



MINISTERIAL GUIDELINES FOR COUNCILS RELATING TO THE PAYMENT OF RATES AND CHARGES

FinPro Submission

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Executive Summary

Local Government Finance Professionals (FinPro) welcomes the opportunity to provide feedback on the draft Ministerial Guidelines relating to the payment of rates and charges. We acknowledge the constructive updates made in response to sector feedback and support the intent of providing clearer and more consistent guidance for assisting ratepayers experiencing genuine financial hardship.

Overall, FinPro is broadly supportive of the Guidelines; however, several refinements are recommended to ensure councils are not further disadvantaged in collecting rates and charges - **the only tax available to local government** to fund the essential services, infrastructure, regulatory functions, and community programs relied upon by Victorian communities.

Councils have a long-standing commitment to fair, accessible, and compassionate hardship processes and remain highly supportive of ratepayers experiencing genuine hardship. Many avenues for assistance already exist across the sector. However, it is important that the Guidelines do not assume that all individuals or businesses who have not paid their rates are experiencing hardship. This conflation is particularly evident in section 9.2, where amendments are recommended.

From a local government perspective, FinPro highlights the following key points:

- **Rates are a tax**, funding essential public services such as local roads, waste management, statutory planning, public health, libraries, community support programs, and emergency management—services that no other level of government delivers at the local scale.
- **Local government already operates within strict revenue constraints**, including rate capping, cost shifting from the State, expanding regulatory obligations, and increasing labour and materials costs.
- Under the updates to the Local Government Act 1989 made in June 2024 **Councils are prevented from commencing legal proceedings for unpaid rates** and charges that were contained within a payment plan **unless it has been at least 2 years since the payment plan was cancelled**.
- The draft Guidelines introduce **procedural requirements that exceed what is expected of any other tax authority**, including limitations on cost recovery and prescriptive communication and administrative processes.
- **As drafted, the Guidelines risk increasing further the cost and complexity of rate recovery**, reducing councils' ability to effectively manage non-payment, and adversely affecting the financial sustainability needed to maintain essential services.

FinPro supports strengthening protections for vulnerable ratepayers but emphasises that the Guidelines must adopt a more balanced approach, one that:

- Recognises rates as a tax, not a consumer payment;

- Upholds the integrity and sustainability of the municipal rating system;
- Aligns expectations with principles applied to State and Commonwealth tax collection; and
- Protects vulnerable ratepayers without undermining councils’ capacity to serve their communities.

FinPro’s submission identifies:

- Several incorrect or unclear legislative references (including ss.170A, 172, and 156(6)) and proposes accurate alternatives.
- Areas where further clarity would improve implementation.
- Opportunities to enhance consistency, transparency, and hardship support in a manner that acknowledges operational realities, existing systems, and the diverse capacities of councils across Victoria.
- The need to clearly situate the Guidelines within councils’ broader statutory frameworks (Local Government Act 2020, LGPRF, Revenue and Rating Plans, Complaints Policies, etc.).

With appropriate adjustments, the Guidelines can achieve their intended purpose of fairness, accessibility, consistency, and compassion, while maintaining a practical and sustainable framework for both ratepayers and councils across Victoria.

Section-by-Section Submission

1. Introduction, Objectives & Legal Framework

FinPro Position

FinPro overall supports the objectives of the Guidelines and their alignment with the Ombudsman’s 2021 report, with a few minor adjustments as outlined in the following table.

