



Rating Strategy 2022-25



Table of Contents

1. Purpose	3
2. Context	3
2.3 Legislative context	3
2.1 What are rates and who pays them?	4
2.2 Calculation of rates	4
2.3 Rate Capping	5
2.4 Financial Strategy	6
3. Rating Objectives	7
3.1 Equitable rating outcomes	7
3.2 Efficient rating outcomes	7
3.3 Rating outcomes that are simple to understand	7
3.4 Rating outcomes that manage the impact of change	7
3.5 Rating outcomes that align with the Council Plan	7
4. Rating Principles	8
5. Rates based on property valuation	10
5.1 Property valuation methods	10
5.2 Advantages and disadvantages of valuation methods	10
5.3 Property valuation method adopted	11
5.4 Use of differential ratings	11
5.5 Valuation and supplementary valuation process	13
6. Other rates and charges	15
6.1 Municipal charge	15
6.2 Waste Charges for Direct/Private Benefit Waste Services	15
6.3 Special rates and charges	16
7. Targeted support for the financially disadvantaged	17
7.1 Rates charged to the property	17
7.2 Deferred payment	17
7.3 Waivers	17
7.4 Pensioner rebates	17
7.5 A compassionate approach to debt management	18
8. Non-rateable properties and other rate reductions	19
8.1 Rebates	19
8.2 Non-rateable properties	19
8.3 Cultural and Recreational Properties	20
9. Review of rating strategy	22

1. Purpose

The City of Port Phillip has developed this Rating Strategy to make transparent to the community the principles by which rates are set. The Rating Strategy also satisfies the City of Port Phillip's statutory requirements.

A limited range of choices exist for how rates revenue is raised by councils. The Rating Strategy outlines the principles to guide the City of Port Phillip to raise rates revenue, in particular how to distribute the rates burden on the community fairly.

In publishing the Rating Strategy, the City of Port Phillip has the following aims:

- Improving community understanding of our rating system
- Articulating the City of Port Phillip's strategy for distributing the rates burden on the community fairly.
- Ensuring the strategy is administered efficiently to achieve council objectives
- Managing the impacts of change including where necessary phasing in changes to reduce its impact.

The Rating Strategy is to be reviewed and endorsed by Council by the 30 June after a general council election. The principles in the Rating Strategy are also outlined annually during the City of Port Phillip's planning and budgeting cycle. This provides the community an opportunity to improve its understanding of rating in local government and provide input to the rate setting process.

2. Context

2.1 Legislative context

Section 8(1)C of the *Local of the Local Government Act 2020 (LGA)* outlines that the role of Council is to provide good governance for the benefit and wellbeing of the municipality. In seeking to do this, Council must 'ensure the equitable imposition of rates and charges'.

The legislative framework for the setting of rates and other charges is provided within the LGA. This includes the setting of:

- general rates
- differential rates for different classes of ratepayers (for example ratepayers who own residential, commercial, industrial, cultural and recreational land)
- special rates that are used for funding initiatives that benefit specific sections of the community
- service charges (waste charges)
- municipal charges which are effectively a fixed charge for each property to cover council administrative costs

It also includes adherence to the rate capping framework (Fair Go Rates System) and consideration of hardship through rebates, deferments or waivers.

This Rating Strategy addresses these matters.

2.2 What are rates and who pays them?

Council rates are the contribution that ratepayers make towards the community services and community infrastructure that councils deliver. Rates are a form of property tax, with each ratepayer contributing based on the value of the property they own.

It is intended that the rates contribution made by each ratepayer represents a fair measure of the benefit received by each property and reflects the capacity of the property owner to pay for a share of council's costs. Using property values as a basis for calculating council rates supports the following outcomes:

- ratepayers with similar property values are treated similarly
- ratepayers with higher value property pay relatively more rates.

It is acknowledged that the raising of rates based on the value of property is imperfect. The major limitation of property value-based rates is that ownership of property does not necessarily equate to capacity to pay. However, it is considered to be fairest way to fund community services for public benefit within the legislative framework that councils operate.

The limited options available to councils to raise rates revenue are explored in this Rating Strategy. The method for collecting rates impacts the share of total rates revenue contributions received from each ratepayer. This is distinct from the total rates revenue collected by council, which is set by Council's annual budget within the State Government's Fair Go Rating System.

The City of Port Phillip's obligation is to ensure a fair (or 'equitable') distribution of the rates burden it imposes on the community. The Rating Strategy, together with other council policy initiatives, must consider the possibility that rates may become unaffordable for particular groups in the community.

