
# Revenue and Rating Plan

2025–2029

Frankston City

# Contents

## About this Plan

To meet requirements of the Local Government Act 2020, key principles need to be considered regarding governance, community engagement, public transparency, strategic planning, financial management and service performance.

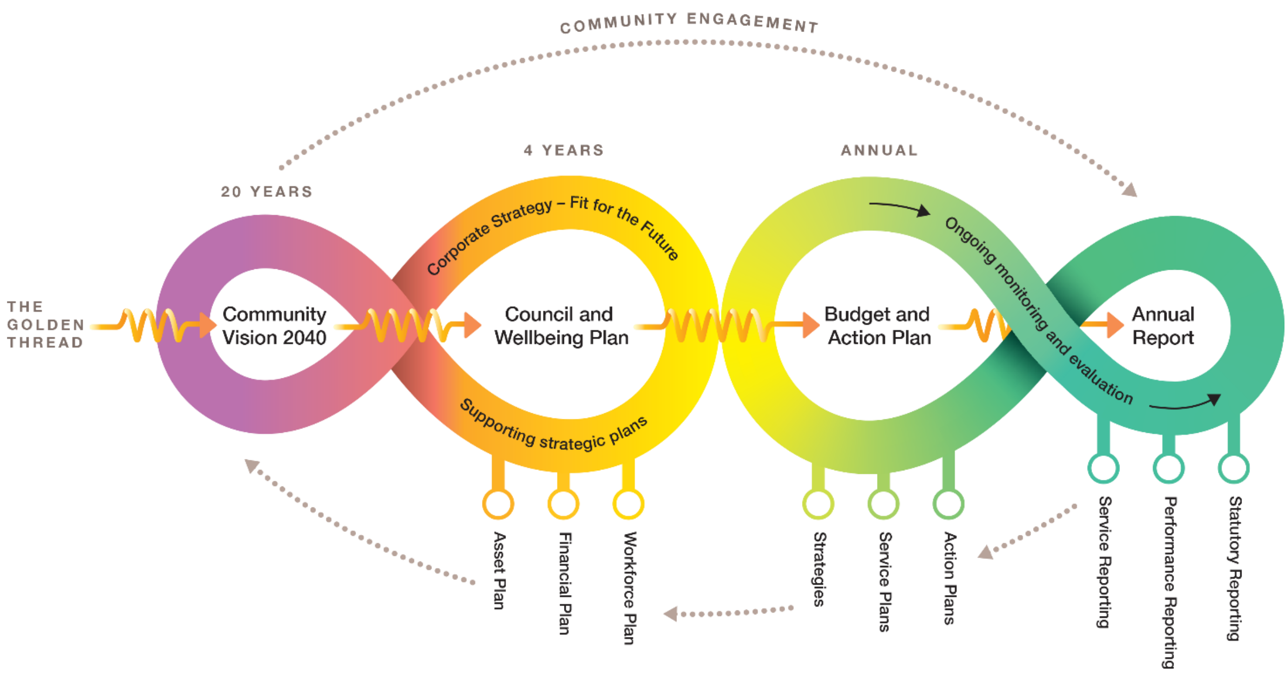
Strategic planning principles seek an integrated approach to planning, monitoring and performance reporting. Our planning must address the Community Vision and must take into account resources and risk associated with implementation of Council's plans.

Frankston City Council's Integrated Planning and Reporting Framework connects the long-term community needs and aspirations through the ***Frankston City 2040 Community Vision*** considered in the development of our medium-long term strategy and resource plans ***Council and Wellbeing Plan, Annual Budget, Revenue and Rating Plan, Financial Plan, Long Term Infrastructure Plan, Asset Plan and Workforce Plan.***

These strategies and plans are operationalised and delivered through ***Service Plans, Strategies and Action Plans.***

Progress and results are reported back to the Community through the ***Quarterly Performance Report, Local Government Performance Reporting Framework (LGPRF) and the Annual Report***.

Integrated Planning and Reporting Framework



The *Local Government Act 2020* requires Council to prepare and adopt a Revenue and Rating Plan to cover a minimum period of four years following each Council election. The Revenue and Rating Plan sets out how Council will generate income to deliver the Council Plan, Council Services and infrastructure commitments over a 4-year period. The plan will define the revenue and rating envelope within which Council proposes to operate.

The introduction of rate capping under the Victorian Government's rate capping legislation has brought a renewed focus on Council's long-term financial sustainability. Rate capping continues to restrict Council's ability to raise revenue above the rate cap unless an application is made to the Essential Services Commission for a variation. Maintaining service delivery levels and investing in community infrastructure remain key priorities for Council.

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

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

A Revenue and Rating Plan provides a clear explanation of decisions made by Council in implementing Revenue and Rating Practices.

## Rating Legislation

The legislative framework set out in the Local Government Act 1989 determines council's ability to develop a rating system.

Section 155 of the Local Government Act 1989 provides that a Council may declare the following rates and charges on rateable land.

- General rates under Section 158
- Municipal charges under Section 159
- Service rates and charges under Section 162

- Special rates and charges under Section 163.

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

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

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

Section 94(2) of the Local Government Act 2020 states that Council must adopt a budget by 30 June each year (or at another time fixed by the Minister) to include:

a) the total amount that the Council intends to raise by rates and charges.
b) a statement as to whether the rates will be raised by the application of a uniform rate or a differential rate:
c) a description of any fixed component of the rates, if applicable.
d) if the Council proposes to declare a uniform rate, the matters specified in section 160 of the Local Government Act 1989.
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 Council will utilise in calculating and distributing the rating burden to property owners, however, the quantum of rate revenue will be determined in Frankston City Council's Budget.

**Overarching Governance Principles**

Section 9 of the Local Government Act states that a Council must in the performance of its role give effect to the overarching governance principles. This Plan gives effect to these by.

- Complying with the relevant law (section 9(a) of the Act)
- Giving priority to achieving the best outcomes for the municipality, including future generations (section 9(b) of the Act). This Plan ensures that in relation to community engagement practices, Council officers are compliant, act with integrity and act in the best interests of Council and the community.
- The economic, social and environmental sustainability of the municipality, including mitigation and planning for climate change risks, is promoted, (section 9 (c) of the Act. This plan has no impact on the economic and social sustainability, climate change and sustainability of Council in its preparation.
- Innovation and continuous improvement have been pursued (section 9(e) of the Act). This plan has provision for evaluation, monitoring and review (see Section XX of this plan)
- Collaboration with other Councils and Governments and statutory bodies has been sought (section 9(f) of the Act)
- Transparency of Council decisions, actions and information is ensured by the enactment of this plan (section 9(i) of the Act)

Under the Local Government Act 2020 Council is required to adhere to the requirements;

- Strategic Planning Principles (section 89) – seek an integrated approach to planning, monitoring and performance reporting. Council has an endorsed Integrated Planning and Reporting governance framework that will continue to evolve and ensure better outcomes for the community.
- Revenue and Rating Plan (section 93)
- Financial Management Principles (section 101) – strategic risk of long-term financial sustainability
- Service Performance Principles (section 106) – All of the plans above are operationalised and delivered through Directorate plan and Service plans. Council's Service planning framework facilitates these principles.

