

Understanding Rates & Valuations



South Gippsland
Shire Council

Rates and Valuations



Topics

- **Why do councils charge rates?**
- **What do rates fund?**
- **How are rates calculated?**
- **How are rates charged?**
- **Why is my rate change different to the 2.5% rate increase?**
- **Why are my rates different to other councils?**
- **What other charges are applied?**
- **Can I object to my valuation?**





Why do councils charge rates?

Councils are established with the intent of:

- Achieving the best outcomes for the local community
- Ensuring social, economic and environmental viability and sustainability
- Ensuring resources are used efficiently and effectively
- Improving the overall quality of life of people in the community
- Promoting business and employment opportunities

To achieve this, councils must charge rates to fund the necessary services. South Gippsland Shire Council currently receives approximately 60% of its total revenue from rates and waste charges.



What do rates fund?

Rates fund a variety of services provided by Council, including:

Street sweeping

Street lighting

Local road repairs

Footpaths

Drainage

Public toilets

Waste services



What do rates fund?

Rates fund a variety of services provided by Council, including:

Maternal and child health

Aged assessment services

Disability services

Parks and sporting facilities

Community facilities

Local laws enforcement





How are rates calculated?

Step One - councils must determine the amount which they need to raise each year by way of rates and other charges to deliver services.

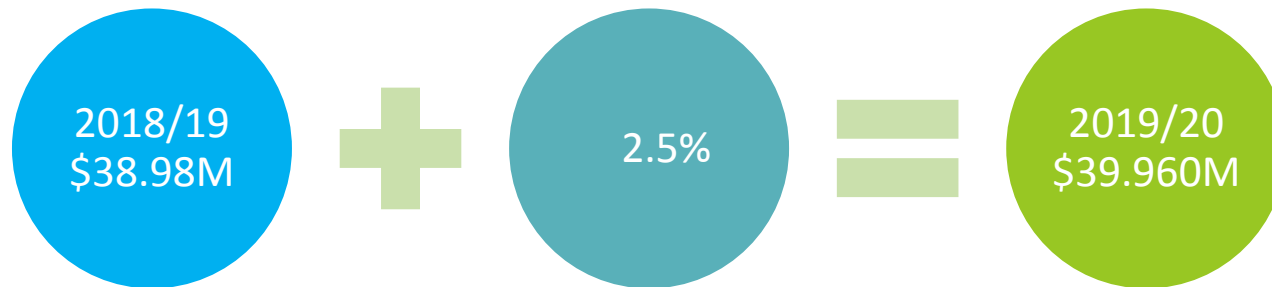
A “rates cap” is applied each year to limit the amount that rates can be increased by. In 2019/20, the rates cap for Victorian councils is 2.5%. South Gippsland Shire Council elected to raise rates in line with the rate cap.

increase



How are rates calculated?

Step 2 – Increase the overall rates pool by 2.5%



\$39.960M is now the amount to be raised by general rates charges. This amount will be split among all South Gippsland ratepayers depending on the value of their property and the category of their property.



How are rates calculated?

Step 3 – Determine value of each property within South Gippsland Shire

Valuations are important because rates are paid on the value of a property compared to the value of other properties in the area. If a property is valued higher, the property owner pays a higher proportion of rates. Valuations take into account all improvements made to your property.





How are rates calculated?

Step 3 – Determine value of each property within South Gippsland Shire (cont.)

Valuations were performed at January 1, 2019. These valuations were performed for each property and took into account:

- Market sales
- Rental advice

Underlying data on each property includes:

- Inspections
- Building and planning permits
- Other public sources



How are rates calculated?

Step 4 – Determine how to split the rates amongst rate payers

South Gippsland Shire Council classifies properties into ten different categories to spread the burden of rates depending on how each category utilises services.

- Industrial
- Vacant land
- Rural residential
- Farm
- General
- Commercial
- Cultural/Recreational
- Rural vacant
- Extractive industries
- Infrastructure and utilities



How are rates calculated?

Step 4 – Determine how to split the rates amongst rate payers (cont.)

Each category is then assigned a “differential” from the General Rate to determine the portion more or less that that type of property must pay compared to the General Rate. In 2019/20, these differential rates are as follows:

Rating Category	% to General Rate
General Rate (Residential)	100%
Industrial Rate	105%
Commercial Rate	105%
Farm Rate	70%
Rural Residential Rate	80%
Vacant Land Rate	200%
Cultural & Recreational Rate	50%

Rating Category	% to General Rate
Infrastructure and utilities	105%
Extractive Industries	105%
Vacant Rural Land	70%





How are rates calculated?