2.3 Calculation of rates

Rates are calculated using the total value of property in the municipality based on the Annual General Valuation and the City of Port Phillip's annual budget requirements.

The City of Port Phillip determines how much revenue it needs to deliver its community services through its annual budget process. The rates revenue sources are separated into main items:

1. General Rates

General Rates is a general revenue source to fund community services and assets. The general rates pie is determined as part of the Budget Process taking into consideration of the annual property valuation movements. General rates are separated into three slices (property classes): Residential, Commercial and Industrial.

Each class of property will have a different rate in the dollar, commonly known as differential rating. This is calculated by dividing the general rates revenue by municipality's aggregate Capital Improved Value (CIV) for each property class. This calculates a 'rate in the dollar' which is then applied to each individual property value.

The table below is example of how differential rates were calculated in 2023/24.

Property Class	General rates pie slice	General rates revenue (A)	CIV (B)	Rate in the dollar (C = A ÷ B)
Commercial	14.7%	\$19,272,956	9,536,346,000	0.002021
Industrial	3.7%	\$4,832,878	2,416,439,000	0.002000
Residential	81.6%	\$106,844,355	63,072,228,500	0.001694
Total	100%	\$130,950,189	72,025,014,000	

It is important to note that councils do not receive a windfall gain when property values increase after undertaking a General Valuation. Property revaluations will generally result in a redistribution of the rate burden 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. Total General Rates income is determined each year as part of the council budget process and restricted by the Rates Capping Framework.

2. Waste Charges

In 2022/23, Council introduced Waste Charges separated from the General Rates Revenue. It recovers the cost of waste services relating to private benefits and or direct waste services. This includes kerbside bin collections, communal services as Food Organic Garden Organic and Glass, Hard Waste, and Resource Recovery Centre Operations. The fees are set to recover these covers to all rateable properties.

The default waste charge is calculated by dividing the total net cost over all rateable assessments. Some concessions, rebates and charges for non-default bins may apply.

2.4 Rate Capping

The Victorian Government introduced rate capping to promote the long-term interest of ratepayers and the community in relation to sustainable outcomes in the delivery of services and critical infrastructure. It aims to ensure that a council has the financial capacity to perform its duties and functions and exercise its powers.

Council is required to adhere to the Local Government Amendment (Fair Go Rates) Act 2015 and prepare a budget on the basis of applying an average rate cap fixed by general order by the Victorian Government Minister of Local Government.

The Victorian Government sets the maximum allowable percentage that Council can increase its average rates per property from one year (base year) to the next (capped year). The cap applies to both general rates and municipal charges. Waste (service) charges are not capped.

The formula for setting the rates cap including Council's Budget 2023/24 for rates is as follows:

Total raised income based on 30 June (prior year)	A	\$127,455,350
No of assessments as at 30 June (prior year)	B	75,847
Base average rates per assessment	C = (A / B)	\$1,680.42
Maximum Rate Increase	D	2.80%

Capped Average Rate	E = (C x D)	\$1,727.47
Maximum General Rates Revenue	F = (B x E)	\$131,023,417

The rates capping set by the Victorian Government have been ranging from 1.5 percent to 3.5 percent for the first nine financial years since introduction in 2016/17. These are much lower than past increases to rates and lower than annual inflation of Council's costs.

The level of required rates and charges has been considered in the context of rate capping, with reference to Council's other sources of income, planned expenditure on services and capital works to be undertaken for the Port Phillip community.

If the rate cap is insufficient for council's needs, council can apply to the Essential Services Commission for a higher cap, up to four years of higher caps at a time. Our long-term financial strategy is not to seek a rates cap variation.

2.5 Financial Strategy

The City of Port Phillip's financial strategy provides clear direction on the allocation, management and use of financial resources. It aims to ensure that Council stays financially sustainable while maintaining assets and services, responding to growth, and delivering on our priorities.

We invest approximately \$260 million per annum on community services and upkeep of our \$3.2 billion of community infrastructure. Our revenue sources are finite and there is heavily reliance on rates and charges which accounts for approximately 57% of total revenue.

We closely monitor the affordability of services and recognise ongoing community concerns about the financial impost of rates and the cost of other essential services. In view of this, average rates revenue will increase by the rates cap over the life of the 10-year Financial Plan.

Our 10-year financial plan highlights a funding gap over \$80 million. A significant portion of this deficit is driven by cost escalations above rates cap (as inflation continues to trend above the rates cap).

