



# Draft Revenue and Rating Plan 2025 - 2029

# Draft Swan Hill Rural City Council Revenue and Rating Plan 2025 – 2029

## Amendment Register

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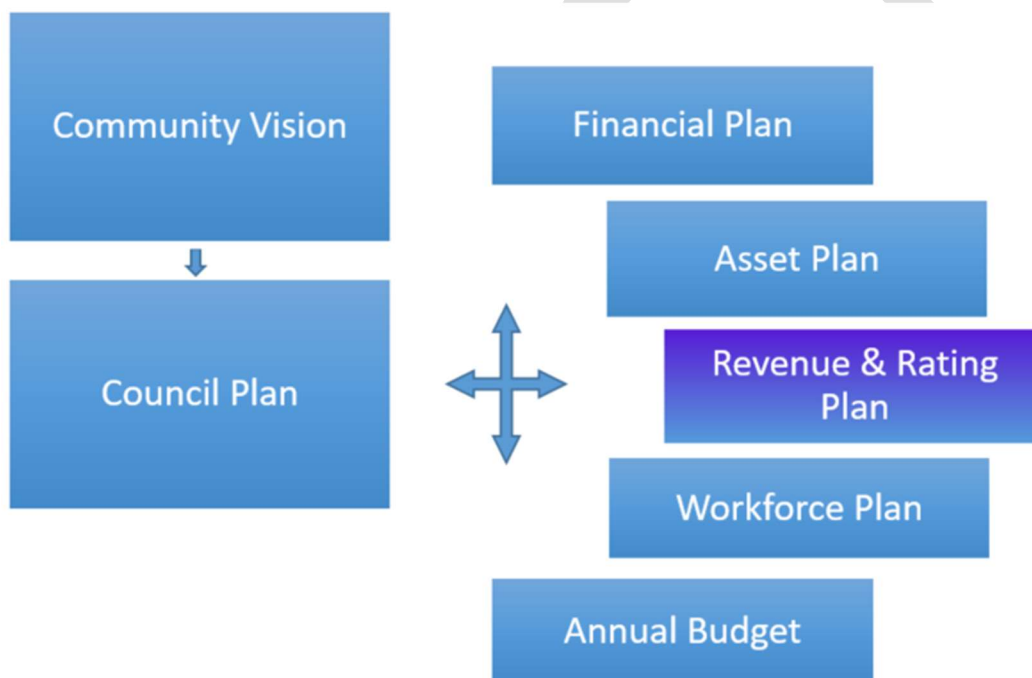
# 1 Purpose

The *Local Government Act 2020* requires each council to prepare a Revenue and Rating Plan to cover a minimum period of four years following each Council election. The 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 Swan Hill Rural City Council which in conjunction with other income sources will adequately finance the objectives in the current Council Plan.

This plan is an important part of Council's integrated planning framework, all of which is created to help Council achieve its current vision of "a prosperous and healthy community enjoying quality facilities and services".

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



This plan will explain how Council calculates the revenue needed to fund its activities, and how the funding burden will be apportioned between ratepayers and other users of Council facilities and services.

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

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

## 2 Introduction

### 2.1 Context

An understanding of a local government area's socio-economic profile is an important consideration in development of the Revenue and Rating Plan. The profile informs drivers of population and economic growth which, in turn, determines the growth in service demand and the revenue streams (particularly general rate revenue and annual charges for waste services), as well as the level of demand for infrastructure/services.

The presence of vulnerable community groups is a major concern to the Council, including retirees with higher reliance on social services, and underscores the importance of considering people vulnerable to the cost of living (including rates and charges set by Council).

Despite Swan Hill's lower unemployment rate and improving capacity to manage cost-of-living shocks, the region's higher disadvantage score compared to the Victoria average suggests that affordability concerns persist. However, Swan Hill region has lower mortgage stress and lower rental stress, indicating that Swan Hill community is somewhat resilient to cost-of-living shocks caused by housing affordability. Swan Hill also records a lower and decreasing degree of reliance on social service payments, and a lower proportion of residents who require assistance with core activities, indicating a smaller and decreasing cohort of particularly vulnerable community groups compared to our peer regions.

In developing the Revenue and Rating Plan, Council has considered policy settings to assist vulnerable ratepayers experiencing financial hardship – see later section in this plan.

Swan Hill has a robust economy with a Gross Regional Product (GRP) over \$1.9 billion, underpinned by Agriculture, Forestry and Fishing industries (29.2% of Industry Value Added (IVA)), Health Care and Social Assistance (9.1%), and Wholesale Trade (7.9%). Economic growth has been moderate over the decade to 2022-23, with an average annual growth of 1.6% in Swan Hill, higher than in our comparison regions (1.2%). In the five years to 2022-23, GRP growth at 2.4% per annum in Swan Hill outpaced both our comparison regions and the State of Victoria.

Overall visitation to Swan Hill is expected increase in line with growth in visitation to the State at 4.3% per annum from 2023-24 to 2028-29. Growth is expected in all visitor markets with the strongest growth expected in day trip visitors (5.3%), followed by international visitors (4.3%) and domestic overnight visitors (3.9%).

A challenge to the sustainability of Council's revenue base is the Victorian State Government population projection for Swan Hill, which is projected to decline by over 500 people to reach a population of 20,670 residents by 2041. Council's plan is to grow the population and strengthen the prosperity of our local economy, through sustainable growth, and in doing so achieve a sustainable revenue base for the Council to continue to fund the services and infrastructure that the community requires.

Council continues with its work to produce an accurate population figure for the Municipality as it does not believe that the ABS statistics are a true reflection of the municipality's population base. A study into the Robinvale population concluded the actual figure is in excess of 8000 people compared to the official figure from the ABS.

Council is considering undertaking a similar exercise for Swan Hill as it appears that its population has also been significantly underestimated.

It is the Council's belief that its population will continue to increase not decline.

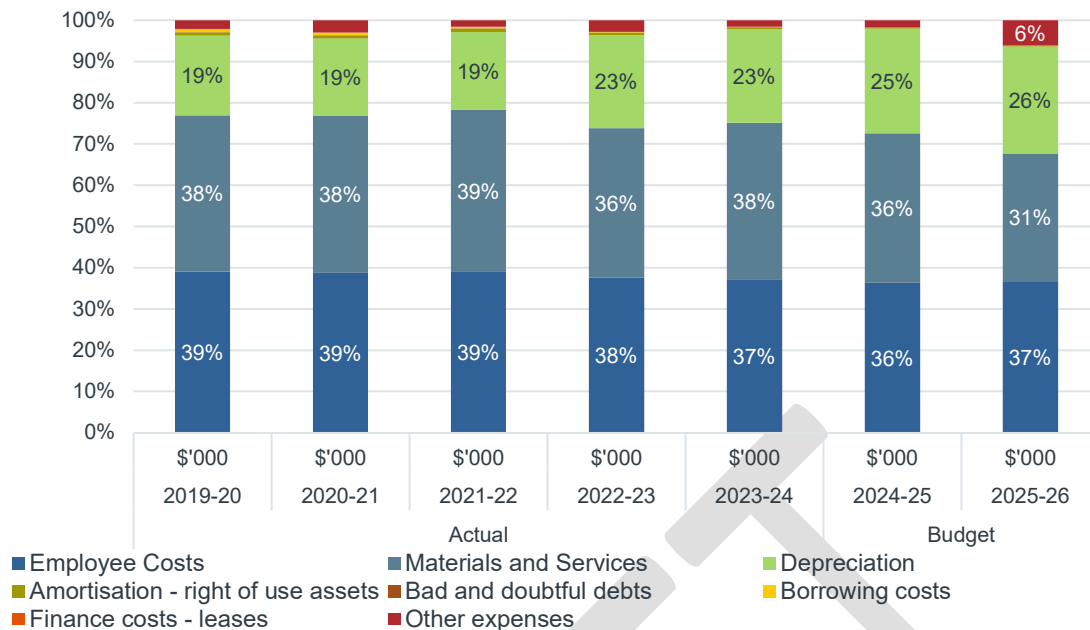
## 2.2 Council Expenditure on Services

Council provides a range of services in infrastructure to the community, outlined in the current Community Vision and Council Plan (incorporating our Municipal Public Health and Wellbeing Plan). The services provided deliver on the following four strategic objectives:

| Strategic Objective | Description                                                                                                                                                                                                                     |
|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Liveability         | We will be a health, connected and growing community supported by a range of infrastructure and services                                                                                                                        |
| Prosperity          | We will continue to build and strengthen a prosperous local economy, through sustainable growth and education. We will focus on creating jobs and wealth through adding value to existing strengths in all areas of our economy |
| Harmony             | We will be a welcoming community for all, recognised by our maturity and respect for each other                                                                                                                                 |
| Leadership          | We will ensure accountable leadership, advocacy and transparent decision making                                                                                                                                                 |

