

Revenue and Rating Plan

2021-2025



Mildura Rural City Council

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1. Introduction

1.1 Purpose

The *Local Government Act 2020* requires 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 Mildura Rural City Council (MRCC), in conjunction with other income sources, which 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, as outlined in the Council Plan.



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

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

1.2 Background

Council has adopted a Rating Strategy (2019-2023), which forms the basis of our Revenue and Rating Plan. The Rating Strategy aligns with the objectives contained in the Council Plan and feeds into the budgeting and long-term financial planning documents, as well as other strategic planning documents under Council's strategic planning framework. This Strategy meets the requirement of Section 93 of the *Local Government Act 2020*. For more details, please refer to Mildura Rural City Council's current Rating Strategy.

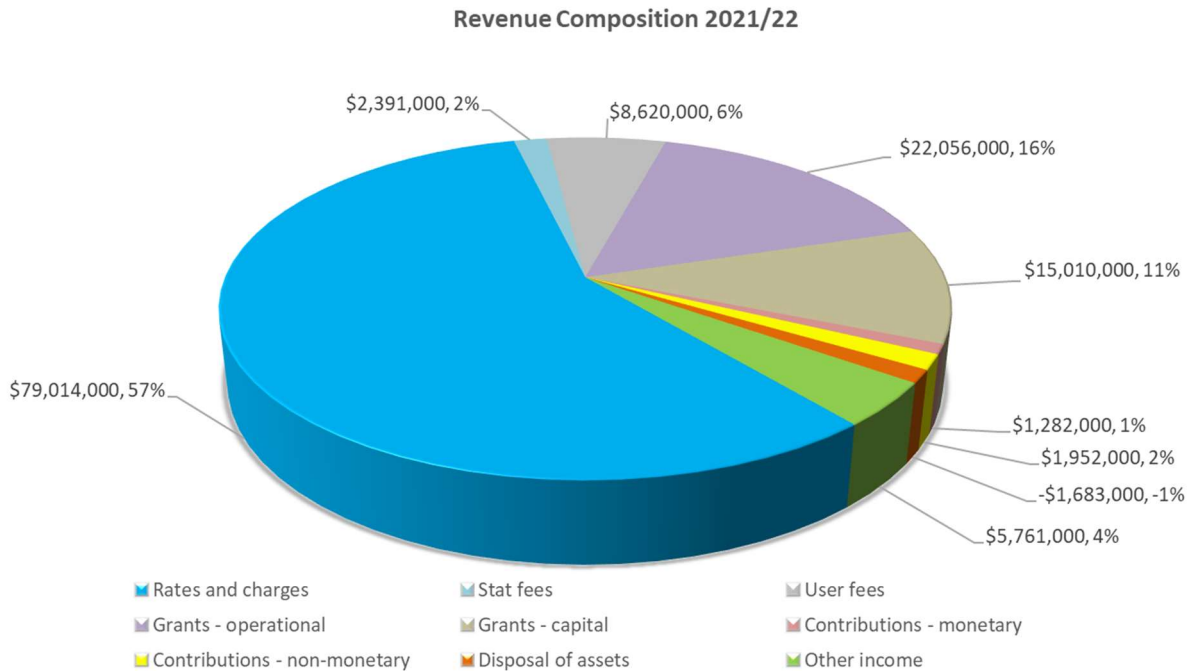
The development of a new Revenue and Rating Strategy (plan) will commence in the 2022 calendar year.

Council is required to raise revenue from a variety of sources to fund the provision of services and infrastructure to the community. Major sources of revenue include rates, grants, fees and charges and contributions. The cost of providing services and infrastructure to the community is increasing at a faster rate than the capacity to raise revenue. In addition, the characteristics of Mildura Rural City Council's rate base means the capacity to raise revenue through rates is similar to that of a large shire but on the other hand, council is required to fund the types and levels of service more closely aligned to a regional city.

Council decisions about the rating framework must comply with the *Valuation of Land Act 1960* and the *Local Government Act 2020*, and take account of the *Ministerial Guidelines for Differential Rating*. In addition to this, under section 94(6A) of the *Electricity Industry Act 2000* (EI Act), the Payment in Lieu of Rates framework allows councils to derive revenue from electricity generators.

