SOUTH GIPPSLAND SHIRE COUNCIL

Rating Strategy 2019 - 2022

South Gippsland Shire Council

CONTENTS

1. Introduction

Under the *Local Government Act (1989)* ('LGA'), a primary objective of all Victorian Local Governments is to, "ensure the equitable imposition of rates and charges" (Section 3C(f)) and, "to ensure transparency and accountability in Council decision making" (Section 3C(g)). Section 136 of the Act also requires that Councils pursue spending and rating policies that are consistent with a reasonable degree of stability in the level of the rates burden.

The purpose of this Rating Strategy is therefore to consider the rating options available to Council under the LGA and how Council's choices in applying these options contribute towards meeting an equitable rating strategy where rates and charges are shared by the community.

The Rating Strategy ***does not influence the amount of money to be raised***, which is considered in the Long Term Financial Strategy / Annual Budget. It is instead to determine how rates and charges will be ***equitably distributed*** amongst Council's ratepayers.

The Rating Strategy reviews the limited range of rating options available to Council under the LGA including the following:

- The choice of which valuation base is to be utilised (of the three available choices under the Act);
- The determination of which rating system will be used, i.e. uniform rating versus the differential rates for various property classes;
- The application of fixed service charges for the areas of waste collection;
- Whether a municipal charge should be applied; and
- Determination of what rating categories should be used and what differential rates (if any) should apply to those categories.

2. Executive Summary and Recommendations

The purpose of a Rating Strategy is to consider the rating options available to Council under the LGA and how Council's choices in applying these options contribute towards delivering an equitable rating outcome for the community. The choices available to Council in a Rating Strategy affect the distribution of rate contributions across the community rather than how much in total is collected.

Council recognises that a taxation system based solely upon the property wealth tax valuation methodology of personal property is an imperfect system and understands that individual circumstances may not be adequately addressed on a case by case basis.

A Rating Strategy Review Committee, which comprised a cross-section of rate-paying stakeholders, three Councillors and an independent non-voting chair-person to oversee the review of the Rating Strategy, met over 8 meetings between October 2017 and February 2018. Following a presentation by the committee to Council on the 21st February 2018, it was determined that there was insufficient evidence to support making the changes recommended by the committee for the 2018/19 budget and that Council would look to undertake its own review over the following 12 months in time for the 2019/20 budget.

Council has subsequently examined the rating strategy over a series of 7 workshops. The following strategy recommendations have been made, including the introduction of three new rating categories:

- Extractive Industries – separated out from Industrial Rating Category and have applied a differential of 105% of the general rate for properties that meet the Extractive Industries definition.
- Infrastructure and Utilities – separated out from Industrial Rating Category and have applied a differential of 105% of the general rate for properties that meet the Infrastructure and Utilities definition.
- Vacant Rural Land – separated out from Vacant Land Rating Category and have applied a differential of 190% of the general rate for properties that meet the Infrastructure and Utilities definition.

At the special Council meeting held on 29th May to consider the submissions to the rating strategy, Council further amended the strategy to reflect the Vacant Rural Land differential to be reduced from 190% of the general rate for properties that meet the Vacant Rural Land definition to 150% of the general rate for properties that meet the Vacant Rural Land definition.

Section		Strategy recommendation
7	Determining which valuation base to use	That South Gippsland Shire Council continues to apply Capital Improved Value as the valuation methodology to levy Council rates.
8	Determining the Rating System – Uniform or Differential	That South Gippsland Shire Council continues to apply differential rating as its rating system.
9	What differential rates should be applied - Industrial	That South Gippsland Shire Council continues to apply a differential of 105% of the general rate for properties that meet the Industrial definition.
9	What differential rates should be applied – Extractive Industries	That South Gippsland Shire Council introduces an Extractive Industries Rating Category and applies a differential of 105% of the general rate for properties that meet the Extractive Industries definition.
9	What differential rates should be applied – Infrastructure and Utilities	That South Gippsland Shire Council introduces an Infrastructure and Utilities Rating Category and applies a differential of 105% of the general rate for properties that meet the Infrastructure and Utilities definition.
9	What differential rates should be applied - Commercial	That South Gippsland Shire Council continues to apply a differential of 105% of the general rate for properties that meet the Commercial definition.
9	What differential rates should be applied - Farm	That South Gippsland Shire Council continues to apply a differential of 70% of the general rate for properties that meet the Farm definition.
9	What differential rates should be applied – Rural Residential	That South Gippsland Shire Council continues to apply a differential of 70% of the general rate for properties that meet the Rural Residential definition.
9	What differential rates should be applied – Vacant Land	That South Gippsland Shire Council continues to apply a differential of 200% of the general rate for properties that meet the Vacant land definition.
9	What differential rates should be applied – Vacant Rural Land	That South Gippsland Shire Council introduces a Vacant Rural Land Rating Category and applies a differential of 150% of the general rate for properties that meet the Vacant Rural Land definition.

Section		Strategy recommendation
9	What differential rates should be applied – Cultural and Recreation	That South Gippsland Shire Council continues to apply a differential of 50% of the general rate for properties that meet the Cultural and recreational land definition.
11	Municipal Charge	That Council does not reintroduce a Municipal Charge.

3. Background

2018/19 Rating Strategy

In August 2017, Council approved a process to review its Rating Strategy for the period 2018-2022, through the establishment of a steering committee representing a cross-section of rate-paying stakeholders, three Councillors and an independent non-voting chair-person to oversee the review. Over 8 meetings, the committee made 11 recommendations to the existing strategy at that time.

Following a presentation by the committee to Council on the 21st February 2018, it was determined that there was insufficient evidence to support making the changes recommended by the committee and that Council should complete its own review for the period 2019-2022. An interim rating strategy for 2018/19 was approved and remained unchanged from the previous rating strategy.

4. What is a Rating Strategy and why have one?

The purpose of this rating strategy is for Council to consider how the rate burden can be most equitably distributed amongst the Community.

What is a rating strategy?

A rating strategy is the method by which Council systematically considers decisions about the rating system. The rating system determines how Council will raise money from properties within the municipality. It does not influence the total amount of money to be raised, only the share of revenue contributed by each property.

The rating system comprises the valuation base for each property and the actual rating instruments allowed under the Local Government Act (1989) to calculate property owners' liability for rates.

The importance of a rating strategy

South Gippsland Shire Council currently receives approx. 63% of its total revenue by way of property-based rates and waste charges. The development of strategies in respect of the rating base is therefore of critical importance to both Council and its community.

The principles of good governance further require Council to provide ongoing or periodic monitoring and review of the impact of major decisions. It is therefore essential for Council to evaluate on a regular basis, the legislative objectives to which it must have regard and those other objectives which Council believes are relevant.