Council has identified major initiatives and service performance outcome indicators in the Annual Budget, as well as reporting on the performance of services in the Annual Report. Expenditure against each service area, contributing to the strategic objectives, is outlined in the Annual Budget. Historical expenditure and the budget for 2024-25 and 2025-26, are summarised in the table below.

|                                    | 2019-20       | 2020-21       | Actual        |               |               | Budget        |               |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                    | \$'000        | \$'000        | 2021-22       | 2022-23       | 2023-24       | 2024-25       | 2025-26       |
|                                    |               |               | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        |
| Employee Costs                     | 19,053        | 20,083        | 20,468        | 20,570        | 22,512        | 21,723        | 22,660        |
| Materials and Services             | 18,486        | 19,710        | 20,614        | 19,821        | 22,997        | 21,625        | 19,070        |
| Depreciation                       | 9,420         | 9,756         | 9,911         | 12,400        | 13,723        | 15,161        | 15,995        |
| Depreciation - right of use assets | 367           | 406           | 424           | 277           | 176           | 134           | 126           |
| Bad and doubtful debts             | 50            | 6             | 70            | 45            | 116           | 1             | 1             |
| Borrowing costs                    | 342           | 322           | 163           | 70            | 64            | 58            | 57            |
| Finance costs - leases             | 32            | 27            | 24            | 14            | 14            | 22            | 23            |
| Other expenses                     | 1,035         | 1,539         | 820           | 1,533         | 960           | 1,018         | 3,724         |
| <b>Total Expenses</b>              | <b>48,785</b> | <b>51,849</b> | <b>52,494</b> | <b>54,730</b> | <b>60,562</b> | <b>59,742</b> | <b>61,656</b> |



The three largest expense lines account for 94% of the total expenses reported. They are employee costs (37% of 2025-26 budget), materials and services (31% of 2025-26 budget) and depreciation (26% of 2025-26 budget). When analysing expense trends from 2019-20 to 2025-26, the biggest increases have been from these largest expense lines. Employee costs have increased annually by 4.3% from 2019-20 to 2023-24, materials and services by 5.6% and depreciation by 9.8%.

Total expenses have increased by 5.6% annually over this period, which compared to the constrained increase in revenue received (historical average increase of 3.1%) is not a sustainable trend. As outlined below, the two greatest revenue sources, being rate revenue and the Financial Assistance Grants, has been constrained by the State and Federal Governments with the increases being below the actual increase in cost of services provided. This unsustainable trend, if not corrected, places a risk to the continuation of levels of service that Council can continue to provide.

## 2.3 Revenue Sources to Fund Council Services

Council generates revenue from various sources to fund the provision of services and facilities to the community, outlined in the current Community Vision and Council Plan (incorporating our Municipal Public Health and Wellbeing Plan), as well as detailed costing in the Annual Budget.

Rates and garbage charges are the most significant revenue source for Council and make up approximately 47% of annual income.

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

The introduction of rate capping under the Victorian Government's Fair Go Rates System (FGRS) has brought a renewed focus to Council's long-term financial sustainability. The FGRS continues to restrict Council's ability to raise revenue above the rate cap unless application is made to the Essential Services Commission for a variation. Maintaining service delivery levels and investing in community assets remain key priorities for Council, however Council's capacity to deliver on both priorities is at risk due to the current constraints of the FGRS.

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

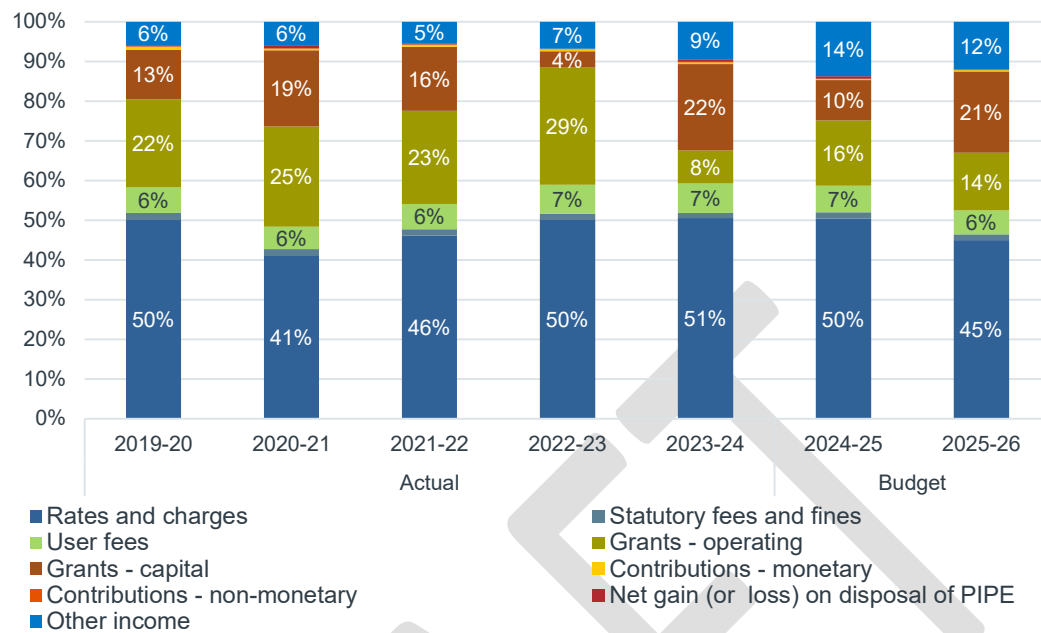
The following revenue streams are reported in the Comprehensive Income Statement:

- **Rates and charges** – Property-based charges, including general rates, garbage charges, special marketing rates, and payments in lieu of rates.
- **Statutory fees and fines** – Fees and fines regulated by legislation, such as infringement fines, building and planning fees, animal registration, and health registration fees.
- **User fees** – Charges for the use of facilities and services, including sales, facility hire and leasing, aged and health services, and livestock exchange fees.
- **Grants – Operating** – Funding from various government levels, which may be tied to specific projects or services or untied, such as the financial assistance grant.
- **Grants – Capital** – Government funding for acquiring, constructing, or renewing assets.
- **Contributions – Monetary** – Primarily developer contributions received for future infrastructure projects.
- **Contributions – Non-Monetary** – Assets gifted to the Council.
- **Net gain (or loss) on Disposal of PIPE** – The financial difference between the sale price and the written-down value of sold assets.
- **Other income** – This includes interest, reimbursements, land sales and the revenue from volunteer services.

