

HOBSONS
BAY CITY
COUNCIL



Hobsons Bay City Council
Proposed Revenue and Rating Plan
2025-26 to 2028-29

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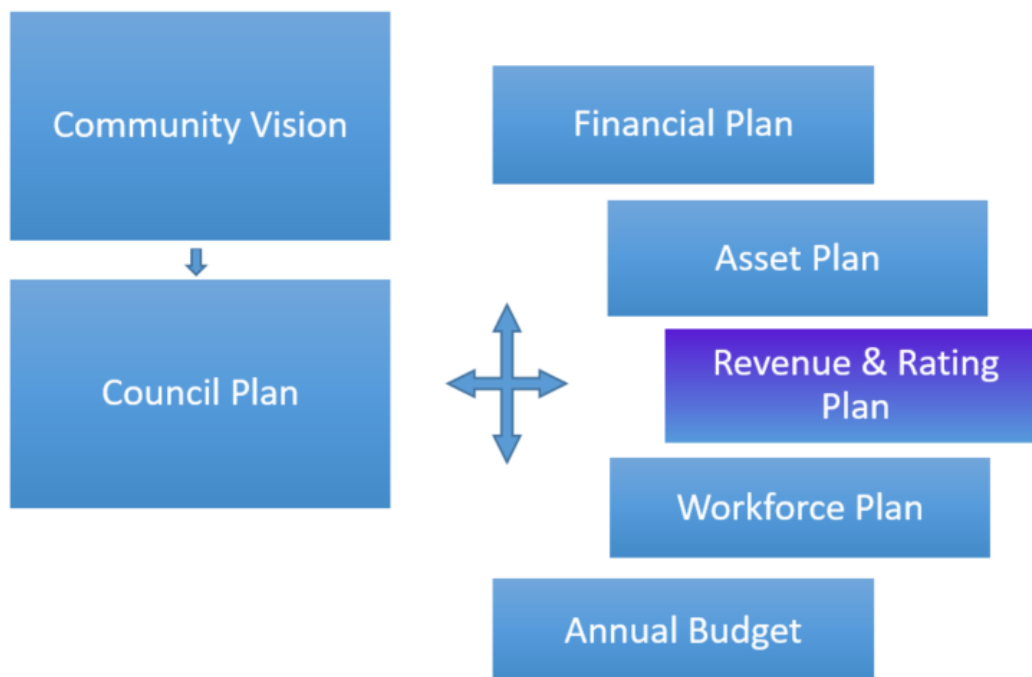
1. Purpose

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

The purpose of the Revenue and Rating Plan is to determine the most appropriate and affordable revenue and rating approach for Hobsons Bay 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 of *"embracing our heritage, environment and diversity, we - the community of Hobsons Bay – will be an inclusive, empowered, sustainable and visionary community led and supported by a progressive Council of excellence."*

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



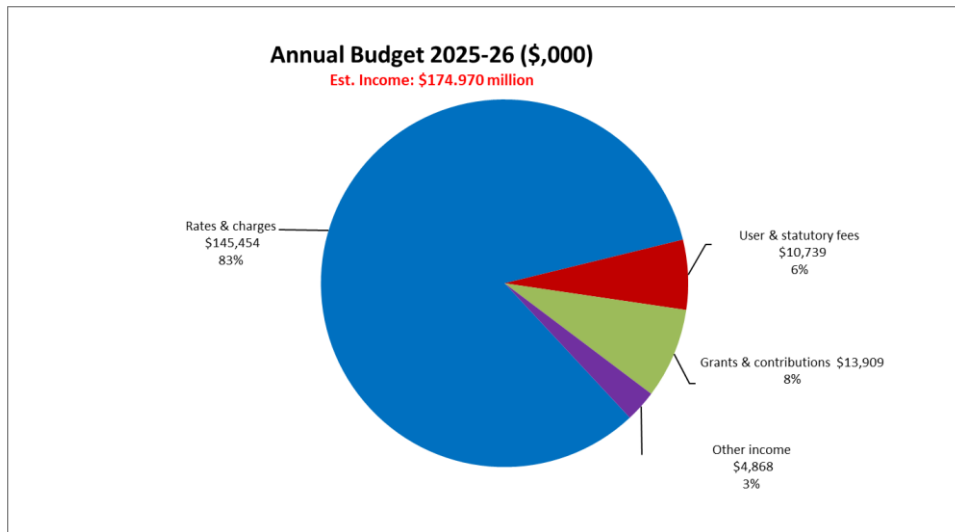
This plan explains how Council calculates the revenue needed to fund its activities, and how the funding burden will be apportioned between ratepayers and other users of Council facilities and services.

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

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

2. Introduction

Council provides 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, including the waste service charges
- Grants from other levels of Government
- Statutory fees and fines, and user fees
- Cash and non-cash contributions from other parties (ie developers, community groups)
- Other income, including property rentals and interest from investments
- Sale of assets

Rates are the most significant revenue source for Council, estimated to make up over 80 per cent income in 2025-26.

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. Maintaining service delivery levels and investing in community assets remain key priorities for Council. This strategy will address Council's reliance on rate income and the aim to 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, councils can set a fee or charge and should set that fee based on the principles outlined in this Revenue and Rating Plan.

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

3. Community Engagement

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

Revenue and Rating Plan community engagement process:

The Revenue and Rating 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.

Revenue and Rating Plan community engagement process:

- Councillor Briefing Sessions are held to discuss the annual budget process, including items relating to revenue and rating
- These discussions contribute towards officers preparing the Proposed Revenue and Rating Plan
- The Proposed Revenue and Rating Plan is placed on public exhibition at the Council meeting on 29 April 2025 and calling for public submissions
- Community engagement through local news outlets and social media
- The draft Revenue and Rating Plan (including revisions) is presented to the 24 June 2025 Council meeting for adoption

Following community engagement, Council's Revenue and Rating Plan will be updated after consideration of any submissions.

4. Rating Legislation

4.1. Local Government Act 1989

The *Local Government Act 1989* is still being used for the local government rating framework, including:

- Part 8 Rates and charges on rateable land
- Division 1 Declaration of rates and charges
- Division 2 Payment of rates and charges
- Part 8A Rate Caps.

These sections of the *Local Government Act 1989* determine a council's ability to develop a rating system. The framework provides significant flexibility for Council to tailor a system that suits its needs.

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

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

In raising 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 utilize.

- 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

4.2. Local Government Act 2020

Whilst the *Local Government Act 2020* is generally not being used in a rating context, Section 93 states that a Council must prepare and adopt a Revenue and Rating Plan by the next 30 June after a general election for a period of at least the next four financial years.

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

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

- a) the total amount that the Council intends to raise by rates and charges
- b) a statement as to whether the rates will be raised by the application of a uniform rate or a differential rate
- c) a description of any fixed component of the rates, if applicable
- d) if the Council proposes to declare a uniform rate, the matters specified in section 160 of the *Local Government Act 1989*
- e) if the Council proposes to declare a differential rate for any land, the matters specified in section 161(2) of the *Local Government Act 1989*

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

- a) that the Council intends to apply for a special order to increase the Council's average rate cap for the financial year or any other financial year; or
- b) that the Council has made an application to the ESC for a special order and is waiting for the outcome of the application; or

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

4.3. Rate Caping

The Fair Go Rates System (FGRS) sets out the maximum amount councils may increase rates in a year. For the 2025-26 year the FGRS cap is set at 3.0 per cent. The cap applies to both general rates and municipal charges and is calculated on the basis of a Councils average rates and charges.

From 2019 revaluations of all properties have been undertaken on an annual basis and as a result, the actual increase for individual rateable properties may differ from the rate cap percentage due to valuation changes. Where the change in an individual property is higher than the average for all rateable properties, the rate increase for that property may be greater than the cap. Where the change in the property valuation is lower than the average for all properties, the rate increase may be lower than the cap.

The following table shows the estimated number and percentage of properties whose rates will increase by more than the rate cap (3.0 per cent), less than the rate cap and those expected to decrease in 2025-26:

	3.0%	
	Est. No. Properties	Est. % Properties
Percentage of rate notices that increased by more than the Minister's cap	17,133	37.15%
Percentage of rate notices that increased by less than or equal to the Minister's cap	20,193	43.79%
Percentage of rate notices that decreased	8,790	19.06%
	46,116	100.00%

4.4. Ministerial Guidelines for Differential Rating

The Ministerial Guidelines for Differential Rating were published in the Government Gazette in April 2013. The guidelines were prepared to guide councils in the application of differential rates under Section 161 of the *Local Government Act 1989*. Councils must have regard to these guidelines before declaring a differential rate for any land.

The Minister may recommend the Governor in Council by Order in Council to prohibit any council from making a declaration of a differential rate in respect of a type or class of land, if the Minister considers that the declaration would be inconsistent with any guidelines.

5. Rating Principles

This plan outlines the principles and strategic framework that Council will utilize 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 Budget, in-line with the rate cap determined by the State Government.

5.1. Taxation Principles

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

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.

5.2. Rating Principles

Property rates will:

- be reviewed annually
- not change dramatically from one year to next, although this is subject to the annual revaluation process for different rating categories and individual properties
- comply with the Victorian Government’s Fair Go Rates System (FGRS), and within the limitations of the rate cap announced by the State Government (generally) in December for the following financial year.
- be sufficient to fund current expenditure commitments and deliverables outlined in the Council Plan, Financial Plan and Asset Plan. Maintaining service delivery levels and investing in community assets remains a key priority for Council.