In setting rates, Council gives consideration to its strategic directions, budget considerations, the current economic climate, other external factors and likely impacts upon the community. South Gippsland Shire Council is seeking to fully document its objectives and approach to the raising of rate revenue in line with its goal of providing transparency in its decision-making.

5. Rating Framework

The purpose of this section is to outline the legislative framework in which Council operates in constructing its rating system and the various issues that Council must consider in making its decisions on rating objectives.

5.1 Fair Go Rates System

On 2 December 2015, the Victorian Government passed legislation to restrict Council from increasing rate income by more than the average cap set by the Minister for Local Government. This legislation, in the form of the "Fair Go Rates System" controls general rate increases for all councils during each financial year. Since introduction, the rates cap has been set based on the forecast Consumer Price Index for each financial year and advice from the Essential Services Commission.

5.2 Legislative framework

The Local Government Act (1989) ('LGA') provides a legislative framework within which Council must operate when determining its rating system. A number of factors are specified within the LGA that Council must evaluate when setting its rating objectives.

- **Equitable imposition of rates and charges (Section 3C (f))** – A council must ensure the equitable imposition of rates and charges.
- **Valuation Bases (Section 157)** – A council may use the site value, net annual value or capital improved system of valuation.
- **Rates and Charges (Section 159 to 163)** – A council can levy general rates, municipal charges, service rates and charges and special rates and charges. General rates can be raised by the application of a uniform or a differential rate.
- **Municipal Charge (Section 159)** – An optional charge that a Council may levy to cover some of its administrative costs. The revenue that can be obtained from a municipal charge is limited to 20% of the total revenue to be obtained from general rates and the municipal charge.
- **Service rates and Service Charge (Section 162**) – may be declared for any of the following services:

  - The provision of a water supply;
  - The collection and disposal of refuse;
  - The provision of sewage services;
  - Any other prescribed service.
- **Special rates and special charges (Section 163)** – provisions can be used to defray expenses or repay (with interest) any advance made to, or debt incurred or loan raised by Council in relation to the performance of a function or the exercise of a power, if the Council considers that the performance or exercise is or will be of special benefit to the persons required to pay it. Council uses special rates and charges for the construction of kerb and channelling, footpath and drainage schemes
- **Differential Rates (Section 161)** – enables a Council rating on a Capital Improved Value basis to raise any general rates by the application of differential rates if the Council considers the differential rate will contribute to the equitable and efficient carrying out of its functions. Differential rates allow Councils to make choices about the tax treatment of different property groups. There is no limit to the number of differential rates that can be applied, but clear objectives must be set and specified.
- **Payments of rates and charges (Section 167)** – A council must allow a person to pay a rate or charge in at least four instalments or as a lump sum.
- **Incentives for prompt payment (Section 168**) – A council may provide incentives for the payment of rates and charges before the due date.
- **Rebates and Concessions –** A council may grant a rebate or a concession in relation to any rate or charge to assist the proper development of the municipal district, and to preserve, restore and maintain buildings or places of historical or environmental interest. Council may also grant a rebate or concession to support the provision of affordable housing, to a registered agency.

5.3 Taxation Principles

Having determined that Council must review its rating strategy in terms of the equitable imposition of rates and charges, the difficulty becomes how to define and determine what is in fact equitable in the view of Council. Council follows and considers the principles of taxation as follows:

Wealth Tax

- Wealth can be defined as the total value reflected in property and investments and income directed to day-to-day living. Local Government is limited to taxing one component of wealth – real property. Council rates tax the 'stored wealth' inherent in land and buildings.

- 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 ratepayers consumption of services or the perceived benefits derived by individual ratepayers from the expenditures funded from rates.

The wealth tax principle is effectively recognised by Council through the application of Capital Improved Value as the valuation base. Other taxation principles considered result in Council applying a differential rate to each property class.

Equity

- Does the tax burden fall appropriately across different classes of ratepayers? (Horizontal Equity)
- Where the distribution of benefits is not uniform, should those who benefit more contribute more? (Benefit Principle)
- Are those ratepayers with greater economic capacity in fact contributing more? (Vertical Equity)

Equity is a subjective concept that is difficult to define. What is considered fair for one person may be considered unfair for another. Council considers the equity principle through the application of accurate property valuations undertaken in a consistent manner along with classifications of properties into homogenous property classes which reflect receipt of benefits. Council also provides the right of appeal against valuations.

The tests of equity are based on the valuation of a ratepayers property (consistent with the wealth tax principle). Depending on individual viewpoints, an equitable outcome may be the one where individuals pay more or less or in proportion to their level of consumption of services. As discussed below, a more detailed approach to assess "capacity to pay" approach is not practical or possible. Further, a "user pays" approach is difficult, if not impossible, to quantify as it is not possible to assess an individual's exact use of public services.

Simplicity

- Is the system practical and cost effective to administer and enforce?
- Is the system simple to understand and comply with?

The taxation principle of simplicity revolves around how easily the system can be understood by the ratepayers. This can conflict with the principles of equity and efficiency.

Council has determined a rating strategy which it believes finds the balance between being practical and cost effective to administer and enforce and is simple for ratepayers to understand and comply with.

Efficiency

- Does the rating methodology significantly distort property ownership and development decisions in a way that results in significant efficiency costs?

All taxes, including property taxes, distort behaviour to some extent. However, economic efficiency is maximised when the degree of this distortion is minimised. Council has determined a rating strategy that it believes encourages population growth and appropriate development within the Shire whilst maintaining the desired characteristics of the Shire.

Sustainability

- Does the system generate sustainable, reliable revenue for Council and is it durable and flexible in changing conditions?

Council considers that the rating strategy generates sustainable and reliable revenue. The strategy is regularly reviewed to ensure it is durable and flexible in changing conditions.

Incentive

- Does the system encourage the type of behaviour Council is expecting?

Council has determined a rating strategy that it believes encourages population growth and appropriate development within the Shire whilst maintaining the desired characteristics of the Shire.

Cross-border competitiveness

- To what extent does the rating system undermine the competitiveness of Council as a place to live and/or own a property or operate a business?

Council has considered the rating strategies of the surrounding areas and considers that the South Gippsland Shire rating strategy allows the Shire to remain competitive as a place to live and/or own a property or operate a business.

Taxation Principle Trade-Offs

Simultaneously applying all of these taxation principles is an impossible task and therefore trade-offs between these taxation principles are necessary. The rating challenge for Council therefore is to determine the appropriate balancing of competing considerations. Council has considered each taxation process in developing the rating strategy to determine the fairest rating strategy possible.

