



Yarra Ranges Council

Revenue & Rating Plan 2025-2029 (draft)

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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 Revenue and Rating Plan establishes the revenue raising framework within which the Council proposes to work.

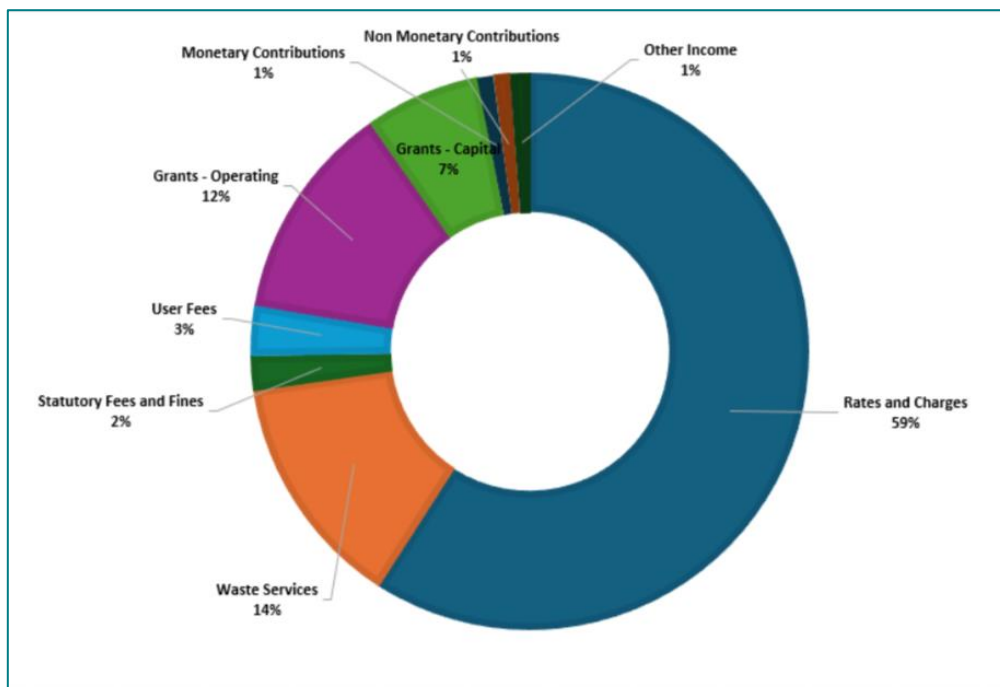
The purpose of the Revenue and Rating Plan is to determine the most appropriate and affordable revenue and rating approach for Yarra Ranges Council.

Introduction

Council provides a number of services and facilities to our local community, and in doing so, must collect revenue to cover the cost of providing these services and facilities.

Council's revenue sources include:

- rates and charges
- waste and garbage charges
- grants from other levels of government
- statutory fees and fines
- user fees
- cash and non-cash contributions from other parties (ie developers, community groups)
- interest from investments
- sale of assets



Rates are the most significant revenue source for Council and in 2024/2025 made up roughly 59.1% of its annual income.

Rates and charges

Rates are property taxes that allow Council to raise revenue to fund essential public services to cater to the population of Yarra Ranges. Importantly, it is a taxation system that includes flexibility for Council 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 to use charges to reflect benefits provided by Council to ratepayers who benefit from a service.

Striking a proper balance between these elements improves equity in the distribution of the rate burden across residents.

A third rating element that is provided for by the Local Government Act 1989, but not charged by Yarra Ranges Council is the municipal charge. A municipal charge is a minimum rate per property and declared for the purpose of covering some of the administrative costs of Council.

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.

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.

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

- general rates under Section 158
- municipal charges under Section 159
- differential Rates and Charges Section 161
- service rates and charges under Section 162
- special rates and charges under Section 163
- Cultural and Recreational Land Act 1963 (section 4).

Preferred Valuation Method

Under the *Local Government Act 1989*, Council has three options as to the valuation base it elects to use. They are:

- **Capital Improved Valuation (CIV)**
 - Basis of valuation is the value of land and improvements upon the land
- **Site Valuation (SV)**
 - Basis of valuation is the value of land only.

- **Net Annual Value (NAV)**

- Basis of valuation is the annual rental valuation of a property or five percent of the capital improved value.

Yarra Ranges Council applies a Capital Improved Valuation (CIV) to all properties within the municipality to take into account the fully developed value of the property. This basis accounts for the total market value of the land plus buildings and other improvements.

In accordance with Section 4(4) of the Cultural and Recreational Lands Act 1963, Council charges a Cultural and Recreational Land differential general rate to properties that fit certain criteria provided for in the legislation.

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 revaluations and advises Council on a monthly basis of valuation and Australian Valuation Property Classification Code (AVPCC) changes.

