



Surf Coast Shire Council Rating Strategy



TABLE OF CONTENTS

1. Introduction	1
2. Executive summary.....	1
3. Purpose	3
4. Legislation	4
5. Equity Principle.....	5
6. Understanding the current rating framework at Surf Coast Shire Council.....	6
7. Determining which valuation base to use	7
7.1 Capital improved value (CIV)	7
7.2 Site value (SV)	8
7.3 Net annual value (NAV)	9
8. Differential rates	10
8.1 Differential rate definitions and objectives.....	10
9. Property Valuations.....	15
9.1 Supplementary Valuations	15
9.2 Objections to property valuations.....	15
11. Municipal charge	17
12. Service rates and charges.....	17
13. Collection and Administration of Rates.....	18
13.1 Payment options.....	18
13.2 Interest on arrears and overdue rates	18
13.3 Pensioner rebates.....	18
13.4 Deferred payments.....	18
13.5 Financial Assistance Policy.....	19
13.6 Debt recovery	19
14. Discussion Points	Error! Bookmark not defined.
14.1 Retirement Village rating differentials	Error! Bookmark not defined.
14.2 Tourist Accommodation rating differentials	Error! Bookmark not defined.
15. Conclusion	20

1. Introduction

Under the Local Government Act (1989), a primary objective of all Victorian Local Governments is to ensure the equitable imposition of rates and charges (Section 3C(f)). The purpose of a rating strategy is therefore to consider what rating options are available to Council under the Local Government Act (1989) and how Council's choices in applying these options contribute towards meeting an equitable outcome.

It is important to note at the outset that the focus of this strategy is very different to that which is discussed in the Long Term Strategic Resource Plan or Annual Budget. In these latter documents the key concern is the quantum of rates required to be raised for Council to deliver the services and capital expenditure required. In rating strategy however, the focus instead is on how this quantum will be equitably distributed amongst Council's ratepayers. This Rating Strategy will canvass the limited range of rating options available to Council under the Local Government Act (1989) including the following:

- a) The choice of which valuation base is to be utilised (of the three available choices under the Act)
- b) The consideration of uniform rating versus the application of differential rates for various classes of property.
- c) What is the most equitable level of differential rating across the property classes having regard for the principles of taxation?
- d) The application of fixed service charges for the areas of waste management and municipal administration.
- e) The application of special rates and charges.
- f) The application of other levies under the Planning Act

2. Executive summary

The selection of rating philosophies and the choice between the limited rating options available under the Local Government Act (1989) is a difficult one for all Councils and it is most likely that a perfect approach is almost impossible to achieve in any local government environment.

This is the case for Surf Coast Shire Council where there are large disparities in property prices and in the ability of various rating groups to afford payment of Council rates. Cross-subsidies are required to ensure the rates burden is spread equitably.

As such, Council will continue to apply differential rating against various property classes that reflect the ability of these segments to afford Council rates.

Council currently applies five differential rates (including the General Residential Rate) to different classes of property. This rating strategy recommends a continuation in this approach.

In addition, from 1 July 2016 all Victorian Councils will have their annual rate increases capped under the new "Fair Go Rates System" introduced by the Victorian State Government.

The proposed strategy recommends that Council adopt the following:

Section	Strategy Recommendations
Determining the valuation base to use	That Council continue to apply the Capital Improved Value (CIV) valuation method to levy rates.
Using a differential rating system	That Council continue to utilise differential rating in its rating strategy.
What differential rates should be applied?	<ol style="list-style-type: none"> 1. That Council continue to apply a uniform general rate on any rateable land which does not satisfy the criteria for a differential rate. 2. That Council continue to apply a farm differential rate. 3. That Council continue to apply a commercial/industrial differential rate. 4. That Council continue to apply both a vacant land differential rate, and a Vacant Land Provisional Rate differential rate. 5. That Council not introduce any new differential rates. 6. That Council is mindful of the periodic impacts of property revaluations.
Special rates and charges	That Council use special rates and charges in instances that fit the required criteria.
Municipal charge	That Council continue to levy the Municipal Charge as part of its rating strategy.
Service rates and charges	That Council continue to apply Waste Service charges as part of its rating strategy based on full cost recovery of the waste function and providing for future landfill rehabilitation.
Rate payment date options	That Council continue to apply the quarterly instalment payment option and continue to offer a monthly or quarterly direct debit option for ratepayers.