Key Issues & Recommendations

Issue Identified	Recommended Improvement
<p>1.1 Lack of acknowledgement of resourcing impacts – ‘By proactively working with ratepayers who may be in hardship or financial hardship, Councils may ultimately minimise additional organisational costs, in addition to costs to ratepayers, associated with debt management. This may enable Councils to continue to be financially sustainable.’</p> <p>The Guidelines imply that councils have the capacity, funding and expertise to contact</p>	<p>Insert a statement recognising that policy, process and system changes require significant time and resources, particularly for smaller/rural councils.</p> <p>This is a clear challenge for small and rural Councils. Large growth Councils also have their challenges, for example, growth councils with 160,000 residents will find it prohibitive to contact residents individually. With the number of assessments growing,</p>

<p>individual ratepayers in arrears. In many cases, this is not accurate. For ratepayers who have <i>not</i> voluntarily engaged with council, it is often more cost-effective and efficient for initial contact to be managed by a qualified third party rather than by council staff.</p>	<p>potentially at 10,000 assessments per annum, staff can't grow at the same proportional rate.</p>
<p>1.2 Need to clarify relationship with Local Government Act 2020</p>	<p>Explicitly link Guidelines to s93 Revenue & Rating Plans and Financial Plans under the Local Government Act 2020.</p>
<p>1.3 Scope could be misinterpreted as removing council discretion</p>	<p>Add a clarifying statement that the Guidelines do not override councils' discretion to consider individual circumstances.</p>
<p>1.3 The following statement should reflect engagement and adherence to agreed terms of agreements; this statement is disjointed in that the first sentence relates to those in hardship whereas the second sentence is a broad statements about all ratepayers. All ratepayers who engage with Councils does not mean that they pay their rates or that they do not regularly break payment plan arrangements, creating significant administrative burdens for Councils. - 'It is intended that these Guidelines will discourage Councils from charging interest for those who are under hardship arrangements. These Guidelines reflect that legal action and the application of penalty interest should only be pursued when ratepayers do not engage, and all other approaches are exhausted.'</p>	<p>Suggest wording 'It is intended that these Guidelines will discourage Councils from charging interest for those who are under hardship arrangements. These Guidelines reflect that legal action and the application of penalty interest should only be pursued when ratepayers fail to engage meaningfully or do not adhere to agreed payment arrangements, and other approaches are exhausted.'</p>

Local Government Financial Sustainability Context

Victorian councils continue to face significant and compounding financial sustainability pressures, as highlighted in recent reviews including the Essential Services Commission's annual Rate Cap Impact Statements, the Victorian Auditor-General's Local Government Financial Audits, and parliamentary and sector-wide analyses of rate capping and cost shifting.

These reviews consistently identify:

- Structural revenue constraints imposed by the rate cap
- Substantial cost shifting from State and Commonwealth programs
- Increasing regulatory and compliance obligations
- Escalating labour, insurance and construction costs
- Heightened community expectations for service delivery and amenity

- Declining own-source revenue flexibility

These compounding challenges directly limit councils’ organisational capacity to implement administrative and technology-heavy processes proposed in the Guidelines, particularly for hardship and payment plan management. All whilst impacting Councils ability to effectively ensure appropriate and timely cashflow. Any additional obligations must therefore be considered in the context of sector-wide sustainability risks and the declining real value of the municipal rating base.

2. Mandatory Principles

Before applying the mandatory principles, FinPro recommends that the Guidelines explicitly recognise that municipal rates are a form of taxation, not a consumer fee-for-service. Rates fund broad public services, community infrastructure, regulatory functions, and amenity that benefit all municipalities.

This distinction is fundamental for ensuring that:

- Principles of equity, proportionality, and fairness are correctly applied
- Expectations placed on councils align with those applied to State and Commonwealth tax authorities
- The Guidelines do not inadvertently impose standards that treat rates as a contractual payment, rather than a statutory tax obligation
- Councils can sustainably fund essential services relied upon by their communities.

Recognising the tax nature of rates provides an appropriate conceptual foundation for interpreting the mandatory principles.

2.1 FinPro Position

FinPro supports the mandatory principles, which are consistent with contemporary best practice.

Recommended Enhancements

Theme	Recommendation
Equity vs Equality	Clarify that equitable treatment recognises that different circumstances may justify different outcomes, while applying consistent criteria and process.
Privacy legislation	Explicitly reference the Privacy and Data Protection Act 2014 and Health Records Act 2001, rather than generic privacy references.