6. Valuations

Under Section 157 of 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

Hobsons Bay City Council applies 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.

CIV is the most used valuation base by local government with over 90 per cent of Victorian councils, including Hobsons Bay, 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.

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

6.1. Annual Revaluations

In accordance with Section 11 of the *Valuation of Land Act 1960*, Council is required to undertake a general revaluation of all rateable properties within the municipality every year. Changes in property values directly affect the distribution of rates. Revaluations result in varying levels of valuation movements across the municipality, which sometimes results in major shifts in the rates burden and large increases in rates for individual properties.

There is a common misconception that as properties are revalued, Council receives a 'windfall gain' of additional revenue. This is not the case, as the revaluation process results in a redistribution of the rate burden across all properties in the municipality. Total income from rates (excluding waste service charges) is determined by the rate cap. In simple terms, as property values increase, the rate in the dollar is reduced.

Changes to the average CIV for each rating category and residential suburbs in 2025-26 are outlined in **Appendix 2**.

The impact of the valuation changes on the average rates paid for each rating category and residential suburbs in 2025-26 are outlined in **Appendix 3**.

6.2. 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 Valuer-General Victoria is tasked with undertaking supplementary valuations as advised by Council and provides new property valuations periodically.

6.3. 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 Supplementary Rates and Valuation, 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 online through the State's Valuation Objection portal or in writing to Hobsons Bay City Council on the prescribed form.

7. Rates and Charges

Council collects rates from residents and businesses in its municipality to help fund the local community infrastructure and service obligations. Council rates are a form of property tax and Council uses property values as the basis for calculating how much each property owner pays.

Rates are a taxation system that includes flexibility for councils to utilize different tools in its rating structure to accommodate issues of equity and to ensure fairness in rating for all ratepayers.

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

- **General Rates** – Based on property values (using the Capital Improved Valuation methodology), which are indicative of capacity to pay and form the central basis of rating under the *Local Government Act 1989*.
- **Waste Service Charge** - A 'user pays' component for council services to reflect benefits provided by Council to ratepayers who benefit from the collection, disposal and processing of garbage, recycling, glass, garden and food waste and hard waste.

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

- Valuation (CIV) 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.

Rates and charges are an important source of revenue, accounting for over 80 per cent of operating revenue received by Council. The collection of rates is an extremely important factor in funding Council services. Planning for future rate increases is therefore an essential component of the long-term financial planning process and plays a significant role in funding both additional service delivery and the increasing costs related to providing Council services.

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

7.1. Council's Differential Rating Structure

Under Section 158 of the *Local Government Act 1989*, a Council when declaring rates and charges must declare whether the general rates will be raised by the application of a uniform rate or differential rate.

Under Section 161 of the *Local Government Act 1989* if a Council declares a differential rate for any land, the Council must:

- Specify the objectives of the differential rate including 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
- Specify the characteristics of the land which are the criteria for declaring the differential rate.

The differential rates for 2025-26 are as follows:

	Differential Relative to Residential
Residential	1.00
Residential Vacant land	1.70
Commercial	2.30
Industrial	3.40
Petro Chemical	4.00
Cultural & Recreational Concession	0.45

Further information in relation to Council's differential rating structure is provided in Appendix 1.

The following graph indicates that the differentials have remained relatively consistent over the past 10 years:



7.2. Municipal Charge

Under section 158 of the *Local Government Act 1989*, a council may declare a municipal charge to cover some of the administrative costs of the council. A council's total revenue from a municipal charge in a financial year must not exceed 20 per cent of the total of council's total revenue from a municipal charge and the total revenue from general rates.

Council has determined not to levy a municipal charge, which could be levied as a minimum rate per property and declared for the purpose of covering some of the administrative costs of Council.

7.3. Service Rates and Charges

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

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

Council levies service charges on properties for the collection, disposal and processing of garbage, recycling, glass, garden and food waste and hard waste.

The waste service charges are not subject the rate cap set by the State Government, rather the level of a service rate or charge should correlate to the level of service provided and therefore the funds raised should equate to the cost of the service provided.

Council made a considerable investment in updating its waste service during 2019-20 and 2020-21 by rolling out the four bin system including food and garden waste and glass recycling services. As a result, it is anticipated that the 'waste management' reserve will be in deficit of approximately \$5.441 million by 30 June 2025.

Waste service charges will increase by 10.0 per cent in 2025-26. The increased income is less than the cost of providing the service in 2025-26, as a result of Council's considerable investment to introduce a four-bin system in 2019-20. It is anticipated that the 'waste management' reserve will be in deficit of approximately \$5.441 million by 30 June 2025. Council has decided to progressively recover this investment over future years.

The waste charges for the four bin system in 2025-26 are set as follows:

Type of Charge	Per Rateable	Per Rateable	Change	
	Property 2024-25 \$	Property 2025-26 \$	\$,000	%
(ST) Base Waste Service Charge for four bins (120L green - food & garden, 120L waste, 240L mixed recycle, 120L glass)	317.23	348.95	31.72	10.0%
(S) Waste Service Charge for properties in MUDs/apartment blocks/villages with shared bins	269.01	295.91	26.90	10.0%
(U1) Upsize waste to 240L	125.61	138.17	12.56	10.0%
(U2) Upsize green - food & garden to 240L	41.88	46.07	4.19	10.0%
UF1 Free Upsize Waste	-	-	-	-
UF2 Free Upsize Med	-	-	-	-
(A1) Additional 240L waste	321.04	353.14	32.10	10.0%
(A2) Additional 120L waste	195.41	214.95	19.54	10.0%
(A3) Additional 240L recycle	125.61	138.17	12.56	10.0%
(A4) Additional 240L green - food & garden	195.41	214.95	19.54	10.0%
(A5) Additional 120L green - food & garden	153.54	168.89	15.35	10.0%
(A6) Additional 120L glass	83.75	92.13	8.38	10.0%
(BRF) Business Reduce Service with FOGO bin	285.51	314.06	28.55	10.0%
(BRG) Business Reduce Service with Glass bin	285.51	314.06	28.55	10.0%
(BRS) Business Reduce Service	285.51	314.06	28.55	10.0%
(BSH) Business Shared	-	-	-	-
(P) Private Waste	-	-	-	-
(N) No Waste Charge	-	-	-	-

7.4. Special Charge Schemes

Section 163 of 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.

7.5. Fire Services Property Levy

Fire Services Property Levy was introduced in 2014, with all levies collected by Council and passed onto the State Government periodically.

The Fire Services Property Levy is based on two components; a fixed charge, and a variable charge which is linked to the CIV 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.

The State Government is currently proposing a variation to the Fire Services Property Levy to rebrand it as the Emergency Services & Volunteers Fund, which will fund a number of emergency service organisations in Victoria.

8. Collection and Administration of Rates and Charges

8.1. Payment of Rates and Charges

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:

- Instalment 1: 30 September
- Instalment 2: 30 November
- Instalment 3: 28 February
- Instalment 4: 31 May

8.2. Payment Methods

Council offers a range of payment options including:

- In person at Council offices (cheques, money orders, EFTPOS, credit/debit cards and cash)
- BPAY
- Online via Council's ratepayer portal
- Direct Debit
- Australia Post (over the counter, over the phone via credit card and on the internet)
- By mail (cheques and money orders only)

8.3. Interest

Under Section 172 of the *Local Government Act 1989*, Council may charge interest for any account balance that is overdue. The interest rate used is calculated at the rate 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*. The rate for the year is set as per the rate enforced on the first day of July in any financial year.

8.4. Pensioner Rebates

Council can apply a pension rebate to a property rate account to ratepayers eligible under the *State Concessions Act 2004*.

Ratepayers who are the holder of an approved pension card and can may be eligible to receive a State Government funded concession on their Rates and Charges for their principal place of residence. The pensioner concession is set at half of the rates and charges levied, up to a maximum amount, and is fully funded by the State Government. In 2024-25 the concession was capped at \$259.50. Eligible pensioners are also entitled to receive a concession on the Fire Services Property Levy.

Under Section 171(4) of the *Local Government Act 1989*, Council may waive the whole or part of any rate or charge or interest in relation to an eligible recipient. In addition to the State Government funded concession, Hobsons Bay City Council will also waive an additional \$100 (\$75 in 2024-25) of rates to approved pension card based on the same criteria as the State Government funded concession.

8.5. Financial Hardship Policy

Under Section 170 of the *Local Government Act 1989*, a council may defer in whole or in part any rate or charge if the payment would cause hardship to the person. Under Section 171A of the *Local Government Act 1989* a council may waive the whole or part of any rate or charge or interest.

Council has developed a number of options for ratepayers who are experiencing financial difficulties, including offering flexible interest free payment plans in accordance with Section 171B of the *Local Government Act 1989*.

Financial hardship assistance is only considered for ratepayers who have overdue rates and charges who are unable to, or cannot, negotiate an acceptable Payment Plan with Council. The purpose of the 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.

When developing the Revenue and Rating Plan, Council had 492 assessments with an approved Payment Plan in place. A further 17 assessments are registered on Council's Financial Hardship Policy as a deferral of payments. In 2024-25 Council has provided 48 waivers to eligible ratepayers, totalling \$26,834.72.

