



# **Agenda**

## **Special Meeting of Council**

Wednesday 13 April 2016 at 7:00pm

Queenscliff Town Hall  
50 Learmonth Street, Queenscliff

### **Distribution**

### **Councillors**

Cr. Helene Cameron (Mayor)

Cr. Bob Merriman

Cr. Peter Russell

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

In accordance with the Borough of Queenscliffe Local Law No 1, 2010, the information contained within this Agenda is for the confidential and privileged use of Councillors until at least 48 hours prior to this meeting.

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



<b>1.</b>	<b>OPENING OF MEETING .....</b>	<b>4</b>
<b>2.</b>	<b>PRESENT &amp; APOLOGIES .....</b>	<b>4</b>
<b>3.</b>	<b>PECUNIARY INTEREST &amp; CONFLICT OF INTEREST DISCLOSURES .....</b>	<b>4</b>
<b>4.</b>	<b>GOVERNANCE &amp; FINANCE .....</b>	<b>5</b>
<b>4.1</b>	<b>Draft Rating Strategy .....</b>	<b>5</b>
<b>4.2</b>	<b>Contract 2015/11 – Waste Collection Services .....</b>	<b>24</b>
<b>5.</b>	<b>CLOSE OF MEETING .....</b>	<b>28</b>

---



## Appendices

Appendix	Title	Agenda Item	Distribution
Appendix 1	Draft Rating Strategy	4.1 Draft Rating Strategy	Under separate cover
Appendix 2	CONFIDENTIAL Tenderer Summary	4.2 Contract 2015/11 – Waste Collection Services	Under separate cover
Appendix 3	CONFIDENTIAL Tendered Schedule of Rates	4.2 Contract 2015/11 – Waste Collection Services	Under separate cover
Appendix 4	CONFIDENTIAL Total Year 1 Projected Costs	4.2 Contract 2015/11 – Waste Collection Services	Under separate cover
Appendix 5	CONFIDENTIAL Tender Evaluation Scores	4.2 Contract 2015/11 – Waste Collection Services	Under separate cover



**1. OPENING OF MEETING**

**2. PRESENT & APOLOGIES**

*Present:*

*Apologies:*

**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</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**

The purpose of this report is to enable Council to consider all public submissions made in respect of the revised draft Rating Strategy during the community consultation period that closed on 31 March 2016, to enable Council to formally consider and finalise the Rating Strategy prior to preparation of the draft 2016/17 Budget. 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 an important policy reference point for Council in preparing its budget within a longer term financial planning framework and has been prepared in accordance with the requirements of the *Local Government Act 1989* (the Act) relating to the establishment of rates and charges.

The revised draft 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) and the application of rebates and the payment methodology to be used.

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, articulated in the revised draft Rating Strategy, 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 revised draft Rating Strategy gives 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 revised draft Rating Strategy is proposed to apply from the 2016/17 rating year, effective from 1 July 2016.

An initial draft Rating Strategy was considered by Council at the 24 February 2016 Ordinary Meeting, following a four week community consultation process conducted during January/February 2016. At the 24 February 2016 Ordinary Meeting, and having considered the impact of the State Government rate cap on Council's current approach to rating, the four public submissions received and the alternative rating options, Council resolved to amend the draft Rating Strategy for further consideration by Council, including:

1. Incorporation of a fixed charge approach to recover the costs of all Council's waste management services, and
2. Incorporation of the fixed charges of (i) residential kerbside including hard waste, (ii) public waste and (iii) green waste each to be itemised on the Rates Notice.

A revised draft Rating Strategy was considered by Council at its Special Meeting held on 9 March 2016. Council, having given further consideration to both a Capital Improved Value or CIV-based and fixed charge approach to the establishment of waste management charges, requested officers to make further amendments to the draft Rating Strategy, including:

1. Incorporation of the following principles:
    - a) Full cost recovery of all waste management services;
    - b) Transparent itemisation of three waste management charges (kerbside waste, green waste and public waste) on the 2016/17 Rate Notice; and
    - c) Disclosure of all costs associated with each of the waste management streams to the community as supplementary information to accompany the 2016/17 Rate Notice.
  2. Incorporation of fixed charges of (i) public waste and (ii) green waste in the Draft Rating Strategy.
-



3. Incorporation of a CIV-based residential kerbside charge including hard waste in the Draft Rating Strategy.

The revised draft Rating Strategy was then publically exhibited for a further two week period calling for public submissions until 31 March 2016.