The following table and figure present the historical and budgeted revenue for Council.

|                                        | 2019-20 | 2020-21 | Actual  |         |         | Budget  |         |
|----------------------------------------|---------|---------|---------|---------|---------|---------|---------|
|                                        | \$'000  | \$'000  | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|                                        |         |         | \$'000  | \$'000  | \$'000  | \$'000  | \$'000  |
| Rates and charges                      | 28,246  | 29,200  | 30,101  | 30,809  | 32,267  | 33,307  | 34,500  |
| Statutory fees and fines               | 984     | 1,106   | 1,077   | 955     | 834     | 1,070   | 1,140   |
| User fees                              | 3,643   | 4,002   | 4,156   | 4,497   | 4,723   | 4,392   | 4,668   |
| Grants - operating                     | 12,502  | 17,927  | 15,307  | 18,142  | 5,294   | 10,873  | 11,099  |
| Grants - capital                       | 7,048   | 13,588  | 10,542  | 2,520   | 13,896  | 6,751   | 15,740  |
| Contributions - monetary               | 377     | 342     | 295     | 337     | 261     | 200     | 263     |
| Contributions - non-monetary           | 44      | 10      | 39      | 33      | 114     | -       | -       |
| Net gain (or loss) on disposal of PIPE | 191     | 554     | 211     | 60      | 434     | 408     | 99      |

|                      |               |               |               |               |               |               |               |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Other income         | 3,348         | 4,199         | 3,563         | 4,176         | 6,027         | 9,095         | 9,248         |
| <b>Total Revenue</b> | <b>56,383</b> | <b>70,928</b> | <b>65,291</b> | <b>61,529</b> | <b>63,850</b> | <b>66,096</b> | <b>76,757</b> |



## 3 Assessment of the Historical Rating System

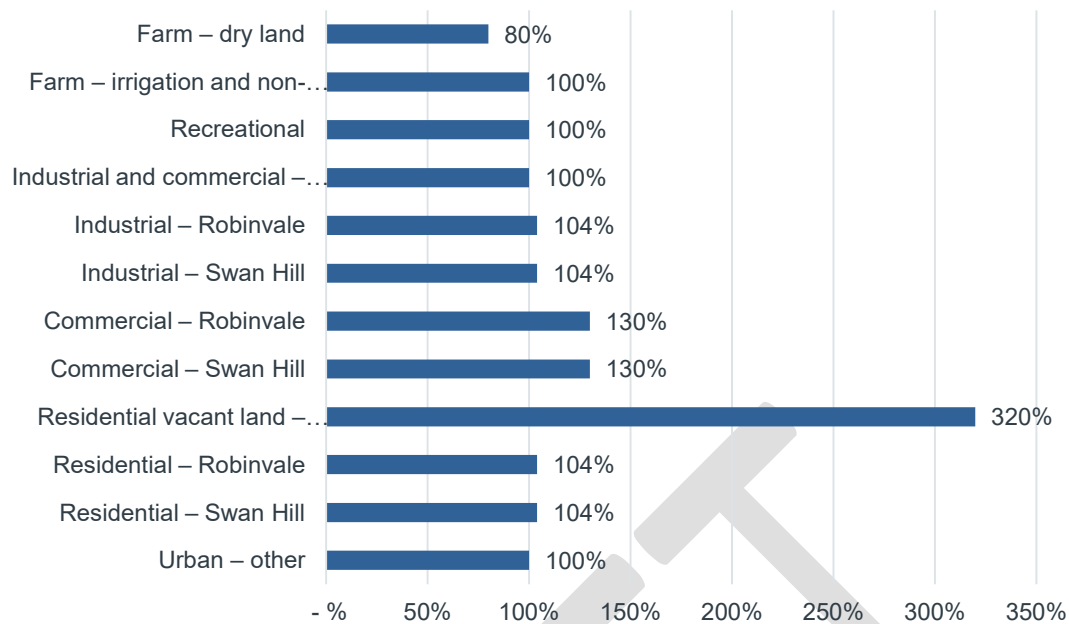
### 3.1 Differential Rate Categories

Within the constraints of the Local Government Act, Council has historically differentiated the rate burden upon ratepayers by creating categories and setting the different rate in the dollar that is applied to the land valuation. The differentiation of the rate categories is applied to achieve a fairer outcome in line with generally accepted rating principles (see below the assessment against the rating principles).

It is important to note that Council does not set the land valuations that are used to calculate individual assessments. Council is responsible for setting a fair burden on the rate categories as a whole – land valuations are determined each year by the Valuer-General Victoria. Disagreement with individual land valuations should be raised with the Valuer-General Victoria as Council has no involvement in setting the land valuations.

The rating differentials, as outlined in the table and figure below, have been in place for the duration of the previous Revenue and Rating Plan (2021-22 to 2024-25).

| Differential Rate Category                        | Differential |
|---------------------------------------------------|--------------|
| Urban – other                                     | 100%         |
| Residential – Swan Hill                           | 104%         |
| Residential – Robinvale                           | 104%         |
| Residential vacant land – Swan Hill and Robinvale | 320%         |
| Commercial – Swan Hill                            | 130%         |
| Commercial – Robinvale                            | 130%         |
| Industrial – Swan Hill                            | 104%         |
| Industrial – Robinvale                            | 104%         |
| Industrial and commercial – other                 | 100%         |
| Recreational                                      | 100%         |
| Farm – irrigation and non-irrigation              | 100%         |
| Farm – dry land                                   | 80%          |



The total yield from general rates in the 2024-25 budget and the average rate for each category is outlined below. The residential land categories collectively provides 43.9% of the total general rate, with dryland and irrigated farmland providing 19.55% and 26.54%, respectively (46.1% combined). Business land provides 9.89% and recreation land provides less than 1%.

| Category                                          | Number of Assessments | Revenue \$'000 | Contribution | Average Rate |
|---------------------------------------------------|-----------------------|----------------|--------------|--------------|
| Urban – other                                     | 2,645                 | 3,492          | 12.29%       | \$1,320      |
| Residential – Swan Hill                           | 4,631                 | 7,924          | 27.88%       | \$1,711      |
| Residential – Robinvale                           | 788                   | 944            | 3.32%        | \$1,198      |
| Residential vacant land – Swan Hill and Robinvale | 54                    | 134            | 0.47%        | \$2,481      |
| Commercial – Swan Hill                            | 403                   | 1,677          | 5.90%        | \$4,161      |
| Commercial – Robinvale                            | 89                    | 125            | 0.44%        | \$1,404      |
| Industrial – Swan Hill                            | 241                   | 589            | 2.07%        | \$2,444      |
| Industrial – Robinvale                            | 50                    | 73             | 0.26%        | \$1,460      |
| Industrial and commercial – other                 | 112                   | 347            | 1.22%        | \$3,098      |
| Recreational                                      | 8                     | 17             | 0.06%        | \$2,125      |
| Farming – irrigation and non-irrigation           | 2,017                 | 7,544          | 26.54%       | \$3,740      |
| Farming – dry land                                | 1,220                 | 5,558          | 19.55%       | \$4,556      |
| <b>Total</b>                                      | <b>12,258</b>         | <b>28,424</b>  |              |              |

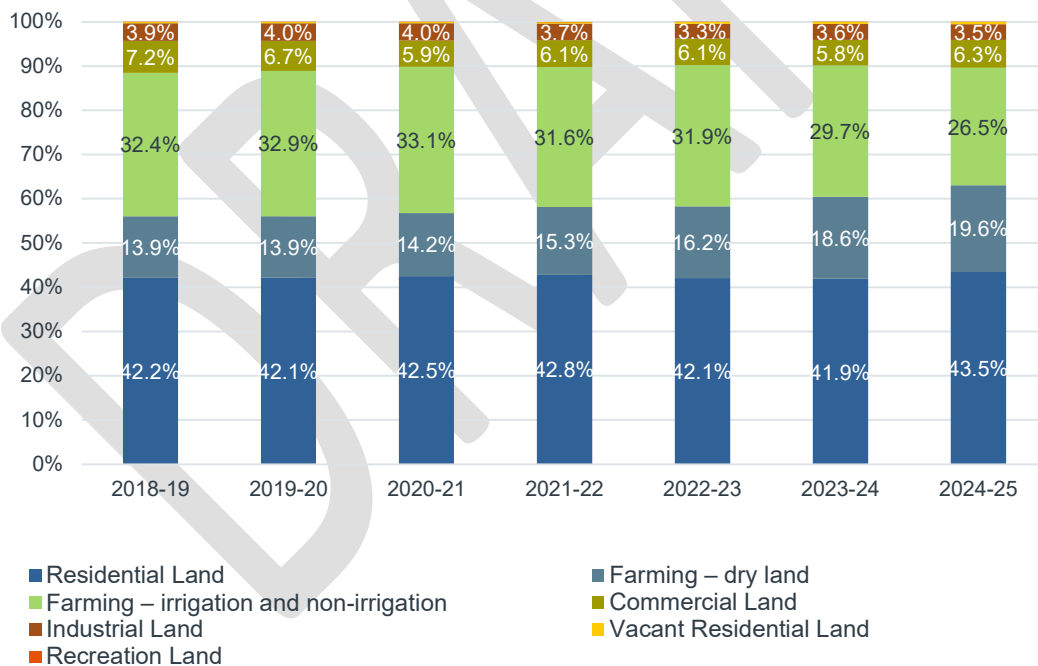
In the 2024-25 budget, the number of residential land assessments increased by 28 (or 0.35%), compared with no increases for farmland properties and the business properties decreased by 1. The table below compares the number of assessments for each rating category over the last five years.