Our community's expectation for better value service delivery is of primary concern to Council. Delivering efficiency and cost savings is one of the key strategic financial levers we use to balance our budget. We have embedded a 1% of annual efficiency target in the financial plan. This builds on the \$12.6 million of efficiency savings in the last Council and \$5.6 million achieved in the first three budgets of this Council.

Other strategic levels to balance the budget include: appropriate use of borrowings and reserves, careful management and prioritisation of expenditure, and setting fair and appropriate user charges.

3. Rating Objectives

The Council seeks to achieve the following objectives from this Rating Strategy: equity, efficiency, simplicity, managing the impacts of the change, and strategic alignment.

3.1 Equitable rating outcomes

Equity is the concept of fairness in the amount that each ratepayer contributes to the total rates burden of the community, in return for the benefit that councils provide. There are several different aspects to rating equity, including the following considerations:

- where appropriate, rates burdens should reflect the benefits ratepayers receive.
- ratepayers with similar property values should be treated similarly.
- ratepayers with a higher 'ability to pay' (based on property values) should contribute relatively more rates.
- ratepayers who are financially disadvantaged should be supported.

3.2 Efficient rating outcomes

The distribution of council rates is economically efficient if it minimises its impact on decisions made within the economy. That is to say, ratepayer's decisions (for example, whether to sub-divide a property) within the City of Port Phillip should not be unduly impacted based on the distribution of rates.

3.3 Rating outcomes that are simple to understand

Wherever possible, the rating practices implemented by councils should be coherent and easily understood by ratepayers and the community. This can often be difficult given the legislative framework council's work within and the fact that equitable and efficient rating outcomes can conflict with simplicity outcomes.

3.4 Rating outcomes that manage the impact of change

The City of Port Phillip is committed to ensure the impact of change is identified, communicated and managed appropriately, including where necessary phasing in changes to reduce its impact.

3.5 Rating outcomes that align with the Council Plan

Considering alignment of rating outcomes with the Council Plan strategic priorities. There may at times be conflict between strategic priorities and with other rating outcomes and careful consideration will be required to ensure appropriate balance.

4. Rating Principles

The various elements of the City of Port Phillip's Rating Strategy can be summarised in the following principles.

Rating Principles

1. We will levy rates consistent with a ratepayer's ability to pay, as measured by the Capital Improved Value of property owned within the municipality.
2. A higher differential rate will be set for commercial and industrial properties compared to residential properties. This reflects an objective to maintain fairness and relative consistency in the distribution of rates between property classes as well as the taxation and higher rental yield benefits generally available to owners of these types of properties.
3. Differential ratings will be set to assist with the development of our City consistent with Council Plan Objectives, therefore higher differential rates will be set for vacant land, derelict land and un-activated retail properties. This reflects the objectives to ensure the timely development, use and activation of all land and property within the municipality.
4. Consistent with our rating objective to manage the impacts of change, any differential rating changes will be gradual taken into consideration the annual general property valuation and demographic changes as part of the budget development process.
5. The Council has chosen not to implement a municipal charge, given the introduction of a fixed waste charge.
6. A waste charges will apply to all rateable assessments to recover the cost of waste services that are direct or provide private benefits (such as kerbside collections; communal food organics and garden organics and glass recycling; hard and green waste collection; and Resource Recovery Centre operations).
7. The setting of waste charges will be tiered recognising some key service differences between kerbside collection and communal services. It will include a mix of concessions, bin sizes, and exemptions to influence community behaviour, and support equitable outcomes.
8. Special rates and charges will be used where a specific benefit or service can be identified for ratepayers and only following consultation with the affected ratepayers.
9. The Council is committed to providing targeted support for the financially disadvantaged in the community through the thoughtful use of:
 - Rates charged to the property
 - Deferred rates payments
 - Interest and rates waivers for extreme financial hardship circumstances
 - Pensioner rebates for rates (including a supplementary City of Port Phillip sponsored rate rebate)
 - A compassionate approach to debt management.Support for residents who are not property owners will be achieved through a range of social and community support mechanisms.
10. The Council committed to support the provision of affordable housing for "Older Persons" by providing a 50 per cent rates concession for Public Housing Estates located in the City of Port Phillip managed by the Ministry of Housing. This provides Council the first option to nominate low income, disadvantaged, or inappropriately housed residents of the City of Port Phillip when

vacancies become available in these Public Housing Estates.

