Appendix 1

BENALLA
RURAL CITY COUNCIL

Draft

BENALLA RURAL CITY COUNCIL

REVENUE AND RATING PLAN 2025-2029

BENALLA
RURAL CITY

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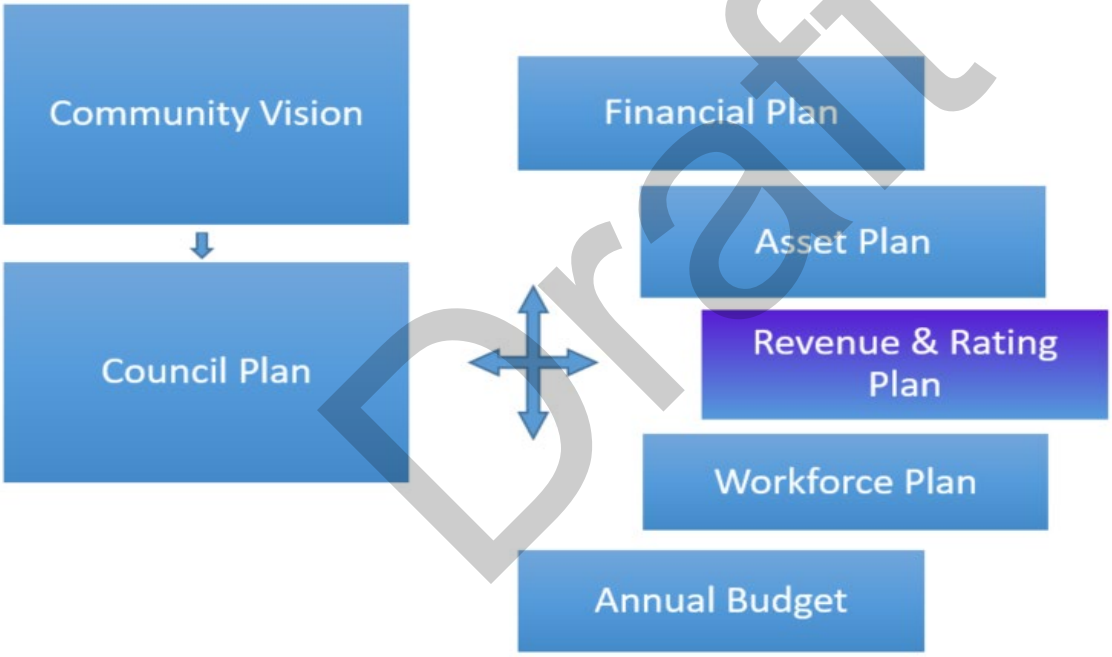
1.1 Purpose

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

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

This plan is an important part of Council's integrated planning framework, all of which is created to help Council achieve its vision to provide a sustainable, thriving and cohesive community where lifestyle, culture, health and wellbeing are supported by strong leadership and community partnership.

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.



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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.