| Category                | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | Five Year Change | Five Year Change % |
|-------------------------|---------|---------|---------|---------|---------|------------------|--------------------|
| Urban – other           | 2,581   | 2,590   | 2,601   | 2,638   | 2,645   | 64               | 2.48%              |
| Residential – Swan Hill | 4,550   | 4,611   | 4,626   | 4,618   | 4,631   | 81               | 1.78%              |
| Residential – Robinvale | 761     | 770     | 776     | 782     | 788     | 27               | 3.55%              |

| Category                                          | 2020-21       | 2021-22       | 2022-23       | 2023-24       | 2024-25       | Five Year Change | Five Year Change % |
|---------------------------------------------------|---------------|---------------|---------------|---------------|---------------|------------------|--------------------|
| Residential vacant land – Swan Hill and Robinvale | 44            | 41            | 37            | 52            | 54            | 10               | 22.73%             |
| Commercial – Swan Hill                            | 408           | 407           | 405           | 404           | 403           | -5               | -1.23%             |
| Commercial – Robinvale                            | 90            | 90            | 90            | 89            | 89            | -1               | -1.11%             |
| Industrial – Swan Hill                            | 236           | 240           | 241           | 242           | 241           | 5                | 2.12%              |
| Industrial – Robinvale                            | 50            | 49            | 49            | 50            | 50            | 0                | 0.00%              |
| Industrial and commercial – other                 | 107           | 107           | 107           | 111           | 112           | 5                | 4.67%              |
| Recreational                                      | 8             | 8             | 8             | 8             | 8             | 0                | 0.00%              |
| Farming – irrigation and non-irrigation           | 2,003         | 2,002         | 2,005         | 2,018         | 2,017         | 14               | 0.70%              |
| Farming – dry land                                | 1,206         | 1,208         | 1,215         | 1,219         | 1,220         | 14               | 1.16%              |
| <b>Total</b>                                      | <b>12,044</b> | <b>12,123</b> | <b>12,160</b> | <b>12,231</b> | <b>12,258</b> | <b>214</b>       | <b>1.78%</b>       |

Between 2018-19 and 2024-25, the residential general rate burden (i.e. the proportion of total rates paid) increased from 42.5% to 44.0%. The farmland general rate burden decreased slightly from 46.3% in 2020-21 to 46.1% in 2024-25. The business general rate burden has slightly reduced from 11.1% to 9.9% over the seven year period.

The figure below outlines the changes in the rate burden contributed by each rate category from 2018-19 to 2024-25.



## 3.2 Assessment of the Historical Rate Settings

Council engaged an independent party (AEC Group) to assess the historical rating system against the generally accepted rating principles. The table below summarises the outcomes of the assessment.

| Rating Principle      | Standard for Assessment                                                                                                                                                                                                                                                                              | Assessment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Meets Principle (Yes/No) |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| <b>Equity</b>         | A rate system is generally equitable where it adequately applies user pays approach (users who benefit pay for the service), assessment of capacity to pay, provides incentives where supported by a public interest assessment and there is a sound balance between horizontal and vertical equity. | <b>Assessment</b> <ul style="list-style-type: none"> <li>The differentiation of residential, urban, business, farmland (dryland), farmland (irrigated) and recreational properties into separate categories generally results in ratepayers contributing in alignment with capacity to pay. Application of the CIV within the categories applies vertical equity within the categories, resulting in wealthier landowners contributing more to fund public goods and services.</li> <li>Higher CIV land values tend to apply to properties with closer access and consumption of public goods and services (urban properties have a higher valuation per m2 than rural properties).</li> <li>Pensioner rebates provided assists equity with capacity to pay.</li> <li>Waivers, concession and rebates are provided to assist those who have less capacity to pay.</li> <li>The council's Hardship Policy provides financial relief to those needing special consideration.</li> </ul> | Yes                      |
| Horizontal equity     | Ratepayers in a similar situation should contribute similar amounts.                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                          |
| Vertical equity       | Ratepayers who are better off should pay more than those worse off.                                                                                                                                                                                                                                  | <p><b>Considerations for Improvement:</b></p> <ul style="list-style-type: none"> <li>It may be considered that the CIV land value of properties in Swan Hill and Robinvale is influenced by access to public services and infrastructure and therefore negates the need for a higher differential (currently a 4% premium) for properties in Swan Hill and Robinvale due to provision of stormwater infrastructure.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |
| <b>Efficiency</b>     | The rating system does not distort decision making in the local economy (e.g., buying and selling decisions).                                                                                                                                                                                        | <b>Assessment</b> <ul style="list-style-type: none"> <li>The current rating system is consistent with other local government authorities and does not appear to be distorting the buying and selling decisions within the local economy.</li> <li>There is no evidence that the higher differential for vacant land is impacting the decision of investors to develop land.</li> </ul> <p><b>Consideration for improvement</b><br/>Nil</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Yes                      |
| <b>Simplicity</b>     | The current rating system is simple and easy to explain and administer and can be easily understood by ratepayers.                                                                                                                                                                                   | <b>Assessment</b> <ul style="list-style-type: none"> <li>The current rating system is simple and easy to explain and administer and can be easily understood by ratepayers.</li> </ul> <p><b>Consideration for improvement</b><br/>Nil</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Yes                      |
| <b>Sustainability</b> | Council decisions should generate reliable revenues on an ongoing basis, including rating decisions that are durable over time. A sustainable mix of user                                                                                                                                            | <b>Assessment</b> <ul style="list-style-type: none"> <li>The constraint of the State Government enforced threshold on the increase in the annual general rate is not sustainable. Previous thresholds have not adequately</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | No                       |

| Rating Principle | Standard for Assessment                                                                                                                                                                                   | Assessment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Meets Principle (Yes/No) |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
|                  | charges and rates revenue is essential to fund the vast variety of services that Council provides to the community.                                                                                       | <p>provided to actual increase in local government costs.</p> <ul style="list-style-type: none"> <li>There is a mix of user charges and rates across the various services provided by SHRCC, with fees required where reasonable to fund the provision of services that are individually consumed.</li> </ul> <p><b>Consideration for improvement</b></p> <ul style="list-style-type: none"> <li>Council should review annually the services funded through user charges and fees to identify where the general rate is subsidising the service, and determine whether fees and charges should be increased to minimise the use of general rates to subsidise services where individuals can make a decision whether to pay for the service or not.</li> </ul> |                          |
| <b>Fairness</b>  | Rating system should be applied consistently in line with Council's policies and procedures and consideration for different circumstances is applied allowing reasonable response to affected ratepayers. | <p><b>Assessment</b></p> <ul style="list-style-type: none"> <li>The current rating system is effective.</li> <li>The current rating system has policies and procedures that can be followed consistently and has considered the effect on ratepayers through the differentiated rates and the hardship policy.</li> </ul> <p><b>Consideration for improvement</b><br/>Nil</p>                                                                                                                                                                                                                                                                                                                                                                                  | Yes                      |

## 4 Forward Plan for Rates and Charges

Council will continue with the established framework for funding the majority of services through two key elements:

- **General Rates** – Collecting the general rate from all rateable properties (excluding properties that the Local Government Act declares as exempt).
- **Service Charges** - A 'user pays' component for council services to reflect benefits provided by Council to ratepayers who receive a specific service which can be funded by a service charge (e.g. waste management).