8.6. Debt Recovery and Liability to pay Rates and Charges

Under section 156 of the *Local Government Act 1989*, the owner of any rateable land is liable to pay the rates and charges on that land as set by Council. If the owner cannot be found the occupier is liable to pay. If rates are unpaid, they are regarded as the first charge on the land and are recoverable by legal proceedings.

In the event that an account becomes overdue, Council will issue an Outstanding Notice which will include accrued penalty interest. If the account remains unpaid, Council may recovery action in accordance with the requirements of Section 180 the *Local Government Act 1989*.

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 Section 181 of the *Local Government Act 1989*.

9. Other Revenue Items

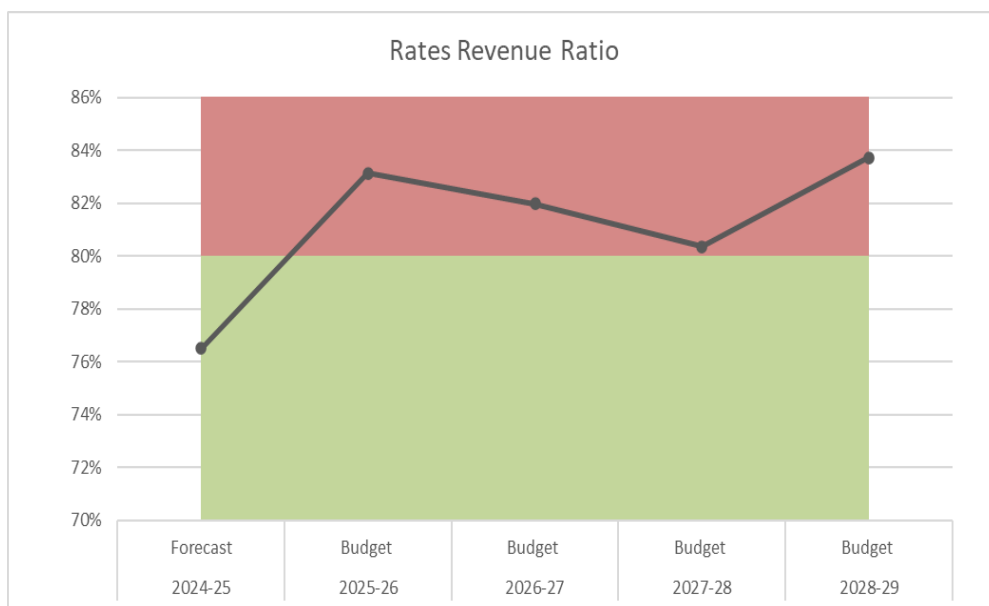
Council's high dependence upon rates and charges as a source of revenue, accounting for over 80 per cent of operating revenue has previously been mentioned in section 2 and section 7.

This high dependence has led to (one of) the key objectives underpinning the Financial Plan, in relation to the exploration of all funding sources. Council's aim is to relieve its dependence on rates by becoming financially self-reliant by prioritised pursuit of own source revenue opportunities. All funding sources will be considered, including loan borrowings, to ensure that decisions are made, and actions are taken having regard to their financial effects on future generations.

Council should investigate further generation of 'Own Source Revenue' by exploring alternative revenue streams outside of rates and grants. Additional revenue can then be used to provide further services or infrastructure to the community. Alternative revenue streams could reduce Council's high reliance on rate revenue, which is currently one of the highest in the state.

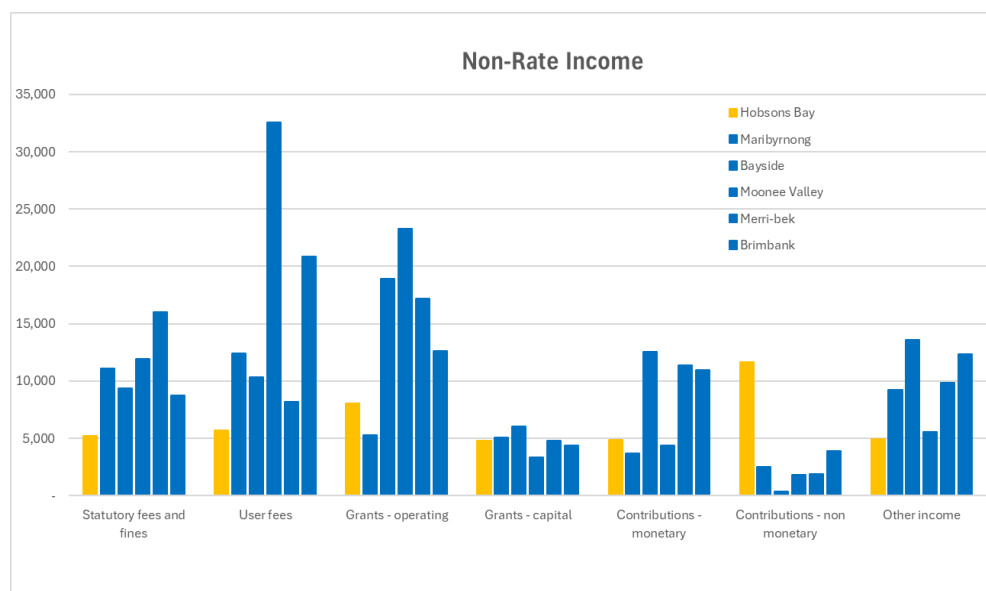
The Rates Revenue Ratio indicates the ability of the Council to generate rates and its dependence on rates, when compared to total revenue. It is calculated by: Rates and charges divided by total operating income.

The graph below indicated that Council will not achieve its target contained in the Financial Plan in relation to its Rates Revenue Ratio. This indicates that under the predicted Financial Plan results (based on the Quarterly Financial Report for the period ended 31 December 2025) and assumptions, Council will not reduce its current high dependence on rates and will not become more financially self-reliant by prioritised pursuit of own source revenue opportunities.



Council has completed a high level benchmarking exercise to compare Hobsons Bay's non-rate income against other similar Council's. If Council determines a need to increase its non-rate income, then consideration needs to be given to completing a more detailed review that compares Hobsons Bay's income to other similar Councils. This may highlight areas and opportunities to increase revenue, consistent with the local government sector.

The graph below highlights that the revenue generated by Hobsons Bay in non-rate income is generally well below other similar Council's:



9.1. User Fees and Charges

User fees relate mainly to the recovery of service delivery costs through charging fees to users of Council's services. These include community care service contributions from clients (i.e. food services, planned activity groups, respite, family day care and occasional care), use of parks, recreation facilities and sporting reserves.

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 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 should determine the extent of cost recovery for 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 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 should consider whether there is a community service obligation and whether council should be providing this service at all.

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

Subsidised pricing is where Council does not pass 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.

Further works is required before Council can develop a User Fee Pricing Policy to help guide the fair and equitable setting of prices, as per the Victorian Auditor General's Office report "*Fees and charges – cost recovery by local government*" recommendations. The policy will outline the process for setting fee prices and includes such principles as:

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

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

9.2. 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 Council has limited discretion in applying these fees.

Examples of statutory fees and fines include:

- planning and subdivision fees
- building and inspection fees
- infringements and fines
- land information certificate fees

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

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

One penalty unit is currently \$197.59, from 1 July 2024 to 30 June 2025. The rate for penalty units is indexed each financial year so that it is generally raised in line with inflation. Any change to the value of a penalty unit will happen on 1 July each year.

Fee units are used to calculate the cost of a certificate, registration or licence that is set out in an Act or Regulation.

The value of one fee unit is currently \$16.33. This value may increase at the beginning of a financial year, at the same time as penalty units. The cost of fees and penalties is calculated by multiplying the number of units by the current value of the fee or unit. The exact cost may be rounded up or down.

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

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

Grant assumptions are clearly detailed in council's Annual Budget and Financial Plan documents. No project that is reliant on grant funding will proceed until a signed funding agreement is in place.

9.4. Contributions

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

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

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

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

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

9.5. 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.

9.6. 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:

- only applied for where it can be proven that repayments can be met in the Financial Plan
- regarded as appropriate for funding large capital works, where the benefits are provided to future generations and/or a positive financial return is expected on the initial investment
- not to be used to fund ongoing operations (although it may be required to fund any future Defined Benefit Superannuation calls)
- maintained at acceptable levels as outlined in Council's Financial Plan, to ensure that debt is in line with the Victorian Auditor General's Office's financial sustainability indicators.

The table below shows predicted borrowings over the duration of the Revenue and Rating Plan:

	Forecast	Budget	Projections		
	Actual	2025-26	2026-27	2027-28	2028-29
	2024-25	2025-26	2026-27	2027-28	2028-29
	\$	\$	\$	\$	\$
Amount borrowed as at 30 June of the prior year	24,714,602	29,344,135	21,009,997	17,523,172	13,876,583
Amount proposed to be borrowed	7,000,000	-	-	-	-
Amount projected to be redeemed	2,370,467	8,334,138	3,486,825	3,646,589	3,813,762
Amount of borrowings as at 30 June	29,344,135	21,009,997	17,523,172	13,876,583	10,062,822

No further borrowings are currently included over the duration of the Revenue and Rating Plan, resulting in reducing loan borrowing levels each year until Council becomes debt free by 2031-32.

The amount of \$7 million forecast to be borrowed late in the 2024-25 financial year is currently being reviewed as part of the March 2025 financial forecast review. Forecast cash and investment levels at 30 June 2025 are currently higher than the original 2024-25 budget, generally due to the capital works from 2024-25 that is now expected to be completed during 2025-26 (\$12.384 million).