3. Purpose

The purpose of a rating strategy is to explain the approach taken by Council in levying rates under Part 8 of the Local Government Act 1989 (Rates and Charges on Rateable Land). This rating strategy will set out the factors to be considered by Council when adopting a rating structure for determining revenue generated from properties within the Surf Coast Shire.

Council must raise revenue each year sufficient for the purposes of good governance, administration, and to provide appropriate infrastructure and support for the community. The services Council provides are broad and are allocated according to community needs.

Council rates are a form of taxation based on property value. By legislation (*Valuation of Land Act 1960*) the value of the property is to be reassessed every two years. Council levies rates to provide infrastructure and services that are not provided by private enterprise and other levels of government.

The major services provided by Council include (but are not limited to):

- Kindergarten, early learning, and children's programs
- Home and Community Care, and positive ageing programs
- Waste Collection and disposal
- Road and street construction, upgrades, and maintenance
- Recreational and leisure facilities and programs
- Community infrastructure construction, upgrades, and maintenance
- Environmental management and services, including vegetation and pest control
- Public Health Services including food safety and immunisations
- Economic Development, Tourism and marketing
- Local laws governance and enforcement
- Statutory and strategic planning services
- Emergency planning and management

Section 3C of the Local Government Act (1989) stipulates the primary objective of Councils is to endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effects of its decision. In seeking to achieve its primary objective, a Local Government Authority must have regard to facilitating the following objectives:

- a) Promote the social, economic and environmental viability and sustainability of the municipal district.
- b) Ensure resources are used efficiently and effectively.
- c) Improve the overall quality of life of the people in the local community.
- d) Promote appropriate business and employment opportunities.
- e) Ensure services and facilities provided are accessible and equitable.
- f) Ensure the equitable imposition of rates and charges.
- g) Ensure transparency and accountability in Council decision making.

The issue of equity must therefore be addressed in the rating strategy, and this proposed strategy has paid careful attention to this aspect.

4. Legislation

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

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

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

In raising Council rates, Council is required to primarily use the valuation of the rateable property to levy rates. Section 157 (1) of the Local Government Act (1989) provides Council with three choices in terms of which valuation base to utilise. They are Site Valuation, Capital Improved Valuation and Net Annual Value. The advantages and disadvantages of the respective valuation basis are discussed in Section 7 of this paper.

Section 158 of the Local Government Act (1989) provides that Council must at least once in respect of each financial year declare by 30 June 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))
 - iii. Urban farm rates, farm rates or residential use rates (if Council is permitted to do so under Section 161A).

All of the required information is included in the annual Surf Coast Shire Council budget.

5. Equity Principle

In order to determine an equitable distribution of the rates burden, Council must first define what it considers equitable. Council follows the principles of taxation as follows:

Equity

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

Simplicity

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

Sustainability

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

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?

Competitive neutrality

- Are all businesses conducting similar activities treated in similar ways within the municipality?

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.

6. Understanding the current rating framework at Surf Coast Shire Council

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

- 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*
- A 'user pays' component to reflect usage of services provided by Council
- A 'fixed' municipal charge per property to cover some of the administrative costs of Council

Striking a proper balance between these elements provides equity in the distribution of the rate burden across residents.

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

The existing rating structure comprises five differential rates (residential or general, commercial/industrial, farm, vacant residential, and vacant provisional). These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the *Local Government Act 1989*, and the *Ministerial Guidelines for Differential Rating 2013*. The differential rates are currently set as follows:

Residential	100%
Commercial / Industrial	190%
Farmland	75%
Vacant Residential	200%
Vacant Provisional	100%

Council also levies a municipal charge. The municipal charge is declared for the purpose of covering some of the administrative costs of Council. Future increases to the municipal charge will be capped under the Fair Go Rates legislation.