General rates are generally used by Council to fund public services and goods. Service charges are used where a service can be tied to individual consumers of the service. Setting the service charge at full cost recovery ensures that the service is funded only by consumers that benefit (or the benefits is made available) without subsidising the service from ratepayers that may not benefit from the service.

Council makes a further distinction when applying general rates by applying rating differentials based on the purpose for which the property is used. That is, whether the property is used for residential, commercial/industrial, or farming purposes. This distinction is based on the consideration of the Council of what amount of the total rate burden should be set for different property categories and ensure that the rate burden is a fair and equitable contribution. The share of the rate burden for each rate category is adopted each year in the Annual Budget, after substantial consideration, including engagement with the community.

The table below presents the rates and charges determined to be collected in the 2025-26 budget.

| Rates and Charges                           | Amount<br>\$'000 |
|---------------------------------------------|------------------|
| General Rates                               | 29,349           |
| Waste Management Charge                     | 4,326            |
| Special Marketing Rate                      | 405              |
| Rates agreements - Electricity Industry Act | 332              |
| Supplementary Rates and Rate Adjustments    | 127              |
| Rates abandonments and other adjustments    | (39)             |
| <b>Total Rates and Charges</b>              | <b>34,500</b>    |

### 4.1 Rating Objectives

Swan Hill Rural City Council has adopted the following rating objectives that will guide the annual adoption of the rating system (outlined in the Annual Budget), including the share of the rate burden across ratepayers.

#### Objective 1 – Sustainability

The adopted annual increase in rates will be sufficient to fund the public services and infrastructure, as outlined in the Annual Budget, Council Plan, Financial Plan and Asset Plan. Within legislative constraints set by the State Government, Council will set the rating system with the aim to protect the long term sustainability of the Council.

#### Objective 2 – Equity

Council will set the rate burden differentially for different categories of ratepayers to ensure that ratepayers that have capacity to pay contribute more than those that do not, and ratepayers that are in a similar situation contribute similar amounts.

### **Objective 3 – Fairness**

Council will adopt a rating system that is guided by fair policies and procedures, considering different circumstances and, through community engagement, considering the views and preferred choices of the community.

### **Objective 4 – Efficiency**

In setting the rate burden across ratepayers, Council will avoid, where possible, distorting the buying and selling decisions within the local economy.

### **Objective 5 – Simplicity**

Council will endeavour to maintain a simple rating system that can be well understood by ratepayers and efficient to administer.

### **Objective 6 – Stability**

Rates and charges will not usually change dramatically from one year to next. While Council does not determine the valuation of individual assessments, and therefore fluctuations due to the valuation of individual properties will always occur, Council will avoid where possible dramatically changing the rating system from one year to the next.

## **4.2 Differential Rate Categories**

The Swan Hill Rural City Council rating structure will comprise of five differential rates (general, vacant residential land, commercial and industrial, dryland farming and irrigation district farmland). These rates continue to be structured in accordance with the requirements of Section 161 'Differential Rates' of the Local Government Act 1989, and the Ministerial Guidelines for Differential Rating 2013.

Council does not intend to levy a municipal charge. A municipal charge is a fixed set component of the general rate declared on all properties.

Council intends to rely on a variable component (the ad valorem) to calculate all the individual property assessments, using a differentiated rate in the dollar for each category created.

The formula for calculating the general rate for properties will be:

- Land Valuation x Rate in the Dollar (Differential Rate Type)

The land valuation used will be the capital improved value (CIV) as provided annually by the Valuer-General Victoria. Individual property owners that believe the valuation is too high (or too low), and therefore contributing an unfair amount of the general rate, should lodge an objection, which will be considered and assessed by the valuer.

The rate in the dollar is differentiated for each rating category - included in the Council's Annual Budget – placed on public exhibition as a Draft each year prior to adoption by Council.

The Financial Plan also outlines the Council's expected future increases for the total general rate. Planning for future rate increases is an essential component of the long-term financial

planning process and plays a significant role in funding both additional service delivery and the increasing costs related to providing Council services.

Council is aware of the balance between rate revenue (as an important income source) and community sensitivity to rate increases. With the introduction of the State Government's Fair Go Rates System (FGRS), all rate increases are capped to a rate declared by the Minister for Local Government, which is announced in December for the following financial year.

Council currently utilises a service charge to fully recover the cost of Council's waste services and provide for future landfill rehabilitation costs. The garbage service charge is not capped under the Fair Go Rates System.

### **Impact of Land Valuations**

In setting the rate category differentials for the 2025-26 Budget, as well as future planned rate settings, the Council considered the impact of the land valuations as provided by the Valuer-General Victoria that will take effect from 1 July 2025.

The impact of the revised land valuations on the rating categories is summarised below:

- Valuation of residential properties in total increased more compared to other rate categories, resulting in a higher rate burden on residential properties if rate settings left unchanged.
- There was an increase in the total land valuations for both dryland farmland and farmland in the irrigation zone, however the increase in dryland was significantly less. Overall, farmland contribution to the rate burden would decrease due to the land valuations, if the rate settings were not changed.
- There was only a minimal increase in the total land valuations for commercial and industrial categories, resulting in a reduction in the contribution from business and industrial categories if the rate settings were not change.

### **Planned Rate Category Differentials – 2025-26 to 2028-2029**

The Council has adopted a change to the rating category differentials for the 2025-26 Annual Budget. The changes are outlined in the below table.

While the Council considers and adopted the differentials each year, there is no intention in adopting the 2025-26 Annual Budget that further changes will be necessary (other than a staged introduction of the increase to the rating differential for industrial properties).

The changes made will provide the following improvements:

- A more simple rating system, reducing the categories from 10 to 5 categories. Noting that the Industrial categories will remain until 2027-28 to enable a staged increase in the differential.
- Removes the 4% premium applied to residential properties in Swan Hill and Robinvale – determined that the CIV land valuations will be higher due to increase services and access to stormwater infrastructure.
- Commercial and industrial categories harmonised (staged over three years), enabling the land valuations alone to determine the different contribution from the individual ratepayers.

The definitions for each category are outlined in Appendix C.

Other options that Council considered in making changes to the rate settings, but determined not to include in the 2025-26 Annual Budget, included:

- Making no changes to the rate settings and letting the changes in land valuations alone to determine changes to individual rate assessments.
- Increasing commercial and industrial categories to 130%
- Decreasing the dryland farmland category to 75%
- Increasing the rate for vacant commercial and industrial land to 320%, the same as for vacant residential land.

### Planned Rating Differentials (2025-26 to 2028-29)

| Differential Rate Category                        | 2024-25<br>(Current) | 2025-26 | 2026-27 | 2027-28 | 2028-29 | Change Impact                                                                                                                   |
|---------------------------------------------------|----------------------|---------|---------|---------|---------|---------------------------------------------------------------------------------------------------------------------------------|
| Urban – other                                     | 100%                 |         |         |         |         | Removed, moved to General (Residential and Recreational)                                                                        |
| Residential – Swan Hill                           | 104%                 |         |         |         |         | Removed, reduced to 100% and moved to General (Residential and Recreational)                                                    |
| Residential – Robinvale                           | 104%                 |         |         |         |         | Removed, reduced to 100% and moved to General (Residential and Recreational)                                                    |
| Recreational                                      | 100%                 |         |         |         |         | Removed, moved to General (Residential and Recreational)                                                                        |
| Residential vacant land – Swan Hill and Robinvale | 320%                 | 320%    | 320%    | 320%    | 320%    | No Change                                                                                                                       |
| Commercial – Swan Hill                            | 130%                 | 130%    | 130%    |         |         | Moved to new Commercial and Industrial category in 2027-28                                                                      |
| Commercial – Robinvale                            | 130%                 | 130%    | 130%    |         |         | Moved to new Commercial and Industrial category in 2027-28                                                                      |
| Industrial – Swan Hill                            | 104%                 | 110%    | 120%    |         |         | Increase to 110% in 2025-26, 120% in 2026-27 and 130% in 2027-28 and moved to new Commercial and Industrial category in 2027-28 |
| Industrial – Robinvale                            | 104%                 | 110%    | 120%    |         |         | Increase to 110% in 2025-26, 120% in 2026-27 and 130% in 2027-28 and moved to new Commercial and Industrial category in 2027-28 |
| Industrial and commercial – other                 | 100%                 | 110%    | 120%    |         |         | Increase to 110% in 2025-26, 120% in 2026-27 and 130% in 2027-28 and moved to new Commercial and Industrial category in 2027-28 |
| Dryland Farmland                                  | 80%                  | 80%     | 80%     | 80%     | 80%     | No Change                                                                                                                       |
| Irrigation District Farmland                      | 100%                 | 100%    | 100%    | 100%    | 100%    | No Change                                                                                                                       |
| General (Residential and Recreational)            |                      | 100%    | 100%    | 100%    | 100%    | New Category in 2027-28                                                                                                         |
| Commercial and Industrial                         |                      |         |         | 130%    | 130%    | New Category in 2027-28                                                                                                         |