5.4 Capacity to Pay

Council acknowledges that property taxes do not fully recognise the situation where ratepayers are ‘asset rich and income poor’. In some cases ratepayers may have considerable wealth reflected in property they own but have a low level of income. Examples include pensioners, self-funded retirees, businesses subject to cyclical downturn, households with large families and property owners with little equity but high levels of mortgage debt. Moreover, the Australian taxation system which allows for annuities, allocated pensions income and other assets to be treated differently in an assessment for government concessions and benefits, may further distort the true disposable income status of one household compared to another.

While personal income tax is more reflective of the capacity to pay, it is not possible to expect a property tax system to deal practically with all aspects of capacity to pay based on individual households and businesses. It is also not practical or acceptable to shift, modify or manipulate the existing system to the benefit of one group of ratepayers at the expense of another unless such shift is widely accepted and for a proper purpose. In fact, Local Government has no mandate or ability to universally apply a 'capacity to pay' test. In recognition of this fact, Council has developed its rates assistance and payment options to ensure that officers can provide ratepayers with assistance upon request.

5.5 What Rates and Charges may a Council declare?

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

a) General Rates under section 158;

b) Municipal Charges under section 159;

c) Service Rates and Charges under section 162; and

d) Special Rates and Charges under section 163.

The recommended strategy in relation to municipal charges, service rates and charges and special rates and charges are discussed in sections 11, 12 and 13 of this Rating Strategy.

5.6 Valuation Methodology available to Council

In raising Council rates, Council is required to primarily use the valuation of the rateable property to levy rates.

Section 157(1) of the Act provides Council with three choices in terms of which valuation base to utilise. They are Site Valuation, Capital Improved Valuation and Net Annual Value. The advantages and disadvantages of the respective valuation basis are discussed in Section 7 of this Rating Strategy.

5.7 Declaring Rates and Charges

Section 158 of the Act provides that Council must, at least once in respect of each financial year, declare by 31 August the following for that year:

a) the amount which Council intends to raise by way of general rates, municipal charges, service rates and service charges;

b) whether the general rates will be raised by application of –

i. a uniform rate; or

ii. differential rates (if Council is permitted to do so under section 161(1) of the Act; or

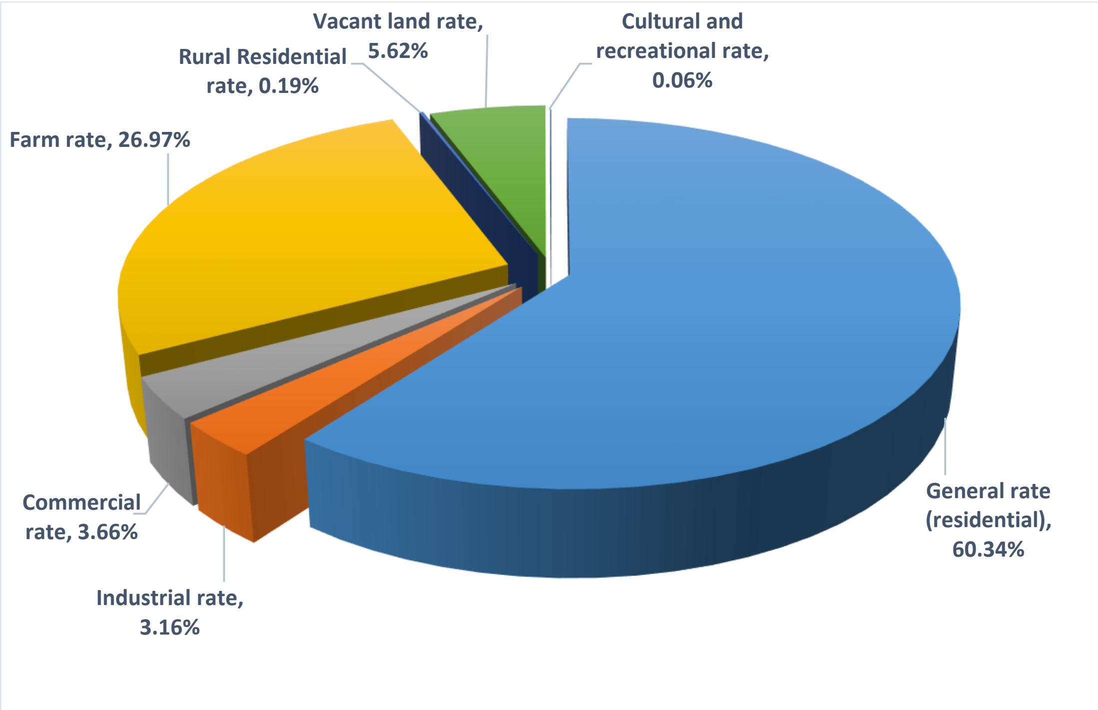
iii. urban farm rates, farm rates or residential use rates (if Council is permitted to do so under Section 161A of the Act).

Council's approach to the application of differential rates is discussed in Section 6 of this Rating Strategy.

6. Understanding the current rating framework at South Gippsland Shire Council

South Gippsland Shire Council currently applies the Capital Improved Valuation (CIV) method of valuation in order to levy its rates. Council currently applies differential rating (as opposed to uniform rating) and has five differential rates in use (including the base General rate). The table and graph below display the budgeted revenues from the various differential rates for the 2018-19 rates.

Rating Category	Number of Assessments 2018-19	Total CIV 2018-19 $'000	Total Rates Levied 2018-19 $'000	% Rates of Total 2018-19
General rate (residential)	13,682	4,490,711	23,361	60.34%
Industrial rate	337	224,188	1,225	3.16%
Commercial rate	646	259,281	1,416	3.66%
Farm rate	3,290	2,867,582	10,442	26.97%
Rural Residential rate	37	20,464	75	0.19%
Vacant land rate	1,583	209,059	2,174	5.62%
Cultural and recreational rate	22	8,483	22	0.06%
Total	**19,597**	**8,079,768**	**38,715**	**100%**
Waste charges			3,154	
Total Rates and Charges			**41,869**	



In terms of the differential rates that Council currently applies, the table below highlights the various "surcharges and discounts" that were utilised in deriving the 2018-19 Council rates.

Rating Category	Number of Assessments 2018-19	Rate in the dollar 2018-19	% to General Rate 2018-19
General rate (residential)	13,682	0.520201	100.00%
Industrial rate	337	0.546211	105.00%
Commercial rate	646	0.546211	105.00%
Farm rate	3,290	0.364140	70.00%
Rural Residential rate	37	0.364140	70.00%
Vacant land rate	1,583	1.040401	200.00%
Cultural and recreational rate	22	0.260100	50.00%
Total	**19,597**		

Council currently utilises a service charge to fully recover the cost of the waste function. It does not apply any service rates or special rates and charges under the Local Government Act (1989).

Listed below are the waste charges budgeted for 2018-19.