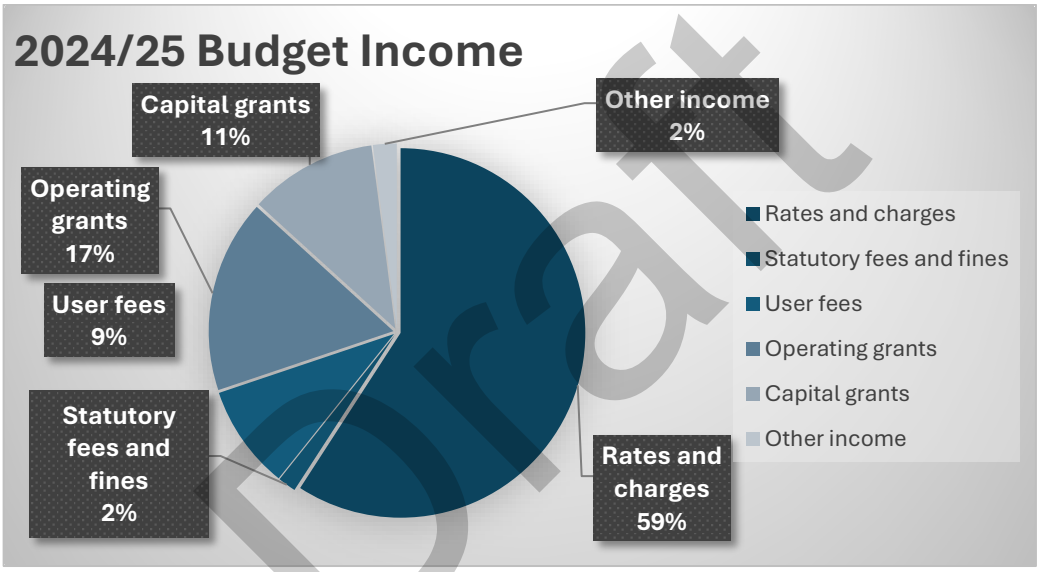
It is also important to note that this plan does not set revenue targets for Council, it outlines the strategic framework and decisions that inform how Council will go about calculating and collecting its revenue.

1.2 Introduction

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

Council's revenue sources include:

- rates and charges
- waste and garbage charges
- government grants
- statutory fees and fines
- user fees
- Other income (combine in graph below)
  - cash and non-cash contributions from other parties (ie developers, community groups)
  - interest from investments
  - sale of assets.



Rates are the most significant revenue source for Council and make up nearly 60 per cent of its annual income. The introduction of rate capping under the Victorian Government's Fair Go Rates System (FGRS) has required councils to increasingly focus on the long-term financial sustainability of council. The FGRS restricts Council from increasing rates revenue beyond the annual rate cap set by the Minister, unless a variation is sought through the Essential Services Commission. It remains a key focus of Council to maintain existing services and service levels along with maintaining the necessary community infrastructure to support these services.

A key purpose of this Plan is to consider Council's rating options under the Act, and how Council's choices in applying these options contribute towards meeting an equitable rating strategy.

It is important to note from the outset that the strategic focus of this Plan is very different to that which is discussed in the Annual Budget. In the Annual Budget the key concern is the quantum of rates required to be raised for Council to deliver the services and capital expenditure required. In this Strategy, the focus instead is on how this quantum will be equitably distributed amongst Council's ratepayers. The Plan will canvass the limited range of rating options available to Council under the Act.

Council also provides a wide range of services to the community, often for a fee or charge. The nature of these fees and charges generally depends on whether they relate to statutory

or discretionary services. Some of these, such as statutory planning fees are set by State Government statute and are commonly known as regulatory fees. In these cases, councils usually have no control over service pricing. 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 Rating and Revenue Plan.

Council revenue can also be adversely affected by changes to funding from other levels of government. Some grants are tied to the delivery of council services, whilst many are tied directly to the delivery of new community assets, such as roads or sports pavilions. It is important for Council to be clear about what grants it intends to apply for, and the obligations that grants create in the delivery of services or infrastructure.

1.3 Executive Summary and Recommendations

The selection of rating philosophies and the choice between the limited rating options available under the Act is a challenge for all councils to develop.

It is likely that a perfect approach is almost impossible to achieve in any Local Government environment.

Four key platforms currently form the basis of the current approach to rating at Benalla Rural City Council that are recommended for continuation. They are that:

a. Rates will continue to be based principally on an ad-valorem basis (i.e. based on the valuation of the various properties);

b. Council will continue to apply a service charge to fully recover the cost of the collection and disposal of waste;

c. Council will continue to apply differential rating to ensure all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council; and

d. Council continues to levy a Municipal charge.

The following recommendations will be implemented over the duration of the 2025-2029 Plan:

1. From 1 July 2025, update the name and description of the “Residential (Benalla)” differential rate to “General Rate” and ‘All land except where otherwise classified’ respectively to ensure there are no anomalies where properties do not fit into an established differential rate.