3. Encouraged Principles

FinPro Position

FinPro supports additional encouraged principles relating to cost minimisation and continuous improvement.

4. Proactive Management of Rates & Charges

4.1 Rates Notices (s158(4) & Regulation 10)

FinPro Position

FinPro supports enhanced accessibility, transparency, and inclusion of hardship information on rates notices.

Practical Clarifications

Issue	Recommendation
Systems have limited space/formatting	Reinforce that additional content is encouraged but not mandatory; councils may use inserts or digital channels to supplement statutory content.
Readability and language	Encourage use of plain language and co-design of templates with community and financial counselling services.

4.2 Flexible Payment Options

FinPro Position

FinPro supports the promotion of flexible, modern payment options consistent with sector practice.

Recommendations

- Acknowledge councils' responsibility to manage fraud risks and administrative overheads when offering a wide range of payment methods.
- Explicitly link flexible payment options with payment plans under s171B of the Local Government Act 1989.
- Include the word **may**, where it notes "Flexible ways to pay **may** include, but are not limited to..."
- Encourage digital options while recognising that some ratepayers will require non-digital alternatives.

4.3 Discounts and Concessions

FinPro Position

FinPro supports clear communication of State concessions and any council rebates or subsidies.

Recommendations

- Clarify that State Government determines concession eligibility, and councils are responsible for applying concessions within that framework.
- Acknowledge privacy and data-sharing constraints which may limit councils' ability to proactively apply concessions.

4.4 Measuring Council Performance

FinPro Position

FinPro supports better data on arrears and hardship but is cautious about additional parallel reporting burdens.

Recommendations

Issue	Recommendation
Creation of new reporting burdens	Integrate indicators into the Local Government Performance Reporting Framework (LGPRF) rather than creating a separate reporting regime.
Risk of misleading comparisons	Require contextual commentary so that arrears indicators are not used as simplistic league tables; acknowledge socio-economic influences beyond council control.

5. Hardship & Financial Hardship

5.1 Hardship under s170

FinPro Position

FinPro supports a broad, flexible understanding of hardship that allows councils to respond to diverse circumstances.

Recommendations

- Reinforce that payment plans and deferrals are generally preferred as first responses.
- Cross-reference to s172 and s172A to clarify expectations around interest on deferred amounts.

5.2 Financial Hardship (ss171 & 171A)

FinPro Position

FinPro supports the explanation of financial hardship as more sustained and severe than general hardship, with references to ss171 and 171A.

6. Payment Plans (s171B)

FinPro Position

FinPro strongly supports payment plans as the primary operational tool for managing arrears. However, there are several concerns, as outlined in the preceding table, where the Guidelines should be updated to make them more workable for Councils.

Recommended Improvements

Issue	Recommendation
Plans often start from verbal requests	Explicitly allow verbal initiation of payment plans with written or email confirmation by council or the ratepayer.
Excessive evidence requirements	Promote proportionate evidence requirements so that low-balance or short-term hardship cases are not deterred.
6.2 ‘payment plans for rate payers should be approved however, in rare the instance a ratepayer has failed to pay multiple debts or has previously not been able to comply with a payment plan...’	Reword this to ‘payment plans should be considered for approval in most instances, where a ratepayer has failed to comply with a payment plan’ It is important to note that non-compliance with payment plans is not unusual. This creates a significant administrative burden for councils. However, it is uncommon for this non-compliance to be directly linked to hardship but rather lack of consequence.
6.3 ‘A payment plan may be cancelled if – the ratepayer no longer owns the land’	Delete this reference, as rates are a charge against the property and should be settled at the time of transfer. If the land is no longer owned by the ratepayer, any outstanding rates should have been cleared at settlement, making the reference irrelevant.
6.3 ‘If the ratepayer fails to comply with their payment plan, or does not contact Council about failure to pay, Council should send a reminder notice to make payment or contact the Council to discuss alternative arrangements.’	This is extremely limiting for councils when issuing reminder notices. In pursuing efficiencies, councils are increasingly relying on digital communication channels and software systems to manage the high volume of payment plans, many of which fall into default. The current approach does not acknowledge the significant number of ratepayers who miss payments within an established plan. Reword to ‘if the ratepayer fails to comply with the payment plan, or does not contact Council about failure to pay, Council should consider a mechanism for reminding the ratepayer of either a missed payment and/or to contact Council to discuss alternative arrangements.’