In this plan we will articulate the Rating Framework employed by council, the justification for basis of the framework, including the rationale and objective behind pricing decisions.

**Community Engagement**

Deliberative community engagement is not prescribed for a Revenue and Rating Plan in either the Local Government Act 2020, or the Local Government (Planning and Reporting) Regulations 2020. Given the complex nature of rates, the benefits of educating the community via the Revenue and Rating Plan are substantial.

A Community Panel was engaged in 2024 to deliberate on the Vision and provide input into the development of the Council and Wellbeing Plan, Financial Plan and Asset Plan.

## Challenges and Opportunities

Undertaking analysis of current revenue sources allows Council to strategically plan for financial sustainability. This plan aims to mitigate and address these challenges and take advantage opportunities.

**Challenges**

- Rate capping. Constrains Council's ability to increase rates.
- Rates revenue is limited.
- Rates reliance. Rates and charges make up approximately 63% of Council's total revenue.
- Rising waste costs. Volatility of the waste and recycling industry has seen significant increase in costs.
- Community expectations. Community expectations of Council to deliver high quality services and infrastructure place pressure on Council to deliver more.

**Opportunities**

- Differential rates can be utilised to shift the rate burden to be more equitable across ratepayers.
- New revenue sources.
- Grant income. Seeking grants and ensuring funding through advocacy for Frankston on all stages of Government
- Waste charge. Full cost recovery methodology of waste charge passed onto ratepayers based on user pays.

## Revenue snapshot

Council receives revenue from a number of different sources. Rates and charges are the most significant revenue source for Council and constitutes approximately 63%, followed by operating and capital grants of 17%.

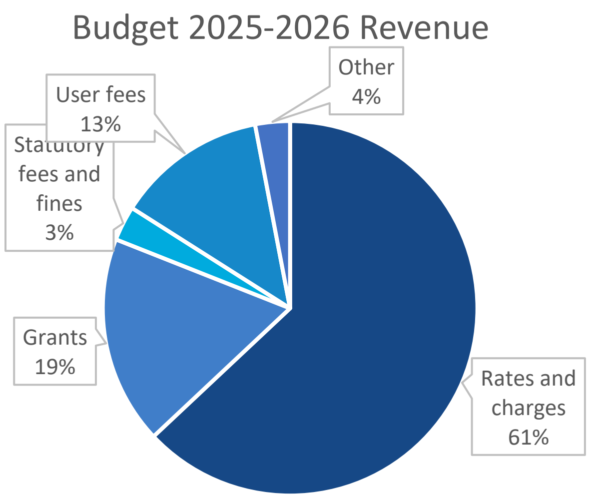
Rates and charges (includes municipal and waste charges)

Operating and Capital Grants

Statutory fees and fines

User fees

Other Revenue




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
- Fees and charges for services and programs including cost recovery policies
- 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)
- Entrepreneurial, business, or collaborative activities established to deliver programs or services and generate income or reduce costs.

The Council provides public goods and services, private goods and services and a mix of both to the community. In determining if services should be funded through rates and charges or other revenue sources such as user charges, the Council considers whether services are either entirely or partially public goods. That is, where a service provides a broad benefit to the whole community then it will be funded from rates. Where individual or groups of ratepayers receive a particular benefit, the service will be funded from user charges.

For each of Council key revenue sources, this plan will identify:

- policy rational and key assumptions that underpin these
- key risks to be addressed
- strategy recommendation

A summary of each revenue stream, key assumptions and strategy recommendations are shown below. Further information about each revenue stream will follow in the relevant section of this document.

| Revenue Stream | Key Assumptions | Strategy Recommendation |
|---|---|---|
| **Rates and charges** | Valuation base | That Frankston City Council continues to apply Capital Improved Valuation (CIV) and the valuation methodology to levy Council rates. |
| | Rating system | That Frankston City Council continues to apply differential rating as its rating system. |
| | Differential rates to be applied | That Council continues to apply a uniform general rate for all residential properties, including flats and units and rural properties.<br>That Council continues to apply the commercial and industrial rate at 125 per cent of the general rate. |

| Revenue Stream | Key Assumptions | Strategy Recommendation |
|---|---|---|
| **Rates and charges** | | That Council continues to apply the vacant residential land at 125 per cent of the general rate.<br><br>That Council continues to apply the derelict rate at 300 per cent of the general rate.<br><br>That the level of discount given to retirement village properties be maintained at 25 per cent.<br><br>That the level of discount given to farm properties be maintained at 20 per cent.<br><br>That Council will assess annually during the budget process if it will apply the differential rate to Acacia Estate properties to collect rates to fund additional maintenance works associated with the estate's reserves in accordance with the development's planning permit.<br><br>That in the 2025-26 budget, Council will introduce a differential rate for all vacant land in the Frankston Metropolitan Activity Centre (FMAC) and Nepean Highway at 300 per cent of the general rate |
| | Revaluations | That Council reviews the impact of revaluations and assesses differential rates applied to achieve an outcome that is considered equitable by Council. |
| | Special rates and charges | That Council use special rates and charges in instances that fit the following circumstances:<br>• Funding of narrowly defined capital projects (e.g. streetscape works, private road sealing) where special benefit can be shown to exist to a grouping of property owners<br>• Raising funds for a dedicated purpose where the use of CIV is not the most equitable method of calculating property owner contributions.<br>In circumstances outside of the above two scenarios, Council will use differential rating to achieve its objectives where permitted under Ministerial guidelines. |
| | Municipal charge | That Council continues to utilise a Municipal Charge as part of its rating strategy and will increase |

| Revenue Stream | Key Assumptions | Strategy Recommendation |
|---|---|---|
| | | annually at the same level of rate percentage increases. |
| | Rate payment dates | That Council continues to apply the mandatory rate instalment payment option in future rating years combined with the option of a nine instalment payment plan to encourage greater use of the direct debit payment approach. |
| | Victorian Government levies | That Victorian Government taxes are best collected by the Victorian Government using its own available resources such as the State Revenue Office.<br><br>That in the event that council is required to collect such Victorian Government taxes that these taxes be clearly identified as State charges on the Rates and Valuation Notice. |
| | Service rates and charges | That Council continues to apply a Waste Service charge as part of its a user-pays approach strategy based on full cost recovery of the waste service. |
| **Grants** | | Council as part of the service plan review cycle consider the grant funded service (including cost shifting considerations) and make recommendations to Council in each annual budget cycle<br>Continue to advocate to secure essential funding for local services and projects (refer Advocacy Priorities) |
| **User fees** | | Council as part of the service plan review cycle consider the user pays model for services and make recommendations to Council in each annual budget cycle.<br><br>Statutory Fees are charged in line with State or Federal Government legislation or Local Laws |

| Revenue Stream | Key Assumptions | Strategy Recommendation |
|---|---|---|
| | | Council continues to explore additional sources of revenue |
| Other | Continuous improvement in service delivery | Council works on continuous improvement opportunities relating to customer excellence and customer experience. |
| | Debt Management and Hardship | That Council continues to promote the pensioner rebate provided by the Victorian Government to ratepayers who apply and qualify for the rebate.<br><br>That Council reviews non-rateable properties to ensure that they qualify for exemption from rating.<br><br>That Council continues to maintain the rates payment plans, deferral and waiver procedures as per the Rates and Charges Hardship Policy.<br><br>That Council reviews the Rates and Charges Hardship Policy every 4 years. |

## Rates and Charges

Council rates are a property-based tax that allow Council to raise revenue to fund essential public services and major initiatives to benefit the municipality. The important feature of rates is that they are a tax and not a fee for service. 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.