## 4.3 Collection and Administration of Rates and Charges

### Payment options

In accordance with section 167(1) of the Local Government Act 1989 ratepayers have the option of paying rates and charges by way of four instalments, or rates can be paid in full by 30 September. If electing to pay via the four instalments, payments are due on the prescribed dates below:

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

Council offers a range of payment options including:

- in person at Council Offices (cheques, money orders, EFTPOS, credit/debit cards and cash),
- online via Council's ratepayer portal, direct debit (on prescribed instalment due dates, monthly or fortnightly),
- BPAY,
- Australia Post (over the counter, over the phone via credit card and on the internet),
- By mail (cheques and money orders only), and
- Centrepay

### Interest on arrears and overdue rates

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

Council may waive penalty interest charges where financial hardship is clearly evident.

### Pensioner rebates

Holders of a Centrelink or Veteran Affairs Pension Concession card or a Veteran Affairs Gold card which stipulates TPI or War Widow may claim a rebate on their principal place of residence. Upon initial application, ongoing eligibility is maintained, unless rejected by Centrelink or the Department of Veteran Affairs during the annual verification procedure. Upon confirmation of an eligible pensioner concession status, the pensioner rebate is deducted from the rate account before payment is required by the ratepayer.

New applicants, after being granted a Pensioner Concession Card (PCC), can apply for the rebate at any time throughout the rating year. Retrospective claims up to a maximum of one previous financial year can be approved by Council on verification of eligibility criteria, for periods prior to this claims need to be approved by the relevant government department.

## **Deferred payments**

Under Section 170 of the Local Government Act 1989, Council may defer the payment of any rate or charge for an eligible ratepayer whose property is their sole place of residency, allowing ratepayers an extended period of time to make payments or alternatively to forestall payments on an indefinite basis until the ratepayer ceases to own or occupy the land in respect of which rates and charges are to be levied.

Deferral of rates and charges are available to all ratepayers who satisfy the eligibility criteria and have proven financial difficulties. Where Council approves an application for deferral of rates or charges, interest will continue to be levied on the outstanding balance of rates and charges.

Ratepayers seeking to apply for such provision will be required to submit a Rates Financial Hardship Application which is available at the Council offices, on the Council website or can be posted upon request.

## **Rates Assistance Policy**

It is acknowledged at the outset that various ratepayers may experience financial hardship for a whole range of issues and that meeting rate obligations constitutes just one element of a number of difficulties that may be faced. The purpose of the Rates Financial Hardship Policy is to provide options for ratepayers facing such situations to deal with the situation positively and reduce the strain imposed by financial hardship.

Ratepayers may elect to either negotiate a rate payment plan or apply for a rate deferral. Ratepayers seeking to apply for such provision will be required to submit a Rates Financial Hardship Application form which is available at the Council offices, website or can be posted upon request.

Such applications are considered on an individual case basis under Council's Financial Hardship policy, and include a variety of assistance measures, including; agreed repayment plans, payment deferral, extension of interest free periods, interest penalty reductions or partial rates reduction.

## **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 a formal notice of disposition or acquisition of an interest in land, of the correct address.

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

If an amount payable by way of rates in respect to land has been in arrears for three years or more, Council may take action to sell the property in accordance with the Local Government Act 1989 Section 181.

## **Fire Services Property Levy**

In 2012 the Victorian State Government passed legislation requiring the Fire Services Property Levy to be collected from ratepayers. Previously this was collected through building

and property insurance premiums. The Fire Services Property Levy helps fund the services provided by the Metropolitan Fire Brigade (MFB) and Country Fire Authority (CFA), and all levies collected by Council are passed through to the State Government.

The Fire Services Property Levy is based on two components, a fixed charge, and a variable charge which is linked to the Capital Improved Value of the property. This levy is not included in the rate cap and increases in the levy are at the discretion of the State Government.

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## 5 Other Revenue Items

### 5.1 User fees and charges

User fees and charges are those that Council can identify individual properties that benefit from the delivery of services and use of community infrastructure, rather than public services and infrastructure (that is a “public benefit”) that is provided to the broader community.

Examples of user fees and charges include:

- After School and Vacation Care fees
- Leisure Centre, Gym, and Pool visitation and membership fees
- Parking fees
- Leases and facility hire fees
- Admission Fees (attractions, galleries and performances)
- Livestock Market Usage Charges
- Cropping Leases
- Commercial/Brokered Works

In setting fees and charges, Council must comply with the Competitive Neutrality Policy for significant business activities. That is, fees and charges for significant business activities must be set such that the Council price does not establish a competitive advantage 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:

- Market Price
- Full Cost Recovery Price
- Subsidised Price

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

Most fees and charges are used to fund services that enable consumers to decide whether to use the service or not and therefore setting fees and charges should achieve full cost recovery for providing the service. Council may decide in setting a price for a service to

subsidise the fees and charges through the use of general rate revenue or other sources such as Commonwealth and State funding grant 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 principles such as:

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

Council will develop a table of fees and charges as part of the adopted Annual Budget each year. Proposed pricing changes will be made available in the Draft Annual Budget for the community and stakeholders to provide feedback during the public exhibition and community engagement.

## 5.2 Statutory fees and fines

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

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 2024 to 30 June 2025.

The rate for penalty units is indexed each financial year so that it is raised in line with inflation. Any change to the value of a penalty unit will happen on 1 July each year.

### Fee units

Fee units are used to calculate the cost of a certificate, registration or licence that is set out in an Act or Regulation. For example, the cost of depositing a Will with the Supreme Court Registrar of probates is 1.6 fee units.

The value of one fee unit is currently \$16.33 (1 July 2024 to 30 June 2025). This value may increase at the beginning of a financial year, at the same time as penalty units.

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

## 5.3 Grants

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

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

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

Grant assumptions are then clearly detailed in Council's Budget document. A project is unlikely to proceed if the grant funding is not forthcoming. (Grants are developed via Council's Grants Application Policy CORP231).

## 5.4 Contributions

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

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

Examples of contributions include:

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

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

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

## 5.5 Interest on investments

Council receives interest on funds managed as part of its investment portfolio, where funds are held in advance of expenditure, or for special purposes. The investment portfolio is

managed per Council's financial investment policy, which seeks to earn the best return on funds, within an acceptable level of risk.

## 5.6 Borrowings

Whilst not a source of income, borrowings can be an important cash management tool in appropriate circumstances. Loans can only be approved by Council resolution. The following financial sustainability principles must be adhered to with new borrowings:

- Borrowings must only be applied for where it can be proven that repayments can be met in the Financial Plan.
- Borrowings must not be used to fund ongoing operations.
- Borrowings are appropriate for funding large capital works where the benefits are provided to future generations.
- Council will maintain its debt at levels which are sustainable, with:
  - indebtedness <60% of rate and charges revenue, and
  - debt servicing cost <5% of total revenue (excluding capital revenue and any specific purpose reserve monies to pay out loan principal).

## 6 Community Engagement

### 6.1 Engagement Approach

Council has committed to engaging with the community through the following avenues:

- Let's Talk engagement page
- Social Media posts
- Media Release
- Survey
- Invitation for Written Submissions

### 6.2 Summary Results

To be completed

### 6.3 Survey Results

To be completed

### 6.4 Written Submissions Received

To be completed

## Appendix A – Rating and 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 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

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).