Issue	Recommendation
<p>No distinction that the provisions in the legislation for payment plans only apply to plans negotiated and agreed to before any court action is commenced i.e. lodgment and service of a Magistrates Court Complaint.</p> <p>Any agreement, arrangement, terms of settlement – however it may be referred to – that may be negotiated after a Court Complaint has been lodged and served, does not come under the same payment plan provisions in the Act.</p>	<p>Add this clarification into this section around the distinction that the provisions in the legislation for payment plans only apply to payment plans negotiated and agreed to before any court action is commenced i.e. lodgment and service of a Magistrates Court Complaint.</p> <p>Any agreement, arrangement, terms of settlement – however it may be referred to – that may be negotiated after a Court Complaint has been lodged and served, does not come under the same payment plan provisions in the Act.</p>

Payment Plans and Debt Collection

FinPro strongly recommends the removal of the legislative requirement that councils must wait two years after a payment plan is cancelled before initiating legal proceedings for unpaid rates (introduced in June 2024).

This provision poses significant operational, financial and equity risks, including:

- Increased arrears exposure and reduced collection rates
- Diminished deterrent effect for serial non-payers who do not experience genuine hardship
- Greater administrative workload as councils must manage extended monitoring of non-compliant payment plans
- Potential transfer of unrecoverable debt onto compliant ratepayers
- Disproportionate impact on councils with high growth, high turnover, or socio-economic vulnerability
- Misalignment with practices applied by State and Commonwealth taxation authorities.

FinPro supports protections for vulnerable ratepayers; however, the blanket two-year restriction is excessive, unnecessary, and counterproductive to maintaining the integrity and sustainability of the municipal rates system.

FinPro recommends that the restriction be removed, or alternatively materially reduced to a reasonable period aligned with other tax collection frameworks.

7. Assessment of Hardship Applications

FinPro Position

FinPro supports timely, transparent assessment of hardship and financial hardship applications, with clear communication of decisions.

Recommendations

Hardship applications cannot be effectively managed over the phone when supporting documentation is required. Although an initial conversation may take place verbally, a fully verbal application process is not practical or appropriate for a hardship application.

Express assessment timeframes as targets rather than rigid deadlines, to recognise billing peaks and resourcing constraints.

Explicitly reference existing complaint handling frameworks and internal review mechanisms, including Complaints Policies under s107 of the Local Government Act 2020.

Encourage councils to recognise evidence provided by accredited financial counsellors and community legal centres, while not making third-party representation mandatory.

That hardship should be considered only in the case of a principal place of residence, and not investment properties.

8. Council Hardship and Financial Hardship Policies

FinPro Position

FinPro supports explicit recognition of family violence and economic abuse within hardship policies, aligned with the Family Violence Protection Act 2008.

Recommendations

Encourage alignment with existing family violence practice frameworks where they exist and collaboration with specialist services for safe procedures (including safe contact details and document handling).

9. Interest, Legal Action and Sale of Land

9.1 Interest (s172 & s172A)

FinPro Position

FinPro supports the regulated use of interest on unpaid rates and charges as a fair mechanism, provided that interest arrangements recognise hardship circumstances.

Recommendations

- Clarify that councils must not exceed the maximum rate of interest set under s172A of the Local Government Act 1989.
- Encourage councils to suspend or waive interest during active hardship assessment and for ratepayers.

9.2 Restrictions on Legal Action (s180A)

Legislative Correction

Where the draft Guidelines refer to restrictions on commencing recovery action while hardship applications are being assessed, the correct provision is s180A rather than s172. Section 172 deals with interest only.