It is important to note at the outset that the focus of this Plan is very different to that of the Long-Term Financial Plan document and Annual Budget. In these latter documents the key concern is the quantum of rates required to be raised for Council to deliver the services and capital expenditure required. In this Plan, the focus instead is on how the obligation to pay this quantum will be equitably distributed amongst Council's ratepayers.

Rates and charges are an important source of revenue, accounting for approximately 63 per cent of 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 rate capping legislation, all rate increases are capped to a rate declared by the Minister for Local Government, which is announced each December for the following financial year.

### Rating Principles

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

- Wealth Tax
- Equity
- Efficiency
- Simplicity
- Benefit
- Capacity to Pay
- Diversity
- Cross border competitiveness
- Competitive neutrality.

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 - Under this taxation principle, the levying of rates should ideally be carried out in a way that minimises the impact that rates have on both residents and businesses decision making on what choices they need to make in both conducting their normal business.

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. (Noting again that rates are a form of taxation and not a fee for service.

Capacity to Pay - The capacity of ratepayers or groups of ratepayers to pay rates.

Diversity - Cross-border competitiveness: to what extent does the rating system undermine the competitiveness of Council as a place to live and/or own a property or operate a business? This has relevance to Frankston City Council given the disparity in our differential rating structure to adjoining Councils.

Competitive Neutrality: - are all businesses conducting similar activities treated in similar ways within the municipality? Simultaneously applying all these taxation principles is an impossible task within the Frankston City Council environment and therefore trade-offs between these taxation principles are necessary. The rating challenge for Council therefore is to determine the appropriate balancing of competing considerations.

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.

The legislative provisions that outline rates and charges are contained in the Local Government Act 1989. The selection of rating philosophies and the choice between the limited rating options available under the Act is a difficult one for all Councils and it is most likely that a perfect approach is almost impossible to achieve in any local government environment. This is even more so the case for Frankston City Council where there are large disparities in the ability of various rating groups to afford payment of Council rates and in reality, cross-subsidies are required to support residential areas that have socio-economic disadvantages.

The purpose of this plan is therefore to consider what rating options are available to Council under the Local Government Act 1989 and how Council's choices in applying these options contribute towards meeting an equitable rating strategy.

Council can have influence over a limited range of options available in the legislation and include the following considerations;

- The choice of valuation base to be utilised (three available choices)
- Uniform versus differential rating for various classes of property
- What is the most equitable level of differential rating across the property classes
- Consideration of the application of a fixed service charge for waste collection and municipal administration
- The application of special rates and charges
- Other levies applied under the Act

These are discussed in more detail below.

## 1. Property Valuations

As outlined, under the *Local Government Act* (1989), Council has three options of valuing land.

They are:

- **Capital Improved Valuation (CIV)** – Value of land and improvements upon the land
- **Site Valuation (SV)** – Value of land only
- **Net Annual Value (NAV)** – Rental valuation based on CIV. For residential and farm properties, NAV is calculated at 5 per cent of the Capital Improved Value. For commercial and industrial properties NAV is calculated as the greater of the estimated annual rental value or 5 per cent of the CIV.

### Capital Improved Value (CIV)

Capital Improved Valuation is the most commonly used valuation base by Victorian Local Government. Based on the value of both land and all improvements on the land, it is relatively easy to understand by ratepayers as it equates closely to the market value of the property at a point in time, being 1 January of the revaluation year, being the effective date of the valuation.

The key driver behind the majority use is the ability to apply differential rates should this valuation base be used.

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 capital improved valuation, it may only apply limited differential rates in relation to farm land, urban farm land or residential use land.

### Advantages of using Capital Improved Valuation (CIV)

- CIV includes all improvements, and hence is often supported on the basis that it more closely reflects "capacity to pay". The CIV rating method takes into account the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.
- With the increased frequency of valuations (previously two year intervals, now annually), the market values are more predictable and should reduce the level of objections resulting from valuations.
- The concept of the market value of property is far 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 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 Frankston City Council context would cause a massive shift in rate burden from the industrial/commercial sectors onto the residential sector.

There would be further rating movements away from modern townhouse style developments on relatively small land parcels to older established homes on the more typical quarter acre residential block.

In many ways, it is difficult to see an equity argument being served by the implementation of Site Valuation in Frankston City Council.

### Advantages of Site Value

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

### Disadvantages in 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 will 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 flat, units, 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, urban 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 rate-paying community has 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)

Net annual value, in concept, represents the annual rental value of a property. However, in practice, NAV is closely 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 farms, Net Annual Value for commercial and industrial properties is assessed with regard to actual market rental. This differing treatment of commercial versus residential and farms has led to some suggestions that all properties should be valued on a rental basis.

Overall, the use of NAV is not supported. For residential and farm ratepayers, actual rental values pose some problems and the artificial rental estimate used may not represent actual market value.

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 Act it must adopt either of the CIV or NAV methods of rating

### Summary

It is recommended that Frankston City Council continue to apply Capital Improved Valuation as the valuation base for the following reasons:

- CIV is considered to be the closest approximation to an equitable basis for distribution of the rating burden.
- CIV provides Council with the ability to levy a full range of differential rates. Limited Differential rating only is available under the other rating bases.
- It should be noted that an overwhelming majority of Victorian Councils apply CIV as their rating base and as such, it has a wider community acceptance and understanding than the other rating bases.

### Victorian Land Valuations

From 1 July 2018, the Government centralised land valuation under the Valuer-General Victoria (VGV) and introduced a new annual cycle of valuations for Land Tax, Fire Services Property Levy and Council Rate setting purposes. These changes came into effect for the 2019 revaluation year and were used for the first time in the 2019-2020 rating period.

### How are valuations undertaken?

The annual revaluations are undertaken by the VGV as the valuation authority and used by Frankston City Council in forming the 2025-2026 budget.
The State pays for the full cost of annual revaluations, with councils paying for supplementary valuations. The changes do not change underlying valuation principles or methodologies.
Property values are determined by qualified valuers comparing each property to the recent sales figures of similar properties in the neighbourhood. The key factors are location, land size, type of house and condition. The VG is responsible for reviewing the total valuation of each municipality for accuracy before certifying that the valuations are true and correct. Valuations are conducted using Best Practice Guidelines formulated and published by the VG.