Type of Charge	Per Rateable charge 2018-19 $	Per Rateable Income 2018-19 $
Waste Services Charge A - Kerbside garbage & recycling collection service charge – Residential (120 litre weekly garbage/240 litre fortnightly recycling).	$211.20	$1,942,406
Waste Services Charge B - Kerbside recycling only collection service charge - Commercial (2 x 240 litre fortnightly recycling service only)	$211.20	$12,672
Waste Services Charge C - Kerbside garbage & recycling collection service – Commercial premises only (240 litre weekly garbage / 240 litre fortnightly recycling).	$297.45	$82,394
Waste Services Charge D – Kerbside garbage & recycling collection service - Sandy Point (120 litre weekly garbage/240 litre fortnightly recycling, plus 3 additional recycling collections	$218.30	$151,500

Type of Charge	Per Rateable charge 2018-19 $	Per Rateable Income 2018-19 $
Waste Services Charge E – Kerbside garbage & recycling collection service - Waratah Bay (120 litre weekly garbage/240 litre fortnightly recycling, plus 3 additional recycling collections	$250.30	$28,284
Waste Services Charge G – Kerbside garbage & recycling collection service – Venus Bay (120 litre weekly garbage / 240 litre fortnightly recycling) for 6 months from November to April	$159.70	$192,598
Waste Services Charge H – Kerbside garbage & recycling collection service – Venus Bay (120 litre weekly garbage / 240 litre fortnightly recycling) for 12 months	$253.75	$131,696
Waste Services Charge J – Kerbside garbage & recycling collection service – Walkerville (120 litre weekly garbage / 240 litre fortnightly recycling) for 6 months from November to April	$146.35	$1,171
Waste Services Charge K – Kerbside garbage & recycling collection service Walkerville (120 litre weekly garbage / 240 litre fortnightly recycling) for 12 months	$261.10	$4,178
Garb Green Waste Bin – Kerbside greenwaste collection service (240 litre fortnightly) for 12 months	$82.00	$607,456

Total	**$3,154,355**

7. Determining which valuation base to use

As outlined above, under the LGA, Council has three options for the valuation base it elects to use.
They are:

a) **Capital Improved Valuation (CIV)** – Value of land and improvements upon the land

b) **Site Valuation (SV)** – Value of land only

c) **Net Annual Value (NAV)** – Rental valuation based on CIV. For residential and farm properties, NAV is calculated at 5 per cent of the Capital Improved Value. For commercial and industrial properties NAV is calculated as the greater of the estimated annual rental value or 5 per cent of the CIV.

7.1 Capital Improved Value (CIV)

CIV is the most commonly used valuation base by Victorian Local Government with over 70 Councils applying this methodology. Based on the value of both land and all improvements on the land, it is relatively easy to understand for ratepayers as it equates the market value of the property.

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

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

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

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

<u>Advantages of using CIV</u>

- CIV includes all improvements, and hence is often supported on the basis that it more closely reflects "capacity to pay". The CIV valuation method takes into account the full development value of the property and hence better meets the equity criteria than SV and NAV.
- With the increased frequency of valuations (previously four year intervals, then two year intervals and currently annually), the market values are more predictable and this has reduced the level of objections resulting from valuations. The concept of the market value of property is far more easily understood with CIV rather than NAV or SV.

- Most councils in Victoria have now adopted CIV, which makes it easier to compare relative movements in rates and valuations across and between councils' municipal districts.
- The use of CIV allows councils to apply differential rates so as to equitably distribute the rating burden based on ability to afford rates. CIV allows Council to apply higher rating differentials to the commercial and industrial sector that offset residential rates.

Disadvantages of using CIV

- The main disadvantage with CIV is that total property value may not necessarily reflect the income level of the property owner, as is the case with pensioners and low income earners.

7.2 Site Value (SV)

There are currently no Victorian councils that use this valuation base. With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of SV in a South Gippsland Shire context would cause a massive shift in rate burden from the industrial/commercial sectors onto the residential sector.

There would be further rating movements away from modern townhouse style developments on relatively small land parcels to older established homes on the more typical quarter acre residential block.

It is difficult to see an equity argument being served by the implementation of SV in South Gippsland Shire.

Advantages of Site Value

- There is a perception that, under SV, a uniform rate would promote development of land, particularly commercial and industrial developments. There is however little evidence to prove that this is the case.
- SV would provide scope for possible concessions for Urban Farm Land and Residential Land.

Disadvantages in using Site Value

- Under SV, there would be a significant shift from the industrial/commercial sector onto the residential sector of Council. The percentage increases in many cases will be in the extreme range.
- SV is considered a major burden on property owners that have large areas of land. Some of these owners may have much smaller/older dwellings compared to those who have smaller land areas but well developed dwellings, however, will pay more in rates. A typical example is flats, units

and townhouses which would all pay low rates compared to traditional housing styles.
- The use of SV can place pressure on Council to give concessions to categories of landowners on whom the rating burden is seen to fall disproportionately (e.g. farm land, urban farm land and residential use properties). Large landowners, such as farmers for example, are disadvantaged by the use of SV.
- SV will reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates.
- The rate-paying community has greater difficulty in understanding the SV valuation on their rate notices, as indicated by many inquiries from ratepayers on this issue handled by Council's Customer Service and Rates and Valuation staff each year.

7.3 Net Annual Value (NAV)

NAV, in concept, represents the annual rental value of a property. However, in practice, NAV is closely linked to CIV for Residential Land and Farm Land. Valuers derive the NAV directly as 5 per cent of CIV.

In contrast to the treatment of Residential Land and Farm Land, NAV for Commercial and Industrial Land is assessed with regard to actual market rental. This differing treatment has led to some suggestions that all properties should be valued on a rental basis.

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

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

7.4 Summary

It is recommended that South Gippsland Shire Council continues to apply CIV as the valuation base for the following reasons:

- CIV is considered to be the closest approximation to an equitable basis for distribution of the rating burden.
- CIV provides Council with the ability to levy a full range of differential rates. Only limited differential rating is available under the other valuation bases.

- It should be noted that an overwhelming majority of Victorian councils apply CIV as their valuation base and, as such, it has a wider community acceptance and understanding than the other rating bases. The proposed direction in the review of the local government act 1989 (Act for the future – Directions for a New Local Government Act) is proposing that Councils are required to apply capital improved value as the single uniform valuation system for raising general rates.

Strategy Recommendation
That South Gippsland Shire Council continues to apply Capital Improved Value as the valuation methodology to levy Council rates.

8. Determining the Rating System – Uniform or Differential?

Council may apply a uniform rate or differential rates as a means of raising revenue. They are quite different in application and have different administrative and appeal mechanisms that need to be taken into account.

