



# **Agenda**

## **Special Meeting of Council**

Wednesday 20 January 2016 at 7:00pm

Queenscliff Town Hall  
50 Learmonth Street, Queenscliff

### **Distribution**

#### **Councillors**

Cr. Helene Cameron (Mayor)

Cr. Bob Merriman

Cr. Susan Salter

Cr. Sue Wasterval

#### **Officers**

Lenny Jenner - Chief Executive Officer

Lynne Stevenson - General Manager Corporate & Community Services

Phil Josipovic - General Manager Planning & Infrastructure

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**THIS MATERIAL DOES NOT NECESSARILY REFLECT THE VIEWS OF COUNCIL**



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## Appendices

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Appendix 1	Draft Rating Strategy	4.1 Draft Rating Strategy	Under separate cover

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**1. OPENING OF MEETING**

**2. PRESENT & APOLOGIES**

*Present:*

*Apologies: Phil Josipovic - General Manager Planning & Infrastructure*

**3. PECUNIARY INTEREST & CONFLICT OF INTEREST DISCLOSURES**

*Councillors must disclose a conflict of interest in accordance with Section 79 of the Local Government Act 1989.*

Councillors:

Officers:



#### **4. GOVERNANCE & FINANCE**

##### **4.1 Draft Rating Strategy**

<b>File:</b>	<b>QG2270601</b>
<b>Report Author:</b>	<b>General Manager, Corporate &amp; Community Services Senior Accountant</b>
<b>Strategic Objective:</b>	<b>A proactive and accountable Council</b>
<b>Portfolio:</b>	<b>Governance and Finance</b>
<b>Portfolio Holder:</b>	<b>Cr Bob Merriman</b>

#### **Purpose**

This report is provided to enable Council to consider and formally endorse the revised draft Rating Strategy, prior to commencing a public consultation process. The draft Rating Strategy is included at Appendix 1 for consideration.

#### **Introduction**

A Rating Strategy is a local government sector best practice approach to developing Council's rationale and objectives in relation to the components of its rating and charges structure. The Rating Strategy is a high level statement about the Borough of Queenscliffe Council's policy intent in relation to the rating valuation base to be used, how differential rating will be applied between various property types, the Council position on a municipal charge and service charges (waste collection and disposal), application of rebates and the payment methodology to be used. The Rating Strategy is an important policy reference point for Council in preparing its budget within a longer term financial planning framework.

The key objective of the Strategy is to ensure the fair and equitable distribution of rates and charges, while still achieving the Council's strategic objectives as specified in the Council Plan 2013-2017. The principles form the basis for Council to develop the proposed rating differential rates and charges to be applied to rateable land in future budgets and will be applied in preparation of the draft 2016/17 Budget. The draft Rating Strategy has been prepared giving consideration to:

- Council's strategic objectives in the Council Plan 2013-2017,
- sound financial management principles,
- the principles of the previous Rating Strategy (adopted by Council on 26 June 2013),



- research and discussion on the application and impact of alternative rating structures and charges,
- annual budget considerations,
- State and Federal legislative requirements, including the imposition of rate capping from 2016/17 by the State Government
- the current economic climate and relevant external factors, and
- provision of an opportunity for public feedback on elements of the Rating Strategy.

The draft Rating Strategy is prepared and is proposed to apply from the 2016/17 rating year, effective from 1 July 2016.

### Background

Preparation of the draft Rating Strategy involves the following proposed process, which is summarised below:

Rating Strategy process	Timing
1. Officers prepare initial Draft Rating Strategy	December
2. Councillors workshop initial Draft Rating Strategy	December – January
3. Final Draft Rating Strategy submitted to Council for consideration	20 January
4. Public notice calling for submissions	21 January
5. Information and awareness	21 January – 17 February
6. Draft Rating Strategy available for public inspection and submissions	21 January – 17 February
7. Submissions period closes (28 days)	17 February
8. Hearing of submissions by Council	18 February
9. Final Rating Strategy and submissions presented to Council for consideration	24 February

Public consultation is an important part of the development of the Rating Strategy. The complexity of rating systems about how rating systems are applied emphasises the importance of maintaining a better informed community. It is proposed that the community engagement process include seeking public submissions over a four week period, consistent with Section 223 of the *Local Government Act 1989* (the Act), and that a community information video clip and fact sheets be prepared to provide additional information about the changes proposed in the draft Rating Strategy. This is particularly important this year due to the impact of State government imposed rate capping and how this alters the way that Council rates are proposed to be calculated. The communication will aim to explain the elements of the draft Rating Strategy, provide an understanding of the changes and what it means for ratepayers.