## Background

In light of this latest direction from Council at the 9 March 2016 Special Meeting, the Rating Strategy and the 2016/17 Budget processes have both been reviewed by Council officers. The adjustments ensure a) that the Rating Strategy is able to be adopted by Council prior to preparation of the draft 2016/17 Budget and b) that the 2016/17 Budget is adopted no later than the statutory deadline of 30 June 2016. A summary of the adjusted Rating Strategy and 2016/17 Budget timelines are summarised below. The timelines show how the development of the Rating Strategy affects the 2016/17 Budget process, highlighting the legislative constraints within the timeline to ensure compliance with the *Local Government Act 1989*:

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. Rating Strategy available for public inspection and submissions	21 January – 17 February
7. Submissions period closes (28 days consultation per Council policy)	17 February
8. Hearing of submissions by Council	18 February
9. Council resolution to revise Draft Rating Strategy	24 February
10. Revised Draft Rating Strategy submitted to Council for consideration	9 March
11. Public notice calling for further submissions	17 March
12. Information and awareness	17 March – 31 March
13. Draft Rating Strategy available for public inspection and submissions	17 March – 31 March
14. Final Rating Strategy and submissions presented to Council for consideration	13 April



Budget process	Timing
1. Proposed draft Budget, including Rating Strategy, submitted to Council for approval	27 April
2. Public notice calling for draft Budget submissions	29 April
3. Draft Budget available for public inspection and comment	29 April – 26 May
4. Public submission process undertaken (28 days statutory consultation)	29 April – 26 May
5. Public information sessions	9-10 May
6. Budget submission period closes	26 May
7. Hearing of submissions by Council	1 June
8. Draft Budget and submissions presented to Council for final consideration and adoption (30 June statutory deadline)	22 June
9. Copy of adopted budget submitted to the Minister	27 June

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. Community engagement on the Rating Strategy, although not a statutory consultation process, also aligns with Council's Policy CP003 Community Engagement to consult to help Council plan and make informed decisions on major strategic policy issues.

Community consultation initially included seeking public submissions over a four week period on the initial draft Rating Strategy. A community information video clip was published on Council's website to provide additional information about the changes proposed in the draft Rating Strategy. Councillors and Council officers also presented the initial draft Rating Strategy and revised draft Rating Strategy to the Governance and Finance Portfolio Reference Group during the public exhibition periods in January 2016 and March 2016. The communication undertaken aimed to explain the elements of the initial draft Rating Strategy, provide an understanding of the changes and what it means for ratepayers.

Four submissions were received by Council on 24 February 2016 relating to the initial draft Rating Strategy that proposed i) the application of a residential CIV-based kerbside charge (previously described as a General Waste charge) and ii) continuing application of a fixed green waste charge. All were opposed to the establishment of a separate Kerbside Waste charge above the 2.5% rate cap promised by the State Government, due to the State Government's exclusion of waste management charges from the rate cap.

Other matters raised by submitters in relation to the initial draft Rating Strategy related mainly to:

- Concern about application of a Capital Improved Valuation based Kerbside Waste charge instead of a fixed charge.





- Concern about increases in the State Government's Fire Services Property Levy above the rate cap and the effect of the 2016 general revaluation of all properties in the Borough,
- Support for the differential rating structure, however requests Council to investigate different categories of Commercial differential rates,
- Requests Council to investigate avenues to levy rates on the Commonwealth,
- Support for Concessions on Trust for Nature Properties,
- Support for a rating concession for volunteer based, not for profit clubs,
- Requests Council to consider concessions for ratepayers providing ongoing services to Council,
- Support for maintaining Capital Improved Value as the methodology for valuing properties,
- Support for applying the General (residential) rate to residential vacant land,
- Support for the fixed Green Waste service/charge,
- Support for the application of fixed charges for additional bin services, and
- Support for the increase in the Council pension rebate from \$20 to \$40 per eligible ratepayer.

Council, having given due consideration to the benefits and limitations of both a CIV-based and fixed charge approach to the application of waste management charges, resolved at its 9 March 2016 Special Meeting, to retain a CIV-based residential kerbside waste charge and incorporate the principle of full cost recovery of all waste management services, including i) residential kerbside waste, ii) green waste and iii) public waste. This resulted in a change in scope from the initial proposal. Specifically, the revised draft Rating Strategy now provides for the i) retention of the proposal to apply a residential CIV-based kerbside charge, including hard waste ii) retention of the existing fixed green waste charge, and iii) a new proposal to apply a fixed public waste charge.

Council determined that a further community consultation period of two weeks was appropriate given the proposed change to the scope of the waste management charges. In determining how Council would consult on the proposed changes, Council acknowledged the statutory constraints applicable to the Budget process, which is in line with Council policy CP003 Community Engagement. The public submission period closed on 31 March 2016.