## No 'Windfall Gain'

There is a common misconception that if a property's valuation rises then Council receives a "windfall gain" with additional income. This is not so as the revaluation process results in a redistribution of the rate burden across all properties in the municipality. Any increase to total valuations of the municipality is offset by a reduction to the rate in dollar (ad valorem rate) used to calculate the rate for each property. Total income is fixed each year as part of the budget process in line with the CPI rate increase as determined by the Minister in December each year. Council only seeks to increase the total amount of revenue required to account for CPI, wage and other service costs imposed upon it.

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.

## Objections to Property Valuation

The *Valuation of Land Act* 1960 provides that objection to the valuation may be made each year within two months of the issue of the original Rates and Valuation Notice (Rates Notice), or amended notice when a Supplementary Valuation is undertaken during the rating period.

Objections must be dealt with in accordance with the *Valuation of Land Act* – Division 3 Sections 16-21A.

The Act was amended in 2006 in order to improve the valuation objection process and reduce the number of lengthy and costly disputes. The Act specifically improves the processes and practices for lodging an objection, sharing and exchange of information, referring an objection dispute to VCAT, awarding of costs, Valuer General notifications and certification of supplementary valuations. Further information can be obtained by accessing the Land Victoria web site at **https://www.land.vic.gov.au** , or Council's website at https://www.frankston.vic.gov.au/My-Property/Rates/Valuations-and-objections

Council will continue to advise ratepayers via the "Rates and Valuation Notice" (the Rate Notice), web site and Frankston City News, of their right to object and appeal the valuation.  Property owners can appeal their land valuation within 2 months of receipt of Council Rate and Valuation Notice (via Council).

| Strategy Recommendation |
|---|
| 1. That Frankston City Council continues to apply Capital Improved Valuation and the valuation methodology to levy Council rates. |

## 2. Differential Rates

Council may apply a uniform rate or differential rates to address the needs of the Council. They are quite different in application and have different administrative and appeal mechanisms that need to be taken into account.

### Uniform rate

The Local Government Act stipulates that if a Council declares that general rates will be raised by the application of a uniform rate, the Council must specify a percentage as the uniform rate. Rates will be determined by multiplying that percentage by the value of the land.
Frankston does not adopt uniform rates, instead has adopted differential rating since amalgamation.

### Differential Rates

Frankston has adopted differential rating as it considers that differential rating contributes to the equitable distribution of the rating burden. Differential rating allows particular classes of properties to be assessed rates at different levels from the general rate set for the municipality. Differential rating allows 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.
Under the *Local Government Act* (1989), Council is entitled to apply differential rates provided it uses Capital Improved Valuations as its base for rating. Section 161 outlines the regulations relating to differential rates. This section is outlined below.

(1) 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.

(2) If a Council declares a differential rate for any land, the Council must-

a) Specify the objectives of the differential rate, which must be consistent with the equitable and efficient carrying out of the Councils functions and must include the following:

i. A definition of the types of 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 Councils district)

b) Specify the characteristics of the land, which are the criteria for declaring the differential rate

The maximum differential allowed is no more than four (4) times the lowest differential. This is important in the Frankston City Council context as Council is very close to this limit in term of the variation between the current Retirement Village Rate and the Derelict rate. Council, in striking the rate through the Annual Budget process sets the differential rate for set classes of properties at higher or lower amounts than the general rate. The different levels of rates are outlined in the Differentials section of this Revenue and Rating Plan.

### Objective of the rate and characteristics

It is considered that each differential rate will be used to contribute to the equitable and efficient carrying out of Council's functions. The following are the objectives of the differential rates currently adopted for the different property types.

#### Commercial - developed and vacant land

The Commercial differential rate is applied to promote the economic development objectives for the Frankston Commercial Sector. This objective includes an ongoing, significant investment in place management to improve the functionality and appearance of activity centres, together with general economic development promotion and facilitation activities, and through the creation of business opportunities by the activation of precincts with Frankston. The commercial businesses of Frankston are expected to be beneficiaries of this ongoing significant investment by Council.

It is further noted that the application of a commercial differential rate further recognises 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.

*Taxation principles*

*Whilst Frankston City Council is an investor in the growth of the commercial sector (benefit principle), the key taxation principle applied by this differential rate is the relative capacity to pay of this sector, acknowledging both the taxation benefit allowed to commercial properties and the relatively lower capacity to pay by the residential sector of Council.*

### Industrial - developed and vacant land

The Industrial rate is to promote economic development objectives for the Frankston Industrial Sector. This objective includes an ongoing, significant investment in place management to improve the functionality and appearance of activity centres, together with general economic development promotion and facilitation activities, and through the creation of business opportunities by the activation of precincts within Frankston. The industrial businesses of Frankston are expected to be beneficiaries of this ongoing significant investment by Council.

#### *Taxation principles*

*Whilst Frankston City Council is an investor in the growth of the industrial sector (benefit principle), the key taxation principle applied by this differential rate is the relative capacity to pay of this sector, acknowledging both the taxation benefit allowed to industrial properties and the relatively lower capacity to pay by the residential sector of Council.*

### Vacant residential land

The residential vacant land rate is to promote housing development objectives for the municipality including the development of vacant land in residential zoned areas.

#### *Taxation principles*

*The taxation principle applied in this differential is the efficiency principle where Council is endeavouring to discourage the banking of residential land and provide a financial incentive for its development.*

### Retirement village land

Under the Ministerial Guidelines for differential rating, Council is required to give consideration to a differential rate for retirement villages. Differential rates are provided to Retirement Villages in 5 out of the 79 Victorian Councils with the discount provided ranging from 5 per cent to 25 per cent.

Council introduced a discount to retirement villages within the municipality to acknowledge that these facilities are deemed to be on private land and as such are not entitled to such services as road maintenance, footpath maintenance, power for street lighting, upkeep of kerb and gutters and street sweeping.

#### *Taxation principles*

*The key taxation principle applied with this rating differential is one of equity where retirement villages have funded the provision of their own infrastructure within their gated community and continue to pay for the ongoing maintenance of these infrastructure including roads, footpaths, lighting, etc. In addition, there is a social benefit provided by retirement villages in providing a facility that allows elderly residents to age in their* *residence in a supported environment and one which provides social and recreational activities that enhance lifestyles.*

## Derelict land

As part of Council's move to improve its municipal streetscape a derelict land use rate was introduced on all derelict properties. This rate is three times the general rate and is not seen as a revenue-raising measure but an initiative which would give property owners a strong incentive to keep up the appearance of properties.

### *Taxation principles*

*The taxation principle applied in this differential is the efficiency principle where Council is endeavouring to discourage property owners from neglecting their responsibility to keep up the appearance and safety of their properties.*

## Acacia Estate land

A differential rate applied to the general rate was introduced for residents of the Acacia Heath Estate, to collect rates to fund additional maintenance works associated with the estate's reserves in accordance with the development's planning permit. From the 2020-2021 rating period onwards, Council will consider at each annual budget process whether to apply a differential rate to the Acacia Health and Spring Hill Estate properties.

