

# Supplementary Information Sheet - How Do Rates Work?

**THIS SUPPLEMENTARY INFORMATION SHEET DISCUSSES THE ELEMENTS OF THE CURRENT RATING SYSTEM OF VICTORIA. IT PROVIDES SIMILAR INFORMATION TO THE RATING SYSTEM REVIEW DISCUSSION PAPER CHAPTER 4 WITH THE ADDITION OF TECHNICAL AND LEGISLATIVE DETAILS FOR THE INTERESTED READER.**

Across Australia, local government rates are primarily based on property values. In Victoria, the state's valuation authority, the Victorian Valuer-General, conducts valuations of properties every year. These valuations are used by councils when setting their rates and charges for the forthcoming financial year's budget.

Councils consider a wide range of community circumstances when setting their rates and charge and when preparing its annual budget, they must determine the total amount of income (including all rates, charges, user fees and other sources of revenue) it needs to deliver services and infrastructure.

The *Local Government Act 1989* ("the Act") sets the rules around how councils can raise rates and allows councils to decide which of the following they wish to declare<sup>1</sup>:

- General Rates, which are raised via:
  - Uniform Rates;
  - Differential Rates;
  - Limited Differential Rates;
- Municipal Charges;
- Service Rates and Charges;
- Special Rates and Charges.

Councils then issue rates notices for each ratable occupancy in their municipality.

Generally, property owners are responsible for paying rates (whether they are occupying the property or not). A common exception to this is commercial leases, where the tenant may be responsible for paying the rates on the property instead.

The Rating System uses the property valuation system as its foundation. The requirements of this system are set out in the *Valuation of Land Act 1960*.

## The Victorian Property Valuation System

A central concept of the property valuation system is that land must be valued at its best and highest use. The *Valuation of Land Act 1960* states:

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<sup>1</sup> Part 8

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*the use to which such land is being put at the relevant time, the highest and best use to which the land might reasonably be expected to be put at the relevant time and to any potential use;*<sup>2</sup>

This ensures that the valuation best reflects the market value of the property for either sale or rent.

The *Valuation of Land Act 1960* also sets out the requirements for undertaking property valuations for the purposes of local government rates<sup>3</sup>. These must be undertaken annually by qualified valuers and are based on the occupancy of the land. The value of all properties is computed in three ways: Site Value, Capital Improved Value and Net Annual Value.

Properties are all provided with a valuation that is for 1 January of each year. Following audit and certification by the Victorian Valuer-General, the property valuation information is provided to councils. 3.1 million properties were valued in Victoria in 2019.

## Choice of Valuation Base

The Act allows councils to use CIV for the purposes of rating<sup>4</sup>, whereas prior, councils had to use SV or NAV. Since the 1990s most councils have moved their rating base from Site Value (SV) to Capital Improved Value (CIV), with only five using Net Annual Value (NAV) in 2019-20<sup>5</sup>, and none remaining with SV. Councils can elect to use only one valuation base for the purposes of setting rates for the whole municipality.

The shift from SV to CIV tended to shift the distribution of rates (in a municipality) away from residential properties and toward higher value commercial properties, as a larger proportion of the total property value was in commercial buildings.

Each of these valuation bases have their pros and cons for setting rates. SV is the simplest, and is used for the

State land tax system, but historically it was considered to disadvantage large landholdings such as farms. This was because buildings made up a smaller proportion of a total farm assessment compared to other types of assessments.

CIV, while more complex, is often better understood publicly and is often considered to better align with the 'capacity to pay' principle. The Act also allows a wide range of differential rates to be used when levied on CIV (more on this mechanism below).

While NAV has a close relationship with CIV (often being derived from its value) the different accounting of plant and equipment has favoured its use as a rating base where there is significant commercial and industrial property in a municipality. Unlike CIV, only limited differential rates are available when rates are levied on NAV<sup>6</sup>.