11. Non-rateable properties will be required to contribute to services provided by the Council through the payment of waste service charges at full cost.
12. Properties provided for under the Cultural and Recreational Lands Act 1963 will be provided support within the governance of Council's Community Funding Policy. This will achieve a better, more transparent and consistent outcome that aligns with Council's strategic directions and policies.
13. The City of Port Phillip Rating Strategy will be reviewed by 30 June following a general council election or more frequently if required.

5. Rates based on property valuation

5.1 Property valuation methods

There are three valuation methods available for councils to value properties for the purposes of raising rates. These are the site value (SV), net annual value (NAV) or capital improved value (CIV) methods. The City of Port Phillip uses the CIV method for rating purposes from 2022/23 financial year.

The valuation base used for rating purposes does not affect the total level of revenue the Council raises through rates. The total level of rate revenue to be raised by the Council is determined as part of the Council's annual budget setting exercise, guided by the rate capping framework.

The CIV method refers to the total market value of the land plus the improved value of the property including the house, other buildings and landscaping. Under the CIV method, councils can set differential rates. It is general recommended that differential rates should be set at a high broad property class such as residential, commercial and industrial properties. Differential can also be used to achieve council objectives such as incentivize development of derelict land. CIV is the most commonly used rating method in Victoria.

The SV method values only the unimproved market value of the land. It is not used by any Victorian councils.

The NAV method refers to the higher value of:

- the annual rental a property would render, less the landlord's outgoings (such as insurance, land tax and maintenance costs) or
- 5% of the CIV (this is the default calculation for residential properties)

The NAV value is higher for commercial/industrial properties and investment properties, typically equating to 7% to 9% of CIV. The NAV method is commonly used by inner Melbourne metropolitan councils.

5.2 Advantages and disadvantages of valuation methods

No property valuation methodology raises more rates than the others. The choice of valuation method relates to the equity (or distribution) of the rates burden impact on the community.

The NAV method uses the value of a property's market rent to determine the share of rates. The minimum the NAV can be for any property is 5% of its CIV. Given that market rent for commercial and industrial properties are generally higher than market rent for residential properties, the NAV method results in a higher relative percentage of the rates burden being met by commercial and industrial properties, based on information from the rental market.

The advantage of the NAV method is that it Recognises the end use of properties and the share of the rates burden is set based on market rentals (for which there are many transactions). The higher market rentals for commercial and industrial properties create an 'in-built' differential for these types of ratepayers.

The CIV method uses the value of recent market sales to determine the value of the share of rates contribution. This includes consideration of the value of land, buildings and landscaping. The CIV method also allows for the use of differential rates, where rates can be set differently for different classes of ratepayers.

The key advantages of the CIV method are:

- The consideration of capital improvements is a better reflection of ratepayer's investment, therefore may be a better reflection of ratepayer's ability to pay rates.
- It is simpler to understand by our community as it reflects the market sale price.
- Can use differential rates to adjust the rates pie distribution so that the impact caused by annual valuation movements/shifts to property classes can be reduced.

While offering councils flexibility in rate setting, differential rates are problematic in so far as they are set arbitrarily by councils and therefore can become difficult to justify. That said, most councils use differential rating.

The SV method is based on the value of the land portion of any property and is therefore influenced by location, view and aspect. The method is a relatively poor reflection of a ratepayer's ability to pay rates, compared to NAV and CIV.

5.3 Property valuation method adopted

Based on the relative merits of the respective valuation methods, the City of Port Phillip deems that the CIV with differential rates is the most appropriate valuation method to use as a basis for distribution of rates in the municipality.