2. To ensure the objective of the differential is being met, from 1 July 2025, gradually increase the differential rate for “Vacant Land (Rural Township)” so it is aligned with “Vacant Land (Benalla)” and can be consolidated as a single differential rate on 1 July 2029.

3. From 1 July 2029, consolidate the “Vacant Land (Benalla)” and “Vacant Land (Rural Township)” differential rates.

4. From 1 July 2025, update the name and description of the “Rural (Non Farming)” differential rate to “Rural 1 Rate” to reduce ambiguity in the previous name and description and to be less prescriptive about how small- to medium-sized rural properties are being used.

5. From 1 July 2025, update the name and description of the “Rural (Farmland)” differential rate to “Rural 2 Rate” to clearly define that this differential is applicable to ratepayers whose total rural landholdings are not less than 40Ha in area.

These recommendations are designed to reduce gaps in the existing framework, whilst also simplifying the framework to better align with the rating taxation principles.

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1.4 Community Engagement

The Rating and Revenue Plan outlines Council's decision-making process on how revenues are calculated and collected. The following public consultation process will be/was followed to ensure due consideration and feedback is received from relevant stakeholders.

Rating and Revenue Plan community engagement process:

- Draft Rating and Revenue Plan prepared by officers.
- Draft Rating and Revenue Plan placed on public exhibition in April / May with public submisisons invited.
- Community engagement through local news outlets and social media in 24 April – 22 May 2025
- Hearing of public submissions (4 June 2025).
- Rating and Revenue Plan adopted by the Council on 25 June 2025.

1.5 Rates and Charges

Rates are property taxes that allow Council to raise revenue to fund essential public services to cater to their municipal population. Importantly, it is a taxation system that includes flexibility for councils to use different tools in its rating structure to accommodate issues of equity and to ensure fairness in rating for all ratepayers.

Council has established a rating structure comprised of three key elements. These are:

- **General Rates** - Based on property values (using the Capital Improved Valuation methodology), which are indicative of capacity to pay and form the central basis of rating under the *Local Government Act 1989.*
- **Service Charges** - A 'user pays' component for council services to reflect benefits provided by Council to ratepayers who benefit from a service.
- **Municipal Charge** - A 'fixed rate" portion per property to cover some of the administrative costs of Council.

Striking a proper balance between these elements will help to improve equity in the distribution of the rate burden across residents.

Council makes a further distinction when applying general rates by applying rating differentials based on the purpose for which the property is used. That is, whether the property is used for residential, commercial/industrial, or farming purposes. This distinction is based on the concept that different property categories should pay a fair and equitable contribution, taking into account the benefits those properties derive from the local community.

The Benalla Rural City Council rating structure comprises seven differential rates. These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the *Local Government Act 1989*, and the Ministerial Guidelines for Differential Rating 2013.

The differential rates are currently set as follows:

- General (formerly Residential - Benalla) 100%
- Residential (Rural Township) 78%
- Business 163%
- Vacant Land (Benalla) 146%
- Vacant Land (Rural Township) 73%
- Rural 1 (formerly Rural – Non Farming) 73%
- Rural 2 (formerly Rural – Farmland) 57%

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Council also levies a municipal charge. The municipal charge is a minimum rate per property and declared for the purpose of covering some of the administrative costs of Council. In applying the municipal charge, Council ensures that each ratable property in the municipality makes a contribution.

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

- Valuation (Capital Improved Value) x Rate in the Dollar (Differential Rate Type).

The rate in the dollar for each rating differential category is included in Council's annual budget.

Planning for future rate increases is therefore an essential component of the long-term financial planning process and plays a significant role in funding both additional service delivery and the increasing costs related to providing Council services.

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

Council currently uses a service charge to fully recover the cost of Council's waste services and provide for future landfill rehabilitation costs. The garbage service charge is not capped under the Fair Go Rates System, and Council will continue to allocate surplus funds from this charge towards the provision of waste services.

1.5.1 Rating Legislation

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

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

- General rates under Section 158
- Municipal charges under Section 159
- Service rates and charges under Section 162
- Special rates and charges under Section 163.