## Ratable Land and Exemptions

All land is considered ratable in Victoria, except where it is specified as exempt in the Act<sup>7</sup>. The Act provides a description of lands exempt from rates, and some current exemptions include:

- Unoccupied State and Commonwealth land (Crown Land) and where it is held in trust or used exclusively for public or municipal purposes)
- Crown land leased to a rail transport operator
- Charitable (including educational institutions, places of worship and residences of ministers of religion)
- Mines
- Returned Services League (RSL) clubs

<sup>2</sup> s5A(3)(a)

<sup>3</sup> Part II

<sup>4</sup> s157

<sup>5</sup> Cities of Melbourne, Port Phillip, Yarra, Glen Eira and Whittlesea. The City of Maribyrnong moved from NAV to CIV for 2019-20.

<sup>6</sup> An exception under s28 of the City of Melbourne Act 2001 allows the City of Melbourne to raise differential rates using any method of valuation.

<sup>7</sup> s154

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In practice, current exemptions from rates create a complex picture, with each council forgoing different amounts of revenue for different reasons.

Circumstances can also create inconsistent application of exemptions, resulting in land being deemed exempt in one council and ratable in another, dependent on each council's interpretation of these exemptions.

*The amount a council collects in rates in any year is determined by the council budget process, not property values. The property values within a local government area determine the distribution of rates. Higher valued properties will tend to pay more in rates than lower valued properties in the same municipality.*

## Rating Instruments for Local Governments

While the Act sets out the majority of the local government rating system<sup>8</sup>, and is underpinned by the Victorian property valuation system<sup>9</sup>, other arrangements are possible under separate legislation (see Specialist Rating Arrangements below).

## Rating by Occupancy

The Act allows Councils to issue separate rates notices (and valuations) for a single property in instances where a title has two or more distinct "occupancies".<sup>10</sup>

A typical example is an office building or shopping centre that exists on a singular title but contains businesses in separate offices or shops.

More frequently, some constructions have led to separate rates notices being issued for apartments, car parks and storage sheds, where they are all owned by the same ratepayer and within the same complex.

<sup>8</sup> Part 8

<sup>9</sup> Part II, Valuation of Land Act 1960

## Uniform and Differential Rates

A Uniform Rate refers to when a single rate in the dollar is set for all properties in a municipality, which is currently used by 13 councils in 2019-20.<sup>11</sup>

This is the simplest approach to calculating rates, relying entirely on the valuation of each property to determine the amount paid, with the council only determining the total amount to be raised as part of their budget and the Rate in the Dollar being derived from this total rate revenue target.

If a council chooses to set a Uniform Rate, the total amount of rates to be collected is divided across the total value of all rateable properties to determine the Rate in the Dollar, which is often presented as a percentage amount.

The Rate in the Dollar is then multiplied by the value of an individual rateable property to calculate the amount to be paid by each ratepayer. In other words, all ratepayers pay the same proportion of their property's value when uniform rates are used.

In the below example the City of Pleasantville:

- Wants to raise \$50 million in rates for its budget;
- The rateable properties in the municipality have been valued at \$20 billion (CIV)

In this example the council's Uniform Rate in the Dollar would be 0.0025. This means that for every dollar of your property's value, you would pay 0.0025 cents in rates.

For example, if you owned a property valued at \$600,000, that value would be multiplied by 0.0025, to determine \$1,500 in rates.

## Differential Rates

The current arrangements for differential rates allow each council to determine the rate and definition of

<sup>10</sup> s158A

<sup>11</sup> s160

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each category<sup>12</sup>, and there is no limit on the number of different rates that can be set, except for councils using NAV as a base of rating (which is called Limited Differential Rates.<sup>13</sup>)

When using Differential Rates, councils must declare the type of property categories and the Rate in the Dollar for each category. Some common differential rate categories used by councils include Residential, Commercial and Farm Land.

Each category is assigned a separate Rate in the Dollar. Once this is determined, Differential Rates are calculated using the same method as Uniform Rates. Table 1 below gives a simple example of differential rates and rates payable for three different types of property each equally valued at \$600,000:

Table 1. Example Differential Rating Categories

Category	Rate in the Dollar	Rates Payable
Residential Land	0.00250	\$1,500
Commercial Land	0.00500	\$3,000
Farm Land	0.00125	\$750

The effect of a council using Differential Rates is to apply a different Rate in the Dollar to different types of property. In the example above, the council has elected to levy their highest rates on the commercial land and the lowest on the farm land. Each property will pay a different amount in rates even though the three properties have been valued equally at \$600,000. There is no limit on the number of Differential Rates a council may levy in Victoria.