2. Revenue Composition, 2021-2022

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



Council's revenue sources include:

- rates and charges
- grants – operational and capital
- statutory fees and fines
- user fees
- contributions
- other income
- disposal of assets.

Rates are the most significant revenue source for Council, providing approximately 57 per cent of its annual income in the Budget 2021-2022.

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

Council provides a wide range of services to the community, often for a fee or charge.

The nature of these fees and charges generally depends on whether they relate to statutory or discretionary services. Some of these, such as statutory planning fees, are set by state government statute and are commonly known as regulatory fees. In these cases, councils usually have no control over service pricing. However, in relation to other services, Council can set a fee or charge and will set that fee based on the principles outlined in this Revenue and Rating Plan and also in Council's Fees and Charges Policy CP046.

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, while 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 and ongoing operating and maintenance costs.

3. Community Engagement

The Revenue and Rating Plan outlines Council's decision-making process on how revenues are calculated and collected. The public consultation process around this was conducted through the preparation of Council's Rating Strategy 2019-2023 and informed by the Community engagement for the development of the Community Vision and Council and Community Plan 2021-2025. Councils recently adopted Community Engagement Policy and Process and will be followed when the new strategy development occurs in 2022.

4. Rating Structure

4.1 Rating System

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

Section 154 of the Local Government Act 1989 declares that all land is rateable with a number of exceptions including land held or used for public or municipal purposes, land used exclusively for charitable, education or religious purposes, and certain clubs or memorials under the Veterans Act 2005, Returned Services League and related associations as defined.

The rating system used by Council is set out in a four-year rating strategy. For details around Council's rating structure, please refer to Mildura Rural City Council's current Rating Strategy 2019-2023, which is available on the Council website www.mildura.vic.gov.au.

5. Property Valuations

The Valuation of Land Act 1960 is the principle legislation in determining property

valuations. Under the Valuation of Land Act 1960, the Victorian Valuer-General conducts property valuations on an annual basis.

Mildura 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.

5.1 Objections to property valuations

Part 3 of the Valuation of Land Act 1960 provides that a property owner may lodge an objection against the valuation of a property or the Australian Valuation Property Classification Code (AVPCC) within two months of the issue of the original or amended (supplementary) Rates and Valuation 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 Mildura Rural City Council.

5.2 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 regular 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.

6. Other Revenue Items

6.1 User Fees

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

- Leases and facility hire fees
- Recreation reserve hire
- Landfill fees
- Immunisations fees.

The provision of 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 the community's capacity to pay.

Councils must also comply with the government's Competitive Neutrality Policy for the 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.

Council's services are provided on the basis of one of the following pricing methods:

- Market pricing
- Full cost recovery pricing
- Council subsidy pricing.

Market pricing

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

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

Full cost recovery pricing

Full cost recovery pricing 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.

Council subsidy pricing

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

Council will develop a table of fees and charges as part of its rolling four-year Budget

each year. Proposed pricing will be included in this table and communicated to stakeholders before the Budget is adopted, giving stakeholders the chance to review and provide valuable feedback before the fees are locked in.

For more details please refer to Councils Fees and Charges Policy CP046.

6.2 Statutory Fees and Fines

Statutory fees and fines are those that 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
- *Food Act* registrations
- *Public Health Act* registrations

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

6.3 Fire Services Property Levy

In 2016 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.

6.4 Grants (Operating and Capital)

Grant revenue represents income usually received from other levels of government. Some grants are singular and attached to the delivery of specific projects, while 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. Only confirmed grants are included in the Budget and Financial Plan, with any unbudgeted grants ultimately received during the Budget year to be used to replace Council funds.

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

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

6.5 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.

6.6 Investment Income

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 maximise return on funds, whilst minimising risk. For further details, please refer to Council's Investment Policy CP047.

6.7 Borrowings

While not a source of income, borrowings can be an important cash management tool in appropriate circumstances. Loans can only be approved by Council resolution. For further details, please refer to Council's Borrowings Policy and Council's long-term Financial Plan.