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

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

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

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

a) the total amount that the Council intends to raise by rates and charges;

b) a statement as to whether the rates will be raised by the application of a uniform rate or a differential rate

c) a description of any fixed component of the rates, if applicable

d) if the Council proposes to declare a uniform rate, the matters specified in section 160 of the *Local Government Act 198*9

e) if the Council proposes to declare a differential rate for any land, the matters specified in section 161(2) of the *Local Government Act 1989*

Section 94(3) of the *Local Government Act 2020* also states that Council must ensure that, if applicable, the budget also contains a statement:

a) that the Council intends to apply for a special order to increase the Council's average rate cap for the financial year or any other financial year; or

b) that the Council has made an application to the ESC for a special order and is waiting for the outcome of the application; or

c) that a special Order has been made in respect of the Council and specifying the average rate cap that applies for the financial year or any other financial year.

This plan outlines the principles and strategic framework that Council will utilise in calculating and distributing the rating burden to property owners, however, the quantum of rate revenue and rating differential amounts will be determined in the annual Benalla Rural City Council budget.

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. However, at the time of publication (2024) many of the recommended changes have not yet been implemented, and timelines to make these changes have not been announced.

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1.5.2 Rating Principles

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

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

Wealth Tax

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

Equity

Horizontal equity - ratepayers in similar situations should pay similar amounts of rates (ensured mainly by accurate property valuations, undertaken in a consistent manner, their classification into homogenous property classes and the right of appeal against valuation). Vertical equity - those who are better off should pay more rates than those worse off (the rationale applies for the use of progressive and proportional income taxation. It implies a "relativity" dimension to the fairness of the tax burden).

Efficiency

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

Simplicity

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

Benefit

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

Capacity to Pay

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

Diversity

The capacity of ratepayers within a group to pay rates.

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

Rates and Charges Revenue Principles

Property rates will:

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

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

1.5.3 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)** - 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.

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Capital Improved Value (CIV)

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

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

a) It uses the capital improved value system of valuing land; and

b) It considers that a differential rate will contribute to the equitable and efficient carrying out of its functions.

Where a council does not utilise CIV, it may only apply limited differential rates in relation to 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.
- The concept of the market value of property is more easily understood with CIV rather than NAV or SV.
- Most councils in Victoria have now adopted CIV which makes it easier to compare relative movements in rates and valuations across councils.
- The use of CIV allows council to apply differential rates which greatly adds to council's ability to equitably distribute the rating burden based on ability to afford council rates.

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 Benalla Rural City Council context would cause a shift in rate burden from the industrial/commercial sectors onto the residential/farming sector, and would hinder council's objective of a fair and equitable rating system.

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

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Disadvantages of using Site Value

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

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.

Benalla 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.

1.5.4 Rating Differentials

Differential rating allows council to shift part of the rate burden from some groups of ratepayers to others, through different "rates in the dollar" for each class of property.

Section 161(1) of the *Local Government Act 1989* outlines the requirements relating to differential rates, which include:

a) A Council may raise any general rates by the application of a differential rate, if Council considers that the differential rate will contribute to the equitable and efficient carrying out of its functions.

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b) If a Council declares a differential rate for any land, the Council must specify the objectives of the differential rate, which must be consistent with the equitable and efficient carrying out of the Councils functions and must include the following:

   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.

Council believes each differential rate will contribute to the equitable and efficient carrying out of council functions. Details of the objectives of each differential rate, the classes of land which are subject to each differential rate and the uses of each differential rate are set out on the following pages.

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General

Objectives:

The objective of the General differential rate is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including (but not limited to) the:

- construction and maintenance of infrastructure assets
- development and provision of health and community services
- provision of general administration and support services.

Types and Classes:

All land except where otherwise classified.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the Budget by Council. The level of the Differential rate is the rate that the Council considers is necessary to achieve the objectives specified above, in conjunction with all the other categories of property - 2024/25 revenue share is 45.48 per cent.