In Victoria, Differential Rates are restricted so the highest differential Rate in the Dollar can be no more than 4 times the lowest.<sup>14</sup> Use of Differential Rates are

further governed by the [2013 Ministerial Guidelines for Differential Rating](#).

These Guidelines set out some suitable and unsuitable uses of Differential Rates and instances where councils should consider their use (such as farm land and retirement villages).

*It is important to note that each Differential Rate category used by councils is determined and described in their annual budget, however these categories are not specified by any precise legislated criteria.*

*A 'farm land' rate in one council may be applied slightly differently to a farm land' rate in another council by having different criteria specified in the annual budget. Sub-categories of common Differential Rates are also in use. The responsibility lies with the council to ensure that there is clarity in the annual budget to ensure there is no confusion for ratepayers.*

Councils often make annual Rate in the Dollar adjustments to differential rate categories that have been in place for many years, which are typically in accordance with valuation movements.

'Farmland' assessments are the most common type of land subject to Differential Rates by councils and are frequently used to provide a discount for these properties.

Contrastingly, the other Differential Rate categories in common use, those of 'commercial' and 'industrial' land, tend to be used to affect a higher rate than those for residential or farming land.

Other commonly used categories of differential rates include 'vacant land', 'derelict land' and 'rural lifestyle land'.

<sup>12</sup> s161

<sup>13</sup> s161A limits these categories to a farm rate, an urban farm rate and residential use rate for properties on NAV rating.

<sup>14</sup> s161(5)

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## Appeals

The application of Differential Rates is appealable to VCAT<sup>15</sup>, and broader appeals against rates or charges by an aggrieved ratepayer may be taken to the County Court.<sup>16</sup>

## Municipal Charges

A fixed component charge available to local governments is the Municipal Charge.<sup>17</sup>

The optional use of a Municipal Charge allows a charge to be applied equally to all properties regardless of their value. In the current rating system, the use of a Municipal Charge therefore reduces the extent to which the value of a property directly determines each property's rates.

A fixed component in rates may be seen as acknowledging that all properties are provided with a base level of service by a council and therefore can pay such an amount accordingly.

Using the Uniform Rates example above, if a council declared that they wanted to raise \$10 million (out of the budgeted \$50 million in General Rates) in Municipal Charges across 50,000 properties then:

- Each property would be levied a fixed amount of \$200 in Municipal Charges;
- The Rate in the Dollar would be reduced to 0.002 cents in the dollar (as the amount to be raised lowers to \$40 million);
- The Uniform Rate portion for our example property would total \$1,200 (0.002 cents in the dollar x \$600,000 property value);
- The total rates payable using this system would be \$1,400 (Municipal Charge + Uniform Rates) instead of \$1,500.

When a council declares a Municipal Charge the total amount to be raised must not exceed 20 per cent of the

total revenue from General Rates and Municipal Charges.<sup>18</sup> In practice, few councils get close to this ceiling, with the average in 2019-20 at 5.23 per cent.

A Municipal Charge is used in 2019-2020 by 39 councils, 31 of these councils are rural and regional.

Municipal Charges can be used when levying Differential Rates as well as Uniform Rates.

## Municipal Charge Exemptions

The Act allows an exemption from multiple Municipal Charges for the same ratepayer if they can show that they are operating a single farm business across multiple properties.<sup>19</sup>

As many councils now rate car parks and storage sheds as separate occupancies, these may also attract exemptions which are determined by individual councils and are not covered in legislation.

## Rate Capping

The current rate cap system commenced in 2016-2017 and limits the amount of rate revenue a council can collect in a given year through General Rates.<sup>20</sup> This percentage increase is not applied to individual properties, but the overall amount to be collected.