## Farm land

Council introduced a differential Farm rate to encourage the retention and expansion, where appropriate, of productive farming and agricultural activities in the Green Wedge areas. The differential Farm rate is a 20 per cent reduction of the general rate and is available to landholders of properties two hectares or greater and used as 'farm land'. Farm land means any rateable land that is used primarily for farming purposes (which may include grazing, poultry-farming, market garden or viticulture) that is used by a business that has a significant and substantial commercial purpose and is making a profit, or has reasonable prospect of making a profit from its activities, pursuant to the provisions as set out in Section 2 of the *Valuation of Land Act* (1960). The main objectives of having a farm rate are:

- To promote and support the use of sound agricultural practices
- To conserve and protect areas which are suited to certain agricultural pursuits.
- To encourage proper land use consistent with genuine farming activities.

### *Taxation principles*

*The key taxation principle applied with this rating differential is one of capacity to pay. Council farm properties are typically either just within or just beyond the urban growth boundary leading to high valuations for the respective use of the land. The farm differential* *applied reflects the high level of rates applied to land which is used for agricultural rather than development purposes.*

### Differential Rate on Vacant Land in FMAC and addressed to or abutting Nepean Highway

As part of Council's move to improve its municipal streetscape in the FMAC area a vacant land differential rate has been introduced on all vacant land properties that are within the FMAC Structure Plan boundary and addressed to or abutting Nepean Highway. This rate is three times the general rate and is not seen as a revenue-raising measure but an initiative which would give property owners a strong incentive to develop land and avoid land banking.

*Taxation principles*

*The taxation principle applied in this differential is the efficiency principle where Council is endeavouring to discourage the banking of land and provide a financial incentive for its development.*

### Advantages of a differential rating system

The perceived advantages of utilising a differential rating system are:

- There is greater flexibility to distribute the rate burden between all classes of property, and therefore link rates with the ability to pay and reflecting the tax deductibility of rates for commercial and industrial premises;
- Differential rating allows Council to better reflect the investment required by Council to establish infrastructure to meet the needs of the commercial and industrial sector;
- Enables Council to encourage particular developments through it rating approach e.g. encourage building on vacant blocks;
- Allows Council to reflect the unique circumstances of some rating categories where the application of a uniform rate may create an inequitable outcome (e.g. Farming enterprises);
- Allows Council discretion in the imposition of rates to 'facilitate and encourage appropriate development of its municipal district in the best interest of the community'.

### Disadvantages of Differential Rating

The perceived disadvantages in applying differential rating are:

- The justification of the differential rate can at times be difficult for the various rating groups to accept giving rise to queries, objections and complaints where the differentials may seem to be excessive;

- Differential rates can be confusing to ratepayers, as they may have difficulty to understand the system. Some rating categories may feel they are unfavourably treated because they are paying a higher level of rates than other ratepayer groups.
- Differential rating involves a degree of administrative complexity as properties continually shift from one type to another (e.g. residential to commercial, vacant to developed) requiring Council to update its records. Ensuring the accuracy/integrity of Council's data base is critical to ensure that properties are correctly classified into their differential rate category.
- Council may not achieve the objectives it aims for through differential rating. For example, Council may set its differential rate objectives to levy a higher rate on land not developed, however it is uncertain as to whether the differential rate achieves those objectives.

The following section details the differential rates applied by Frankston City Council.

### General Rates (Residential)

This category includes all residential properties, including flats and units which until recent years were rated under a separate differential. This strategy recommends that Council continue applying the general rate for all residential properties, including flats and units.

### Retirement Villages

This strategy recommends a retirement village rate of a discount of 25 per cent of the general rate.

### Commercial (Developed and Vacant)

Commercial properties are defined as those selling a product or providing a service. These properties are similar to industrial properties in respect that they are businesses providing employment opportunities. The commercial differential rate is a part of a rating system which maintains, as far as possible, the current rates burden on commercial properties given the tax deductibility of rates for businesses and the extent of use of the infrastructure by business, especially the road network.
This strategy recommends a commercial rate of 125 per cent of the general rate.

### Industrial Rate (Developed and vacant)

Industrial properties are those that are used for the purposes of manufacturing.
Currently there is no difference in the rate in the dollar between the developed commercial and the developed industrial properties. Typically commercial entities vary more in size

than industrial properties ranging from sole traders to major shopping centre retailers and in many cases the capacity to pay higher rates in the commercial sector is marginal. It must also be acknowledged that Council has been required (and will over the next decade) to invest heavily in the construction of infrastructure for industrial development which does not typically apply in the commercial sector.
This strategy recommends a commercial rate of 125 per cent of the general rate.

### Vacant Residential

This strategy recommends a vacant residential rate of 125 per cent of the general rate.

### Acacia Estate

Frankston City Council currently applies a differential rate to Acacia Estate to collect funds to provide additional maintenance works associated with the estates reserves in accordance with the development's planning permit. From the 2020-2021 rating period, Council will consider at each annual budget process whether to apply a differential rate to the Acacia Heath and Spring Hill Estate.

### Derelict land

The purpose of a derelict land rate is to encourage owners of 'derelict' properties to improve its municipal streetscape and give a strong incentive to maintain the appearance of any property. For the purposes of applying the differential rate, properties will be considered derelict if they meet one or more of the following criteria:

- The building or land is destroyed, decayed, deteriorated, or fallen into partial ruin especially through neglect or misuse. This may include but not be limited to excessive dirt; peeling paint; broken windows, elements of the facade or advertising signs; loose or broken fittings, fixtures; or faulty lighting.
- The building or land constitutes a danger to health or property. This may include but not limited to: The existence on the property of vermin, litter, fire or other environmental hazards; A partially built structure where there is no reasonable progress of the building permit
- Provides an opportunity to be used in a manner that may cause a nuisance or become detrimental to the amenity of the immediate area
- Is in such a state of repair that would prohibit its occupation
- The condition of the property or land has a potential to affect the value of other land or property in the vicinity.
- There is excessive growth of grass and or noxious weeds or undergrowth
- Affects the general amenity of adjoining land or neighbourhood by the appearance of graffiti, any stored unregistered motor vehicles, machinery (or parts thereof), scrap

metal, second hand timber and or building materials, waste paper, rags, bottles, soil or similar materials.

The assessment of these properties will be completed by Council's officers authorised under the Frankston City Council General Local Law 2016 – No.8.

This strategy recommends a derelict rate of 300 per cent of the general rate.

### Vacant land within Frankston Metropolitan Activity Centre - FMAC) and Nepean Highway

This strategy recommends a surcharge of 300 per cent of the general rate.

### Farm Rate

The main objectives of having a farm rate are:

- To promote and support the use of sound agricultural practices
- To conserve and protect areas which are suited to certain agricultural pursuits.
- To encourage proper land use consistent with genuine farming activities.

These properties receive a 'discount' of 20 per cent against the general rate. One of the key issues with the farm rate is the eligibility requirement to receive this discount. In order to receive the discount a property must meet the definition of farmland under the *Valuation of Land Act 1960*, which requires the following:

- At least 2 hectares
- Primarily used for agricultural production
- Used by a business that has a significant or substantial commercial purpose, seeks to make a profit on a continuous or repetitive basis or has a reasonable prospect of making a profit from the agricultural business being undertaken.

Most farm properties are very high in value and consequently attract relatively high rates per assessment.