The increase in the predicted cash levels at 30 June 2025 may provide an opportunity for Council to delay the loan scheduled in 2024-25, until the 2025-26 financial year.

Appendix 1 - Council's Rating System

Hobsons Bay City Council adopted the Capital Improved Valuation (CIV) system in 2000 for rating purposes. CIV represents the market value of a property as at a specific date, including the value of the land and any improvements on that land. Utilising CIV as the basis for rates allows the Council to adopt differential rating, which better reflects capacity to pay than the alternatives and provides the Council with the flexibility to levy differential rates. The vast majority of Victorian Councils use CIV as the basis for levying rates and charges.

Differential rating has been used by Council since 2000 and apart from the inclusion of vacant residential land in 2006, the differential rating categories have remained unchanged. Each differential rate is determined by multiplying the CIV of each rateable land (categorised by the characteristics described below) by the relevant rate in the dollar.

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 for the 2025-26 year are set out below.

1. Commercial land

Commercial land is any land:

- which is used primarily for the sale of goods or services
- which is used primarily for other commercial purposes; or
- on which no building is erected but which, by reason of its locality and zoning under the relevant Planning Scheme, would - if developed - be or be likely to be used primarily for:
 - the sale of goods or services; or
 - other commercial purposes

The objective of this 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, environmental, conservation and community services
- provision of strategic and economic management and general support services; and
- promotion of cultural, heritage and tourism aspects of Council's municipal district

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.

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 level, which Council considers is necessary to achieve the objectives specified above.

The geographic location of the land within this differential rate is wherever located within the municipal district.

The use of the land within this differential rate, is any use permitted under the relevant planning scheme.

The planning scheme zoning, is the zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

The types of buildings on the land are, all buildings which are now constructed on the land or which are constructed prior to the expiry of the 2025-26 financial year.

2. Industrial Land

Industrial land is any land:

- which is not petrochemical land, but is used primarily for industrial purposes; or
- which no building is erected but which, by reason of its locality and zoning under the relevant Planning Scheme, would - if developed - be or be likely to be used primarily for industrial purposes

The objective of this 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, environmental, conservation and community services
- provision of strategic and economic management and general support services; and
- promotion of cultural, heritage and tourism aspects of Council's municipal district

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.

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 level, which Council considers is necessary to achieve the objectives specified above.

The geographic location of the land within this differential rate is wherever located within the municipal district.

The use of the land within this differential rate, is any use permitted under the relevant planning scheme.

The planning scheme zoning, is the zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

The types of buildings on the land are, all buildings which are now constructed on the land or which are constructed prior to the expiry of the 2025-26 financial year.

3. Petro Chemical Land

Petro Chemical land is any land which is used primarily for the:

- manufacture
- production; or
- conveyance of:
 - petroleum or any like substance; or
 - petrochemicals or any like substances

The objective of this 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, environmental, conservation and community services
- provision of strategic and economic management and general support services; and
- promotion of cultural, heritage and tourism aspects of Council's municipal district

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.

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 level, which Council considers is necessary to achieve the objectives specified above.

The geographic location of the land within this differential rate is wherever located within the municipal district.

The use of the land within this differential rate is any use permitted under the relevant planning scheme.

The planning scheme zoning, is the zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

The types of buildings on the land are, all buildings which are now constructed on the land or which are constructed prior to the expiry of the 2025-26 financial year.

4. Vacant Residential Land

Vacant Residential land is any land:

- on which no dwelling is erected but which, by reason or its locality and zoning under the relevant Planning Scheme, would – if developed – be or be likely to be used primarily for residential purposes
- which is not
 - commercial land
 - industrial land; or
 - petrochemical land

The objective of this 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, environmental, conservation and community services
- provision of strategic and economic management and general support services; and
- promotion of cultural, heritage and tourism aspects of Council's municipal district

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.

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 level, which Council considers is necessary to achieve the objectives specified above.

The geographic location of the land within this differential rate is wherever located within the municipal district.

The use of the land within this differential rate is any use permitted under the relevant planning scheme.

The planning scheme zoning is the zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

The types of buildings on the land are all buildings which are now constructed on the land or which are constructed prior to the expiry of the 2025-26 financial year.

5. Other Land (including Residential Land)

Other land (including residential land) is any land:

- which is used primarily for residential purposes;
- which is not
 - vacant residential land
 - commercial land
 - industrial land; or
 - petrochemical land

The objective of this 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, environmental, conservation and community services
- provision of strategic and economic management and general support services; and
- promotion of cultural, heritage and tourism aspects of Council's municipal district

The types and classes of rateable land within this differential rate are those having the relevant characteristics described above.

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 level, which Council considers is necessary to achieve the objectives specified above.

The geographic location of the land within this differential rate is wherever located within the municipal district.

The use of the land within this differential rate is any use permitted under the relevant planning scheme.

The planning scheme zoning is the zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

The types of buildings on the land are all buildings which are now constructed on the land or which are constructed prior to the expiry of the 2025-26 financial year.

6. Rate Concession for Rateable Cultural and Recreational Properties

The *Cultural and Recreational Lands Act of 1963* provides for a Council to grant a rating concession to any "recreational lands" which meet the test of being rateable land under the *Local Government Act 1989*.

The definition of recreational lands under the *Cultural and Recreational Lands Act 1963*, Section 2 means lands, which are:

Vested in or occupied by anybody corporate or unincorporated body which exist for the purpose of providing or promoting cultural or sporting recreational or similar facilities or objectives and which applies its profits in promoting its objects and prohibits the payment of any dividend or amount to its members: and

used for outdoor sporting recreational or cultural purposes or similar outdoor activities; or

Lands which are used primarily as agricultural showgrounds.

Section 169 of the *Local Government Act 1989*, provides an opportunity for Council to grant a concession for properties described by definition as a sporting club under the *Cultural and Recreational Lands Act 1963*. For the rating year 2018-19 Council provides a concession to 40 properties coded with a description of "sporting club" in Council's rate records. The residential rate is applied to these properties and then a 55 per cent discount on rates is apportioned to each property. It is considered that these clubs provide a benefit to the general community and their activities assist in the proper development of the municipal district.

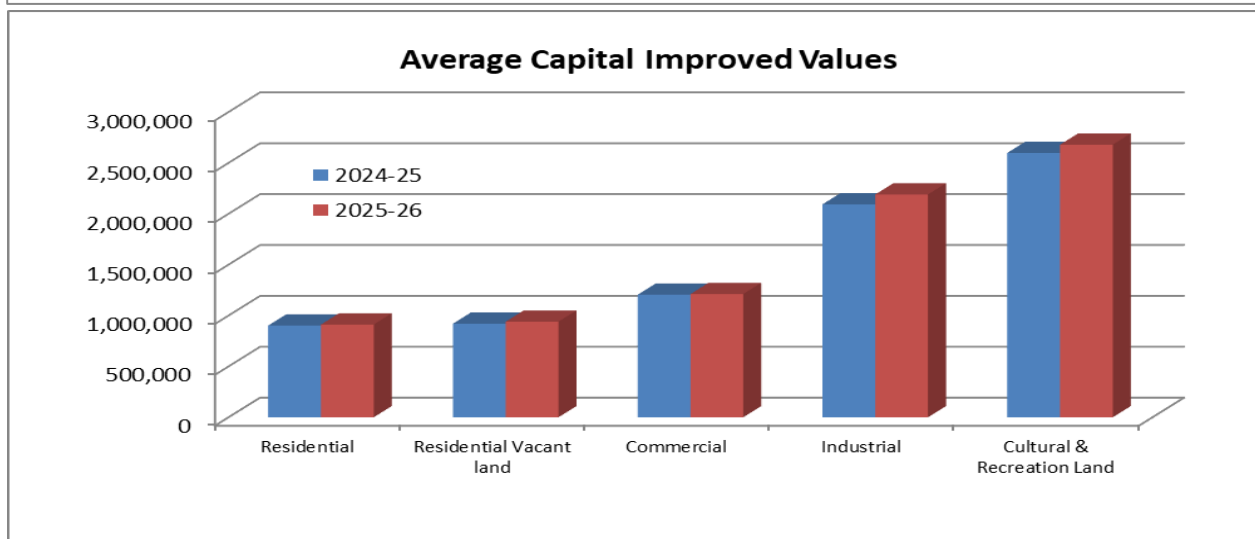
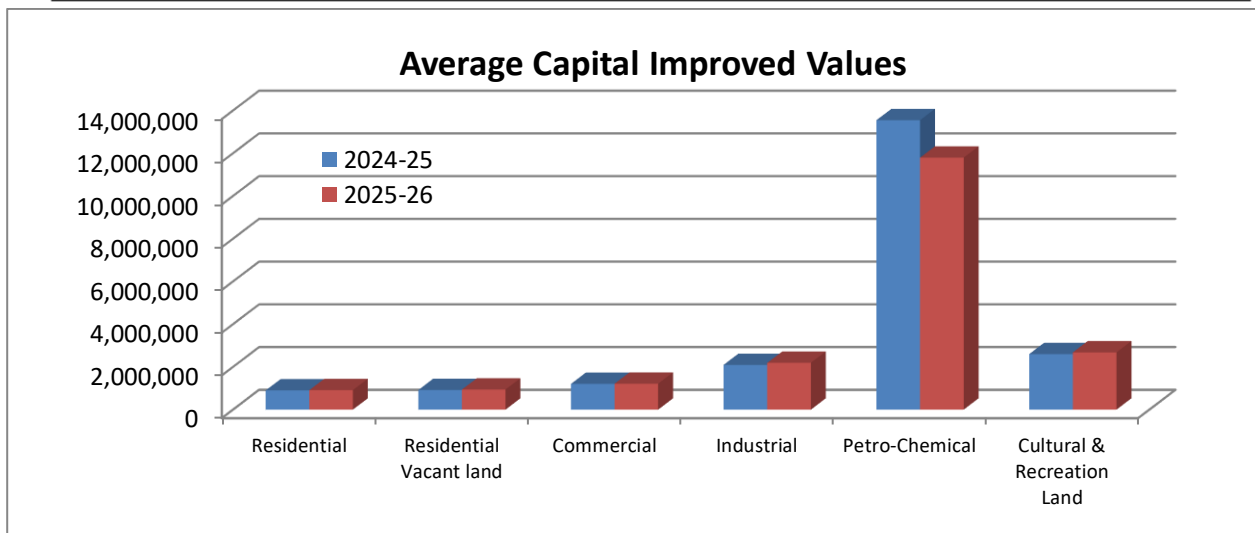
Appendix 2 - Changes to Capital Improved Values (Averages)