This limit is determined by the Minister for Local Government annually and is not being considered by the Rating Review.

## Rebates, Discounts and Deferments

The Act allows councils to further affect the impact of rates on individuals and classes of land types by applying incentives/discounts, rebates/concessions and

<sup>15</sup> s183

<sup>16</sup> s184

<sup>17</sup> s159

<sup>18</sup> s159(2)

<sup>19</sup> s159(3)

<sup>20</sup> Part 8A

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deferments of payment, at the discretion of each council.<sup>21</sup>

A state-wide rebate on rates is provided for eligible pensioners by the State Government.<sup>22</sup> This rebate in 2019-20 for eligible pensioners is 50 per cent of the rates for their principal place of residence, up to a maximum of \$235.15, and increases annually in line with inflation.

Some Victorian councils provide an additional rebate to rates for eligible pensioners on top of the State Government concession, stating that the existing rebate does not provide sufficient rate relief to these low-income property owners.

Other rebates are available for:

- Assisting the proper development of the municipal district;
- Preserving or restoring buildings or places of historical or environmental interest;
- The provision of affordable housing to a registered agency;
- Undertaking environmental protection activities.

Incentives for prompt payments (which include discounts) are directly tied to the due dates in which rates are payable. If a council wishes to offer an incentive for making payment in full, they must also offer the 15 February due date as a payment option to all ratepayers.

Deferment schemes, whereby rates owed can be paid upon a future date determined by council (including future sale of the property), are also utilised in limited cases. This can address some individual circumstances to be considered, including financial hardship and long-term illness, and can also include a discounted interest charge.

A deferment may entail a carrying cost for the council (carrying forward the debt owed) which is effectively borne by other ratepayers.

## Hardship Policies and Waivers

While the Act does not require council to have a published policy on financial hardship, many do, and all 79 councils provide for financial hardship considerations by application.

The Municipal Association of Victoria developed a model policy in 2013 which some councils use as a template to further develop their own.<sup>23</sup>

Commonly, councils provide details on the rates and charges section of their website along with an application form.

The Act provides significant discretion and flexibility to local governments when considering hardship applications, allowing them to accommodate for circumstances faced by people in financial hardship, as well as differences between municipalities.

This approach also ensures that the application of hardship provisions is not unduly restricted by an explicit policy, allowing councils to set up different payment arrangements or waive part, or even all of, the rates as needed<sup>24</sup> (though waivers are not commonly practiced).

## Service Rates and Charges

The Act permits councils to levy charges on a property for a specific service,<sup>25</sup> specified as:

- Provision of a water supply
- Collection and disposal of refuse
- Provision of sewage services
- Any other prescribed service.

<sup>21</sup> s168, s169 & s170

<sup>22</sup> *State Concessions Act 2004*

<sup>23</sup> [http://www.mav.asn.au/\\_data/assets/word\\_doc/0006/11796/MAV-Hardship-Policy-Guidelines-Nov-2013.docx](http://www.mav.asn.au/_data/assets/word_doc/0006/11796/MAV-Hardship-Policy-Guidelines-Nov-2013.docx)

<sup>24</sup> s171 & s171A

<sup>25</sup> s162

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Waste charges are widespread in use in Victoria, with just over \$680 million to be collected in waste charges in 2019-20 to provide kerbside waste and recycling services.

Water services are no longer provided by Victorian councils, though some still provide limited sewage services such as septic tanks.

Service Charges, while not subject to specific requirements as to their levels, are commonly considered as a form of user fee, with the amount charged intended to correspond to the cost of the service, though the amount does not necessarily have to cover the full cost of the service and in some instances, may cost more.

The use of waste charges has grown significantly in recent years and they are used by most councils in Victoria for kerbside waste and recycling collection services.

## Special Rates and Charges

Councils can choose to declare a Special Rate or Charge to fund a project that only affects a limited number of ratepayers.<sup>26</sup> This ensures that the ratepayers that benefit from the project are also responsible for funding it.