8.1 Uniform rate

Section 160 of the Act stipulates that, if a council declares that general rates will be raised by the application of a uniform rate, the council must specify a percentage as the uniform rate. Rates will be determined by multiplying that percentage by the value of the relevant land.

Council has not historically adopted uniform rates. Since amalgamation, it has instead chosen to adopt a differential rating system.

8.2 Differential Rates

Council has, since its inception, adopted differential rating as its rating strategy as it believes that it contributes to the equitable distribution of the rating burden. Differential rating allows rates for particular classes of properties to be assessed at different levels from the general rate set for the municipality. Differential rating allows Council to shift part of the rate burden from some groups of ratepayers to others, through different "rates in the dollar" for each class of property.

Under the LGA, Council is entitled to apply differential rates provided that it uses CIV as its basis for rating. Section 161 of the LGA prescribes requirements for differential rates and provides that:

(1) A Council may raise any general rates by the application of a differential rate if it uses the capital improved value system of valuing land.

(2) *If a Council declares a differential rate for any land, the Council must—*

(a) *specify the objectives of the differential rate which must include the following—*

(i) *a definition of the types or classes of land which are subject to the rate and a statement of the reasons for the use and level of that rate in relation to those types or classes of land;*

(ii) *an identification of the types or classes of land which are subject to the rate in respect of the uses, geographic location (other than location on the basis of whether or not the land is within a specific ward in the Council's municipal district) and planning scheme zoning of the land and the types of buildings situated on it and any other criteria relevant to the rate;*

(iii) *if there has been a change in the valuation system, any provision for relief from a rate for certain land to ease the transition for that land; and*

(b) *specify the characteristics of the land which are the criteria for declaring the differential rate.*

....

(5) *The highest differential rate in a municipal district must be no more than 4 times the lowest differential rate in the municipal district.*

Council, in striking the rate through the Annual Budget process, sets the differential rate for set classes of properties at higher or lower amounts than the general rate.

8.3 Advantages of a differential rating system

The perceived advantages of utilising a differential rating system are that it:

- provides greater flexibility to distribute the rate burden between all classes of property and therefore to link rates with the capacity to pay, including reflecting the tax deductibility of rates for Farms, Commercial and Industrial Land;
- allows Council to better reflect the investment required to establish infrastructure, especially to meet the needs of the commercial and industrial sector;
- enables Council to encourage particular types of development through its rating approach (e.g. encourage building on vacant blocks);
- allows Council to reflect the unique circumstances of some rating categories where the application of a uniform rate may create an inequitable outcome (e.g. farming enterprises); and

- allows Council discretion in the imposition of rates to 'facilitate and encourage appropriate development of its municipal district in the best interests of the community'.

8.4 Disadvantages of Differential Rating

The perceived disadvantages in applying differential rating are that:

- the justification of the differential rate can, at times, be difficult for the various rating groups to accept, giving rise to queries, objections and complaints where the differentials may seem to be excessive;
- differential rates can be confusing to ratepayers, as they may have difficulty understanding the system. Ratepayers within some rating categories may feel that they are unfavourably treated because they are paying a higher level of rates than other ratepayer groups; and
- differential rating involves a degree of administrative complexity as properties can shift from one differential rating category to another (e.g. Residential to Commercial, Vacant to Residential) requiring Council to continually update its records. Ensuring the accuracy/integrity of Council's database is critical to ensure that properties are correctly classified into their correct differential rating categories.

Strategy Recommendation
That South Gippsland Shire Council continues to apply differential rating as its rating system.

9. What differential rates should be applied?

The application of differential rates should be a strategic decision by Council that aligns with its overall strategic direction. The strategic direction is set out in the South Gippsland Shire Council Council Plan 2017-2021 which was adopted in June 2017.

This document sets Council's Vision –

South Gippsland Shire will be a place where our quality of life and sense of community are balanced by sustainable and sensitive development, population and economic growth.

In order to achieve Council's Vision, four objectives have been identified;

The objective that most strongly correlates to the process of setting rate differentials is objective "Strengthen Economic Growth & Prosperity". The overview provided in the Council Plan for this objective reads:

A strong, resilient and growing regional economy with vibrant commercial precincts where businesses are supported and jobs created.

Our region's agriculture, value adding, food production and manufacturing sectors are promoted and supported, recognising that the diversity and strength of these industries is the major economic base of the Shire.

Attracting businesses, investments, tourism and new residents will grow the Shire.

A well-planned Shire that identifies areas for population growth, protects natural resources and agricultural land, guides development, considers climate change and encourages sustainable economic growth – all supported by appropriate infrastructure.

The unique character of our smaller towns is recognised and supported.

The table below highlights the differential rates currently applied by South Gippsland Shire Council and the number of relevant assessments in each category used to raise rates for the 2018-19 financial year.

Rating Category	Number of Assessments 2018-19	Rate in the dollar 2018-19	% to General Rate 2018-19
General rate (residential)	13,682	0.520201	100.00%
Industrial rate	337	0.546211	105.00%
Commercial rate	646	0.546211	105.00%
Farm rate	3,290	0.364140	70.00%
Rural Residential rate	37	0.364140	70.00%
Vacant land rate	1,583	1.040401	200.00%
Cultural and recreational rate	22	0.260100	50.00%
Total	**19,597**		

For the 2019-2022 rating strategy, Council has proposed three new Rating Categories as follows:

- Extractive Industries – separated out from Industrial Rating Category
- Infrastructure and Utilities – separated out from Industrial Rating Category
- Vacant Rural Land – separated out from Vacant Land Rating Category.

These proposed Rating Categories are described in further detail below.

9.1 General rates (residential)

General Land is any land which is not:

- Commercial Land, as described below;
- Industrial Land, as described below;
- Extractive Industries Land, as described below;
- Infrastructure and Utilities Land, as described below;
- Vacant Land, as described below;
- Rural Vacant Land as described below;
- Farm Land, as described below;
- Cultural and Recreational Land, as described below; or
- Rural Residential Land as described below;

Council currently has 13,682 general (residential) properties and generates 60.34% of total rates raised from this category.

South Gippsland Shire Council utilises the Australian Valuation Property Classification Codes (AVPCC) to assist in informing a property's rating classification. Each property is assigned a code by the Valuer based upon their knowledge of the property. A ratepayer has the right to object to a classification code if they feel the current code is not applicable or no longer applicable.

9.2 Industrial

The Industrial Rate is intended to promote economic development objectives for Council's municipal district. "Attracting businesses, investments, tourism and new residents" is part of Council's objective to, "Strengthen Economic Growth & Prosperity".

Council currently has 337 industrial properties. This will reduce to 214 properties under the proposal to separate out land used for extractive industries and infrastructure and utilities.

Industrial properties are those that are used for the purposes of manufacturing. These properties constitute 1.09% of the total assessments and contribute 2.16% of the total rates raised.