Supplementary valuations bring the value of the affected property into line with the general valuation of other properties within the municipality. Objections to supplementary valuations can be lodged in accordance with Part 3 of the *Valuation of Land Act 1960*. Any objections must be lodged with Council within two months of the issue of the supplementary rate notice.

Rating differentials

Under Section 161 of *Local Government Act 1989* The use of CIV as the preferred rateable valuation allows Council to apply differential rates when charging the general rate.

The differential rates are currently set as follows:

- residential 100%
- vacant sub standard 100%
- commercial 150%
- industrial 150%
- farm land 70%
- cultural and recreational land 60%.

Each differential rate will contribute to the equitable and efficient carrying out of council functions. Details of the objectives of each differential rate, the classes of land which are subject to each differential rate and the uses of each differential rate are set out below.

Residential land

Definition: Residential land is any land which does not have the characteristics of Vacant Sub Standard land, Farm land, Commercial land or Industrial land, and which is:

- used, designed or adapted to be used primarily for residential purposes or
- vacant land but which, by reason of its locality and zoning under the relevant Planning Scheme would, if developed, be or be likely to be used primarily for residential purposes or
- any other land which does not have the characteristics of Vacant Sub Standard land, Farm land, Commercial land or Industrial land.

Vacant sub standard land

Definition: Vacant Sub Standard land is any land which does not have the characteristics of Residential land, Farm land, Commercial land or Industrial land, and which is vacant land on which, by reason of its locality and zoning under the relevant Planning Scheme, no building can be erected except in accordance with an adopted restructure plan.

Commercial rate

Definition: Commercial land is any land which does not have the characteristics of Residential land, Vacant Sub Standard land, Farm land or Industrial land, and which is:

- used, designed or adapted to be used primarily for the sale of goods or services or other commercial purposes or
- vacant land but which, by reason of its locality and zoning under the relevant Planning Scheme, would, if developed, be or be likely to be used primarily for the sale of goods or services or other commercial purposes.

The commercial rate is set at 150% of the residential rate and the reasons for the use and level of this differential rate are:

- to reduce the rate distribution to Residential Land by applying a higher differential to Commercial Land
- in recognition of the extra services, when compared to Residential land, that Commercial land derives from Council, which include but are not limited to economic development activities for businesses, the impact that heavy vehicles (servicing businesses) have on road infrastructure, street cleaning and local laws monitoring car park overstay.

Industrial rate

Definition: Industrial land is any land which does not have the characteristics of Residential land, Vacant Sub Standard land, Farm land or Industrial land, and which is:

- used, designed or adapted to be used primarily for the sale of goods or services or other commercial purposes or
- vacant land but which, by reason of its locality and zoning under the relevant Planning Scheme, would, if developed, be or be likely to be used primarily for the sale of goods or services or other commercial purposes.

The industrial rate is set at 150% of the residential rate and the reasons for the use and level of this differential rate are:

- to reduce the rate distribution to residential land by applying a higher differential to Industrial Land in recognition of the tax deductibility of rates that is not available to owners of most Residential Land
- in recognition of the extra services, when compared to Residential Land, that Industrial Land derives from Council, which include but are not limited to economic development activities for businesses, the impact that heavy vehicles (servicing businesses) have on road infrastructure, street cleaning and local laws monitoring car park overstay.

Farm land rate

Definition: Farm Land is any land which does not have the characteristics of Residential Land, Vacant Sub Standard Land, Commercial Land or Industrial Land, and which is:

- 'farm land' within the meaning of section 2(1) of the Valuation of Land Act 1960 and
- approved by Council as farm land, following the receipt of an application by an owner of land in accordance with the rules and application process detailed on Council's website.

The farm rate is set at 70% of the residential rate and the reasons for the use and level of this differential rate are:

- to encourage the continuation of farming pursuits on rural land in support of the strategic objective to support the economic development of the agricultural sector
- in recognition that the size of the landholding required to conduct a farm business is far greater than other non-farm businesses with similar turnover and (pre-tax) profitability. Therefore, farms in comparison have a higher valuation and would pay higher rates if a lower differential rate was not applied
- in recognition that farm businesses' profitability is affected by weather, which means that their income is more susceptible and fragile than many other businesses.

Cultural and recreational land

Definition – Under the Cultural and Recreational Lands Act 1963 Sect 2a Recreational land is considered land that is:

- vested in or occupied by any body corporate or unincorporate which exists for the purpose of providing or promoting cultural or sporting recreational or similar facilities or objectives and which applies its profits in promoting its objects and
- used for out-door sporting recreational or cultural purposes or similar out-door activities or
- lands which are used primarily as agricultural showgrounds or
- lands (whether or not otherwise rateable) which are declared by Order of the Governor in Council under section 2A to be recreational lands.

Other charges under Legislation

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:

- the provision of a water supply
- the collection and disposal of refuse
- the provision of sewerage services
- any other prescribed service.

Council currently applies compulsory waste service charges for the collection and disposal of refuse on residential properties with a dwelling and farming properties under 4 hectares.