## Statutory Requirements

The relevant statutory requirements relating to the establishment of rates and charges are contained in the following legislation:

### **i. Local Government Act 1989**

#### **(a) Part 8 - Rates and Charges on Rateable Land**

- Section 158 (Declaring rates and charges)
- Section 161 (Differential rates)
- Section 162 (Service rates and charges)
- Section 163 (Special rates and charges)
- Section 170 (Deferred payment)
- Section 171 (Waiver)
- Section 171A (Financial hardship)
- Section 172 of the *Local Government Act 1989* (Interest on Rates Arrears)

#### **(b) Part 8A – Rate Caps**

### **ii. Valuation of Land Act 1960**

### **iii. Cultural and Recreational Lands Act 1963**

### **iv. Penalty Interest Rates Act 1983**

The revised draft Rating Strategy is prepared in accordance with the above legislation and also gives consideration to the Department of Water, Environment, Land and Planning's *Local Government Better Practice Guide – Revenue and Rating Strategy, 2014*.

Section 158 of the Act requires that Council must:

- (a) declare the amount which Council intends to raise by general rates, municipal charges, services rates and charges, and
- (b) whether the general rates will be raised by the application of a uniform rate or differential rate.

Rate capping legislation introduced in December 2015 (*Part 8A – Rate caps*) further prescribes how the total amount of general rate revenue declared under Section 158 of the Act will now be calculated, in line with State Government policy, which was introduced following the election of the Andrews Labour Government in November 2014, to restrict Council rate increases to CPI. The 2016/17 rate cap was set at 2.5% by the Minister for Local Government, The Hon. Natalie Hutchins MP, on 22 December 2015. The Essential Service Services Commission was delegated responsibility by the Minister for Local Government to establish a Local Government Rates Capping & Variation Framework to provide advice to councils on the processes and guidance to



best give effect to the new rate capping regime and provide a recommended approach for council's wishes to seek a variation to the rate cap.

Section 161 prescribes how a uniform rate or differential rate may be applied. Section 162 and 163 enables Council to establish waste management charges to recover the costs of collection and disposal of waste (service rates and charges) or functions that will be of specific benefit to persons required to pay (special rates and charges). Section 5 of the *Cultural and Recreational Lands Act 1963* also establishes rate exemptions for recreational lands.

The *Valuation of Land Act 1983* prescribes how valuations will be calculated for properties in the municipality, that are applied to the differential rate (rate in the dollar) in order to determine the rate amount that will payable by each ratepayer.

Section 162 of the Act gives Council powers to establish a fixed (for example, Green Waste charge or Additional bin charges) or a variable charge (for example, CIV (Capital Improved Value)-based General Waste Charge) to recover the cost of waste management services from those who have access to the service.

Sections 171, 171A and 172 of the Act and Section 2 of the *Penalty Interest Rates Act 1983* determine how Council may apply rules to the collection of outstanding rates and charges.

### **Key Issues**

The review of the Rating Strategy has commenced at this time to give due consideration to the impact of the recently imposed State Government rate capping legislation to be applied to the 2016/17 rating year, including the announcement of a 2.5% rate cap by the Minister for Local Government, The Hon. Natalie Hutchins MP, on 22 December 2015. Council's Rating Strategy is also a critical part of the annual budget process, therefore the timing of the review has been aligned to occur before the draft 2016/17 Budget will be considered by Council.

Key changes proposed to the Rating Strategy adopted previously by Council in June 2013, that are included in this revised draft Rating Strategy, include:

- Making no change to the current differential rates,
- Not applying a fixed municipal charge,
- Reducing the amount of general rates it intends to raise to exclude the amount required to recover the cost of the provision of kerbside general waste collection and disposal service,
- Introducing a CIV-based General Waste charge to be applied to residential premises rated as General rate or Tourist Accommodation rate that are capable of being occupied, to recover the cost of the provision of kerbside general waste collection and disposal service,
- Increasing the Council pension rebate, which is in addition to the State government funded pension concession, per eligible ratepayer property, from \$20 to \$40, and
- Providing clearer descriptions of the principles and objectives of each differential rate or charge, including who obtains access to services where service charges are applied.





This draft Rating Strategy has been developed following research and investigation, to determine the most appropriate strategy to continue to maintain a fair and equitable rating system in the Borough of Queenscliffe. This is within the context of significant change to State government policy that will impact on how local government will be able to fund the provision of Council services in the future. The draft Rating Strategy has been prepared on the basis that Council does not intend to prepare a submission to the Essential Services Commission to seek a variation to the 2016/17 rate cap of 2.5%.

This approach is consistent with the principles established in the current Rating Strategy. The proposed Rating Strategy continues to deliver an equitable rating outcome, within the parameters available under the legislative framework that now applies to local government.