Step 5 – Calculate the rate per dollar of property value that each class of property must pay

A “rate in the dollar” is calculated for each category of property identified in Step 4. The rate in the dollar is multiplied by each property value to determine how much in rates that property owner must pay. These rates when applied to the value of all properties in South Gippsland Shire will amount to \$39.960M as calculated in Step 2.



How are rates calculated?

Step 5 – Calculate the rate per dollar of property value that each class of property must pay

The rate per dollar for each class of property for 2019/20 is as follows:

Rating Category	Rate per dollar	Differential applied
General Rate (Residential)	0.491133 cents	100% * 0.491133
Industrial Rate	0.515689 cents	105% * 0.491133
Commercial Rate	0.515689 cents	105%* 0.491133
Farm Rate	0.343793 cents	70%* 0.491133
Rural Residential Rate	0.392906 cents	70%* 0.491133
Vacant Land Rate	0.392906 cents	200%* 0.491133
Cultural & Recreational Rate	0.24556600 cents	50%* 0.491133
Infrastructure & Utilities	0.515689 cents	105%* 0.491133
Extractive Industries	0.515689 cents	105%* 0.491133
Vacant Rural Land	0.343793cents	70%* 0.491133



How are rates charged?

General Rates = Property Valuation X Rate in The Dollar

Example 1

Property Type – General (Residential)

Property Value = \$450,000

Rate in dollar = 0.491133 cents

$\$450,000 \times 0.00491133 = \$2,210.90$

Example 2

Property Type – General (Residential)

Property Value = \$600,000

Rate in dollar = 0.520201 cents

$\$600,000 \times 0.00491133 = \$2,946.80$



Why is my rate change different to the 2.5% rate increase?

While the overall pool of rates has increased by 2.5%, as shown earlier, the proportion of that pool paid by each property changes depending on the value of each property.

Example - Year 1 (2018/19)

Property Type – General

(Residential) Property Value =

\$400,000

Rate in dollar = 0.520201 cents

$\$400,000 \times 0.00520201 = \$2,080.80$

Increase of 12.5%

Year 2 (2019/20)

Property Type – General (Residential)

Property Value = \$450,000

Rate in dollar = 0.491133 cents

$\$450,000 \times 0.00491133 = \$2,210.10$

Note: the rate in the dollar has actually decreased!

Increase of 6.2%



Why is my rate change different to the 2.5% rate increase?

Here is another example, with a smaller property value increase. Even with a property value increase, this property's rates have decreased.

Increase of 2.5%

Example - Year 1 (2018/19)	Property	Year 2 (2019/20)	Property
Type – General (Residential)	Property	Property Type – General (Residential)	Property
Value = \$400,000		Property Value = \$410,000	
Rate in dollar = 0.520201 cents		Rate in dollar = 0.491133 cents	
$\$400,000 \times 0.00520201 = \$2,080.80$		$\$410,000 \times 0.00491133 = \$2,013.65$	

Note: the rate in the dollar has actually decreased!

Decrease of 3.3%





Why are my rates different to other councils?

Relative size of councils

Different councils have different sized areas to manage. Each council also has a different amount of rateable properties within it. The lower the number of properties, the higher the proportion of rates that is distributed amongst rate payers in that council. Quite often, the councils with a larger area to manage also have a smaller proportion of rateable properties. The only way to lower this charge, would be to reduce services and/or spend less on capital works.





What other charges are applied?

Waste Services Charge

This is a fixed charge, per property depending on the type of waste service provided to that property. The charge is set in order for Council to fully recover the cost of collecting waste. This charge does not depend on the value of the property.

Fire Service Property Levy

This charge is collected by Council on behalf of the State Government. All revenue collected through the Fire Services Property Levy goes to supporting the Victorian fire services. A different rate is charged depending on whether the Council Zone is supported by MFB or CFA. This levy is based on the value of your property.





Can I object to my valuation?

Yes, you may object to a valuation. This objection must be made within two months of the date of your rates notice. More information is on the back of your rates notice.





Contact us

For any further information please contact
the South Gippsland Shire Council Rates team on: 5662 9200