These projects can be initiated by councils or by ratepayers petitioning council for the service. The Special Rate or Charge to be raised also has separate financial accounting requirements, methods of declaration and objection, calculation of amounts due, and public consultation is required for the proposal to be implemented.

Examples of a Special Rate or Charge scheme may include:

- Street beautification works;

- Raising funds for commercial marketing, development and promotion via Business/Trader Associations;
- Creation of car parking to support commercial businesses;
- Infrastructure improvements (such as roads, stormwater drainage, and water and sewer mains) in a limited access street;

Each Special Rate and Charge is calculated and apportioned differently depending on the funding required and number of ratepayers responsible for payment.

The Special Rates and Charges Ministerial Guideline requires a benefit formula to be calculated, along with provisions for objections.<sup>27</sup>

## Supplementary Rates and Charges

When an occupancy undergoes changes that affect the valuation of the property (which includes renovation, subdivision, consolidation, or construction) or its rateability, a Supplementary Valuation may be carried out.<sup>28</sup>

These changes can occur for a variety of reasons, some of which are:

- Something occurs to make the land rateable (or exempt from rates) per the rules of the Act;
- The land is subdivided or consolidated;
- A new building is constructed on the land;
- There is an alteration made to an existing construction (such as a renovation or demolition);

When the new valuation is determined, councils issues a notice to the owner showing the change in valuation (or rateability) which includes the updated rates and charges.

then pay back the cost via rates. The system has recently been expanded to over 20 councils. It is voluntary on the part of a ratepayer to use this scheme.

<sup>26</sup> s163

<sup>27</sup> [Government Gazette 23 September 2004](#) (page 2628 Special Rates and Charges Guidelines). Darebin City Council also made use of the arrangements for their Solar Savers scheme to allow the financing of solar panels for properties, which

<sup>28</sup> s13DF, *Valuation of Land Act 1960*

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This is often called a Supplementary Rates Notice, and councils issue thousands of these notices annually as land uses change over time.

Significantly complex changes to an occupancy often leads to extensive alterations to the calculation and distribution of rates to the affected properties.

## Specialist Rating Arrangements

### Rating arrangements for the City of Melbourne

The City of Melbourne is subject to some specific requirements for its rating, however it may use differential rates irrespective of the valuation system used. If the Council chooses to use NAV then the highest differential rate may be no more than two times the lowest, half the ratio permitted for all other councils.<sup>29</sup>

In 2019-20 the City of Melbourne provides for an effective 9 per cent reduction in rates for residential compared to non-residential assessments by using two differential rates.

### Environmental Upgrade Agreements and Cladding Rectification Agreements

The Act allows for a financing agreement, known as an Environmental Upgrade Agreement (EUA) to be made to improve the environmental performance of a non-residential building.<sup>30</sup>

The Act also details Cladding Rectification Agreements (CRA) which follow some of the same principles as the Environmental Upgrade Agreements, though with greater financial assessment requirements by councils.<sup>31</sup>

EUAs and CRAs are generally made between a financial institution, a property owner and a council. The loan from the financial institution funds upgrade works for the property owner and repayments are made via local government rates.

As the loan is secured over the rates, it can allow the cost of finance to be lowered compared to a conventional commercial loan.

### Cultural and Recreational Land

The *Cultural and Recreational Lands Act 1963* allows for land in Victoria to be designated as cultural and recreational land, and as a consequence, to be subject to local government rates. Nevertheless, the rates are not required to be based upon the land's value, but rather on the following:

*...such amount as the municipal council thinks reasonable having regard to the services provided by the municipal council in relation to such lands and having regard to the benefit to the community derived from such recreational lands.*<sup>32</sup>

Most councils in Victoria have cultural and recreational land in their municipality. This often includes land such as racecourses, sporting ovals and facilities and golf courses. The range of approaches to rating such land is highly variable, with little consistency as to how such rate is to be calculated, other than to affect a discount compared to most of the properties in the municipality.

Some councils have published policies for this form of rating, while others do not.