Industrial Land is any land which is used predominantly for industrial purposes, excluding land used for extractive industries and infrastructure and utilities and to which any of the following AVPCC codes, or AVPCC codes in the following ranges, have been allocated:

AVPCC 303–399, 400-409, 412–481, 483–499, 602–612, 615–621, 626–637, 639–644, 647–649, 659, 661–664, 666, 667, 673, 676–679, 681, 683, 685, 689, 691, 693, and 699.

Strategy Recommendation
That South Gippsland Shire Council continues to apply a differential of 105% of the general rate for properties that meet the Industrial definition.

The higher differential rate applied for industrial properties takes into account the tax deductibility of rates for businesses, which is not available to the residential sector, and the extent of use of the Council's infrastructure by Industrial businesses.

9.3 Extractive Industries

Extractive Industries is a new Rating Category proposed by Council for the 2019-2022 Rating Strategy. Historically, these properties have been included within the Industrial Rating Category.

The Extractive Industries Rate is intended to promote economic development objectives for Council's municipal district. "Attracting businesses, investments, tourism and new residents" as part of Council's objective to, "Strengthen Economic Growth & Prosperity". Further, the strategy seeks to "protect natural resources" and that the "unique character of our smaller towns is recognised and supported".

Council currently has 12 extractive industry properties. Extractive industries properties are those that are used for the purposes of quarrying sand, gravel and stone. These properties constitute 0.06% of the total assessments and contribute 0.31% of the total rates raised.

Extractive Industries Land is any land which is used predominantly for quarrying purposes and to which any of the following AVPCC codes, or AVPCC codes in the following ranges, have been allocated:

AVPCC 410-411.

Strategy Recommendation
That South Gippsland Shire Council introduces an Extractive Industries Rating Category and applies a differential of 105% of the general rate for properties that meet the Extractive Industries definition.

The higher differential rate applied for extractive industries properties takes into account the tax deductibility of rates for businesses, which is not available to the residential sector, and the extent of use of the Council's infrastructure by extractive industries businesses.

9.4 Infrastructure and Utilities

Infrastructure and Utilities is a new Rating Category proposed by Council for the 2019-2022 Rating Strategy. Historically, these properties have been included within the Industrial Rating Category.

The Infrastructure and Utilities Rate is intended to promote economic development objectives for Council's municipal district. "Attracting businesses, investments, tourism and new residents" as part of Council's objective to, "Strengthen Economic Growth & Prosperity".

Council currently has 111 infrastructure and utilities properties. Infrastructure and utilities properties are those that are used for specialist infrastructure and/or special purpose cables lines, conduits or tunnels. These properties constitute 0.57% of the total assessments and contribute 0.69% of the total rates raised.

Infrastructure and Utilities Land is any land which is used predominantly for the purpose of providing specialist infrastructure and/or cabling, conduits or tunnels and to which any of the following AVPCC codes, or AVPCC codes in the following ranges, have been allocated:

AVPCC 622-623, 682 and 694-698.

Strategy Recommendation
That South Gippsland Shire Council introduces an Infrastructure and Utilities Rating Category and applies a differential of 105% of the general rate for properties that meet the Infrastructure and Utilities definition.

The higher differential rate applied for infrastructure and utilities properties takes into account the tax deductibility of rates for businesses, which is not available to the residential sector, and the extent of use of the Council's infrastructure by infrastructure and utilities businesses.

9.5 Commercial

The strategic objective for Commercial land is to support existing business, diversify employment opportunities and attract new business, investment and tourism ventures. The desired outcome is vibrant commercial centres in our towns both large and small. The commercial rate is intended to promote economic development objectives for Council's municipal district. A desired outcome from the Council Plan is that "our main towns have vibrant commercial precincts where businesses are supported".

Council currently has 646 commercial properties

Commercial properties are defined as those selling a product or providing a service. These properties are similar to industrial properties in respect that they are businesses providing employment opportunities. These properties constitute 3.30% of the total assessments and contribute 3.66% of the total rates raised.

Commercial Land is any land which is used predominantly for commercial purposes and to which any of the following Australian Valuation Property Classification Codes (AVPCC codes), or AVPCC codes in the following ranges, have been allocated:

AVPCC 202–299, 656, 657, 669–672, 674, 675, 684, 687, 688, 690, 696, 711, 715, 803–816, 818–820, 822, 823, 825, 827 and 828.

Strategy Recommendation
That South Gippsland Shire Council continues to apply a differential of 105% of the general rate for properties that meet the Commercial definition.

The higher differential rate applied for commercial properties takes into account the tax deductibility of rates for businesses, which is not available to the residential sector, and the extent of use of the Council's infrastructure by commercial businesses.

9.6 Farm

The strategic objective for Farm land is that the Shire's agriculture, value adding, food production and manufacturing sectors are promoted and supported. The desired outcome of this objective is the preservation of agricultural land and commercially viable and sustainable farm businesses underpinning a thriving agricultural sector.

The Farm Rate is intended to:

- promote and support the use of sound agricultural practices; and
- conserve and protect areas which are suited to certain agricultural pursuits; and
- encourage proper land use consistent with genuine farming activities.

Council currently has 3,290 Farm properties.

These properties constitute 16.79% of the total assessments and contribute 26.97% of the total rates raised.

Farm Land is any land on which the business of farming is being carried out, and which:

1. **Has a total area exceeding 20ha and –**
   (a) is used predominantly for farm purposes;
   AND
   (b) has applied to it an AVPCC code within the following range: **500–583**
   OR
2. **Has a total area exceeding 2ha and less than 20ha and –**
   (a) is used predominantly for farming purposes;
   AND
   (b) If there is a dwelling situated on the land, or a current planning permit for construction of a dwelling on the land, has applied to it an AVPCC code within the following range: **540-583**;
   OR
   (c) if there is no dwelling situated on the land, and no current planning permit for construction of a dwelling on the land, has applied to it an AVPCC code within the following range: **500-583**
   OR
3. **Has a total area of less than 2 hectares and is -**
   (a) used predominantly for farming purposes;
   AND
   (b) forms part of a farm business which straddles the boundary with an adjoining municipality;
   OR
   (c) (where the farm business is entirely within the municipality) to which any of the following AVPCC codes in the following range, have been allocated: **540-543 or 564**
   OR
   (d) used predominantly for farming purposes;
   AND
   (e) is operated in combination with property within Council's municipal district which, when combined, have a total are exceeding 20 hectares, to which AVPCC codes in the following range apply: **570-572**

NB: To avoid doubt, 'business' for the purposes of identifying Farm Land, has the same meaning as that given to it by section 2(1) of the *Valuation of Land Act* 1960 for the same purpose, being a business that:

- has a significant and substantial commercial purpose or character; and
- seeks to make a profit on a continuous or repetitive basis from its activities on the land; and
- is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way that it is operating.