The provision of waste services (and charges) on all other properties is optional.

Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste services, including providing for the cost of rehabilitation of the Council's Landfill once it reaches the end of its useful life.

Council intends to retain the existing waste service charge. Should Council elect not to have a waste service charge, this same amount would be required to be raised by way of an increased general rate – meaning that residents in higher valued properties would substantially pay for the waste service of lower valued properties.

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

Emergency Services and Volunteer Fund

In 2025 Council will collect the ESVF on behalf of the State Government State Revenue Office. The ESVF helps fund the services provided by Fire Rescue Victoria, State Emergency Service, Triple Zero Victoria and others

Volunteers recognised under criteria established in the Emergency Services and Volunteer fund legislation are exempt from paying ESVF charges.

Administration of the ESVF is determined in the Emergency Services & Volunteer Fund Act 2024

Special Charge Schemes

Special Charge Schemes are charged under Section 163 of the Local Government Act 1989. Charges are used to recover all or part of the costs of a performance or function that be of benefit to the persons required to pay the rate. Most commonly the construction or upgrade of roads.

Collection and administration of rates and charges

Rate payment options, penalty interest, payment plans, hardship agreements including deferment and waiver of rates and charges, and rate recovery processes are all determined and detailed in Council's Rate recovery and Hardship Policy.

Payment options

Ratepayers must have the option of paying rates and charges by way of four instalments under legislation. Payments are due on the prescribed dates below. Direct Debit agreements can be made with Council to make these payments.

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

Direct debit agreements are also available to all ratepayers, allowing them to pay on a fortnightly or monthly or weekly frequency over a twelve month period.

If a customer elects to pay their rates in full, the amount must be paid by the first instalment date 30 September

Council offers a range of payment options including:

- in person at Council offices (cheques, money orders, EFTPOS, credit/debit cards and cash)
- online via Council's Payable ratepayer portal
- BPAY
- Australia Post (over the counter, over the phone via credit card and on the internet)
- by mail (cheques and money orders only).

Council remains committed to providing flexible payment options and where necessary hardship options for community to access.

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.

Payment Plans

Council provides Payment Plans to customers who cannot meet the above payment options. Payment Plans are applied in accordance with Section 171B of the Local Government Act and Council's criteria established in the Rate recovery and Hardship Policy.

Hardship Agreements

Where customers cannot meet payment options and the minimum requirements of a Payment Plan, they may apply for a hardship agreement. Applicable Hardship agreements may result in the deferment or waiver of Rates and charges (including interest)

Debt recovery

Where ratepayers do not make the payment option, and have not been accepted onto a payment plan or hardship agreement Council may commence debt recovery in accordance with sections 181 and 181A of the Local Government Act 1989.

Other revenue items

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:

- kindergarten and childcare fees
- leisure centre, gym, and pool visitation and membership fees
- waste management fees
- aged and health care service fees
- leases and facility hire fees.

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 pricing (a) 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 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 (b) 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 pricing (c) is where Council subsidises a service by not passing the full cost of that service onto the customer. Subsidies may range from full subsidies (ie 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
- 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 stakeholders before the budget is adopted, giving them the chance to review and provide valuable feedback before the fees are locked in.

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.

Penalty and fee units are used in Victoria's Acts and Regulations to describe the amount of a fine or a fee.

Penalty units and Fee units are set by the State Government not Council. Council is required to apply the unit penalty under legislation.

Penalty units

Penalty units are used to define the amount payable for fines for many offences. For example, the fine for selling a tobacco product to a person aged under 18 is four penalty units.

One penalty unit is currently \$197.59, from 1 July 2025 to 30 June 2026.

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.

Grants

Grant revenue represents income usually received from other levels of government. Some grants are singular and attached to the delivery of specific projects, whilst others can be of a recurrent nature and may or may not be linked to the delivery of projects.

Council will pro-actively advocate to other levels of government for grant funding support to deliver important infrastructure and service outcomes for the community. Council may use its own funds to leverage higher grant funding and maximise external funding opportunities.

When preparing its financial plan, Council considers its project proposal pipeline, advocacy priorities, upcoming grant program opportunities, and co-funding options to determine what grants to apply for. Council will only apply for and accept external funding if it is consistent with the Community Vision and does not lead to the distortion of Council Plan priorities.

Grant assumptions are then clearly detailed in Council's budget document. No project that is reliant on grant funding will proceed until a signed funding agreement is in place.

Contributions

Contributions represent funds received by Council, usually from non-government sources, and are usually linked to projects.

Contributions can be made to Council in the form of either cash payments or asset hand-overs.

Examples of Contributions include:

- monies collected from developers under planning and development agreements
- monies collected under developer contribution plans and infrastructure contribution plans
- contributions from user groups towards 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 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 identified and held separately for the specific works identified in the agreements.

Interest on investments

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

End of Revenue & Rating Plan