## **Discussion**

The draft Rating Strategy is framed around eight key elements:

1. Capital improved value (CIV) of properties and differential rating to determine the distribution of total rates levied,
2. Application of a General (residential) rate for rateable residential properties,
3. Application of differential rates to:
  - a. Commercial properties:
    - i. Commercial businesses,
    - ii. Properties having six or more bedrooms which are rented out as holiday accommodation,
  - b. Tourist accommodation properties, that is properties having five or less bedrooms which are rented out as holiday accommodation,
4. Rating concessions for cultural and recreational ratepayers,
5. An additional pensioner concession of \$40, above the government funded pension rebate, per eligible ratepayer property,
6. A CIV-based General Waste charge to recover the cost of kerbside general waste collection and disposal,
7. A fixed Green Waste charge to recover the cost of the kerbside green waste service, and
8. Additional bin charges for additional general waste, recycle and green garbage bin services.

Councillors were provided with two briefings on the draft Rating Strategy during December 2015 and January 2016. Information was provided to Councillors to develop an understanding of the impact of the new rate capping legislation on Council's rating system. Officers also briefed Councillors on the impacts of introducing either a fixed or variable (CIV-based) General Waste charge, including modelling how the rate cap will be applied and the impact of alternative rating models on the fairness and equitable distribution of rates and charges.

Following feedback received at Council briefings, Council officers undertook to investigate and identify an alternate rating model proposal. This ensures that the cost of waste management services continues to be recovered and to explore an equitable model for the distribution of these costs to the ratepayers who have access to the service.



As a result, an alternative rating model has been developed as part of the draft Rating Strategy. This alternative model proposes the introduction of a General Waste charge, in addition to the Green Waste charge, for the recovery of costs associated with the provision of a kerbside general waste collection and disposal service. This replaces the existing approach by shifting the burden of cost recovery for kerbside general waste collection and disposal from all rateable properties to those ratepayers who may access the service within the Borough of Queenscliffe, without generating additional revenue.

The new State Government imposed rate capping legislation imposes a 2.5% rate cap on general rates and municipal charges, which represents capping of general rates to CPI in the 2016/17 rating year. The intent of the new State government policy is that the recovery of the cost of waste collection and disposal not be included in the rate cap. It is therefore recommended that Council introduce a General Waste charge to replace this component of the existing rating model and ensure that the Borough of Queenscliffe is able to continue to recover the costs of kerbside collection and disposal of waste, which generally exceed CPI.

Council officers have sought legal advice in relation to the proposed introduction of a General Waste charge to be applied as a service rate under Section 162 of the Act. Legal advice from Macquarie Lawyers has confirmed that Council can apply a Capital Improved Value-based General Waste charge. The conclusion, after considering this legal advice, is that Council may apply a General Waste charge that is not subject to the gazetted 2.5% rate cap.

Given the financial pressures impacting on pensioners with fixed incomes, it is also recommended that the Council pensioner concession rebate, which is in addition to the State government funded pension concession, per eligible ratepayer property, be increased from \$20 to \$40. This recognises that the burden of the cost of general waste collection and disposal will no longer be shared by all rateable properties, only those who have access to the service and represents residential properties within the Borough.

The following elements of the draft Rating Strategy are proposed to remain unchanged:

- Capital improved value (CIV) of properties and differential rating to determine the distribution of total rates levied,
- A General (residential) rate for rateable residential properties (100%),
- A Commercial rate (130% of the General rate),
- A Tourist accommodation rate (110% of the General rate),
- Rating concessions for cultural and recreational ratepayers,
- Rating concessions to rateable properties with significant environmental benefit to the community; and
- No municipal charge.

### ***Community engagement***

The key communications objectives are:



1. To inform the community of the elements of the Rating Strategy,
2. To raise awareness of the impacts of State government imposed changes, including rate capping,
3. To encourage ratepayers to fully explore applicable rebates, hardship provisions and alternative payment arrangements; and
4. To engage with the community and seek feedback on the draft Rating Strategy.

Council has endeavoured to balance service levels in accordance with the needs, means and expectations of the community with rating options and levels to adequately resource Council's role, functions and responsibilities.

It is proposed that the community consultation will be undertaken in 4 phases as detailed below:

Phase 1	<b>INFORMATION &amp; AWARENESS</b> Provide community with the following information: <ul style="list-style-type: none"><li>➤ Draft Rating Strategy and Council Report</li><li>➤ Key recommendations</li><li>➤ Community engagement</li></ul>	<b>COMMUNICATION</b> Media Release Website Mayor's Column General Factsheet	<b>TIMELINE</b> Jan-Feb 16
Phase 2	<b>COMMUNITY ENGAGEMENT</b> <ul style="list-style-type: none"><li>➤ Seek community feedback on elements of the rating strategy</li><li>➤ Community Information Presentation &amp; Video Clip</li></ul>	Public Exhibition Public Notices Information Session & Filming Borough Bites Mayor's Column	Jan-Feb 16
Phase 3	<b>PLANNING</b> <ul style="list-style-type: none"><li>➤ Finalise the components of the Rating Strategy.</li></ul>	Media Release Website Mayor's Column Borough Bites	Mar 16
Phase 4	<b>IMPLEMENTATION</b> <ul style="list-style-type: none"><li>➤ Commence implementation in accordance with the Council endorsed strategy and subsequent communications activities.</li></ul>	Media Release Website Mayor's Column Borough Bites Factsheets Kit	Apr 16