Level of Rate:

100 per cent of General Rate.

Use of Land:

Any use permitted under the Benalla Rural City Council Planning Scheme.

Geographic Location:

Wherever located in the municipality.

Planning Scheme Zoning:

Any zone within the Benalla Rural City Council Planning Scheme.

Types of Buildings:

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

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Residential (Rural Township)

Objectives:

The objective of the Residential (Rural Township) differential rate is that the reduced benefits received by the lower density properties.

Types and Classes:

Any land used primarily for residential purposes and on which there is a building affixed to the land which is designed and constructed primarily for residential purposes and can lawfully be used as a place of residence.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the Budget by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

The level of the Differential rate is the rate that the Council considers is necessary to achieve the objectives specified above, in conjunction with all the other categories of property - 2024/25 revenue share is 1.34 per cent.

Level of Rate:

78 per cent of General Rate.

Use of Land:

Any residential use permitted under the Benalla Rural City Council Planning Scheme.

Geographic Location:

Situated in the Rural Township area.

Planning Scheme Zoning:

The characteristics of planning scheme zoning are applicable to the determination of land which will be subject to the rate applicable to this category. The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the Benalla Planning Scheme, will be TZ – Township Zone or LDRZ – Low Density Residential Zone. Residences established in other zones with existing non-conforming rights or planning approval are also eligible for inclusion in this category.

Types of Buildings:

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

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Business

Objectives:

The objective of the Business differential rate is to recognise the benefits derived by this class of property, including higher infrastructure investment and general support services.

Types and Classes:

Any land used primarily for a commercial or industrial business purpose which is used primarily for commercial or industrial purposes or is obviously adapted or designed to be used primarily for commercial or industrial purposes.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the level of the Differential rate is the rate that the Council considers is necessary to achieve the objectives specified above, in conjunction with all the other categories of property - 2024/25 revenue share is 14.94 per cent

Level of Rate:

163 per cent of General Rate.

Use of Land:

Any business use permitted under the Benalla Rural City Council Planning Scheme.

Geographic Location:

Wherever located in the municipal district.

Planning Scheme Zoning:

The characteristics of planning scheme zoning are applicable to the determination of land which will be subject to the rate applicable to this category. The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the Benalla Planning Scheme will be, C1Z – Commercial 1 Zone, C2Z – Commercial 2 Zone, IN1Z – Industrial 1 Zone, IN2Z – Industrial 2 Zone, TZ – Township Zone, IN3Z – Industrial 3 Zone or MUZ – Mixed Use Zone. Businesses established in other zones (i.e. GRZ – General Residential Zone) with existing non-conforming rights or planning approval are also eligible for inclusion in this category.

Types of Buildings:

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

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Vacant Land (Benalla)

Objectives:

The objective of the Vacant Land (Benalla) is to encourage development of this class of land.

Types and Classes:

Any land on which no dwelling improvements (excluding sheds or other minor constructions) have been constructed and is land where a permit to build a dwelling is reasonably expected to be approved.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the Budget by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

The level of the Differential rate is the rate that Council considers is necessary to achieve the objectives specified above, in conjunction with all the other categories of property - 2024/25 revenue share is 2.57 per cent.

Level of Rate:

146 per cent of General Rate.

Use of Land:

Any use permitted under the Benalla Rural City Council Planning Scheme.

Geographic Location:

Situated in the Benalla Urban area.

Planning Scheme Zoning:

The characteristics of planning scheme zoning are applicable to the determination of land which will be subject to the rate applicable to this category. The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the Benalla Planning Scheme, will be LDRZ – Low Density Residential Zone (situated adjacent to the Benalla urban area), GRZ – General Residential Zone, UFZ - Urban Flood Zone or MUZ – Mixed Use Zone.

Types of Buildings:

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

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Vacant Land (Rural Township)

Objectives:

The objective of the Vacant Land (Rural Township) differential rate is to encourage development of this class of property while taking into account the reduced benefits received by lower density properties.