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

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

Rates and charges are an important source of revenue, accounting for over 70% of operating revenue received by Council. The collection of rates is an 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 well aware of the balance between rate revenue as an important funding source and community sensitivity to rate increases. With the introduction of the Fair Go Rates legislation, all future rate increases will be capped to a rate declared by the minister for Local Government, widely tipped to align closely with the forecast rate of inflation.

Council currently utilises a service charge to fully recover the cost of the waste function and provide for future landfill rehabilitation costs. The garbage service charge is not capped under the Fair Go Rates legislation, and Council will continue to allocate surplus funds from this charge towards the future rehabilitation of the Anglesea Landfill.

7. Determining which valuation base to use

Under the Local Government Act (1989), Council has three options as to the valuation base it elects to use. They are:

- Capital Improved Valuation (CIV) – Value of land and improvements upon the land.
- Site Valuation (SV) – Value of land only.
- Net Annual Value (NAV) – Rental valuation based on CIV. For residential and farm properties, NAV is calculated at 5 per cent of the Capital Improved Value. For commercial and industrial properties, NAV is calculated as the greater of the estimated annual rental value or 5 per cent of the CIV.

7.1 Capital improved value (CIV)

Capital Improved Value is the most commonly used valuation base by Local Government with 72 of the 79 Victorian Councils applying this methodology. Based on the value of both land and all improvements on the land, it is relatively easy to understand by ratepayers as it equates the market value of the property.

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

- a) It uses the capital improved value system of valuing land; and
- b) It considers that a differential rate will contribute to the equitable and efficient carrying out of its functions.

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

Advantages of using Capital Improved Value (CIV)

- CIV includes all improvements, and hence is often supported on the basis that it more closely reflects “capacity to pay”. The CIV rating method takes into account the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.
- With the increased frequency of valuations (previously four year intervals, now two year intervals), the market values are more predictable and 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 Council’s in Victoria have now adopted CIV which makes it easier to compare relative movements in rates and valuations across Councils.
- The use of CIV allows Council to apply differential rates which greatly adds to Council’s ability to equitably distribute the rating burden based on ability to afford Council rates. 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 the fact that rates are based on the total property value which may not necessarily reflect the income level of the property owner as with pensioners and low income earners.

7.2 Site value (SV)

With the recent movement of Monash City Council to CIV rating, there are no Victorian Councils that use this valuation base. With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of Site Value in a Surf Coast Shire Council context would cause a shift in rate burden from the industrial/commercial sectors onto the residential sector, and would hinder Council's objective of a fair and equitable rating system.

There would be further rating movements away from modern townhouse style developments on relatively small land parcels to older established homes on the more typical quarter acre residential block. In many ways, it is difficult to see an equity argument being served by the implementation of site valuation in the Surf Coast Shire.

Advantages of Site Value

- There is a perception that under site valuation, a uniform rate would promote development of land, particularly commercial and industrial developments. There is, however, little evidence to prove that this is the case.
- Scope for possible concessions for urban farm land and residential use land.

Disadvantages in using Site Value

- Under SV, there will be a significant shift from the Industrial/Commercial sector onto the residential sector of Council. The percentage increases in many cases would be in the extreme range.
- SV is a major burden on property owners that have large areas of land. Some of these owners may have much smaller/older dwellings compared to those who have smaller land areas but well developed dwellings - but will pay more in rates. A typical example is flats, units, or townhouses which will all pay low rates compared to traditional housing styles.
- The use of SV can place pressure on Council to give concessions to categories of landowners on whom the rating burden is seen to fall disproportionately (eg. Farm land and residential use properties). Large landowners, such as farmers for example, are disadvantaged by the use of site value.
- SV will reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates.
- 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 Property Revenue 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 capital improved value for residential and farm properties. Valuers derive the NAV directly as 5 per cent of CIV.