Councils are not required to disclose rates set under the *Cultural and Recreational Land Act 1963* in their annual budget, although most do. According to the Victoria Grants Commission annual survey data, a total of \$4.455 million in rates was collected from cultural and recreational land in 2017-18 by councils. This figure is likely to be an approximation only, due to the unaudited nature of the data.

<sup>29</sup> s28, *City of Melbourne Act 2001*

<sup>30</sup> Division 2A

<sup>31</sup> Part 8B

<sup>32</sup> s4(1), *Cultural and Recreational Lands Act 1963*

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## Rating of Electricity Generators or 'PiLoR'

The *Electricity Industry Act 2000* established a separate regime for the rating of power generators, also known as 'Payments in Lieu of Rates' (PiLoR).

The arrangements, defined by a method outlined in a Ministerial Order, allow power generators to opt in to an arrangement to pay rates derived from the generation capacity in MWh combined with a fixed amount component, rather than pay rates levied on property value.<sup>33</sup> The method was modified by the State Government in 2018, allowing for community owned (not for profit) wind and solar generators to pay a reduced amount under the same scheme.

## Other Rating Agreements and ex gratia payments

In limited cases, the owner or tenant of land exempt from rates may have an agreement in place to pay the council an amount in lieu of rates (e.g. Commonwealth owned land used for defence and other purposes). Such circumstances may be voluntary on the part of the land owner, or part of a conditional leasing agreement whereby the lessee must make a payment to the municipal government.

While effectively commercial in nature, such agreements can represent substantial sums for a council and with varying disclosure in council budgets. The data collected by the Victoria Grants Commission indicates that approximately \$48 million was raised by councils in 2017-18 via payments in lieu of rates. The full extent of these payments is not known as it is not required to be disclosed in annual reports in detail.

## Payment and Administration of Rates and Associated Practices

The notices that councils issue ratepayers contain a significant amount of detail including the property's various legal descriptions, the assessed valuation of the

property, rates and charges, liability of payment, payment options, ratepayer rights and methods of objection.

Councils are required to allow ratepayers to make payment of the amount due over four instalments through the financial year and may also choose to offer the ability to pay in a lump sum (i.e. in full).<sup>34</sup>

The due dates for these options were set in 1998<sup>35</sup> and are:

- Four Instalments
  - 30 September
  - 30 November
  - 28 February
  - 31 May
- Lump Sum (optional)
  - 15 February

Many councils offer greater instalment frequency and payment options (such as direct debit), offering convenience and flexibility to the ratepayer. It is questionable if such fixed payment dates in legislation are still necessary for contemporary payment practices and ratepayer convenience.

Further, the content of a rates notice is subject to some requirements set in regulations.<sup>36</sup> A rates notice is required to include information on the following:

- Name and address of the ratepayer liable
- Description of the land subject to the rate
- The amount owed
- The system of valuation used for rates (SV, NAV or CIV), the property's value and the rate in the dollar amount
- The method of calculating the rate or charge
- Penalties for failing to pay
- How the rates and charges may be paid.

Rates notices also must include information on the appeal mechanisms for rates and valuations and

33. Government Gazette 11 October 2018 (page 2303 Methodology for determining Payments in Lieu of Rates for electricity generators)

35. Government Gazette pg. 632

(<http://www.gazette.vic.gov.au/gazette/Gazettes1998/GG1998G012.pdf>)

36. Local Government (General) Regulations 2015 (Regulation 10 – Rates notice)

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information on the differential rate applied if this mechanism is used by the council.

Because of these necessary disclosures, the addition of a State Government Fire Services Property Levy information and further council information, the rates notice itself is a crowded space.

## Fire Services Property Levy

Council rate notices also includes the Fire Services Property Levy, which is a State Government charge to pay for fire services.<sup>37</sup> The Fire Services Property Levy will not be covered by the Rating Review.

## Recovery of Unpaid Rates and Charges and Penalty Interest

Like taxes at other levels of government if any rate or charge remains unpaid after its due date, the Act allows councils to charge the ratepayer interest on these amounts.<sup>38</sup>

Councils may also choose to recover the unpaid amounts via legal action in the Magistrates' Court.<sup>39</sup>

When a council wishes to pursue the debt with the occupier, this can be a lengthy process and the associated legal fees are commonly passed on to the ratepayer.