Types and Classes:

Any land on which no dwelling improvements (excluding sheds or other minor constructions) have been constructed and is land where a permit to build a dwelling is reasonably expected to be approved.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the Budget by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

The level of the Differential rate is the rate that the Council considers is necessary to achieve the objectives specified above, in conjunction with all the other categories of property - 2024/25 revenue share is 0.06 per cent.

Level of Rate:

73 per cent of General Rate.

Use of Land:

Any use permitted under the Benalla Rural City Council Planning Scheme.

Geographic Location:

Situated in a Rural Township area.

Planning Scheme Zoning:

The characteristics of planning scheme zoning are applicable to the determination of land which will be subject to the rate applicable to this category. The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the Benalla Planning Scheme, will be TZ – Township Zone or LDRZ – Low Density Residential Zone (situated in a Rural Township).

Properties located adjacent to established Township precincts, with a land area of generally less than 5ha and located in the Farm Zone – FZ, will be included in this category.

Types of Buildings:

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

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Rural 1

Objectives:

The objective of the Rural 1 differential rate is to recognise the reduced infrastructure investment and provision of services to this class of property.

Types and Classes:

Any land which:

1. does not have the characteristics of Residential (Rural Township) land, Business land, Vacant Land (Rural Township) land, or Rural 2 Land; and
2. is not less than 2ha.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the Budget by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

The level of the Differential rate is the rate that the Council considers is necessary to achieve the objectives specified above, in conjunction with all the other categories of property - 2024/25 revenue share is 12.81 per cent.

Level of Rate:

73 per cent of General Rate.

Use of Land:

Any use permitted under the Benalla Rural City Council Planning Scheme.

Geographic Location:

Situated in a rural location (excluding areas immediately adjacent to rural township precincts).

Planning Scheme Zoning:

The characteristics of planning scheme zoning are applicable to the determination of land which will be subject to the rate applicable to this category. The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the Benalla Planning Scheme, will be RLZ – Rural Living Zone or FZ – Farming Zone or RCZ – Rural Conservation Zone or UFZ – Urban Floodway Zone.

Types of Buildings:

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

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Rural 2

Objectives:

The objective of the Rural 2 differential rate is to recognise the reduced infrastructure investment and provision of services to this class of property. The differential rate also recognises the land stewardship and amenity that large rural holdings provide to the rural landscape.

Types and Classes:

Any land:

1.1 which is not less than 40ha in area; or
1.2.(i) is a component of a single farm enterprise [as defined in Section 9A(5) of the Fire Services Property Levy Act 2012], and when combined total an area not less than 40ha; and
1.2.(ii) is not less than 2ha.

Use of Rate:

The money raised by the differential rate will be applied to the items of expenditure described in the Budget by Council. The level of the rate for land in this category is considered to provide for an appropriate contribution to Council's budgeted expenditure, having regard to the characteristics of the land.

The level of the Differential rate is the rate that Council considers is necessary to achieve the objectives specified above, in conjunction with all the other categories of property - 2024/25 revenue share is 22.81 per cent.

Level of Rate:

57 per cent of General Rate.

Use of Land:

Any use permitted under the Benalla Rural City Council Planning Scheme.

Geographic Location:

Wherever located in the municipal district.

Planning Scheme Zoning:

The characteristics of planning scheme zoning are applicable to the determination of land which will be subject to the rate applicable to this category. The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the Benalla Planning Scheme will be FZ – Farming Zone, RCZ – Rural Conservation Zone or subject to an approved land use activity, RLZ – Rural Living Zone or LDRZ – Low Density Residential Zone or IN1Z – Industrial One Zone.

Types of Buildings:

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

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Advantages of a differential rating system

The advantages of utilising a differential rating system summarised below are:

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

Disadvantages of a differential rating system

The disadvantages in applying differential rating summarised below are:

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

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1.5.5 Municipal Charge

Another principle rating option available to Councils is the application of a Municipal Charge. Under Section 159 of the *Local Government Act 1989*, Council may declare a Municipal Charge to cover some of the administrative costs of the Council. The legislation is not definitive on what comprises administrative costs and does not require Council to specify what is covered by the charge. A Council's total revenue from a Municipal Charge in a financial year must not exceed 20 per cent of the combined sum total of the Council's total revenue from the Municipal Charge and the revenue from general rates.