6.8 Hardship Policy

It is acknowledged 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 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 seeking to apply for such provision are required to contact and discuss options with Council.

6.9 Debt recovery

In the event that a customer does not pay their annual rates, charges or levies by the statutory due dates, Council may instigate recovery of this debt via the methods outlined in the Local Government Act 1989. However, this process must also include the requirement for Council to make reasonable endeavours to avoid the need to engage the legal system.

In the event that an account becomes overdue, Council will issue an overdue reminder notice advising that penalty interest will be charged if payment is not received by the extended due date.

In the event that the account remains unpaid, Council may charge interest and/or take legal action without further notice to recover the overdue amount. All fees and court costs incurred will be recoverable from the ratepayer.

Council will not instigate legal action without first making reasonable endeavours to contact the debtor directly to advise of such action.

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.

Appendix A – Definition of Land

Residential Land

Definition	Residential land is identified as any rateable land that is not Farm land, Business land, or Cultural and Recreational land.
Objectives	<p>The objectives of the rate are to:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ construction and maintenance of infrastructure assets ○ development and provision of health and community services ○ provision of general support services.
Characteristics	<ul style="list-style-type: none"> • Land that is not used for farming, business or cultural and recreational purposes and is occupied for the principal purpose of physically accommodating persons; or • Unoccupied but zoned residential under the Mildura Planning Scheme and which is not business land. <p>The characteristics of planning scheme zoning are applicable to the determination of vacant land that will be subject to the rate applicable to residential land.</p> <p>The vacant land affected by this rate is that which is zoned residential under the Mildura Planning Scheme.</p> <p>The classification of land that is improved will be determined by the occupation of that land and have reference to the planning scheme zoning.</p>
Types and classes	The types and classes of rateable land within this rate are those having the relevant characteristics described above.
Use of rate	<p>The money raised by this rate will be applied to the items of expenditure described in the Budget by Council.</p> <p>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.</p>
Level of rate	100% of the General Rate.
Use of land	Is any use permitted under the Mildura Planning Scheme.
Geographic location	The geographic location of the land is wherever it is 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 Mildura Planning Scheme.

Types of buildings

The types of buildings on the land within this rate are all buildings already constructed on the land or which will be constructed prior to the expiry of the 2018-2019 financial year.

Business Land

Definition	<p>Business land is identified as:</p> <ul style="list-style-type: none"> • any rateable land that is occupied for the principal purpose of carrying out the manufacture or production of, or trade in, goods or services • or unoccupied but zoned commercial or industrial under the Mildura Planning Scheme.
Objectives	<p>The objectives of the rate are to:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ construction and maintenance of infrastructure assets ○ development and provision of health and community services ○ provision of general support services • recognise the higher level of service usage than other categories.
Characteristics	<p>Land that is used for commercial purposes including:</p> <ul style="list-style-type: none"> • retail shops • offices • services businesses, car parks, garden centres, car yards, boat yards, entertainment centres (theme parks), hotels and motels • land that has improvements and/or buildings used for commercial purposes. <p>The characteristics of planning scheme zoning are applicable to the determination of vacant land, which will be subject to the rate applicable to business land.</p> <p>The vacant land affected by this rate is that which is zoned commercial and/or industrial under the Mildura planning scheme.</p> <p>The classification of land that is improved will be determined by the occupation of that land and have reference to the planning scheme zoning.</p>
Types and classes	<p>The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.</p>

Use of rate	<p>The money raised by the differential rate will be applied to the items of expenditure described in the Budget by Council.</p> <p>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.</p>
Level of rate	120% of the General Rate.
Use of land	Any use permitted under the Mildura Planning Scheme.
Geographic location	The geographic location of the land is wherever it is 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 Mildura Planning Scheme.
Types of buildings	The types of buildings on the land within this differential rate are all buildings already constructed on the land or which will be constructed prior to the expiry of the 2018-2019 financial year.