Average Capital Improved Values

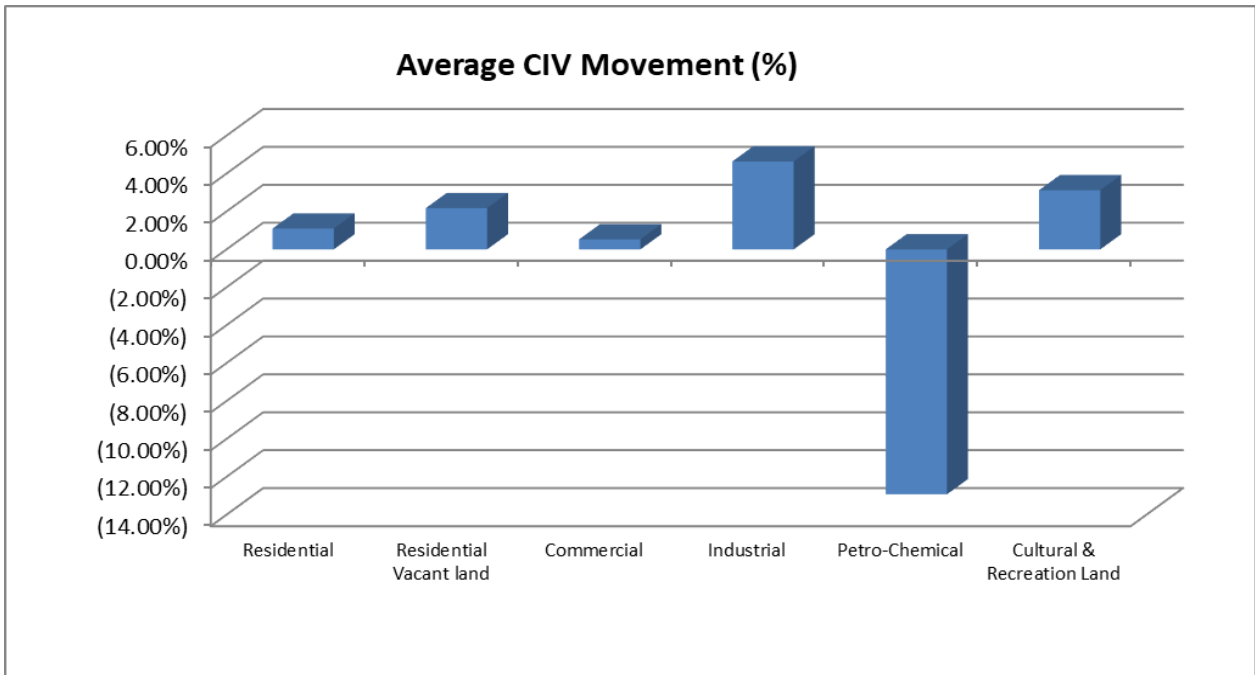
The following table and graphs show the movements to the average Capital Improved Value (CIV) for each rating category. The movements indicate that:

- the average value of all properties has increased slightly (1.4 per cent)
- the average value of residential properties has increased slightly (1.1 per cent)
- the average value of residential vacant land, commercial, industrial and cultural and recreational properties have also slightly increased
- the average values of petro-chemical properties has decreased (12.92 per cent)

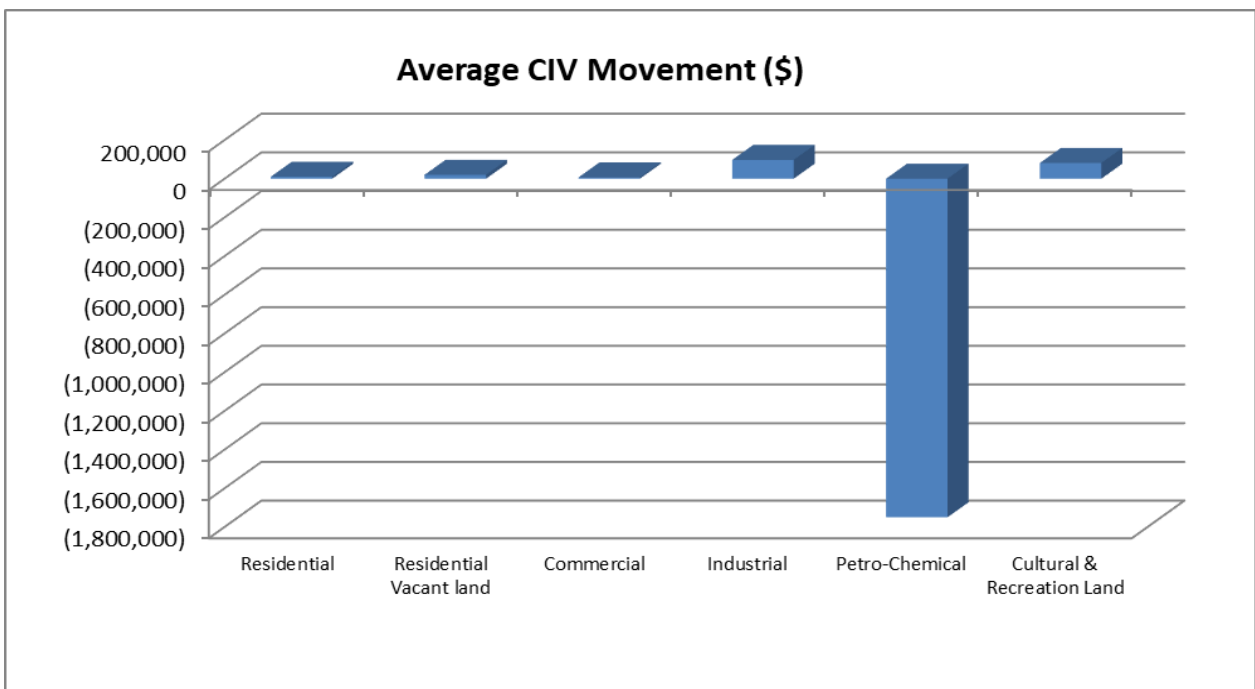
Rating Category	2024-25	2025-26	Change	Change %
Residential	901,433	911,318	9,885	1.10%
Residential Vacant land	919,805	939,829	20,024	2.18%
Commercial	1,204,756	1,211,131	6,375	0.53%
Industrial	2,092,520	2,189,609	97,089	4.64%
Petro-Chemical	13,544,353	11,794,353	(1,750,000)	(12.92%)
Cultural & Recreation Land	2,597,005	2,678,902	81,098	3.12%
Total	979,179	992,869	13,694	1.40%



The following graph shows the movements to the average properties CIV for each rating category after the 2025 revaluation in percentage terms.