The arguments in favour of a Municipal Charge are similar to waste charges. They apply equally to all properties and are based upon the recovery of a fixed cost of providing administrative services irrespective of valuation. The same contribution amount per assessment to cover a portion of Council's administrative costs can be seen as an equitable method of recovering these costs.

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

Council's current position is that all assessments should equally contribute to the administrative costs of running council and therefore a Municipal Charge is currently applied

1.5.6 Special Charge Schemes

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

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

The special rates and charges provisions are flexible and can be used to achieve a wide range of community objectives. The fundamental principle of special rates and charges is proof "special benefit" applies to those being levied. For example, they could be used to fund cooperative fire prevention schemes. This would ensure that there were no 'free-riders' reaping the benefits but not contributing to fire prevention.

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

There are currently no special rates or charge schemes in place.

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1.5.7 Service Rates and Charges

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

a. Waste, recycling or resource recovery services;

b. Any other prescribed service.

Additionally, section 221 of the *Local Government Act 1989* provides council with the opportunity to impose the above rates and charges on non-rateable land.

Council currently applies a service charge for the collection and disposal of refuse on urban properties (compulsory) and rural properties (compulsory, if applicable) and providing waste services for the municipality (street litter bins for instance). Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste services, including providing for the cost of rehabilitation of the council's landfill once it reaches the end of its useful life.

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

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

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1.5.8 Cultural and Recreational Lands

The *Cultural and Recreational Land Act 1963* (CRLA) requires that Council undertake a separate process for the purpose of setting an applicable Charge 'in lieu of Rates' for eligible properties. The purpose of this policy is to set parameters for setting the CRLA charge.

If land is 'recreational lands' within the meaning of the CRLA, rates under the *Local Government Act 1989* are not levied. Instead, there is payable to Council charges being such amount as Council thinks 'reasonable'.

Council considers each year as part of its planning and budget setting process the services utilised by each property and the benefit their land provides to the community.

1.5.9 Payment in Lieu of Rates - Electricity Generators

Established under the *Electricity Industry Act 2000* (EI Act), the Payment in Lieu of Rates (PiLoR) framework allows for councils and electricity generators to negotiate annual payments.

A methodology currently exists under the EI Act for estimating payments and applies to all coal, gas, hydro, and wind generators. In addition, solar has been added as a defined energy source so that councils can use the methodology to estimate payments for all solar generators coming online now and in the future.

1.5.10 Collection and Administration of Rates and Charges

The purpose of this section is to outline the rate payment options, processes, and the support provided to ratepayers facing financial hardship.

Payment options

In accordance with section 167(1) of the *Local Government Act 1989* ratepayers have the option of paying rates and charges by way of four instalments. Payments are due on the prescribed dates below:

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

Council offers a range of payment options including:

- in person at Council offices (cheques, money orders, EFTPOS, credit/debit cards and cash)
- direct debit (on prescribed instalment due dates or monthly/fortnightly/weekly),
- BPAY
- Australia Post (over the counter, over the phone via credit card and on the internet)
- by mail (cheques and money orders only).

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.

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 sole or principal place of residence. Upon initial application, ongoing eligibility is maintained, unless rejected by Centrelink or the Department of Veteran Affairs during the annual verification procedure. Upon confirmation of an eligible pensioner concession status, the pensioner rebate is deducted from the rate account before payment is required by the ratepayer.

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

Deferred payments

Under Section 170 of the *Local Government Act 1989*, Council may defer the payment of any rate or charge for an eligible ratepayer, 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.

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Ratepayers seeking to apply for such provision will be required to submit an Application for Rates Payment Plan or Rates Deferral form which is available at the council offices, on the Council website or which can be posted upon request.