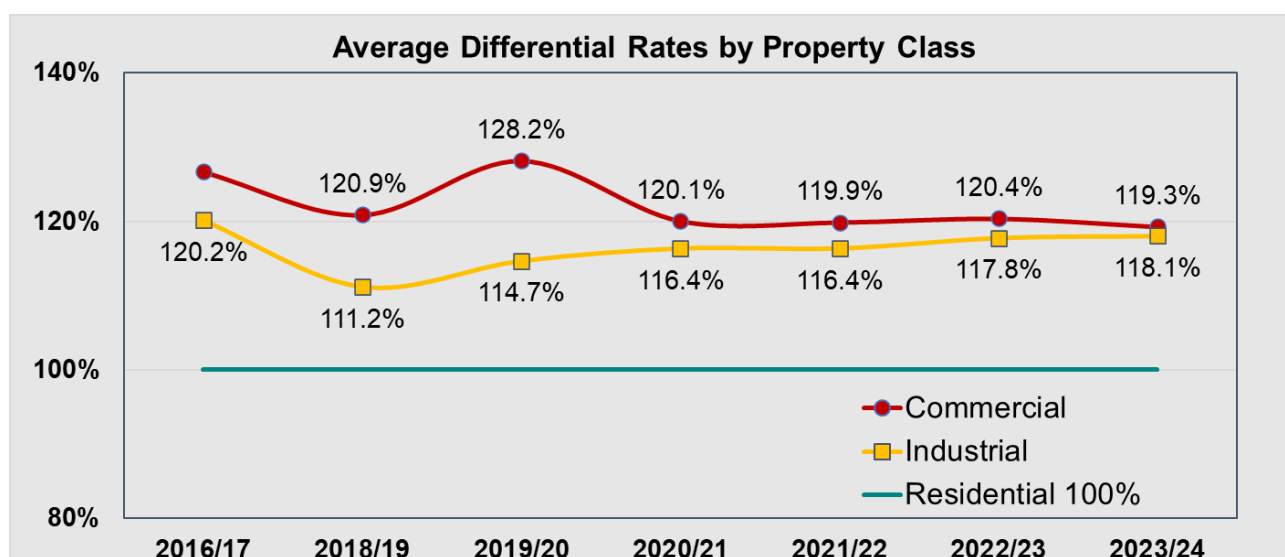
Rating Principle 1

We will levy rates consistent with a ratepayer's ability to pay, as measured by the Capital Improved Value of property owned within the municipality.

5.4 Use of differential ratings

Regardless of the property valuation methodologies adopted by Council, the annual general property valuation will often result in varied movements at the property class level (residential, commercial, industrial) and property types within a property class (such as houses, units, flats in the residential class). These shifts could occur in one valuation year or over multiples year.

Differential ratings can address rates shifts caused by the annual property valuation between property class. This is done by increasing or decreasing the differential ratings taking into consideration of the impacts caused by the annual property valuation. Below chart highlights the differential rates over the last 6 property valuations.



Capacity to pay is one key principle for setting the right levels of differential rating.

One could argue that rates payable on non-residential properties are tax deductible at the minimum of the company tax rate, currently 25% (small or medium businesses). Therefore, non-residential have a 25% better capacity to pay. That being the case, it would be fair that differential rates for non-residential properties be set up to a ceiling of 25% premium on residential properties.

One could also argue that the rental yield for commercial and industrial properties are generally much higher than residential properties. That being the case, commercial and industrial properties should pay higher rates.

Differential rating can be an instrument to assist with the development of our City. This includes higher rates for vacant or derelict land, cultural and recreational land.

Rating Principle 2

A higher differential rate will be set for commercial and industrial properties compared to residential properties. This reflects an objective to maintain fairness and relative consistency in the distribution of rates between property classes as well as the taxation and higher rental yield benefits generally available to owners of these types of properties.

Differential rating can also be an instrument to assist with the development of our City. This includes disincentivizing land being left vacant, un-used or in a derelict state. The state of these properties has direct and in-direct impacts on our City.

The key objectives for charging a higher rate in the dollar for vacant land is to:

- Encourage the timely development and maintenance of land within the municipality.
- Encourage development to ensure maximum availability of housing and infrastructure.
- Disincentivise 'land banking' and encourage development to create a vibrant and liveable city.

To achieve these objectives, differential rates will be set at 3 times (300%) the residential rate in the dollar.

The key objectives for charging a higher rate in the dollar for derelict land is to:

- Encouragement of utilisation of buildings within the municipality

- Minimisation of the impact of derelict buildings on neighbourhood amenity (e.g., dumped rubbish, anti-social behaviour etc.)
- Disincentivise 'land banking' and encourage development to create a vibrant and liveable city.

To achieve these objectives, differential rates will be set at 4 times (400%) the residential rate in the dollar.

The key objectives for charging a higher rate in the dollar for un-activated retail buildings is to:

- Creation of vibrant and activated retail and business precincts.
- Improvement of municipal streetscapes creating a vibrant and liveable city
- Minimisation of retail and business spaces being left vacant and impacting on the activation of retail and business streetscapes.
- Prevention of foregone community and economic development resulting from underutilisation of land.

To achieve these objectives, differential rates will be set at 4 times (400%) the residential rate in the dollar.

Rating Principle 3

Differential ratings will be set to assist with the development of our City consistent with Council Plan Objectives, therefore higher differential rates will be set for vacant land, derelict land and un-activated retail properties. This reflects the objectives to ensure the timely development, use and activation of all land and property within the municipality.