Section 94(1) & (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 prescribes 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 Essential Services Commission (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.

In 2019 the Victorian State Government conducted a Local Government Rating System Review. The Local Government Rating System Review Panel presented their final report and list of recommendations to the Victorian Government in March 2020. The Victorian Government subsequently published a response to the recommendations of the Panel's report.

On the 9 August 2022, the Local Government Legislative Amendment (Rating and Other Matters) Act 2022 received Royal Assent. The Act implements the first stage of the rating reforms by:

- Prescribing more flexible payment plans as a means for councils to recover unpaid rates and charges in addition to the four instalments for payment currently mandated
- Introducing the Minister for Local Government to set the capped interest rates for unpaid rates and charges
- Empowering the Minister for Local Government to issue Ministerial Guidelines for greater consistency in financial hardship policies across councils
- Expanding the criteria for councils to provide rate rebates and concessions for properties that provide a public benefit
- Repealing redundant service rates and charges powers
- Amending the power for councils to declare a service rate or charge to ensure that charges relate to waste management and essential services, and
- Ensuring the timely levying of council special rates and charges, to minimise delays between declaring special rates and charges schemes and the billing of ratepayers.

## Municipal Charge

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

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

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

The municipal charge applies equally to all properties and is based upon the recovery of a fixed cost of providing administrative services irrespective of valuation. The same contribution amount per assessment to cover a portion of Councils' administrative costs can be seen as an equitable method of recovering these costs.

Council, currently, does not levy a municipal charge. This is primarily due to the number of lowly valued properties in smaller urbans where, if a municipal charge was levied, would far outweigh the general rate raised.

## Special Charges Schemes

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

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

The special rate or special charges may be declared on the basis of any criteria specified by the council in the rate (Section 163 (2)). In accordance with Section 163 (3), Council must specify:

- a) the wards, groups, uses or areas for which the special rate or charge is declared; and
- b) the land in relation to which the special rate or special charge is declared;
- c) the manner in which the special rate or special charge will be assessed and levied; and
- d) details of the period for which the special rate or special charge remains in force.

The special rates and charges provisions are flexible and can be used to achieve a wide range of community objectives. The fundamental principle of special rates and charges is that "special benefit" applies to those being levied. For example, landscaping and environmental improvement programs that benefit small or localised areas could be funded using special rates or charges.

Council currently has one special charge scheme in operation. Council declared, on 16 April 2019, a Special Rate for marketing and business development programs applicable to commercial, industrial and tourism and hospitality type properties. The declaration is for a seven-year period ending on 30 June 2026.

The three property types are charged different rates in the dollar, with associated minimum and maximum rate amounts applicable.

## Service Rates and Charges

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

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

Council currently applies a service charge for the collection and disposal of refuse on properties within the declared garbage service collection area where there is a habitable dwelling on the property. Council offers the choice between a 120 Litre service and a 240 Litre service. A 240 Litre recycling service is provided free of charge. An optional 240 Litre green waste service is also available in the Swan Hill residential area.

The amount of service charge is considered each year as part of the annual budget process.

Council's current objective of setting the service charge for waste at a level that fully recovers the cost of the waste services, including providing for Environment Protection Authority licensing requirements and the cost of rehabilitation of the Council's landfill sites once they reach the end of their useful life(s).

## Minister's Good Practice Guidelines Relating to Service Rates and Charges

The 'Minister's Good Practice Guidelines Relating to Service Rates and Charges' has been prepared to guide Councils in the determination and declaration of Service Rates and charges under Section 162 of the Local Government Act 1989. The objective of the good practice guidelines is to ensure that Services Rates and Charges:

- are only used to recover the reasonable costs of providing a direct service to an occupancy;
- are calculated and declared in a fair and transparent manner; and
- subject to public engagement in accordance with a council's Community Engagement Policy.

Further work is planned to be undertaken to assess whether the current services funded by the garbage service charges comply with the guidelines.

Should Council elect not to have a waste service charge or it is found that the current charge does not comply with the minister's guidelines, 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, and increase rates on properties where no waste service currently exists.

## Appendix B – Determining which Valuation Base to Use

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

- **Capital Improved Value (CIV)** – Value of land and improvements upon the land.
- **Site Value (SV)** – Value of land only.
- **Net Annual Value (NAV)** – Annual Rental valuation based on CIV.

For residential and farm properties, NAV is calculated at 5 per cent of the Capital Improved Value. For commercial and industrial properties, NAV is calculated as the greater of the estimated annual rental value or 5 per cent of the CIV.

### Capital Improved Value (CIV)

Capital Improved Value is the most commonly used valuation base by local government with over 93% of Victorian councils applying this methodology. Based on the value of both land and all improvements on the land, it is generally easily understood by ratepayers as it equates to the market value of the property.

Section 161 of the *Local Government Act 1989* provides that a Council may raise any general rates by the application of a differential rate if it uses the capital improved value system of valuing land.

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

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

- CIV includes all property improvements, and hence is often supported on the basis that it more closely reflects “capacity to pay”. The CIV rating method takes into account the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.
- With the increased frequency of valuations (previously two year intervals, now annual intervals) the market values are more predictable and has reduced the level of objections resulting from valuations.
- The concept of the market value of property is more easily understood with CIV, 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 specified sectors that offset other sectors.

## **Disadvantages of using CIV**

- The main disadvantage with CIV is the fact that rates are based on the total property value which may not necessarily reflect the income level of the property owner as with pensioners and low-income earners.

## **Site value (SV)**

There are currently no Victorian councils that use this valuation base. With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of Site Value in a Swan Hill Rural City Council context would cause a shift in rate burden from the industrial/commercial sectors onto the residential and rural sectors, and would hinder Council's objective of a fair and equitable rating system.

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

## **Advantages of Site Value**

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

## **Disadvantages of using Site Value**

- Under SV, there will be a significant shift from the industrial/commercial sector onto the residential and rural sectors of Council. The percentage increases in many cases would be in the extreme range.
- SV is a major burden on property owners that have large areas of land. Some of these owners may have much smaller/older dwellings compared to those who have smaller land areas but well developed dwellings – but will pay more in rates. A typical example is flats, units, or townhouses which will all pay low rates compared to traditional housing styles.
- The use of SV can place pressure on Council to give concessions to categories of landowners on whom the rating burden is seen to fall disproportionately (e.g. Farm land and residential use properties). Large landowners, such as farmers are disadvantaged by the use of site value.
- SV will reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates.
- The community may have greater difficulty in understanding the SV valuation on their rate notices, as indicated by many inquiries from ratepayers on this issue handled by Council's customer service and property revenue staff each year.

## Net annual value (NAV)

NAV, in concept, represents the annual rental value of a property. However, in practice, NAV is loosely linked to capital improved value for residential and farm properties. Valuers derive the NAV directly as 5 per cent of CIV.

In contrast to the treatment of residential and farm properties, NAV for commercial and industrial properties are assessed with regard to actual market rental. This differing treatment of commercial versus residential and farm properties has led to some suggestions that all properties should be valued on a rental basis.

Overall, the use of NAV is not largely supported. For residential and farm ratepayers, actual rental values pose some problems. The artificial rental estimate used may not represent actual market value, and means the base is the same as CIV but is harder to understand.

## Recommended Valuation Base

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

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

Differential rating allows (under the CIV method) Council to shift part of the rate burden from some groups of ratepayers to others, through different “rates in the dollar” for each class of property.

Section 161(2) of the *Local Government Act 1989* outlines the requirements relating to differential rates, which include:

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

Once the Council has declared a differential rate for any land, the Council must:

- a) Specify the objectives of the differential rates;
- b) Specify the characteristics of the land which are the criteria for declaring the differential rate.

The purpose is to ensure that Council has a sound basis on which to develop the various charging features when determining its revenue strategies and ensure that these are consistent with the provisions of the Local Government Act 1989.

The general objectives of each of the differential rates are to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council. There is no limit on the number or types of differential rates that can be levied, but the highest differential rate can be no more than four times the lowest differential rate.