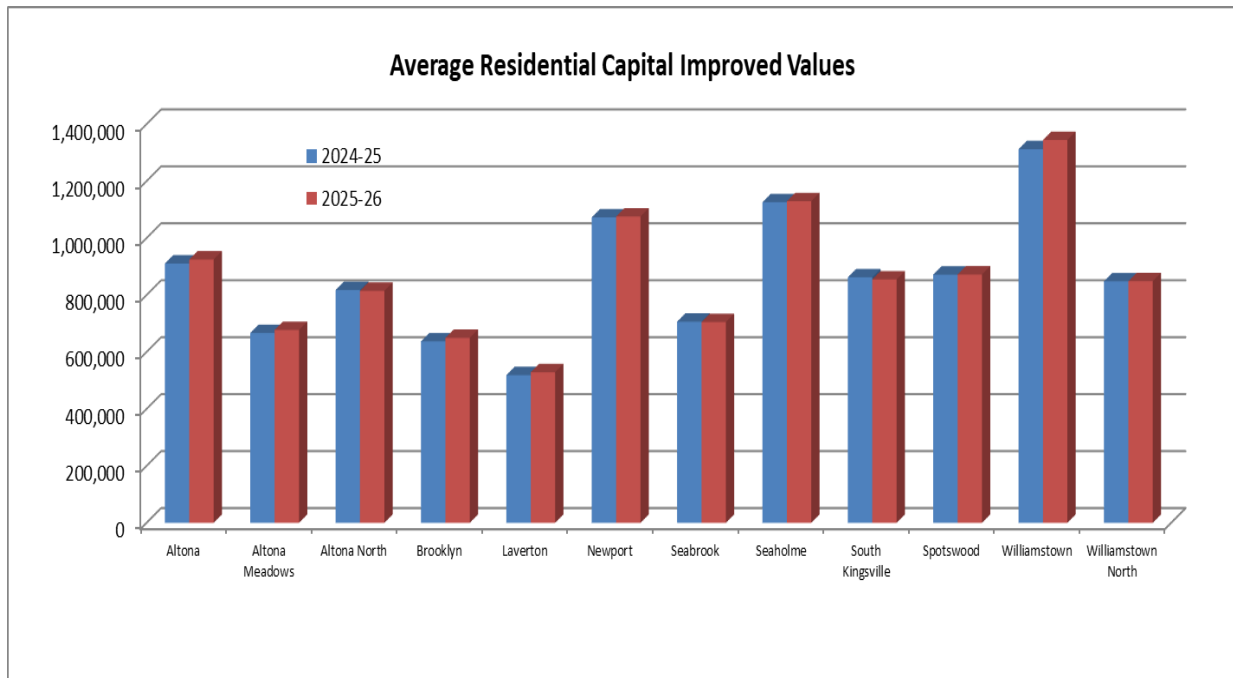
The following graph shows the movements to the average properties CIV for each rating category after the 2025 revaluation in dollar terms.



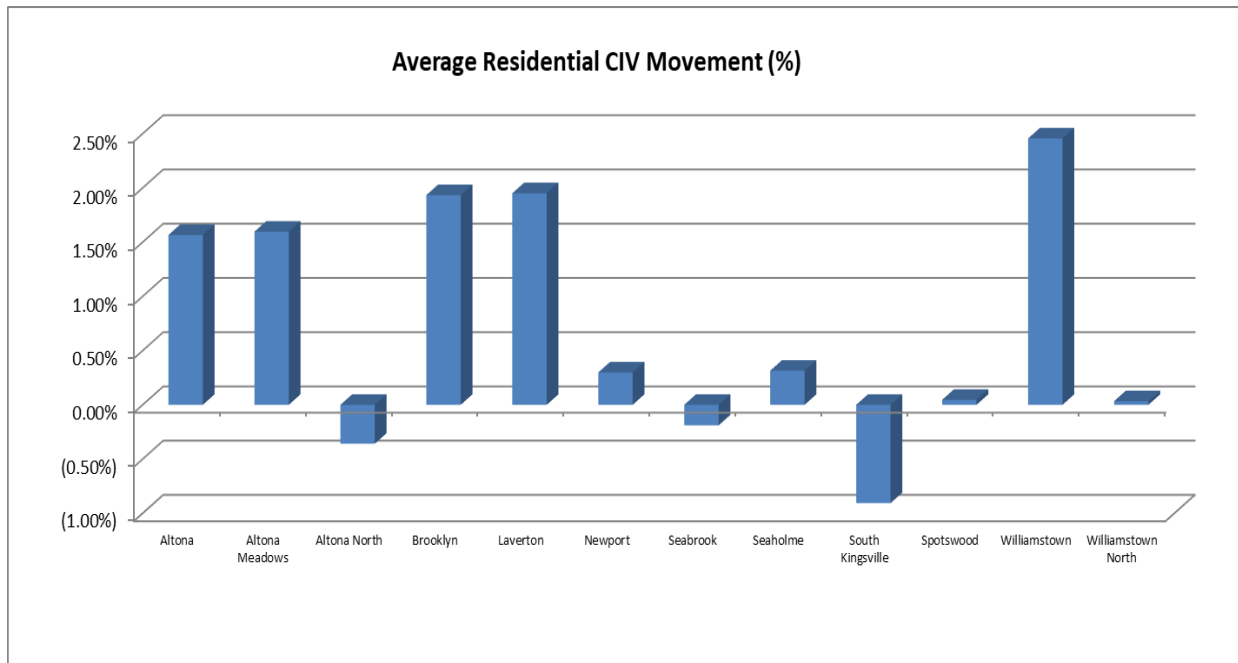
Average Residential Capital Improved Values

The following table and graph show the movements to the average residential property CIV after the 2025 revaluation, for each suburb.

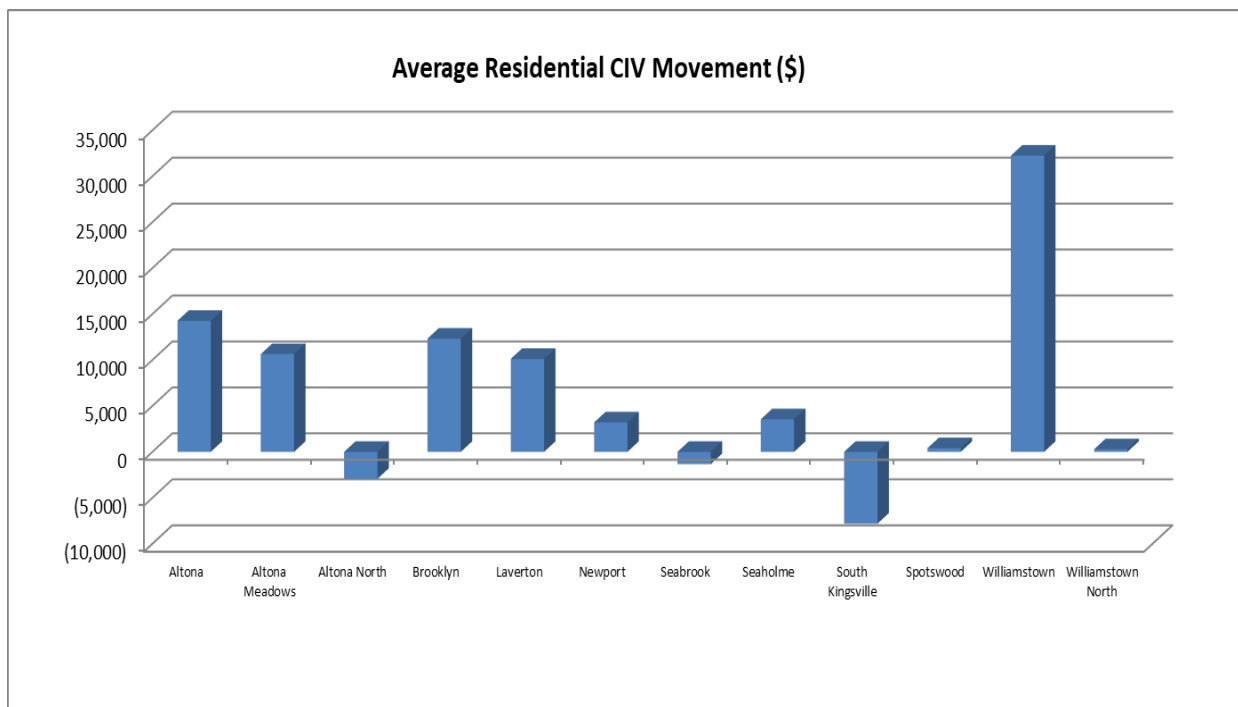
Suburb	2024-25	2025-26	Change \$	Change %
Altona	910,566	924,828	14,262	1.57%
Altona Meadows	666,575	677,216	10,641	1.60%
Altona North	817,616	814,682	(2,934)	(0.36%)
Brooklyn	637,083	649,402	12,319	1.93%
Laverton	518,754	528,874	10,120	1.95%
Newport	1,072,539	1,075,743	3,203	0.30%
Seabrook	706,332	704,994	(1,337)	(0.19%)
Seaholme	1,125,781	1,129,325	3,544	0.31%
South Kingsville	862,316	854,501	(7,815)	(0.91%)
Spotswood	871,664	872,065	402	0.05%
Williamstown	1,312,118	1,344,345	32,227	2.46%
Williamstown North	848,118	848,404	286	0.03%
Total	901,433	911,318	9,885	1.10%



The following graph shows the movements to the average residential property CIV after the 2025 revaluation, for each suburb in percentage terms. All suburbs have experienced slight average CIV increases, except for Altona North, Seabrook, and South Kingville, which decreased slightly.



The following graph shows the movements to the average residential property CIV after the 2025 revaluation, for each suburb in dollar terms. This again indicates that the suburbs to experience average CIV declines were Altona North, Seabrook, and South Kingville.



Appendix 3 - Revaluation Effects on Rates (Averages)

Council can influence the effects that the valuations have on rates by making adjustments to the Council's rating structure if it contributes to the equitable and efficient carrying out of the Council's functions.

The next section provides an analysis of the impact of valuations and rating structure adjustments have on each of Council's rating categories and residential suburbs. The average general rate increase is 3 per cent in-line with the rate cap. Due to the revaluation process, rate increases varied across differential rating categories and individual properties.

Council has determined that there are no changes required to its differential rating structure.

In summary, the average rate increases for each rating category are expected to be:

- residential ▲ 2.25 per cent increase
- residential vacant land ▲ 3.34 per cent increase
- commercial ▲ 1.68 per cent increase
- industrial ▲ 5.83 per cent increase
- petrochemical ▼ 11.93 per cent decrease
- cultural and recreational ▲ 4.30 per cent increase

The following table shows the number of properties, the differentials, and the rates in the dollar for each rating category in 2024-25 and 2025-26.