## Requiring occupier to pay rent to council

In some circumstances the council may send a notice to the occupier of the land and require them to pay until the amount of the rate or charge owing is paid.<sup>40</sup>

In a circumstance where the occupier has agreed to pay the rate or charge, the occupier is then entitled to deduct the amount from the rent paid to the owner.<sup>41</sup> This mechanism allows a council to pursue rates when

the owner cannot be found, which can occur in the case of absentee or overseas landlords.

## Council may sell land to recover unpaid rates or charges

When any amount of rates and charges remain unpaid are more than three years, the Act allows a council to sell the land, or have it transferred to the council, as long as no current arrangement exists for the payment and the council has a court order requiring the payment.<sup>42</sup>

Any amount remaining after the sale of the land must be used to discharge any mortgages and other charges on land, and to each person who has an interest in the land.

For councils, exercising these powers is not always straightforward. The current provision may not guarantee councils or purchasers can obtain vacant possession from a person who has an existing estate or interest in the land, such as a tenant. This also creates difficulties when a person occupying the land refuses to vacate after the sale.

In addition, where a ratepayer occupies the land as their Principal Place of Residence, councils are commonly reluctant to pursue the debt as selling the land would result in removing the ratepayer from their residence which may create negative public opinion.

## Acquiring rateable land

Upon acquisition of land the Act requires that the owner of rateable land must pay any current rate or charge on the land, and any arrears due and payable. If land becomes rateable after 1 July, the rate or charge payable is for the proportion of the year for which it is rateable. The requirement also includes liability for outstanding penalty interest and legal costs.<sup>43</sup>

<sup>37</sup> *Fire Services Property Levy Act 2012*

<sup>38</sup> s172. The current penalty interest rate was fixed by the Attorney-General under section 2 of the *Penalty Interest Rate Act 1983* at 10 per cent per annum with effect on and from 1 February 2017.

<sup>39</sup> s180

<sup>40</sup> s177

<sup>41</sup> s178

<sup>42</sup> s181

<sup>43</sup> s175

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Legal representatives typically obtain information about rates, however the delay in obtaining information prior to settlement has led councils to provide information verbally which has privacy implications as it falls outside the intent of the legislation.<sup>44</sup>

The delay in processing supplementary valuations and the associated rates also adds additional complexity in determining the amount that a responsible party must pay, especially in the case of large multiple stage subdivisions.

## Rating Strategies, Consultation and Community Engagement Practices

Public engagement in complex systems such as the local government rating system can be challenging, and often councils publish a 'rating strategy' that sets out the approach taken by the council to raising rates over several budget cycles.

There is currently a good practice guide provided by the State Government to support councils to develop a strategy. It is brief and for a council to undertake the potentially extensive work of a comprehensive rating strategy, including related public engagement, it may require external support as well as additional costs.<sup>45</sup>

Moreover, a rating strategy is often understood to form a part of an overall *revenue* strategy (as per the State Government guidance), which includes fees and user charges. While desirable, such scope adds complexity, making public engagement and communications a further challenge.

A review of council rating strategies indicates that many are comprehensive, some including detailed impact modelling of the proposed approach.

Irrespective of quality or detail, rating strategy documents are not concerned with the quantum of rates raised in a given year, this being the role of the Annual Budget itself.

In 2013 the Victorian Auditor General published *Rating Practices in Local Governments*. The report found some shortcomings in how councils considered the information and evidence necessary to understand the impact of their rating proposals on the public, and with how they consider principles of stability, equity, efficiency and transparency. The audit recommended improvements in communication and public engagement by councils about their rate setting

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<sup>44</sup> s229

<sup>45</sup> [https://www.localgovernment.vic.gov.au/strengthening-councils/sector-guidance-planning-and-reporting#Revenue\\_and\\_Rating-48204-8](https://www.localgovernment.vic.gov.au/strengthening-councils/sector-guidance-planning-and-reporting#Revenue_and_Rating-48204-8)