Generally, Council will take a gradual approach to any changes caused by differential rating. However, this excludes changes where ratepayers or property owners have the ability to mitigate the impact of the differential. For example, if a property classed as derelict is adequately maintained or a shop that is vacant is opened for trade or leased to a new business – the property will revert back to the ordinary rate.

Rating Principle 4

Consistent with our rating objective to manage the impacts of change, any major differential rating changes will be gradual, taking into consideration the annual general property valuation and demographic changes as part of the budget development process.

5.5 Valuation and supplementary valuation process

Council undertake independent valuations to the provisions of the *Valuation of Land Act 1960* and administered in accordance with Land Victoria's best practice guidelines. Properties are valued as part of a General Valuation annually. Ratepayers have rights under the *Valuation of Land Act 1960* to object to the valuation of their property.

Valuations are also important because other rating authorities, such as the State Revenue Office (land tax, fire services levy) and water authorities (water and sewage charges), use municipal property valuations for the purpose of levying rates or taxes.

In addition to the General Valuation, all properties that undergo improvement or change are subject to a Supplementary Valuation. Supplementary Valuations are applied to properties between the

Annual General Valuations if they have changed markedly in value as a result of physical changes such as subdivision, building improvements, additions and knockdowns. The circumstances where a Supplementary Valuation may occur are outlined in the Valuation of Land Act 1960.

The City of Port Phillip undertakes its Supplementary Valuations through its contract valuer on a regular basis.

6. Other rates and charges

6.1 Municipal charge

Councils may elect to recover the costs of providing municipal services through a fixed charge, also referred to 'municipal charge'. This charge is intended to cover fixed administrative and governance costs such as the cost of valuations and administration of the rates system.

This charge recovers a portion of the council rates requirement (which replaces general rates revenue and does not add to it).

The income from the municipal charge may not exceed 20% of the combined income from the municipal charge and from general rates. Municipal charges are levied as a flat or uniform sum per service or property.

The advantage of a municipal charge is that it reflects the fixed costs of councils and it can reduce the impacts caused by the annual general valuation movements/shifts as it is not set linking to property valuation.

The disadvantage is that it has a greater impact on ratepayers that have a lower ability to pay.

The City of Port Phillip does not have a municipal charge as combined with fixed waste charge we believe it would represent too great a rates distribution shift to ratepayers who have a lower ability pay.

Rating Principle 5

The City of Port Phillip will not implement a municipal charge, given the introduction of a fixed waste charge.

6.2 Waste Charges for Direct/Private Benefit Waste Services

Councils may elect to recover a service charge to fund the collection and disposal of refuse and any other prescribed service (none to date) by the Minister of Local Government. The service rate or service charge may be declared on the basis of any criteria specified by councils in developing the rate or charge.

In many respects, service charges may be considered as another form of rate income and bring with them the same types of issues regarding equity and efficiency. Consistent with the User-pays principle, the City of Port Phillip applies Waste Service charges to recover the cost of direct/ private benefit waste services including the kerbside collections, communal Food Organic Garden Organic and glass recycling, hard waste collection, and Resource Recovery Centre operations.

The advantages of Waste Service Charges are:

- Transparency on the cost of waste services
- Flat (fixed) waste charge are not subject to the annual valuation movements and can flatten out the rates distribution within a property class
- A tiered pricing structure reflects the differences in services received – kerbside and communal.
- It can be used to influence community behaviour with waste charge setting taking into consideration waste bin sizes (80L, 120L, 240L),
- Concessions and rebates can be used to address equitable outcomes in the community (such

as private collection rebates, carparks and storage areas).

- It can fund new waste services such as Food Organic Recycling and waste cost escalation above rates cap such as landfill levy increase set by the Victorian Government as it is not subject to the rates cap.

The disadvantage is that it has a greater impact on ratepayers that have a lower ability to pay.

Rating Principle 6

A waste charge will apply to all rateable assessments to recover the cost of waste services that are direct or provide private benefits (such as kerbside collections; communal food organics and garden organics and glass recycling; hard and green waste collection; and Resource Recovery Centre operations).

Rating Principle 7

The setting of waste charges will be tiered recognising some key service differences between kerbside collection and communal services. It will include a mix of concessions, bin sizes, and exemptions to influence community behaviour, and support equitable outcomes.

6.3 Special rates and charges

Councils can declare a special rate or a special charge for the 'performance of a function or the exercise of a power'. As such, the special rate or charge can be used to fund the cost of providing services 'of special benefit' to the people paying the special rate or charge. Special rates and charges can be used to fund the sealing of a previously unsealed road, providing drainage where drainage was not previously provided, building car parks in shopping centres, promotional or security services for strip shopping centres.