Farming enterprises are also perceived as not receiving the same level of service that are received by urban ratepayers as a result of their distance from urban infrastructure and services. Historically Councils were required to levy a farm rate which had to be lower than the general rate however there is no longer this requirement in the Act. Frankston City Council's farm rate is currently 80 per cent of the general rate.

This strategy recommends that a discount given to farm properties of 20 per cent.

### Other

***Cultural & Recreational Lands:*** Council currently has 5 properties that are classified as cultural and recreational lands assessments. Council is required to consider a rating discount for these properties under the Cultural and Recreational Lands Act based on considered benefits to the community and the services provided by Council.

Properties that qualify for consideration as Cultural and Recreational lands are classified and rated as commercial properties with a discount then being applied to this rate. For those clubs (5) that utilise gaming machines, turf clubs and golf clubs, the discount provided ranges between 25 per cent and 60 per cent.
It is recommended that Council continue to allow a discount to Cultural and Recreational properties subject to an ongoing review every two years.

***Ministry of Housing:*** Council has applied a rating discount for these properties based on considered benefits to the community and the services provided by Council. Properties that qualify as Ministry of Housing lands are classified and rated with a discount of 50 per cent then being applied to this rate.
It is recommended that Council continue to allow a discount to Ministry of Housing properties.

***Baxter Village:*** Council currently has 418 properties within the Baxter Village precinct. Council has agreed to consider a rating discount for these properties based on considered benefits to the community and the services provided by Council. Properties within the Baxter Village are classified and rated as residential properties with a discount of **30 per cent**.
It is recommended that Council continue to allow a discount to Baxter Village properties.

**Strategy Recommendation**

That Council continues to apply:

1. The uniform general rate for all residential properties, including flats and units and rural properties.
2. The commercial and industrial rate at an increased surcharge of 25 per cent.
3. The vacant residential land at an increased surcharge of 25 per cent.
4. The derelict rate at an increased surcharge of 300 per cent.
5. The level of discount given to retirement village properties be maintained at 25 per cent.
6. The level of discount given to farm properties be maintained at 20 per cent.
7. Council introduce a vacant land differential rate for the Frankston Metropolitan Activity Centre (FMAC) and Nepean Highway commencing in the 2025-26 rating period.
8. That Council will assess annually during the budget process if it will apply the differential rate to Acacia Estate properties to collect rates to fund additional maintenance works associated with the estate's reserves in accordance with the development's planning permit.

## 3. Special rates and charges

Special rates and charges are covered under Section 163 of the *Local Government Act* (1989), which enables Council to declare a special rate or charge or a combination of both for the purposes of:

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

In relation to the performance of a function or the exercise of a power of the Council, if the Council considers that the performance of the function or the exercise of the power is or will be of special benefit to the persons required to pay the special rate or special charge.

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

Section 185 of the *Local Government Act* (1989) provides appeal rights to VCAT in relation to the imposition of a special rate or charge. The Tribunal has wide powers, which could affect the viability of the special rate or charge. It can set the rate or charge completely aside if it is satisfied that certain criteria are met. Council should be particularly mindful of the issue of proving that special benefit exists to those that are being levied the rate or charge.

In summary, differential rates are much simpler to introduce and less subject to challenge. There may be instances however where a special charge is desirable if raising the levy by use of CIV is not equitable. It is recommended that Council utilises special rates and charges only in the instances outlined below.

| Strategy Recommendation |
|---|
| 1. That Council use special rates and charges in instances that fit the following circumstances:<br>• Funding of narrowly defined capital projects (e.g. streetscape works, private road sealing) where special benefit can be shown to exist to a grouping of property owners<br>• Raising funds for a dedicated purpose where the use of CIV is not the most equitable method of calculating property owner contributions.<br>2. In circumstances outside of the above two scenarios, Council will use differential rating to achieve its objectives. |

# 4. Municipal charge

Another principal 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.

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. 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.

The arguments in favour of a municipal charge are similar to waste charges. They apply equally to all properties and are 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.

The argument against a municipal charge is that this charge is regressive in nature and would result in lower valued properties paying higher overall rates and charges than they do at present. The equity objective in levying rates against property values is lost in a municipal charge as it is levied uniformly across all assessments.

This strategy recommends that council continue to apply a Municipal Charge.

| Strategy Recommendation |
| --- |
| That Council continues to utilise a Municipal Charge as part of its rating strategy and will increase annually at the same level of rates increases. |

## 5. Service rates and charges (Waste)

Section 162 of the Local Government Act (1989) provides Council with the opportunity to raise service rates and charges for the collection and disposal of refuse or any other prescribed service.

Council currently utilises a waste service charge to recoup the full cost of waste related services including collection, disposal, street sweeping, footpath sweeping, state government landfill levies, plus street and drain litter collection. Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste function. The waste service charge is not capped under the rate cap.

The advantages of the waste service charge is that it is readily understood and accepted by residents as a fee for a direct service that they receive. It further provides equity in the rating system in that all residents who receive exactly the same service level all pay an equivalent amount.

The disadvantage of the waste service charge is similar to the municipal charge in that it is regressive in nature. A fixed charge to a low valued property comprises a far greater proportion of the overall rates than it does to a more highly valued property.

On balance however it is recommended that Council retain the existing waste service charge. Unlike a municipal charge where the direct benefit to the resident is invisible – the garbage charge is a tangible service that is provided directly to all in the same fashion.

Should Council elect not to have a waste service charge or amend the charge to remove some waste related services as recommended in the Minister's Good Practice Guidelines for Service Rates and Charges, this same amount would need to be raised by way of an increased general rate – meaning that residents in higher valued properties would substantially pay for the waste service of lower valued properties. Whilst this same principle applies for rates in general, the mix of having a single fixed charge combined with valuation driven rates for the remainder of the rate invoice provides a more balanced and equitable outcome.

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 Rates or Charges to be described on the rate notice.

| Strategy Recommendation |
| --- |
| 1. That Council continues to apply a Waste Service charge as part of its rating strategy based on full cost recovery of the waste related function. |

## 6. Rebates and concessions

### Rebates – LGA Section 169

A rebate is a mechanism through which a targeted group receives a discount or concession to achieve certain objectives. Essentially rebates are funded through the general rate pool. More specifically, the amount required to fund the rebate is calculated and is incorporated into the total rates and charges requirement. For transparency the amount of any rebate or concession funded by ratepayers should be declared on an annual basis. Council may grant rebates or concessions in accordance with the *Local Government Act* (1989)

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.

Council do not currently provide rebates in relation to Section 169 of the Local Government Act 1989.

### Community Grants

Council operates the community grants, sponsorships and donations program to support a wide variety of community organisations, events and networks. Based on principles of accountability and transparency, and in lieu of the granting an application for rebates of rates, it is Councils' preference that such organisations apply for funding under this program.

### Pensioner Rebates

Holders of a Centrelink or Veterans Affairs Pension Concession card, or a Veteran Affairs Gold card which stipulates TPI or War Widow (excludes Health Care and DVA all conditions, and dependent cards) may claim a rebate on their sole or principal place of residence directly from Council by a once off application. Holders of Veteran Affairs Gold cards which stipulate POW or EDA are eligible for a municipal pension concession on their principal place of residence by applying directly to the Department of Families Fairness and Housing.