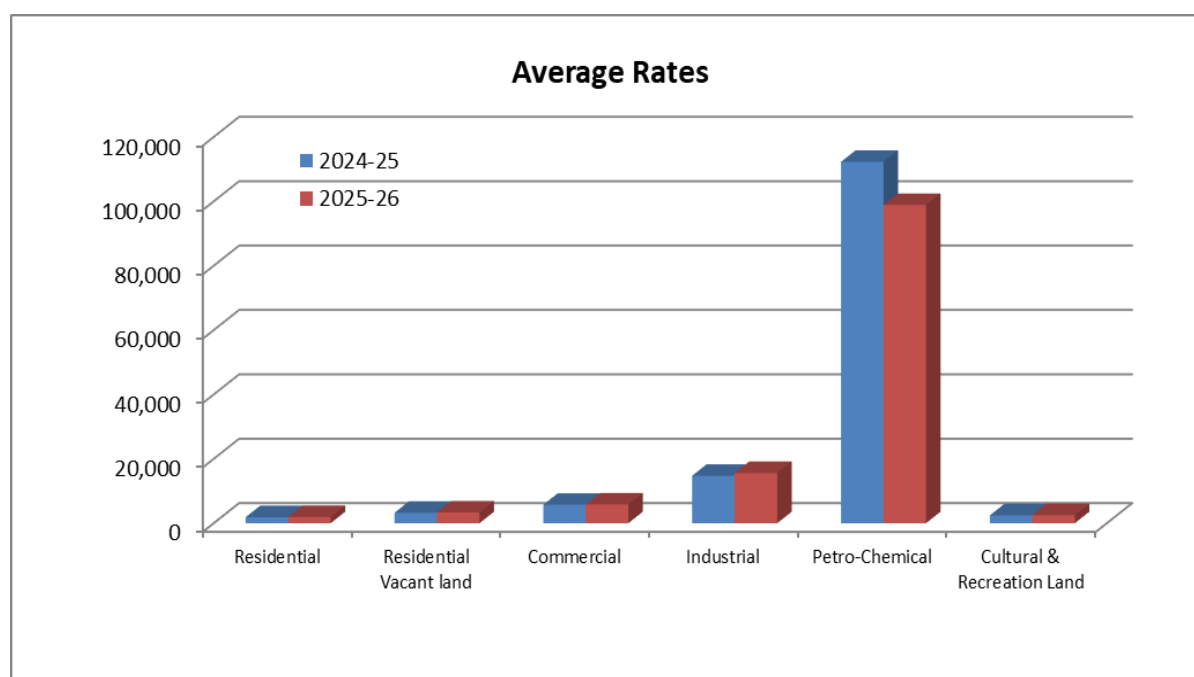
Rating Category	No of Props	2024-25		2025-26	
		Relative to Residential	Rate in \$	Relative to Residential	Rate in \$
Residential	41,902	1.00	0.00207185	1.00	0.00209551
Residential Vacant land	205	1.70	0.00352214	1.70	0.00356236
Commercial	1,586	2.30	0.00476525	2.30	0.00481967
Industrial	2,364	3.40	0.00704429	3.40	0.00712473
Petro Chemical	17	4.00	0.00828740	4.00	0.00838204
Cultural & Recreational Concession	41	0.45	0.00093233	0.45	0.00094298
	46,115				

Average Rates

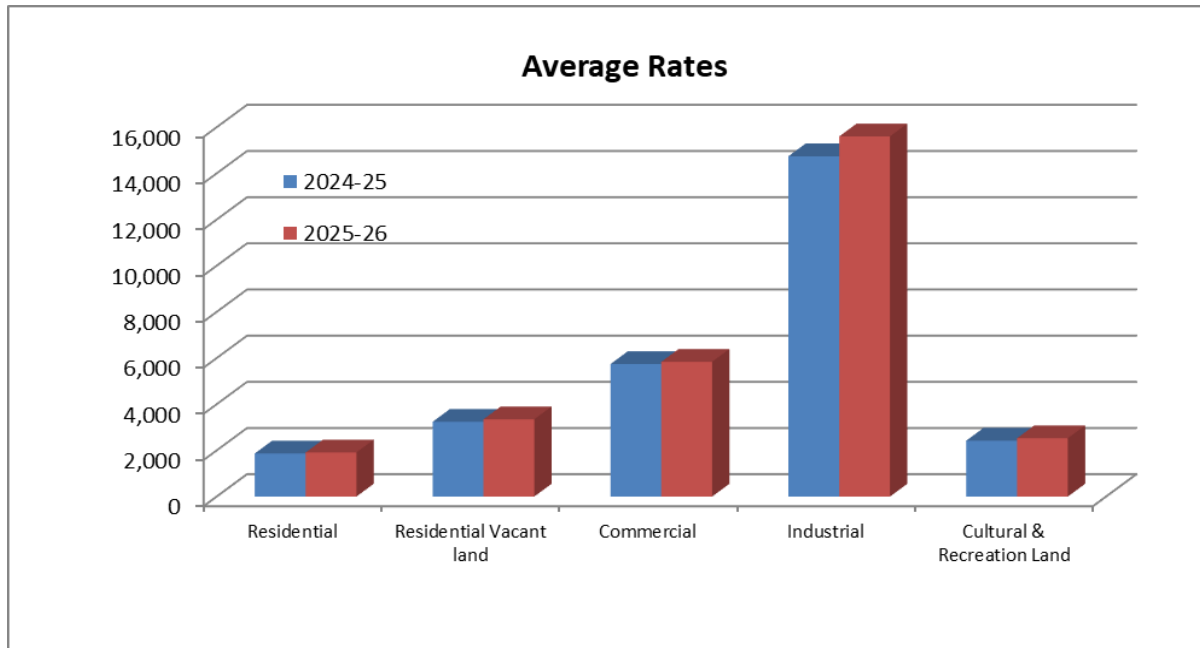
The following table and graphs highlight the anticipated movements to the average general rate for each rating category, in alignment with the 3 per cent rate cap.

There are differences in both dollar and percentage terms between each of the rating categories and individual properties. This is caused by valuation movements.

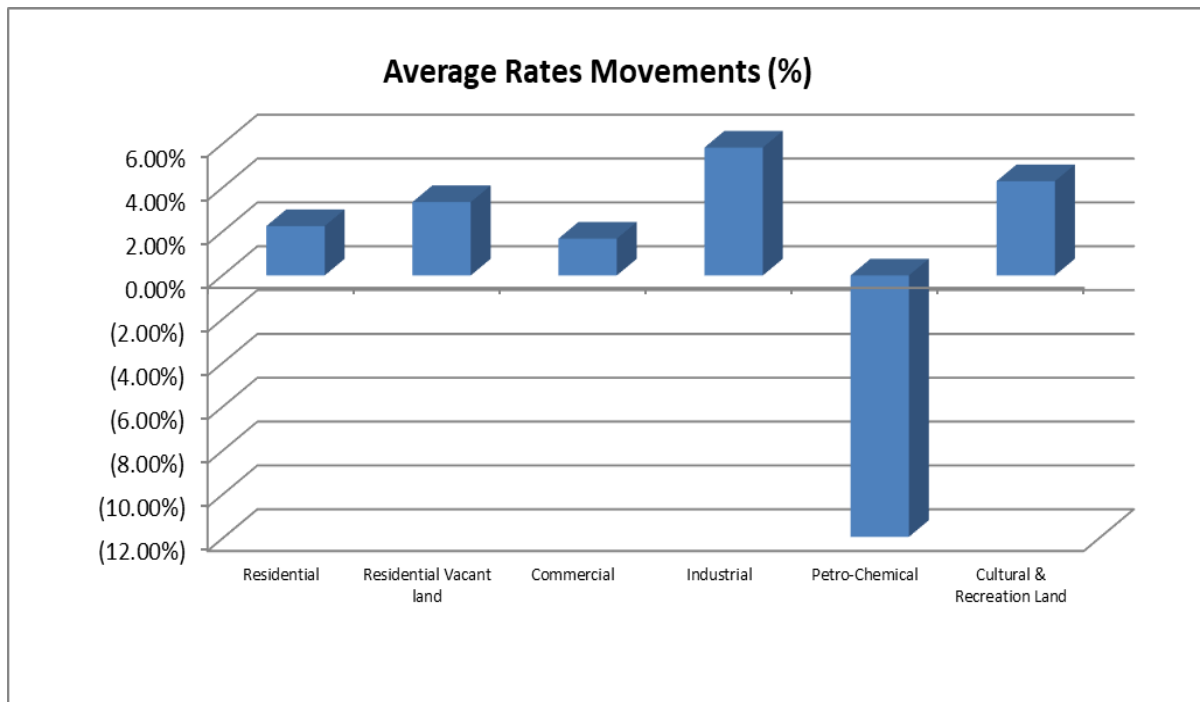
Rating Category	2024-25	2025-26	Change \$	Change %
Residential	1,868	1,910	42	2.25%
Residential Vacant land	3,240	3,348	108	3.34%
Commercial	5,741	5,837	96	1.68%
Industrial	14,740	15,600	860	5.83%
Petro-Chemical	112,247	98,861	(13,387)	(11.93%)
Cultural & Recreation Land	2,422	2,526	104	4.30%
Total	2,708	2,789	81	3.00%