Council resolved at its Special Meeting on 9 March 2016, that Council officers present the revised draft Rating Strategy for consideration at this Special Meeting, having given due consideration to public submissions.

Adoption of a Rating Strategy at this Special Meeting will enable Council to incorporate the key elements of the Rating Strategy into the draft 2016/17 Budget for Council consideration at its Ordinary Meeting scheduled on 27 April 2016. This will enable Council to undertake the statutory consultation process and adopt the draft 2016/17 Budget at its Ordinary Meeting scheduled on 22 June 2016 and meet Council's statutory obligation as follows:

- Section 129(2) of the Act requires Council to call for public submissions on its Budget for a minimum 28 days in accordance with the Section 223 public submission process, and
- Section 130(3) of the Act requires Council to adopt the Budget by 30 June each year.

The revised draft Rating Strategy including the changes requested by Council at the Special Meeting held on 9 March 2016 was framed around nine 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 Kerbside Waste charge to recover the cost of residential kerbside waste collection and disposal, including hard waste,
7. A fixed Green Waste charge to recover the cost of the residential kerbside green waste service,
8. A fixed Public Waste charge to recover the cost of public waste collection and disposal, and
9. Additional bin charges for additional general waste, recycle and green garbage bin services.

### **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 has been 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 a rate cap. 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 waste charge) and recognises that councils may apply full cost recovery to ratepayers for the provision of waste collection and disposal services within the municipality 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.

Noting that the Rating Strategy is a key foundation document for the Budget, it remains incumbent on Council to ensure that it complies with Section 130(3) of the Act, which requires that Council must adopt the Budget by 30 June each year.

---



## Key Issues

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

- 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 fully recover the cost of waste management services, including the waste streams of i) kerbside waste, ii) green waste, and iii) public waste.
- Applying a CIV-based Kerbside 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 waste collection and disposal services,
- Applying a fixed Public Waste charge to be applied to all rateable properties in the Borough, to recover the cost of the provision of public waste collection and disposal services,
- 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.

Council received 21 public submissions during the public exhibition period from 17 March 2016 to 31 March 2016. Of the 21 public submissions received, two late submissions were received after the close of submissions at 4.00pm on 31 March 2016. The late submissions have been included in the analysis provided in this report, have been noted as late submissions and circulated to Councillors under separate cover, in accordance with the *Privacy and Data Protection Act 2014*.

The key themes relating to the submissions were:

1. Confusion about the Rating Strategy process,
2. Feedback on the principle of transparency relating to waste management costs and charges, and
3. Feedback on the methodology applied to waste management charges.

In summary, a number of submitters perceived that the community consultation process may have been rushed and inconsistent with Council's Community Engagement policy framework. An explanation of the legislative constraints and policy framework that have been applied, which complies with the Act and Council policy, has been outlined in this report.

There were also a number of requests for access to confidential contract tendering and/or rate modelling information that could be used by the community to gain an understanding of what ratepayers might expect to pay in rates and charges as a result of the proposed changes. Submitters will be advised that the purpose of a Rating Strategy is to establish Council's policy intent, including how rates and charges will be applied and the methodology to be used. In contrast, the Budget establishes the level of the rates and charges to be applied, which will be considered by Council in the preparation of its draft 2016/17 Budget at its Ordinary Meeting on 27

---



April 2016. As a result, confidential contractual matters and proposed rates and charges yet to be formally considered by Council and therefore subject to change, cannot not be made publicly available in considering the draft Rating Strategy.

Some of the feedback received was consistent with or duplicated that received by the four submitters responding previously to the initial draft Rating Strategy. Three new submissions reiterated objections to the establishment of a separate residential kerbside waste charge above the 2.5% rate cap. This feedback continues to highlight public confusion caused by the Victorian Labour Government's public statement committing to a 2.5% rate cap. This public commitment has generated an unintended consequence, that is, an expectation in the community that the rate cap should apply to all rates and charges. In fact, the State Government has excluded waste management charges from the rate cap and acknowledged that waste management is a cost recovery service and cost increases for waste collection and disposal services are typically significantly higher than CPI.

Four submissions indicated support for the principle of full cost recovery of waste management charges with a further eight submissions providing strong support for the transparent disclosure of itemised waste management charges on Rate Notices.

15 submissions objected to a CIV-based Kerbside Waste charge in preference for a fixed Kerbside Waste charge, citing the view that this methodology is not an indicator of a property owner's wealth, the amount of waste collected by each property, nor is it relative to the costs incurred per property. Three submissions supported a CIV-based approach as the most equitable way of recovering the costs as well as being consistent with the current CIV differential rating approach, with one submitter also in favour of a CIV-based Public Waste charge.