Strategy Recommendation
That South Gippsland Shire Council continues to apply a differential of 70% of the general rate for properties that meet the Farm definition.

The lower differential rate applied for farm properties takes into account that farm properties do not receive or require the same service levels as general properties per land area held and that farm properties generally require larger landholdings to run efficiently, which would result in disproportionately high rates in relation to the income able to be generated from these properties. Rate relief will also continue to be provided to farming due to its importance to the local community.

9.7 Rural Residential

The strategic objective for Rural Residential land is to ensure that only commercially viable and sustainable farm businesses receive the farming differential and that hobby/lifestyle properties are rated at the general rate. The rural residential rate is applied to a properties of a certain size only.

Council currently has 37 Rural Residential properties.

These properties constitute 0.19% of the total assessments and contribute 0.19% of the total rates raised.

This category was created when a single submission was received from a farmer with land of more than 18.3ha who wished to receive the farming differential. Legal advice at the time recommended adopting a separate and distinct category for the type of land in question. Such land was then characterised as Rural Residential and represents properties between 18.30 and 20 Hectares.

Strategy Recommendation
That South Gippsland Shire Council continues to apply a differential of 70% of the general rate for properties that meet the Rural Residential definition.

The lower differential rate applied for rural residential properties takes into account that these properties do not receive or require the same service levels as general properties per land area held and that these properties generally require larger landholdings to run efficiently, which would result in disproportionately high rates in relation to the income able to be generated from these properties.

9.8 Vacant land

The strategic objective for vacant land is to ensure growth and economic development. The objective of the strategy is:

a. To encourage developers and land owners to develop their land ; or
b. For landowners to rationalise and consolidate vacant land blocks

in the hope of

I. Increasing population
II. Increasing employment and business opportunities; and
III. Adding to the vibrancy and sustainability of the Shire

The rate applies equally to residential, commercial and industrial zoned areas for the development of those vacant lots.

Council currently has 1,583 vacant land properties. This will reduce to 1,371 properties under the proposal to separate out rural vacant land.

These properties constitute 7.00% of the total assessments and contribute 4.76% of the total rates raised.

Vacant Land is any land which is vacant, excluding vacant land in a Farming or Rural Activity Zone, to the extent that no buildings are erected on it, and to which any of the following AVPCC codes, or AVPCC codes in the following ranges, have been allocated:

AVPCC 100–108, 150, 151, 200, 201, 300, 301, 482, 600, 601, 700–706,782 or 800–802.

Strategy Recommendation
That South Gippsland Shire Council continues to apply a differential of 200% of the general rate for properties that meet the Vacant land definition.

The higher differential rate applied for vacant properties is to encourage the development of this land.

9.9 Vacant Rural Land

Vacant Rural Land is a new Rating Category proposed by Council for the 2019-2022 Rating Strategy. Historically, these properties have been included within the Vacant Land Category.

The Vacant Rural Land Rate is separated out from Vacant Land to recognise the higher cost of service connections for Vacant Rural Land. The strategic objective for rural vacant land is to ensure growth and economic development. The objective of the strategy is:

a. To encourage developers and land owners to develop their land; or
b. For landowners to rationalise and consolidate vacant land blocks in the hope of:
    i. Increasing population
    ii. Increasing employment and business opportunities; and
    iii. Adding to the vibrancy and sustainability of the Shire.

Council currently has 212 vacant rural properties. These properties constitute 1.08% of the total assessments and contribute 0.86% of the total rates raised.

Vacant Rural Land is any land in a Farming or Rural Activity Zone which is vacant, to the extent that no buildings are erected on it, and to which any of the following AVPCC codes, or AVPCC codes in the following ranges, have been allocated:

AVPCC 100–108, 150, 151, 200, 201, 300, 301, 482, 600, 601, 700–706,782 or 800–802.

Strategy Recommendation
That South Gippsland Shire Council introduces a Vacant Rural Land Rating Category and applies a differential of 150% of the general rate for properties that meet the Vacant Rural Land definition.

The higher differential rate applied for vacant rural properties is to encourage the development of this land. This differential rate is lower than the vacant land rate to recognise the higher cost of service connections for vacant rural properties.

9.10 Cultural and Recreational land

The strategic objective of Cultural and Recreational land is to encourage outdoor sporting, recreational and cultural pursuits.

Council currently has 22 Cultural and Recreational properties.

These properties constitute 0.11% of the total assessments and contribute 0.06% of the total rates raised.

Cultural and Recreational Land is any land that has the characteristics of 'recreational lands' as defined by section 2 of the Cultural and Recreational Lands Act 1963. This includes;

“a lands which are—

  i. *vested in or occupied by any body corporate or unincorporate which exists for the purpose of providing or promoting cultural or sporting recreational or similar facilities or objectives and which applies its profits in promoting its objectives and prohibits the payment of any dividend or amount to its members; and*
  ii. *used for out-door sporting recreational or cultural purposes or similar out-door activities; or*

b. *lands which are used primarily as agricultural showgrounds; or*
c. *the Melbourne Cricket Ground (which has the same meaning as Ground has in the Melbourne Cricket Ground Act 2009); or*
d. *the Flemington Racecourse land within the meaning of the Victoria Racing Club Act 2006; or*
e. *the national tennis centre land within the meaning of section 4 of the Melbourne and Olympic Parks Act 1985; or*
f. *lands (whether or not otherwise rateable) which are declared by Order of the Governor in Council under section 2A to be recreational lands—".*

But does not in the case of lands referred to in subparagraph (i) of paragraph (a) of this interpretation include lands which are not held for an estate in fee simple by any such body unless such lands are held under a lease or licence from the Crown or from a municipal council.

Strategy Recommendation
That South Gippsland Shire Council continues to apply a differential of 50% of the general rate for properties that meet the Cultural and Recreational land definition.

10. Understanding the impacts of Council Revaluations

The purpose of this section is to provide an overview of the rate revaluation and supplementary valuation processes.

Key points

- Property revaluations, undertaken annually, do not generate extra revenue for Council. Valuations can, however, have a significant impact on the rates that individual properties are allocated as the total rates pool is redistributed based on the updated property values.
- Valuations are undertaken as at 1 January each year and will be in effect for the rates levied from 1 July for a period of one year.
- Ratepayers can object to their property valuation.

From 1 July 2018 land valuations were centralised under Valuer-General Victoria ('VGV'), with a new annual cycle of valuations for land tax, the Fire Services Property Levy and council rates setting purposes. South Gippsland Shire Council were approved to retain in-house valuations until 2022, at which time the valuation function is expected to transfer to VGV.