In contrast to the treatment of residential and farms, NAV for commercial and industrial properties are assessed with regard to actual market rental. This differing treatment of commercial versus residential and farms has led to some suggestions that all properties should be valued on a rental basis.

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

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

Recommendation:

Surf Coast Shire Council continue to apply Capital Improved Value 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. Limited Differential rating only is available under the other rating bases.
- It should be noted that an overwhelming majority of Victorian Councils apply CIV as their rating base and as such, it has a wider community acceptance and understanding than the other rating bases.

8. Differential rates

Surf Coast Shire Council applies a Capital Improved Valuation (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.

Differential rating allows (under the CIV method) Council to shift part of the rate burden from some groups of ratepayers to others, through different “rates in the dollar” for each class of property.

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

1. A Council may raise any general rates by the application of a differential rate, if Council considers that the differential rate will contribute to the equitable and efficient carrying out of its functions.
2. If a Council declares a differential rate for any land, the Council must specify the objectives of the differential rate, which must be consistent with the equitable and efficient carrying out of the Councils functions and must include the following:
 - a) A definition of the types of classes of land which are subject to the rate and a statement of the reasons for the use and level of that rate.
 - b) An identification of the type or classes of land which are subject to the rate in respect of the uses, geographic location (other than location on the basis of whether or not the land is within a specific ward in Council’s district).
 - c) Specify the characteristics of the land, which are the criteria for declaring the differential rate.

Once the Council has declared a differential rate for any land, the Council must:

- a.) Specify the objectives of the differential rates;
- b.) Specify the characteristics of the land which are the criteria for declaring the differential rate.

The purpose is to ensure that Council has a sound basis on which to develop the various charging features when determining its revenue strategies and ensure that these are consistent with the provisions of the Local Government Act.

The general objectives of each of the differential rates are to ensure that all ratable land makes an equitable financial contribution to cost of carrying out the functions of Council. There is no limit on the number or types of differential rates that can be levied, but the highest differential rate can be no more than four time the lowest differential rate.

8.1 Differential rate definitions and objectives

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

General Rate is any land, which is:

- Any land which does not have the characteristics of the following rating differentials:
 - Farm Rate land;
 - Commercial/Industrial Rate land or
 - Vacant Rate land.

The objectives of this differential rate are:

- To ensure that Council has adequate funding to undertake its strategic, statutory, service provision and community services obligations; and
- To ensure that the differential rate in the dollar declared for defined general rate land properties is fair and equitable, having regard to the cost and the level of benefits derived from provision of Council services.

Farm Rate is any land, which is:

- That is 2 or more hectares in area;
- Used primarily for primary producing purposes from its activities on the land;
- Used primarily for grazing (including agistment), dairying, pig-farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities; and
- That is used by a business –
 - That has a significant and substantial commercial purpose of character;
 - That seeks to make a profit on a continuous or repetitive basis from its activities on the land; and
 - That 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.

The objectives of this differential rate are:

- To maintain agriculture as a major industry in the municipal district;
- To facilitate the longevity of the farm sector;
- To achieve a balance between providing for growth and retaining the important agricultural economic base; and
- To ensure that the rate in the dollar declared for defined Farm Land properties is fair and equitable having regard to the cost and the level of benefits derived from provision of Council services to the farm sector.

Vacant Rate is any land, which is:

- On which no building is erected on land which is zoned residential under the Surf Coast Shire Planning Scheme, except for any uninhabitable shed or shelter, the size of which does not exceed 5% of the total area of land

The objectives of this differential rate are summarised below:

- To facilitate building development on vacant allotments; and
- To provide a financial incentive for land to be developed and not held as an investment.
- To promote affordable housing within Council boundaries

Commercial/Industrial Rate is any land, which is:

- Used primarily for the carrying out the manufacture or production of, or trade in goods or services (including tourist *facilities and in the case of a business providing accommodation for tourists*, is prescribed accommodation under the *Public Health and Wellbeing Act (Vic) 2008*; or
- Unoccupied building erected which is zoned Commercial or Industrial under the Surf Coast Shire Planning Scheme; or
- Unoccupied land which is zoned Commercial or Industrial under the Surf Coast Shire Planning Scheme