Residents will be invited to provide feedback on the draft Rating Strategy. It is proposed that written submissions can be made until 17 February 2016 and considered by Council at a public meeting to be held at the Queenscliff Town Hall at 4.00pm on Thursday, 18 February 2016.

The draft Rating Strategy is proposed to be presented to Council for consideration at the Ordinary Meeting scheduled on 24 February 2016 for final approval following a community consultation process, which will be consistent with the statutory 28 day public submission process prescribed under Section 223 of the Act.

The draft Rating Strategy will be available for inspection at the Council offices and on Council's website from 21 January to 17 February 2016. Interested community members will be able to make a submission on any proposal contained in the Strategy. A public meeting is proposed to be



held at the Queenscliff Town Hall to hear submissions from members of the public at 4.00pm on Thursday, 18 February 2016. Any submission can then be considered before consideration of the final Rating Strategy by Council at its Ordinary Meeting on 24 February 2016.

To assist interested persons to understand the draft Rating Strategy and make a submission if they wish, Council officers will undertake a community engagement process, including general information and awareness communication, seeking community feedback and information session and video clip presentations of the draft Rating Strategy. The final step is for Council to adopt the Rating Strategy after receiving and considering any submissions from interested parties. The Rating Strategy will be able to be adopted before Council prepares the draft 2016/17 Budget, to enable sufficient time for community engagement to occur on the draft 2016/17 Budget following consideration of public submissions on the draft Rating Strategy and consideration of the final Rating Strategy on 24 February 2016.

### **Council Plan**

The draft Rating Strategy is in line with the key strategy in the Council Plan to: *'Provide accountable governance and long term sustainable financial management'*.

The Rating Strategy will directly inform the development of the draft 2016/17 Budget.

### **Financial**

The draft Rating Strategy attached as Appendix 1 has been prepared with current available staff resources. That Rating Strategy does not propose to change the level of rates and charges revenue generated by Council. It recommends that the rates and charges revenue continue to be distributed across the community in a fair and equitable manner, taking into account changes to legislative requirements and the economic climate impacting on the Borough of Queenscliffe.

### **Social**

No specific items to report.

### **Environmental**

No specific items to report.

### **Risk Management**

Changes proposed to the draft Rating Strategy comply with legislative requirements with respect to developing the Borough of Queenscliffe Council's approach to its rating and charges structure, including responding to the State Government imposed rate cap. It also ensures that Council takes a responsible approach to reviewing its rating strategy to ensure that the costs of waste management services are recovered in an equitable manner from only those ratepayers who have access to the service.



The proposed community engagement process, which focuses on developing information and awareness and inviting public submissions, will allow Council to inform the community about the key elements of the proposed rating strategy, encourage ratepayers to fully explore applicable rebates, hardship provisions and alternative payment arrangements, and provide feedback on the draft Rating Strategy. This will enable Council to consider feedback from the community in making an informed decision about the adoption of the draft Rating Strategy.

### **Officer Direct or Indirect Interest**

*Under Section 80C (1) (2) of the Local Government Act 1989, Council staff and persons engaged under a contract to provide advice or a report to a meeting of the Council or a special committee, and who have a direct or indirect interest in a matter to which the advice or report relates, must disclose the type of interest when providing the advice or report and before the advice or report is considered by the Council or the committee.*

There is no conflict of interest or pecuniary interest to be declared in relation to this report.

### **Conclusion**

This draft Rating Strategy will be developed through a process of consultation and review and includes Council's response to the State Government's new Fair Go Rates legislation, which commences from 1 July 2016. The draft Rating Strategy is presented to Council for endorsement to allow the commencement of the community engagement process.

### **Recommendation:**

#### **That Council:**

- 1. Endorse the draft Rating Strategy as presented;**
- 2. Give public notice that Council has prepared the draft Rating Strategy and call for public submissions by no later than 4pm on Wednesday, 17 February 2016.**
- 3. Receive submissions on the draft Rating Strategy and, where requested, allow submitters to be heard by Council in support of those submissions at the Queenscliff Town Hall at 4.00pm on Thursday, 18 February 2016.**
- 5. Consider the draft Rating Strategy for adoption at the Ordinary Meeting to be held on Wednesday, 24 February 2016.**



**5. CLOSE OF MEETING**