The City of Port Phillip consults with the affected segment of the community before instituting special rates and charges. Councils have the power to set the criteria and duration of any special rates or charges (for example, area or properties affected, mode of calculation). Where non-rateable properties lie within the special charge area and they will benefit from the works subject to the special charge, they also contribute to the special charge.

Rating Principle 8

Special rates and charges will be used where a specific benefit or service can be identified for ratepayers and only following consultation with the affected ratepayers.

7. Targeted support for the financially disadvantaged

This section is a summary of our Financial Hardship policy which can be found on our website: <https://www.portphillip.vic.gov.au/council-services/rates-and-valuations/rates-concessions-and-hardship-relief>

7.1 Rates charged to the property

Provision exists for the rates to be made 'a charge on the property' and remain so until the property is sold or ownership is transferred. Councils have generally used this power to apply compassionate considerations for elderly people, especially those who might be characterised as 'asset rich but income poor'. For example, a person may have acquired a house during their working life but may have insufficient income for their retirement. Instead of pursuing legal action to recover the unpaid rates, the rates (plus a prescribed rate of interest) can be recouped when the property is sold or transferred.

7.2 Deferred payment

Frequently referred to as 'hardship provisions', a council can defer the payment of rates should a ratepayer apply and meet the relevant conditions. This has generally been applied in circumstances of financial hardship and arrangements have been made by the individual ratepayer for the payment of rates over a period of time. The result of the Council allowing a deferral is generally an 'arrangement to pay', that is, an agreed timeframe or schedule for rate payments.

A council can change the arrangement if the ratepayer's circumstances change or if the relevant property is sold.

7.3 Waivers

Councils can waive rates and charges or interest where a person suffers financial hardship. The City of Port Phillip waives one-off rates in circumstances of extreme financial hardship upon application for residential properties. Alternatively, all ratepayers are encouraged to enter into a payment or deferral arrangement if appropriate. The City of Port Phillip applies a policy where 50% of the interest can be waived where a pensioner defers payment of rates.

7.4 Pensioner rebates

Pensioner rebates are a waiver of the whole or part of any rates, charges or interest obligation for eligible recipients under the State Concessions Act 2004 (which include pensioners and residents of retirement villages). In a process administered by the Victorian Government, a concession on municipal rates is available to assist eligible low income ratepayers afford rates on their place of residence. Where only part of a property is being used as a place of residence, each part of the property is to be rated separately.

In order to support its policy objectives, the City of Port Phillip also provides a supplementary rebate to eligible pensioners in addition to the Victorian Government rebate.

To be eligible for the municipal rate concession, the ratepayer must be the holder of a:

- Pensioner Concession Card issued by Centrelink or Department of Veterans Affairs DVA)
- DVA Gold Card - Totally and Permanently Incapacitated
- DVA Gold Card - War Widow.

Applications for municipal rates concessions are made directly to the City of Port Phillip. Where a rate rebate was recognised the previous year and where the ratepayer remains eligible, no further application is required.

7.5 A compassionate approach to debt management

The City of Port Phillip applies a compassionate approach to those ratepayers who cannot readily meet their rates debt. All options available within this rating strategy are proactively explored with ratepayers before debt collection measures are escalated.

Rating Principle 9

The Council is committed to providing targeted support for the financially disadvantaged in the community through the thoughtful use of:

- Rates charged to the property
- Deferred payments (otherwise referred to as 'hardship provisions')
- Waivers for extreme financial hardship circumstances
- Pensioner rebates (including a supplementary City of Port Phillip sponsored rate rebate)
- A compassionate approach to debt management.

Support for residents who are not property owners will be achieved through a range of social and community support mechanisms.

8. Non-rateable properties and other rate reductions

8.1 Rebates

Under the LGA, covering rebates and concessions, a council may grant a rebate or concession in four circumstances:

1. to assist the proper development of the municipal district
2. to preserve buildings or places in the municipal district which are of historical or environmental interest
3. to restore or maintain buildings or places of historical, environmental, architectural or scientific importance in the municipal district
4. to assist the proper development of part of the municipal district.
5. Where land is used for a public benefit (e.g. social support services).