The objectives of this differential rate are:

- To enhance the economic viability of the Commercial / Industrial sector through targeted programs and projects;
- To extend regional initiatives toward the establishment of ventures and themes that complement Council's strategic objectives;
- To identify, develop and market the strengths and attractions of each town and village;
- To determine the feasibility of establishing tourism education facilities;
- To identify and develop opportunities for rural tourism;
- To participate as an active partner in regional tourism initiatives;
- To encourage employment opportunities;
- To promote economic development;
- To facilitate the establishment or improvement of tourism infrastructure;
- To ensure that signage, street scaping and promotional activity is complementary to the achievement of commercial and tourism objectives; and
- To ensure that the differential rate in the dollar declared for defined Commercial / Industrial land properties is fair and equitable having regard to the cost and the level of benefits derived from provision of council services to the commercial / industrial sector.

Vacant Provisional Rate is any land, which is:

- Zoned residential under the Surf Coast Shire Planning Scheme, has no building erected on the land, and is newly reclassified as a result of a new subdivision or becoming vacant as a result of demolition of an existing dwelling. After the period of the remainder of the rating year plus one year, and if the land has not since been reclassified to another differential, the land will no longer be classified as vacant provisional rate land and will be classified into the appropriate differential category.

The objectives of this differential rate are summarised below:

- To facilitate building development on vacant allotments; and
- To provide a financial incentive for land to be developed and not held as an investment.
- To promote affordable housing within Council boundaries

It was recognised by Council that in some specific circumstances the application of differential rating leads to unintended consequences. The purpose of the vacant land differential is to facilitate building development and to act as a disincentive for vacant residential land to be held as a long term investment.

However, under the previous differential rating structure, as soon as land is reclassified to vacant residential (via new subdivisions or demolition of existing structures) the vacant land differential was applied, leading to increased costs for those with genuine intentions to build or rebuild.

As of 1 July 2015, Council has implemented a “Vacant Provisional Rate” which allows a grace period for vacant land that is reclassified as a result of new subdivisions or becomes vacant as a result of demolition of an established dwelling. The provisional period will be the remainder of the existing financial year plus the next full financial year. This allows sufficient time for those with genuine intentions to build on the newly vacant land to carry through with their plans without an additional financial burden.

Those that qualify for the provisional period pay the general residential rate on their land for the remainder of the financial year in which the land was reclassified, plus the following full financial year. After the provisional period the land will no longer be classified as vacant provisional rate land and will be classified into the appropriate differential category. If a certificate of occupancy is not issued for the property when the provisional period has expired, the differential will revert back to the vacant land rate. The vacant land rate will continue to apply until proof of a certificate of occupancy being issued is provided to Council.

8.2 Advantages of a differential rating system

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

- There is greater flexibility to distribute the rate burden between all classes of property, and therefore link rates with the ability to pay and reflecting the tax deductibility of rates for commercial and industrial premises.
- Differential rating allows Council to better reflect the investment required by Council to establish infrastructure to meet the needs of the commercial and industrial sector.
- Enables Council to encourage particular developments through its rating approach (eg. 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 (eg. Farming enterprises).
- Allows Council discretion in the imposition of rates to facilitate and encourage appropriate development of its municipal district in the best interest of the community.

8.3 Disadvantages of a differential rating system

The disadvantages in applying differential rating summarised below are:

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

Recommendation:

Surf Coast Shire Council continue to apply rating differentials for the following reasons:

- Greater flexibility to distribute the rate burden between all classes of property.
- To encourage appropriate development of its municipal district in the best interest of the community.
- To allow Council to pursue equitable imposition of rates and charges as required by the Local Government Act.

9. Property Valuations

The *Valuation of Land Act 1960* is the principle Act in determining property valuations. Council has appointed an independent valuer to supply valuations for each property in line with guidelines set by the State Valuer General.

Surf Coast Shire Council applies a Capital Improved Valuation (CIV) to all properties within the municipality to take into account the full development value of the property. This basis of valuation takes into account the total market value of the land plus buildings and other improvements.