FinPro Position

FinPro supports guidance that legal action is a last resort and that hardship and payment plan options should be exhausted before court proceedings are initiated. However, FinPro is concerned that if the guidelines are not updated then how they are worded will add unnecessary administrative difficulty for Councils and will cause angst for ratepayers.

Recommendations

Issue	Recommendation
'Councils must specify on their websites any costs of debt recovery that may be added to ratepayer's unpaid rates and charges. These charges must only be added after a Court Order is obtained.'	<p>This sentence references section 156(6) of the LG Act 1989. However, the actual wording is 'A rate or charge which is declared in relation to land and is unpaid and any unpaid interest on such a rate or charge and any costs awarded to a Council by a court or in any proceedings in relation to such a rate or charge or interest are a first charge on the land'.</p> <p>The guidelines apply an interpretation that is fundamentally at odds with the Act. They imply that Council must return to Court in all instances to have the initial Complaint costs awarded, resulting in additional expense and potential adverse impacts on the ratepayer's credit rating.</p> <p>Furthermore, the delayed recognition of Complaint costs increases the likelihood that a Land Information Certificate could be issued without reflecting outstanding legal cost recovery, enabling a property transfer to occur without Council being able to recoup these costs. This stands in contrast to the legislation, which establishes these costs as a first charge on the property.</p> <p>The wording in the guidelines should mirror that of the Act.</p>

9.3 Sale or Transfer of Land (s181)

FinPro Position

FinPro supports strong safeguards and transparency regarding the sale or transfer of land for unpaid rates, recognising that it is used very rarely and should remain a measure of last resort.

Legislative Corrections

Draft Reference	Issue	Correct Position
s156(6)	Unrelated to sale/transfer process; concerns liability where ownership/occupation changes.	Remove reference. Use s181 (and LG Act 2020 governance/transparency provisions) instead.
s181(1)(b)	Defines current arrangements, including payment plans.	Retain and apply for guidance on when sale/transfer may proceed.

Additional Recommendations

- State that Councils currently treat sale or transfer of land is a last resort and that councils do prioritise hardship options, payment plans and negotiated settlements to avoid sale where possible.
- Encourage annual, transparent review of properties considered for potential sale/transfer, with clear criteria and communication to affected ratepayers.

10. Transparency and Disclosure

FinPro Position

FinPro supports transparency regarding hardship options, payment plans, waiver/deferral criteria, and the use of external debt collectors, legal action, and sale of land.

Recommendations

Issue	Recommendation
Duplicate reporting risk	Where possible, build on existing Annual Report, Public Transparency Policy and LGPRF mechanisms, rather than creating standalone reporting requirements.
Debt recovery costs	Clarify that recoverable costs must be lawful and reasonable in line with court rules and practice directions; remove the incorrect reference to s156(6).
Clarity of information	Specify expectations for plain language, accessible formats and publication of key policies on council websites.

11. Summary of Legislative Corrections

Draft Reference	Issue	Correct Legislative Source
s170A	Provision does not exist in current Local Government Act 1989.	Use ss171 and 171A for financial hardship waivers.
s172 (in context of recovery restrictions)	Misapplied; s172 deals only with interest.	Use s180A for restrictions on commencing legal proceedings.
s156(6)	Incorrectly referenced in context of sale/transfer and recovery costs.	Remove; use s181 and LG Act 2020 governance/transparency principles.
s181 references	Generally correct but should be applied consistently.	Ensure clear reference to s181(1)(b) for 'current arrangements'.

12. Conclusion

FinPro supports fair, compassionate and consistent hardship responses across Victoria, clearer expectations for councils and ratepayers, and accurate legislative alignment.

We emphasise the need for guidance that is practical, implementable and reflective of system and resource constraints across the diversity of Victorian councils.

FinPro would welcome ongoing engagement with the Department to refine sector support materials to ensure consistent, sustainable implementation of the final Guidelines.