units. One penalty unit is currently \$197.59, from 1 July 2024 to 30 June 2025.

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 \$16.33. This value may increase at the beginning of a financial year, at the same time as penalty units.

The cost of fees and penalties is calculated by multiplying the number of units by the current value of the fee or unit. The exact cost may be rounded up or down.

6.3 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. Maroondah has achieved outstanding results in its ability to attract funding from external sources to deliver on large capital infrastructure projects and will continue to advocate in this space.

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.

6.4 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 handovers. Examples of contributions include:

- Monies collected from developers under planning and development agreements
- Monies collected under developer contribution plans and infrastructure contribution plans
- Contributions from user groups towards upgrade of facilities
- Assets handed over to council from developers at the completion of a subdivision, such as roads, drainage, and streetlights.

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

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

6.5 Revenue on Investments

Council receives interest on funds managed as part of its investment portfolio, where funds are held in advance of expenditure, or for special purposes. The investment portfolio is managed per council's investment policy, which seeks to earn the best return on funds, whilst minimising risk.

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. The following financial sustainability principles must be adhered to with new borrowings:

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

8. Financial Sustainability

This Revenue and Rating Plan is designed to ensure a balanced budget and sustainable service delivery. By implementing this plan, Council aims to address future infrastructure and operational needs, thereby securing the long-term financial sustainability of the council.

8.1 Consideration of Risk Management and Assumptions

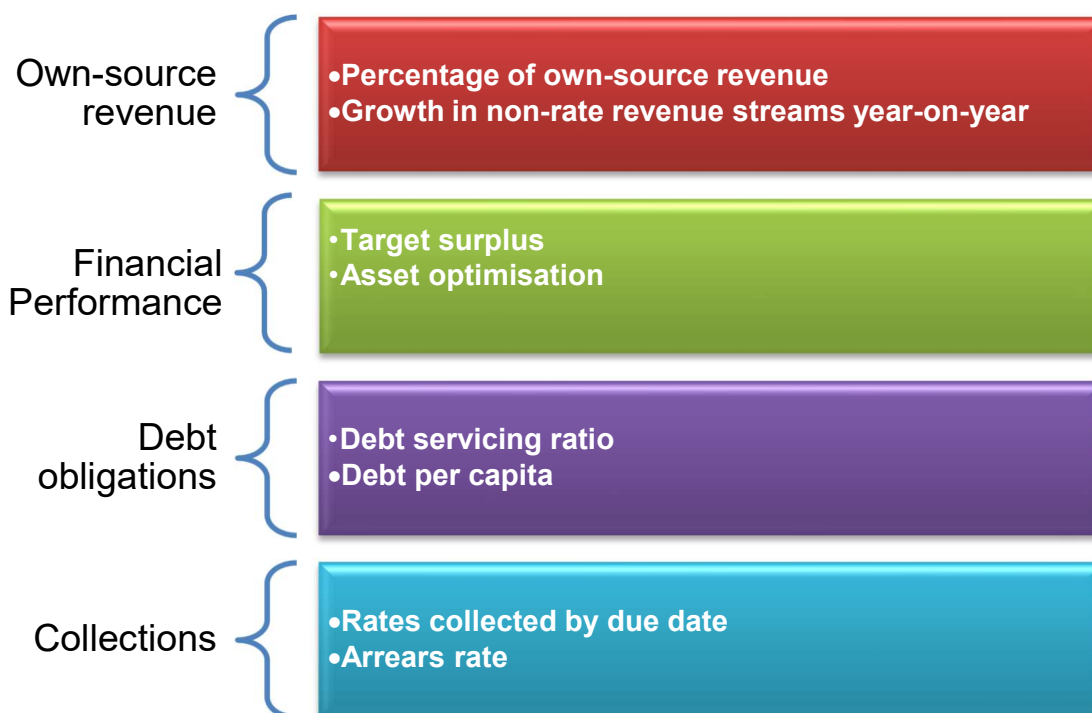
The plan takes into consideration key risks that Council may face to its revenue streams including changes in grant funding and economic conditions, consideration of potential growth and inflation, as well as the costs associated with administering Council operations.

By acknowledging these risks and making appropriate assumptions, the plan can effectively mitigate potential financial challenges.

8.2 Performance and Performance Metrics

To track the effectiveness of the plan and its impact on revenue performance, Council utilises key performance indicators.

These indicators help assess the plan's contribution to delivering services to the community. Some of the key performance metrics include:



Percentage of own-source revenue to total revenue - This measure assesses the proportion of revenue generated internally by Council compared to total revenue from all sources, indicating its self-sufficiency.

Growth in non-rate revenue streams year-on-year (e.g. parking, grants, rent) - This measure evaluates Council's ability to diversify its revenue sources and reduce reliance on rates.

Target surplus levels as a percentage of total revenue - This financial performance target sets a benchmark for Council's financial result and its ability to allocate funds for future needs.

Asset optimisation - This measure assesses the income generated from Council-owned assets, such as rental properties and partnerships.

Debt servicing ratio - as a percentage of total revenue - This measure evaluates Council's ability to manage its debt obligations in relation to its overall revenue.

Debt per capita relative to similar or benchmark councils - This measure compares Council's debt burden per resident with other similar or benchmark councils, providing insights into its financial position.

Percentage of rates collected by the due date - This measure measures Council's effectiveness in collecting rates on time, ensuring a steady cash flow.

Arrears rate - This measure measures the percentage of outstanding rates, indicating Council's ability to manage and reduce arrears.

By monitoring these performance metrics, Council can assess its financial performance, identify areas for improvement, and ensure the effective delivery of services to the community.

To contact Council

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- SMS 0480 020 200

Translating and Interpreter Service

13 14 50

National Relay Service (NRS)

13 36 77

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