In accordance with item four, to assist the proper development of part of the municipal district, Council currently provides a 50 per cent rates concession to the Director of Housing (Victorian Department of Health and Human Services) managed Public Housing Estates located in the City of Port Phillip via a sponsorship agreement for 'Older Persons'. The sponsorship agreement allows Council first option to nominate low income, disadvantaged, or inappropriately housed residents of the City of Port Phillip to new Public Housing Estates vacancies including:

- "Inkerman Heights" Inkerman and Henryville Streets, St Kilda
- "Pinaroo Village" Inkerman Street, St Kilda
- 482 Williamstown Road Port Melbourne
- "Shoreline" Mills and Ashworth Streets, Albert Park
- "Layfield Court" Victoria Avenue, Albert Park.

Rating Principle 10

The Council is committed to support the provision of affordable housing for Older Persons by providing a 50 per cent rates concession to Public Housing Estates located in the City of Port Phillip managed by the Director of Housing. This provides Council the first option to nominate low income, disadvantaged, or inappropriately housed residents of the City of Port Phillip when vacancies become available in these Public Housing Estates.

8.2 Non-rateable properties

The LGA outlines that all land is rateable by councils except for specified property groups which are non-rateable. Those groups are:

- land being the property of the crown, council or statutory authority that is used exclusively for public or municipal purposes or that is unoccupied
- land held by religious organisations and used for specific purposes
- land held by charitable organisations and used for specific purposes
- land held and used exclusively for RSL type purposes.

The proper classification and administration of non-rateable properties is significant to councils to

ensure that the intent of the legislation is carried out and that the rating burden is spread equitably. Non-rateability applies to a property's actual usage. Effective administration is needed to ensure that circumstances such as these are captured:

- sometimes a non-rateable property sub-lets part of the property for a rateable activity (for example a shop) and this part of the property should be rated
- a property's actual use can change over time even though the ownership remains, for example, in the hands of a charitable organisation.

While non-rateable properties are non-rateable in terms of general rates, the LGA makes specific provision for Councils to impose service charges for waste collection, street construction and special rates and charges.

There are currently approximately 500 non-rateable properties within the municipality, with the City of Port Phillip being the owner or the Committee of Management for approximately half of these.

Rating Principle 11

Non-rateable properties will be required to contribute to services provided by the City of Port Phillip through the payment of full waste service charges at full cost.

8.3 Cultural and Recreational Properties

The provisions of the *Cultural and Recreational Lands Act 1963* modify the way in which the users of 'recreational lands' are rated. The Cultural and Recreational Lands Act 1963 has two principal criteria:

- the land must be owned by the body providing the service or must be on land rented from the Government or Council (that is, it does not apply to land rented from private landowners)
- it must be for an outdoor recreational or cultural activity.

There are currently 27 cultural or recreational properties in the City of Port Phillip that are rated under the Cultural and Recreational Land Act 1963.

The Cultural and Recreational Land Act 1963 enables councils to levy as rates on recreational lands an amount that it thinks reasonable taking into account the services provided on land and the benefits the community derives from it. Facilities where profits are paid as a dividend to members are specifically excluded from any discount.

Current practice across the Victorian local government sector is to apply a percentage discount from the general rate to reflect the community benefit the land creates. One major issue with this approach is its lack of transparency and inconsistency with the broader funding principles.

Most councils provide community funding to local community groups based on a Community Funding Policy which sets out the funding principles, criteria and performance metrics. This approach enables the comparison of community benefits from all applications for funding allocation decisions. This is a more optimal funding allocation methodology that aligns with Council's strategic directions and policies.

Council will sunset our current approach of applying concessional rates discount on general rates and transition to the Community Subsidies Program within our Community Funding Policy. This will achieve a better, more transparent and consistent outcome that aligns with Council's strategic

directions and policies.

Rating Principle 12

Properties provided for under the Cultural and Recreational Lands Act 1963 will be considered support in accordance with Council's Community Subsidies Program. This will achieve a better, more transparent and consistent outcome that aligns with Council's strategic directions and policies.

9. Review of rating strategy

The City of Port Phillip actively seeks to retain and enhance the diversity within the municipality. This diversity encompasses socio-economic advantage as well as other characteristics such as home ownership, ethnicity, age and family status (among others).

The Rating Strategy has been developed to support the conditions that allow our communities to experience and enjoy diversity of values, beliefs and aspirations and which provide the financial basis so that our residents have access to effective and appropriate services and resources.

The City of Port Phillip is committed to communicating to ratepayers the way in which rates are set and implemented, the impacts of this rate reviewing the Rating Strategy periodically and to publish and inform the community of its decisions in respect to the Rating Strategy.

Rating Principle 13

The City of Port Phillip Rating Strategy will be reviewed by 30 June following a general council election or more frequently if required.