The value of land is always derived by the principal of valuing land for its highest and best use at the relevant time of valuation.

In accordance with Section 13DC of the *Valuation Land Act 1960* a general revaluation of all properties within the Council's municipal district occurs every two years.

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.

9.1 Supplementary Valuations

Supplementary valuations are carried out for a variety of reasons including rezoning, subdivisions, amalgamations, renovations, new constructions, extensions, occupancy changes and corrections. Council's appointed valuers are tasked with undertaking supplementary revaluations and advise Council on a monthly basis of valuation and Australian Valuation Property Classification Code (AVPCC) changes.

Objections against this supplementary valuation can be lodged in accordance with Part 3 of the *Valuation of Land Act 1960* and any objections must be lodged with Council within two months of the issue of the supplementary rate notice.

9.2 Objections to property valuations

Part 3 of the *Valuation of Land Act 1960* provides that a property owner may lodge an objection against the valuation of a property or the Australian Valuation Property Classification Code (AVPCC) within two months of the issue of the original or amended (supplementary) Rates and Valuation Charges Notice (Rates Notice), or within four months if the notice was not originally issued to the occupier of the land.

A property owner must lodge their objection to the valuation or the AVPCC in writing to the Surf Coast Shire Council.

Property owners also have the ability to object to the site valuations on receipt of their Land Tax Assessment. Property owners can appeal their land valuation within two months of receipt of their Council Rate Notice (via Council) or within two months of receipt of their Land Tax Assessment (via State Revenue Office).

10. Special charge schemes

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

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

The special rate or special charges may be declared on the basis of any criteria specified by the Council in the rate (Section 163 (2)). In accordance with Section 163 (3), Council must specify:

- a) the wards, groups, uses or areas for which the special rate or charge is declared; and
- b) the land in relation to which the special rate or special charge is declared;
- c) the manner in which the special rate or special charge will be assessed and levied; and
- d) details of the period for which the special rate or special charge remains in force.

The special rates and charges provisions are flexible and can be used to achieve a wide range of community objectives. The fundamental principle of special rates and charges is proof “special benefit” applies to those being levied. For example, they could be used to fund co-operative fire prevention schemes. This would ensure that there were no ‘free-riders’ reaping the benefits but not contributing to fire prevention. Landscaping and environmental improvement programs that benefit small or localised areas could also be funded using special rates or charges.

Recommendation:

That Council use special rates and charges in instances that fit the following circumstances:

1. Funding of narrowly defined capital projects (eg. Road upgrades, footpath construction) where special benefit can be shown to exist to a grouping of property owners.
2. Raising funds for a dedicated purpose where the use of CIV is not the most equitable method of calculating property owner contributions.

In circumstances outside of the above two scenarios, Council will use differential rating to achieve its objectives where permitted under Ministerial guidelines.

11. Municipal charge

Another principle rating option available to Councils is the application of a municipal charge. Under Section 159 of the Local Government Act (1989), Council may declare a municipal charge to cover some of the administrative costs of the Council. The legislation is not definitive on what comprises administrative costs and does not require Council to specify what is covered by the charge.

A Council's total revenue from a municipal charge in a financial year must not exceed 20% 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 municipal charge applies equally to all properties and is 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 Councils administrative costs can be seen as an equitable method of recovering these costs.

Recommendation:

That Council continue to levy the Municipal Charge as part of its rating strategy.

12. 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 sewerage services
- d) Any other prescribed service.

Council currently applies a service charge for the collection and disposal of refuse on urban properties (compulsory) and rural properties (optional). Council retains the objective of setting the service charge for waste at a level that fully recovers the cost of the waste function, including providing for the cost of rehabilitation of the Anglesea Landfill once it reaches the end of its useful life.

It is recommended that Council retain the existing waste service charge – Should Council elect not to have a waste service charge, this same amount would be required to be raised by way of an increased general rate – meaning that residents in higher valued properties would substantially pay for the waste service of lower valued properties. Whilst this same principle applies for rates in general, the mix of having a single fixed charge combined with valuation driven rates for the remainder of the rate invoice provides a balanced and equitable outcome.