The government-funded indexed rebate is provided under the Municipal Rates Concession Scheme. The government has also funded a rebate for eligible pensioners of $50.00 to

partially offset the introduction of the Fire Services Property Levy in 2013-2014 (effective from 2025-2026 this becomes the Emergency Services and Volunteers Fund Act 2012), this amount has not been adjusted since its introduction.
Upon initial application and verification, an ongoing eligibility is maintained unless rejected by Centrelink or Department of Veteran Affairs during the annual verification process. Upon acceptance of pensioner status the concession or rebate is deducted from the rate account before payment by the ratepayer. Applications for the concession must be lodged by 30 June in each year.

### Emergency Relief

Council's Rates and Charges Hardship policy ensures Council has an opportunity to provide temporary support measures for ratepayers who are in need of financial assistance during a State of Emergency/ Pandemic/ Extraordinary Circumstances. The policy allows for the following during a State of Emergency/Pandemic/Extraordinary Circumstance:

a) Provide rate relief as determined by Council;
b) Place on hold the raising of penalty interest on overdue rates payments for a period of time;
c) Provide a rate waiver for a class or classes of property or ratepayer;
d) Provide flexible Payment Plan options;
e) Provide a deferral of rates for a period of time on a case by case basis where hardship can be substantiated; and
f) Withhold all new legal action on outstanding accounts, where legal costs would be incurred by the ratepayer for a period of time as determined by Council.

### Exemptions from Rating

The *Local Government Act* (1989) Section 154 declares that all land is rateable with a number of exceptions including Crown land occupied for municipal purposes, land used exclusively for charitable purposes, the residence of a practicing Minister of Religion, certain land used for mining purposes, clubs or memorials under the Patriotic Funds Act, Returned Services League and related associations as defined. Generally land is not used exclusively for public municipal or charitable purposes if it is a residence, is used for the retail sale of goods or the carrying on a business for profit.
A review of non-rateable properties is undertaken biennially to ensure that these properties are in fact eligible for exemption for rating purposes.

### Interest on rate arrears and overdue rates

Interest may be charged on all overdue rates and charges in accordance with Section 172 of the *Local Government Act* 1989, namely:

a. If Council declares that rates and charges for a rating year are required to be paid in four instalments, then Penalty Interest is applied on and from the date on which the missed instalment becomes due.
b. Penalty Interest is to be calculated at or below the rate fixed by the Minister under Section 172A(1) of the Local Government Act 1989, that applied on the first day of July immediately before the due date for the payment. Interest on late payments is currently charged at 10% p.a.

### Rates and Charges Deferment and Hardship Policy

Council recognised that managing financial hardship is a shared responsibility. Sections 170, 171 and 171A of the Local Government Act 1989 give Council the power to defer and / or waive in whole or part the payment of rates and charges if Council determines the enforcement of the requirement to pay would cause hardship to the ratepayer.

Council has a Rates and Charges Hardship Policy in place to aid ratepayers experiencing difficulty in paying their rates and charges. The policy enables a ratepayer experiencing financial hardship, to make application to Council for assistance relating to rates and charges levied on a property under the *Local Government Act 1989*.

The Policy also provides Council officers a framework to provide financial relief to ratepayers who need assistance and to ensure all applications are assessed based on the principals of fairness, integrity, confidentiality and compliance with statutory requirements while at the same time ensuring that all other ratepayers are not disadvantaged by the granting of inappropriate relief from Council.
Frankston's Rates and Charges Hardship Policy establishes Council policy in relation to:

- Management of the payment of rates and charges by special arrangement;
- Applications to defer payment of rates and charges;
- Applications to have rates interest waived; and
- Levying of penalty interest on outstanding rates and charges.

The difference between a waiver and a deferral is that a deferral suspends payment for a period of time whereas a waiver permanently exempts payment of the fee or charge under discussion, in being fair and equitable to all ratepayers, Council does not waive rates and charges. Council rates and charges remain a first charge on the property as per section 156 (6) of the Local Government Act 1989. Applications for rate interest waiver and deferral will be individually assessed against the criteria stated in the Rates and Charges Hardship Policy. Council may waive penalty interest on compassionate grounds or as in the case of financial hardship, subject to sighting proof of financial hardship from certified financial counsellors.

The application of fairness as a principle also applies to recognising the impact of unpaid rates on those who have paid their rates in full.
The timely collection of rates and charges ensures adequate revenue for the provision of council services and planned capital works projects provided by Council for the community. It should be noted that this area is currently the subject of a review by the Victorian Ombudsman and Council will review the findings of that report and consider further improvements to its Rates Hardship Policy.

### Debt Recovery

Council makes every effort to contact ratepayers at their correct address, but it is the ratepayers' responsibility to properly advise Council of their contact details. The *Local Government Act 1989* Section 230 and 231 requires both the vendor and buyer of property, or their agents (e.g. solicitors and or conveyancers), to notify Council by way of notice of disposition or acquisition of an interest in land.
When an account becomes overdue, Council will issue an overdue reminder notice which will include accrued penalty interest.  Other than the annual valuation and rate notice, at least five reminder notices are issued before considering legal action.  If the account remains unpaid, Council may take legal action without further notice to recover the overdue amount.  All fees and court costs incurred will be recoverable from the ratepayer.
If an amount payable by way of rates in respect to land has been in arrears for three years or more, Council may take action to sell the property in accordance with the *Local Government Act 1989* Section 181.

| Strategy Recommendation |
| --- |
| 1. That Council continues to promote the pensioner rebate provided by the Victorian Government to ratepayer who apply and qualify for the rebate.<br>2. That Council reviews non-rateable properties to ensure that they qualify for exemption from rating.<br>3. That Council continues to maintain the rates arrangements, deferral and waiver procedures as documented in the Rates and Charges Hardship Policy. |

## 7. Rate instalment payments

### Liability to Pay Rates

*Local Government Act* (1989) Section 156 makes the owner of the land liable to pay the rates and charges on that land.

The *Local Government Act* (1989) Section 156(6) declares the rate or charge, unpaid interest or costs to be a first charge upon the land.

Current Payment Dates for Rates

Council, in accordance with the *Local Government Act* (1989) Section 167 (1) **must** allow for the payment of rates by four instalments per annum. Council **may** allow a person to pay a rate or charge in a single lump sum payment *Local Government Act* (1989) Section 167 (2).

The Minister fixes instalment and single lump sum payment dates by notice published in the Government gazette.

On 17 February 2014, Frankston City Council adopted the 'instalment only' rate payment methodology. The resolution offers ratepayers the option to pay rates by four instalments due on 30 September, 30 November, 28 February and 31 May each year, or the next working day thereafter should those days be a weekend or public holiday. Residents can elect to pre-pay instalments at any time during the rating year.