Property values are determined by qualified valuers comparing each property to the recent sales figures of similar properties in the neighbourhood. Key factors taken into account are location, land size, type of improvement and condition; and/or use.

The Valuer General of Victoria is responsible for reviewing the total valuation of each municipality for accuracy before certifying that the valuations are true and correct. Valuations are conducted using Best Practice Guidelines formulated and published by the Valuer General Victoria.

10.1 No windfall gain

There is a common misconception that if a property's valuation rises then Council receives a "windfall gain" with additional income. This is not so, as the revaluation process results in a redistribution of the rate levied across all properties in the municipality. Any increase to total valuations of the municipality is offset by a reduction to the rate in dollar used to calculate the rate for each property. Rates collected by Council are capped at an annual increase rate as set out by the Minister for Local Government. In 2018-19, this rates cap was set at 2.25%. Council elected to apply a lower rates cap of 2%.

10.2 How does this affect my rates?

The general revaluation process enables Council to re-apportion the rate income across the municipality in accordance with movements in property value. Properties which have increased in value by more than the average will receive a rate increase of more than the headline rate. Properties with an increase in value less than the average will receive a rate increase less than the headline rate or potentially a rates decrease.

10.3 Supplementary Valuations

In accordance with the *Valuation of Land Act 1960* further Valuations may be required to be carried out between General revaluations. These are known as Supplementary Valuations.

Supplementary Valuations are completed when properties are physically changed by buildings being erected, demolished or altered, when properties are amalgamated, subdivided, portions sold off, rezoned or roads constructed.

Supplementary Valuations are adopted to bring the value of properties into line with values assigned to other properties in the municipality. This is to ensure that as near as practicable the rating valuation reflects the current property condition at the date prescribed for the General revaluation.

11. Municipal Charge

Another principle rating option available to Councils is the application of a municipal charge. Under Section 159 of the Act, Council may declare a municipal charge to cover some of its administrative costs. The legislation is not definitive on what comprises administrative costs and does not require Council to specify what is covered by the charge.

A Council's total revenue from a municipal charge in a financial year must not exceed 20 per cent of the combined sum total of the Council's total revenue from the municipal charge and the revenue from general rates. The application of a municipal charge represents a choice to raise a portion of the rates by a flat fee for all properties, rather than sole use of the CIV valuation method.

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

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

Strategy Recommendation
That Council does not reintroduce a Municipal Charge.

12. Service Rates and Charges

Section 162 of the LGA 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 sewerage services;

d) any other prescribed service.

Council currently applies a Service Charge for the collection and disposal of refuse on properties that fall within the collection area. Council retains the objective of setting the Waste Service Charge for waste at a level that fully recovers the cost of fulfilling the waste collection and disposal function.

The advantage of the Waste Service Charge is that it is readily understood and accepted by residents as a fee for a direct service that they receive. It further provides equity in the rating system in that all residents who receive exactly the same service level all pay an equivalent amount.

The disadvantage of the Waste Service Charge is similar to the municipal charge in that it is considered regressive in nature. A fixed charge to a low valued property comprises a far greater proportion of the overall rates than it does to a more highly valued property.

On balance however, it is recommended that Council retains the existing Waste Service Charge. Unlike a municipal charge, where the direct benefit to the resident is invisible – the Waste Service Charge is a tangible service that is provided directly to all in the same fashion.

Should Council elect not to have a Waste Service Charge in the future, this same amount would be required to be raised by way of an increased general rate – meaning that residents in higher valued properties would pay substantially more for the waste service of lower valued properties.

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

Strategy Recommendation
That Council continues to apply a Waste Service charge as part of its rating strategy based on full cost recovery of the waste function.

13. Special Rates & Charges

Council has the power to levy a special rate or special charge, or a combination of special rate and charge, to fund service provision under Section 163 of the Act. A special rate or charge can be used if Council deems that a special benefit is received by those properties on which it is levied. Council need not necessarily use property value as the basis for levying a special rate or charge.

Special Rates and / or Special Charges have been used by councils to fund things like:

- The construction of a road
- The construction of a footpath; and
- The provision of drainage infrastructure

It is possible for a Council to have several special rates and charges schemes in place at any one time, however, the proliferation of these schemes is not a practical option, particularly given the impact on efficiency as each scheme has to be justified, advertised and managed. The consideration of such schemes should be on a case by case basis as to whether revenue collection issues would be better addressed by general rates or user charges.

14. Collection of Rates and Charges

In accordance with Section 167(1) of the Local Government Act, Council must allow a person to pay their rates and charges in four instalments and the instalments are due and payable on the dates fixed by the Minister as published in the Government Gazette (Option 1).

Section 167(2A) provides that a Council may also allow a person to pay their rates and charges in a lump sum. South Gippsland Shire Council offers the lump sum option with the Government gazetted due date of 15th February (Option 2).

In addition, Council provides a nine monthly payment option covering the same payment timeframe of the four gazetted instalment options (Option 3).

14.1 Payment Options

Option 1

Quarterly Instalments	
1st Instalment due	30 September
2nd Instalment due	30 November
3rd Instalment due	28 February
4th Instalment due	31 May

Option 2

Payment in Full	
Due date	15 February

Option 3

9 Monthly Payments	
1st Instalment due	30 September
2nd Instalment due	31 October
3rd Instalment due	30 November
4th Instalment due	31 December
5th Instalment due	31 January
6th Instalment due	28 February
7th Instalment due	31 March
8th Instalment due	30 April
9th Instalment due	31 May

14.2 Unpaid Rates and Charges

In accordance with Section 172 of the Local Government Act, Council will charge interest on unpaid rates and charges in accordance with the rate fixed under Section 2 of the Penalty Interest Rate Act 1983.

The penalty interest rate applicable under the Local Government Act is determined by the rate ruling on 1 July each year.

The penalty interest will be applied after the due date of an instalment. For lump sum payers, the interest penalty will be applied after the due date of the lump sum, but calculated on each of the instalment amounts that are overdue from the day after of their due dates. Interest penalties will continue to accrue until all amounts are paid in full.

14.3 Debt Recovery

Final notices are forwarded to ratepayers requesting payment or inviting ratepayers to make arrangements to pay their outstanding debt.

If no payment is forthcoming or no arrangements have been made to pay the debt, Council will pursue the recovery of outstanding rates and charges through its debt collection agent.

Any costs incurred during the recovery process are added to the amount outstanding. Council will also make every effort to contact ratepayers at their correct address but it is the ratepayer’s responsibility to properly advise Council of their correct mailing details and contact number(s).

Any ratepayer who has difficulty paying their rates is invited to contact Council to make alternate payment arrangements.

An accumulation of three or more years of rates and charges debt enables Council to initiate sale proceedings of the rateable property in accordance with S181 of the Local Government Act 1989.