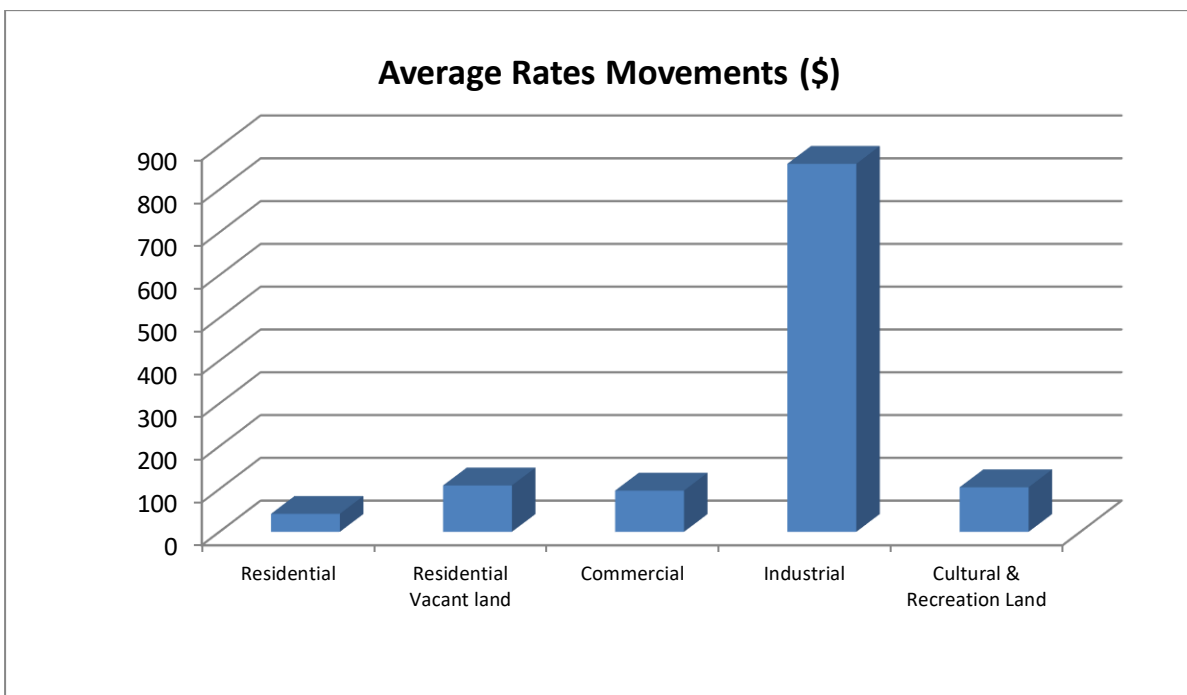
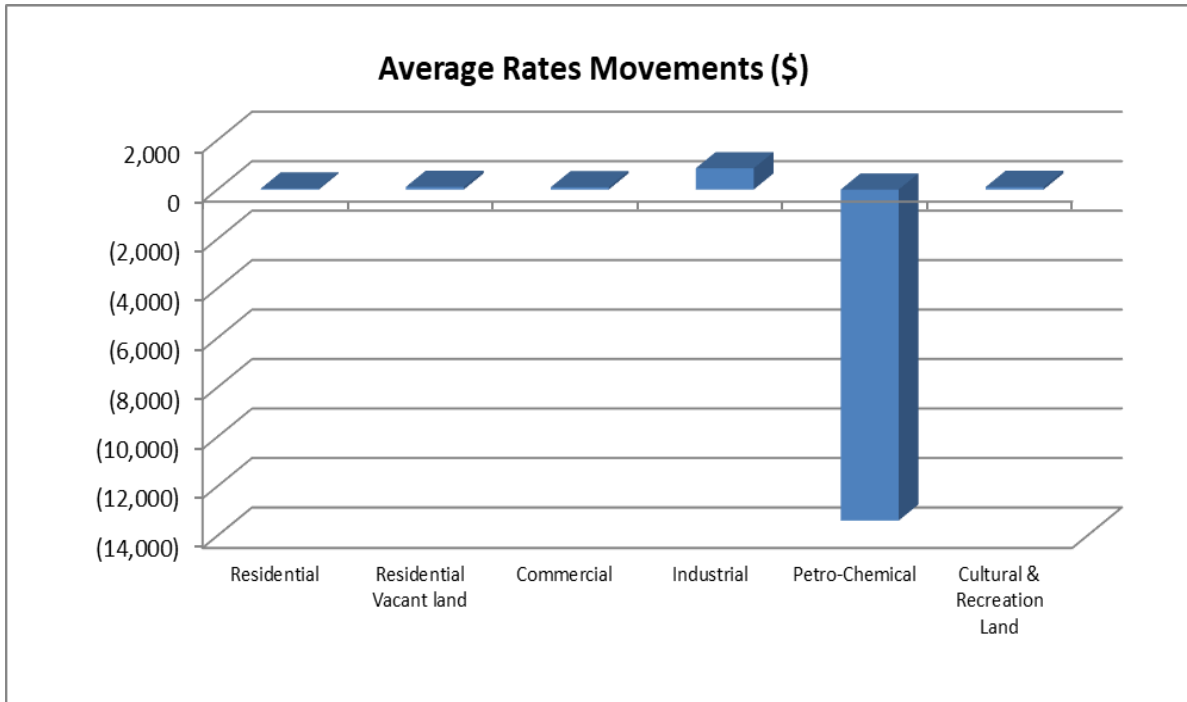
Due to the significant rates paid by the average petro-chemical property the following graph provides the same information, but with the average petro-chemical property removed.



The following graph highlights the average general rate movement in percentage terms.



The following graphs highlights the average general rate movement in dollar terms, for each rating category. The second graph provides the same information, but with the average petro-chemical property removed.



Average Residential Rates

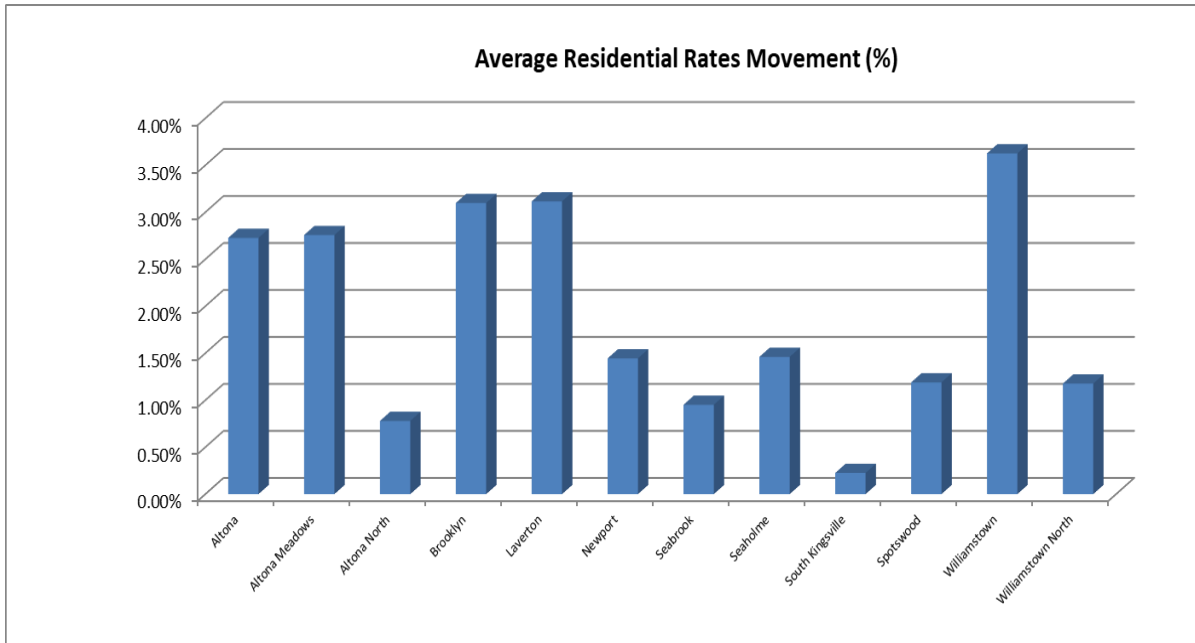
The average increase in general residential rates will be 2.25 per cent (or \$42).

Changes between suburbs and individual properties will vary due to the annual revaluation process. The following table and graph shows the anticipated movements to the average residential rates for each suburb.

Suburb	2024-25	2025-26	Change \$	Change %
Altona	1,887	1,938	51	2.73%
Altona Meadows	1,381	1,419	38	2.76%
Altona North	1,694	1,707	13	0.78%
Brooklyn	1,320	1,361	41	3.10%
Laverton	1,075	1,108	33	3.12%
Newport	2,222	2,254	32	1.44%
Seabrook	1,463	1,477	14	0.95%
Seaholme	2,332	2,367	34	1.46%
South Kingsville	1,787	1,791	4	0.23%
Spotswood	1,806	1,827	21	1.19%
Williamstown	2,719	2,817	99	3.63%
Williamstown North	1,757	1,778	21	1.18%
Total	1,868	1,910	42	2.25%



The following graph shows the average residential general rate movements in percentage terms for each suburb. Average percentage increases are expected in all suburbs, although none are expected to be above 4 per cent.



The following graph shows the average residential general rate movements in dollar terms for each suburb.