This rate payment methodology has a number of advantages which are:

- The time period between when the notice is first issued and the payment date is reduced (approximately 2 months) which should minimise the opportunity for the payment to be overlooked by the ratepayer and can assist in ratepayers managing financial commitments;
- Currently the application of penalty interest using the current approach causes considerable distress to residents and impacts on Council's relationship with its ratepayers. The use of the alternative payment method should reduce this distress considerably;
- This approach brings payments into line with other authority billing, such as gas, electricity and water

Under Section 172 of the Local Government Act 1989, penalty interest can only be calculated from the date of the missed instalment payment.

It is Council's objective to have the most positive relationship possible with all of its residents and imposing such a punitive penalty -that is not seen as just – does not assist in achieving this.

When it is considered that every other utility you deal with (telephone, gas, power, water) - not one of these service providers is required to operate on the business rules that Local Government has been required to.

This strategy therefore recommends a continuation of the current payment methodology.

| Strategy Recommendation |
| --- |
| That Council continues to apply the mandatory rate instalment payment option in future rating years combined with the option of a nine instalment payment plan to encourage greater use of the direct debit payment approach. |

# 8. Victorian Government Levies

In recent years, Council has seen an increased propensity for Victorian Government to view Local Government as a means of collecting State taxes under the branding of Councils rate notice.

In 2013, the Victorian Government introduced a property-based levy to fund Fire Rescue Victoria (FRV) and the Country Fire Authority (CFA). The Fire Services Property Levy replaced the insurance-based funding model as recommended by the Victorian Bushfires Royal Commission.

This levy has been superseded by the **Emergency Services and Volunteer Fund (ESVF) levy** from 1 July 2025. 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 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.

Under the property-based levy:

- For residential properties (including vacant residential land) the fixed charge plus a variable rate is set by the Government and calculated as a percentage of the capital improved value (CIV) of the property.
- For non-residential properties, the fixed charge plus a variable rate is set by the Government and calculated as a percentage of the capital improved value (CIV) of the property.

- Each property classification has its own variable rate, and will be set by the Victorian Government no later than 31 May each year.

The State Government imposed Emergency Services and Volunteer Fund levy is shown separately on rate notices.

**It is important to note that the Victorian Government will be directly responsible for administering the exemption and rebate process for eligible VICSES and CFA volunteers. Council has no involvement in this process.**

**Council is not raising any additional revenue from the levy; it is merely acting as a collection agency on behalf of the State Government.**

| Strategy Recommendation |
|---|
| 1. That Victorian Government taxes are best collected by the Victorian Government using its own available resources such as the State Revenue Office.<br>2. That in the event that council is required to collect such Victorian Government taxes that these taxes be clearly identified as State charges on the Rates Notice. |

## Grants and Contributions

Grants revenue represents income received from other levels of government and other incorporated organisations. 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.

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 physical assets. 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.

Council aims to reduce the reliance on rate income, therefore Council will advocate to other levels of government for grant funding to support the delivery of important infrastructure and service outcomes for the community. Where Council is required to use its own funds to obtain grant funding, Council will assess the costs and benefits associated with the project or service on a case by case basis before committing.

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. 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.

Our Advocacy priorities underpin a key strategic direction of Council to reduce our reliance on rates and charges revenue and source alternate revenue streams. Council-led advocacy to state and federal governments is a vital tool for building awareness and support for matters that impact our city and to help secure the essential funding necessary to drive change and deliver on priorities that benefit our community.

**Strategy Recommendation**

1. Council considers potential grant and contribution funding options in each annual budget cycle

2. Continue to advocate to all levels of government to secure essential funding for local services and projects

## User fees

Council provides a wide range of services to the community, often for a fee or charge. The nature of these fees and charges generally depends on whether they relate to statutory or discretionary services. Some of these, such as statutory planning fees are set by State Government statute and are commonly known as regulatory fees. In these cases, councils usually have no control over service pricing.

The Act gives Council the power to set discretionary fees and charges at a level that recovers the full cost of providing the services unless there is an overriding policy or imperative in favour of subsidisation.

Fees and charges are set/recommended by the individual Council departments responsible for the provision of services and approved by Council in the adopted annual budget. Council periodically reviews all fees and charges and adjusts the levels consistent with application of the user pays principle – that is, so far as is possible, the cost of providing a direct service will be met by the fees charged.

Pricing options available to Council are:

a. Rate of Return: Set the fee at a level that exceeds the fee's related costs. This will create a revenue flow that can assist in offsetting funds required from rates;

b. Full Cost Recovery: Set the fee at a level that results in full cost recovery, making the service cost neutral; or

c. Partial Cost Recovery: Set the fee at a subsidised level where Council rate funding (and/or) grants is required for the service.

All major areas of fees and charges can therefore be classified into one of the following categories:

- Statutory Pricing;
- Rate of Return Pricing;
- Full Cost Recovery Pricing; or
- Partial Cost Recovery Pricing (subsidy or market based)

### Direct Costs and Indirect Costs (including overheads)

In evaluating the cost of a service, both direct and indirect costs (including overheads) associated with the service need to be considered.

Direct costs – those costs that can be readily and unequivocally attributed to a service or activity because they are incurred exclusively for that particular product/activity.
Examples of direct costs include labour costs of those staff directly working on the service delivery, materials and services and administration costs.
Indirect costs – those costs that are not directly attributable to an activity, but support a range of activities across Council.
Examples of indirect costs include: labour for management and administration, utility charges, training and development, telephones and computers, maintenance, vehicle and postage costs.

### Price Monitoring

Annual reviews of fees and charges should include an assessment of:

the full cost of delivering the service;

benchmarking comparable prices; and

updating/amending current fees and charges based on movements in full costs and/or benchmark results.

### Justification of Subsidy

Justification of why council should subsidise a service with rate revenue needs to be provided.
Examples of this could be:

It is in line with a particular Council Policy

There is a community obligation to provide the service

## STATUTORY FEES AND CHARGES

Statutory fees and charges are those which Council is able to charge with specific limitations applied under the direction of legislation or other government directives.
The specific fee is generally advised by the state government responsible for the relevant service and Council is bound to charge this amount. Council has limited ability to alter the fee prescribed for the service.
Examples of Statutory Fees and Charges include:

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

Council will ensure that they will charge the prescribed fee as determined by the relevant state government organisation. These fees could change at any point in time if determined by the aforementioned body.

**Strategy Recommendation**

1. Council reviews fees and charges in each annual budget cycle
2. Statutory Fees are charged in line with State or Federal Government legislation or Local Laws
3. Council continues to explore additional sources of revenue

## Other Revenue

### Interest on Investments

Council receives interest on funds managed as part of its investment portfolio, where funds are held in advance of expenditure, or reserved 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 maximise return on funds, whilst minimising risk.

### 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 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.

**Strategy Recommendation**

1. To help address the funding-gap, Council will continually assess and advocate for alternate revenue opportunities. These opportunities seek to help reduce the current reliance on rate revenue to fund the delivery of community services and infrastructure.
2. Alternate revenue streams that are identified will be considered and adopted via Council resolution as and when required.

**Frankston City Council**

1300 322 322
info@frankston.vic.gov.au
frankston.vic.gov.au