Recommendation:

That Council continue to apply Waste Service charges as part of its rating strategy based on full cost recovery of the waste function and providing for future landfill rehabilitation.

13. Collection and Administration of Rates

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

13.1 Payment options

In accordance with the Local Government Act 1989, Section 167(1), Ratepayers have the option of paying rates and charges by way of four instalments. Payments are due on the prescribed dates below, or alternatively a payment in full can be made by 30 September.

1st Instalment: 30 September

2nd Instalment: 01 December

3rd Instalment: 01 March

4th Instalment: 01 June

Council offers a range of payment options including: in person at Council offices (cheques, money orders, EFTPOS, credit/debit cards and cash), direct debit (on prescribed instalment due dates or monthly), BPAY, using Australia Post (over the counter, over the phone via credit card and on the internet) and by mail (cheques and money orders only).

13.2 Interest on arrears and overdue rates

Interest is charged on all overdue rates in accordance with Section 172 of the *Local Government Act 1989*. The interest rate applied is fixed under Section 2 of the *Penalty Interest Rates Act 1983*, which is determined by the Minister and published by notice in the Government Gazette.

13.3 Pensioner rebates

Holders of a Centrelink or Veteran Affairs Pension Concession card or a Veteran Affairs Gold card which stipulates TPI or War Widow may claim a rebate on their sole or principal place of residence. Upon initial application, ongoing eligibility is maintained, unless rejected by Centrelink or the Department of Veteran Affairs during the annual verification procedure. Upon confirmation of an eligible pensioner concession status, the pensioner rebate is deducted from the rate account before payment is required by the ratepayer.

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

13.4 Deferred payments

Under Section 170 of the *Local Government Act 1989*, Council may defer the payment of any rate or charge, allowing ratepayers an extended period of time to make payments or alternatively to forestall payments on an indefinite basis until the ratepayer ceases to own or occupy the land in respect of which rates and charges are to be levied.

Deferral of rates and charges are available to all ratepayers who satisfy the eligibility criteria and have proven financial difficulties. Where Council approves an application for deferral of rates or charges, interest will continue to be levied on the outstanding balance of rates and charges but at an interest rate fixed annually by Council. This deferred interest rate will typically be well under the penalty interest rate levied by Council on unpaid rates and charges.

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

13.5 Financial Assistance Policy

It is acknowledged at the outset that various ratepayers may experience financial hardship for a whole range of issues and that meeting rate obligations constitutes just one element of a number of difficulties that may be faced. The purpose of the Financial Assistance Policy is to provide options for ratepayers facing such situations to deal with the situation positively and reduce the strain imposed by financial hardship. Ratepayers may elect to either negotiate a rate payment plan or apply for a rate deferral.

Ratepayers seeking to apply for such provision will be required to submit a Rates Deferment Application form or a Rate Arrangement Application which is available at the council offices, website or can be posted upon request.

13.6 Debt recovery

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

In the event that an account becomes overdue, Council will issue an overdue reminder notice which will include accrued penalty interest.

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

If an amount payable by way of rates in respect to land has been in arrears for three years or more, Council may sell the land in accordance with the *Local Government Act 1989* Section 181

Recommendation:

That Council continue to apply the quarterly instalment payment option and continue to offer a monthly or quarterly direct debit option for ratepayers.

14. Conclusion

In determining its rating strategy Surf Coast Shire Council has taken into consideration the need for fair and equitable rating options in accordance with current valuation and rating legislation to ensure community's need for services and infrastructure is aligned with the community's capacity to pay.

Council acknowledges the need to limit rate increases in recognition of cost of living pressure experienced by our community. The purpose of a rating strategy is for Council to consider how the rate burden can be equitably distributed taking into consideration the rating options available under legislation and council rating policies.

Council has a commitment to continue to develop its rating strategy in accordance with changing economic climates giving primary consideration to its strategic objectives and financial responsibilities.