Farm Land (Dry)

Definition	Farm land as defined under the <i>Valuation of Land Act 1960</i> .
Objectives	<p>The objectives of the rate are to:</p> <ul style="list-style-type: none">• 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:<ul style="list-style-type: none">○ construction and maintenance of infrastructure assets○ development and provision of health and community services○ provision of general support services.• recognise the changes to relative property values, the high value of land as an input to farm operations, and in recognition of a lower level of service usage associated with their rural isolation than other categories.
Characteristics	<p>Farm land that is:</p> <ul style="list-style-type: none">• without access to irrigation infrastructure• not less than two hectares in area• 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• used by a business that has significant and substantial commercial purpose or character, seeks to make a profit on a continuous or repetitive basis and is either making a profit or has reasonable prospect of making a profit from its activities. <p>The characteristics of planning scheme zoning are applicable to the determination of vacant land, which will be subject to the rate applicable to farm land.</p> <p>The vacant land affected by this rate is that which is zoned farming under the Mildura Planning Scheme.</p> <p>The classification of land that is improved will be determined by the occupation of that land and have reference to the planning scheme zoning.</p>
Types and classes	The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.

Use of rate	<p>The money raised by the differential rate will be applied to the items of expenditure described in the Budget by Council.</p> <p>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.</p>
Level of rate	76% of the General Rate.
Use of land	The use of the land within this differential rate, in the case of improved land, is any use of land.
Geographic location	The geographic location of the land within this differential rate is wherever it is 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 Mildura Planning Scheme.
Types of buildings	The types of buildings on the land within this differential rate are all buildings already constructed on the land or which will be constructed prior to the expiry of the 2018-2019 financial year.

Farm Land (irrigated)

Definition	Farm land as defined under the <i>Valuation of Land Act 1960</i> .
Objectives	<p>The objectives of the rate are to:</p> <ul style="list-style-type: none">• 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:<ul style="list-style-type: none">○ construction and maintenance of infrastructure assets○ development and provision of health and community services○ provision of general support services• recognise the changes to relative property values, the high value of land as an input to farm operations, and in recognition of a lower level of service usage associated with their rural isolation than other categories.
Characteristics	<p>Farm land that is:</p> <ul style="list-style-type: none">• with access to irrigation infrastructure• not less than two hectares in area• 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• used by a business that has significant and substantial commercial purpose or character, seeks to make a profit on a continuous or repetitive basis and is either making a profit or has reasonable prospect of making a profit from its activities. <p>The characteristics of planning scheme zoning are applicable to the determination of vacant land, which will be subject to the rate applicable to farm land.</p> <p>The vacant land affected by this rate is that which is zoned farming under the Mildura Planning Scheme.</p> <p>The classification of land which is improved will be determined by the occupation of that land and have reference to the planning scheme zoning</p>
Types and classes	The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.

Use of rate	<p>The money raised by the differential rate will be applied to the items of expenditure described in the Budget by Council.</p> <p>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.</p>
Level of rate	76% of the General Rate.
Use of land	The use of the land within this differential rate, in the case of improved land, is any use of land.
Geographic location	The geographic location of the land within this differential rate is wherever it is 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 Mildura Planning Scheme.
Types of buildings	The types of buildings on the land within this differential rate are all buildings already constructed on the land or which will be constructed prior to the expiry of the 2018-2019 financial year.

Cultural and Recreational Land

Definition	Land as defined under <i>the Cultural and Recreational Lands Act 1963</i> .
Objectives	The objectives of the rate are to recognise the large contribution that these community organisations and the volunteers make to the Municipality in the provision of sporting, cultural and recreational activities.
Characteristics	<p>Cultural and recreational land that is:</p> <ul style="list-style-type: none"> • occupied by a body which exists for cultural or recreational purposes and applies its profits in promoting the furthering of this purpose • owned by the body, by the Crown or by Council • used for out-door sporting recreational or cultural purposes.
Types and classes	The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.
Use of rate	<p>The money raised by the differential rate will be applied to the items of expenditure described in the Budget by Council.</p> <p>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.</p>
Level of rate	10% of the General Rate.
Use of land	Any use permitted under the Mildura Planning Scheme.
Geographic location	The geographic location of the land is wherever it is 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 Mildura Planning Scheme.
Types of buildings	The types of buildings on the land within this differential rate are all buildings already constructed on the land or which will be constructed prior to the expiry of the 2018-2019 financial year.