## Property Valuations

The *Valuation of Land Act 1960* is the principal legislation in determining property valuations. Under the *Valuation of Land Act 1960*, the Victorian Valuer-General conducts property valuations on an annual basis. Swan Hill Rural City Council applies a Capital Improved Value (CIV) to all properties within the municipality to take into account the full development value of the property. This basis of valuation takes into account the total market value of the land including buildings and other improvements.

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

Council needs to be mindful of the impacts of revaluations on the various property types in implementing the differential rating strategy outlined in the previous section to ensure that rises and falls in council rates remain affordable and that rating 'shocks' are mitigated to some degree.

## Supplementary Valuations

Supplementary valuations are carried out for a variety of reasons including rezoning, subdivisions, amalgamations, renovations, new constructions, extensions, occupancy changes and corrections. The Victorian Valuer-General is tasked with undertaking supplementary valuations and advises Council on a monthly basis of valuation and Australian Valuation Property Classification Code (AVPCC) changes.

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

## Objections to property valuations

Part 3 of the *Valuation of Land Act 1960* provides that a property owner may lodge an objection against the valuation of a property or the Australian Valuation Property Classification Code (AVPCC) within two months of the issue of the original Rates and Valuation Charges Notice (Rates Notice), or within four months if the notice was not originally issued to the occupier of the land.

A property owner must lodge their objection to the valuation or the AVPCC in writing to Swan Hill Rural City Council. Property owners also have the ability to object to the site valuations on receipt of their Land Tax Assessment. Property owners can appeal their land valuation within two months of receipt of their Council Rate Notice (via Council) or within two months of receipt of their Land Tax Assessment (via the State Revenue Office).

# Appendix C – Rating Differential Category Definitions

## General Rate (base rate)

### **Definition:**

General land is any rateable land which does not have the characteristics of Vacant Residential Land, Industrial or Commercial Land or Farmland.

### **Objectives:**

To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations and to ensure that the differential rate in the dollar declared for defined general rate land properties is fair and equitable, having regard to the cost and the level of benefits derived from provision of Council services.

### **Characteristics:**

The characteristics of the land are all those not subject to those detailed in the abovementioned definition. The classification of the land will be determined by the occupation of that land for its best use and have reference to the planning scheme zoning.

### **Types and Classes:**

Rateable land that is not defined as Vacant Residential Land, Industrial or Commercial Land or Farmland.

### **Use of Rate:**

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

### **Level of Rate:**

100% of General Rate.

### **Use of Land:**

Any use permitted under the Swan Hill Rural City Council Planning Scheme.

### **Geographic Location:**

Wherever located within the municipal district.

### **Planning Scheme Zoning:**

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

### **Types of Buildings/Properties:**

All buildings which are already constructed on the land or which are constructed prior to the end of the financial year.

# Vacant Residential Land Rate

## Definition:

Vacant Residential Land is any land which is;

- a) situated within the townships of Swan Hill or Robinvale, and,
- b) does not have a permanent dwelling erected.

## Objectives:

To encourage the construction of domestic residences and help offset the additional infrastructure costs incurred to service residential land.

To discourage land banking and land pricing speculation.

## Characteristics:

The characteristics of the planning scheme zoning are applicable to the determination of vacant land. The classification of the land will be determined by the occupation of that land for its best use and have reference to the planning scheme zoning.

## Types and Classes:

Vacant residential land within the townships of Swan Hill and Robinvale that does not have a permanent dwelling established on it five years after it was last zoned residential or three years after it was sold as a subdivided residential allotment.

## Use of Rate:

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

## Level of Rate:

320% of the General Rate.

## Use of Land:

Residential.

## Geographic Location:

Swan Hill and Robinvale townships.

## Planning Scheme Zoning:

All residential zones within the Swan Hill Rural City Council Planning Scheme.

## Types of Buildings/Properties:

Vacant land and land without a permanent dwelling.

## Commercial Rate

### **Definition:**

Commercial land is any land, which conducts business operations intended for exchange on the open market with the goal of earning profit.

### **Objectives:**

This differential is set to recognise the higher level of service usage above the general rate category.

### **Characteristics:**

The characteristics of the planning scheme zoning are applicable to the determination of commercial land. The classification of the land will be determined by the occupation of that land for its best use and have reference to the planning scheme zoning.

### **Types and Classes:**

Land used for commercial purpose.

### **Use of Rate:**

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

### **Level of Rate:**

130% of the General Rate

### **Use of Land:**

Commercial.

### **Geographic Location:**

Wherever located within the municipal district.

### **Planning Scheme Zoning:**

Commercial 1 Zone, Commercial 2 Zone.

### **Types of Buildings/Properties:**

Any building used for a commercial purpose, and vacant commercial business land.

## Industrial Rate

### **Definition:**

Industrial land is any land, which conducts business operations intended for exchange on the open market with the goal of earning profit.

### **Objectives:**

This differential is set to recognise the higher level of service usage above the general rate category.

### **Characteristics:**

The characteristics of the planning scheme zoning are applicable to the determination of industrial land. The classification of the land will be determined by the occupation of that land for its best use and have reference to the planning scheme zoning.

### **Types and Classes:**

Land used for industrial purpose.

### **Use of Rate:**

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

### **Level of Rate:**

130% of the General Rate. Incremental increase over the four years of the Plan to reach 130%. 110% in 2025/26, 120% in 2026/27 and 130% in 2027/28.

### **Use of Land:**

Industrial.

### **Geographic Location:**

Wherever located within the municipal district.

### **Planning Scheme Zoning:**

Industrial 1 Zone.

### **Types of Buildings/Properties:**

Any building used for an industrial purpose, and vacant industrial business land.

# Dryland Farm Rate

## Definition:

Any land which is:

- a) two or more hectares in area,
- b) used for primary production purposes,
- c) makes a profit, or has reasonable prospect of making a profit,
- d) does not have access to irrigation infrastructure, and,
- e) fits the description as per “Types and Classes” below.

## Objectives:

This differential is to help reflect the increased difficulty in accessing the full range of Council services that Dryland farming properties face, the disproportionate increase in property values over the last number of years and the risk of seasonal income variations than that confronted by other property types.

## Characteristics:

The characteristics of the planning scheme zoning are applicable to the determination of farming land. The classification of the land will be determined by the occupation of that land for its best use and have reference to the planning scheme zoning.

## Types and Classes:

Farmland as defined in the Valuation of Land Act 1960, used primarily for grazing (including agistment), dairying, pig-farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities, without access to irrigation infrastructure.

## Use of Rate:

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

## Level of Rate:

80% of the General Rate.

## Use of Land:

Land use primarily for grazing (including agistment), dairying, pig farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or growing of crops of any kind.

## Geographic Location:

Anywhere within the Swan Hill Rural City Council municipality.

## Planning Scheme Zoning:

Farming.

## Types of Buildings/Properties:

Any building used for farming purposes.

# Irrigation District Farmland Rate

## Definition:

Any land which is:

- a) two or more hectares in area,
- b) used for primary production purposes,
- c) makes a profit, or has reasonable prospect of making a profit,
- d) has access to irrigation infrastructure, and,
- e) fits the description as per "Types and Classes" below

## Objectives:

This differential is to assist in explaining the difference between Irrigation District Land and Dryland farming.

## Characteristics:

The characteristics of the planning scheme zoning are applicable to the determination of farming land. The classification of the land will be determined by the occupation of that land for its best use and have reference to the planning scheme zoning.

## Types and Classes:

Farmland as defined in the Valuation of Land Act 1960, used primarily for grazing (including agistment), dairying, pig-farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities, with access to irrigation infrastructure.

## Use of Rate:

The differential rate will be used to fund items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

## Level of Rate:

100% of the General Rate.

## Use of Land:

Land used primarily for grazing (including agistment), dairying, pig farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or growing of crops of any kind.

## Geographic Location:

Anywhere within the Irrigated District of the Swan Hill Rural City Council municipality.

## Planning Scheme Zoning:

Farming.

## Types of Buildings/Properties:

Any building used for farming purposes.