Payment Plans

Under Section 171B of the *Local Government Act 1989*, the Victorian State Government has prescribed 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.

Ratepayers seeking to apply for such provision will be required to submit an Application for Rates Payment Plan or Rates Deferral form which is available at the council offices, on the Council website or which can be posted upon request.

Financial Hardship

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 a 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 Deferment Application form or a Rate Arrangement Application which is available at the council offices or can be posted upon request.

Debt recovery

Council makes every effort to contact ratepayers at their correct address, but it is the ratepayers' responsibility to properly advise Council of their contact details. The *Local Government Act 1989* Section 230 and 231 requires both the vendor and buyer of property, or their agents (e.g. solicitors and or conveyancers), to notify Council by way of notice of disposition or acquisition of an interest in land.

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 Fire Rescue Victoria (FRV) and Country Fire Authority (CFA), and all levies collected by Council are passed on 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. State Governments proposes from July 2025, the Fire Services Property Levy (FSPL) will be replaced by the Emergency Services and Volunteers Fund (ESVF).

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1.6 Other Revenue Items

1.6.1 User Fees and Charges

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

Examples of user fees and charges include:

- Kindergarten and Childcare fees
- Leisure Centre, Gym, and Pool visitation and membership fees
- Waste Management fees
- Aged and Health Care service fees
- Leases and facility hire fees.

The provision of infrastructure and services form a key part of council's role in supporting the local community. In providing these, council must consider a range of 'Best Value' principles including service cost and quality standards, value-for-money, and community expectations and values. Council must also balance the affordability and accessibility of infrastructure and services with its financial capacity and in the interests of long-term financial sustainability.

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

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

Services are provided on the basis of one of the following pricing methods:

a. Market price
b. Full cost recovery price
c. Subsidised price

Market pricing (a) is where council sets prices based on the benchmarked competitive prices of alternate suppliers. In general market price represents full cost recovery plus an allowance for profit.

Market prices will be used when other providers exist in the given market, and council needs to meet its obligations under the government's Competitive Neutrality Policy.

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

Full cost recovery price (b) aims to recover all direct and indirect costs incurred by council. This pricing should be used in particular where a service provided by council benefits individual customers specifically, rather than the community as a whole. In principle, fees and charges should be set at a level that recovers the full cost of providing the services unless there is an overriding policy or imperative in favour of subsidisation.

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Subsidised pricing (c) is where council subsidises a service by not passing the full cost of that service onto the customer. Subsidies may range from full subsidies (i.e. council provides the service free of charge) to partial subsidies, where council provides the service to the user with a discount. The subsidy can be funded from council's rate revenue or other sources such as Commonwealth and state funding programs. Full council subsidy pricing and partial cost pricing should always be based on knowledge of the full cost of providing a service.

As per the Victorian Auditor General's Office report "Fees and charges - cost recovery by local government" recommendations, council has developed a user fee pricing policy to help guide the fair and equitable setting of prices. The policy outlines the process for setting fee prices and includes such principles as:

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

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

1.6.2 Statutory Fees and Charges

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

Examples of statutory fees and fines include:

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

Penalty and Fee Units are used in Victoria's Acts and Regulations to calculate the amount of a fine or a fee.

1.6.3 Grants

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

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

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.

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

1.6.4 Contributions

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

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

Examples of contributions include:

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

Contributions should always be linked to a planning or funding agreement. Council will not undertake any work on a contribution-funded project until 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.

1.6.5 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 investment policy, which seeks to earn the best return on funds, whilst minimising risk.

1.6.6 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 Long Term Financial Plan.
- Borrowings must not be used to fund ongoing operations.
- Borrowings are appropriate for funding large capital works where the benefits are provided to future generations.
- Council will maintain its debt at levels which are sustainable, with:
  - indebtedness <60 per cent of rate and charges revenue, and
  - debt servicing cost <5 per cent of total revenue (excluding capital revenue).

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Benalla Rural City Council
Rating and Revenue Plan – June 2021

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