A detailed summary of the submissions received relating to the key themes is included in this report, including other matters raised.

Council acknowledges and thanks the submitters for their time and effort in preparing each submission and recognises that the matters raised are important to each submitter. Council has been provided with copies of all submissions received and been briefed on the content of each submission at a Council Assembly held on 6 April 2016.

Having considered the submissions, no changes are recommended to the revised draft Rating Strategy in this report. This revised draft Rating Strategy has been developed following research and investigation, feedback from the community on the initial draft Rating Strategy and the revised draft Rating Strategy. Community consultation commenced early in the planning process and has involved a total period of eight weeks. This process has informed Council's decision-making process to enable Council to determine the most appropriate strategy that is representative of the local community.

Council recognised that there are benefits and limitations of alternative rating models and that the Rating Strategy review is particularly challenging for Council in light of the constraints imposed on Council in complying with the introduction of rate capping legislation. This is evident in considering

---



both the benefits and limitations of both fixed versus variable waste management charges. There is clear support for many of the elements of the revised draft Rating Strategy, including the transparent itemisation of waste management charges on the Rate Notices. In the absence of significant objection to a CIV-based Kerbside Waste Charge it is incumbent on Council, having undertaken an extensive community engagement process, to determine a Rating Strategy that is representative of the wider view of the Borough of Queenscliffe community.

In preparing the revised draft Rating Strategy, Council has articulated a firm commitment to three key principles in relation to funding waste management services:

1. Full cost recovery of all waste management services,
2. Clear identification of the waste management cost streams of kerbside waste, green waste and public waste and specifying these on the Rate Notice where applicable, and
3. Disclosure of all costs associated with each of the waste management streams to the community as supplementary information to accompany the 2016/17 Rate Notice.

There is an underlying principle applied in the Act recognising that local government may apply full cost recovery to ratepayers for the provision of waste collection and disposal services within the municipality. The application of waste management charges for all waste services, including a residential kerbside waste charge, green waste charge and public waste charge, allows Council to continue to apply this principle using a different application method and increase transparency about the waste management costs to be recovered in each year on the Rate Notice. The State Government also acknowledges that waste management is a cost recovery service and cost increases for waste collection and disposal services are typically significantly higher than CPI. 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 revised draft Rating Strategy has been prepared on the basis that Council did not prepare a submission to the Essential Services Commission to seek a variation to the 2016/17 rate cap of 2.5%.

The revised draft Rating Strategy also changes the proposed application of a waste charge to be applied to residential kerbside waste collection and disposal from a CIV-based waste charge to a fixed waste charge. The revised draft Rating Strategy aims to deliver an equitable rating outcome, within the parameters available under the legislative framework that now applies to local government.

The Rating Strategy is a key foundation document for the annual budget, therefore needs to be adopted by Council prior to consideration of the draft 2016/17 Budget to enable the Budget process to be completed and the 2016/17 Budget to be adopted no later than 30 June 2016 to meet Council's statutory obligations. The proposed revised process meets this statutory requirement.

---





## Discussion

The revised draft Rating Strategy is framed around nine 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 Kerbside Waste charge to recover the cost of residential kerbside waste collection and disposal, 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 waste collection and disposal services,
7. A fixed Green Waste charge to recover the cost of the kerbside green waste service, to be applied to residential premises rated as General rate or Tourism Accommodation rate, however exclude vacant residential land from 2016/17, to recover expenditure incurred in the provision of this service, and
8. A fixed Public Waste charge, to be applied to all rateable properties in the Borough, to recover the cost of the provision of public waste collection and disposal services,
9. Additional bin charges for additional general waste, recycle and green garbage bin services.

In developing the elements of the revised draft Rating Strategy, Council officers presented to Council the benefits and limitations of alternative rating models for the recovery of waste management service costs, which are summarised below:

<b>1. A fixed Kerbside charge, fixed Green Waste charge and fixed Public Waste charge</b>	
<b>Benefits</b>	<b>Limitations</b>
<ul style="list-style-type: none"><li>• Recovery of actual costs and transparency of full waste management costs on the rates notice</li><li>• Only those who access the service pay for the service (Kerbside Waste and Green Waste charges excludes Commercial &amp; vacant residential land assessments; Public Waste charge applies to all properties who receive similar benefits)</li></ul>	<ul style="list-style-type: none"><li>• Inconsistent with current equity approach in the current Rating Strategy</li><li>• Pensioners and comparatively low income ratepayers are disadvantaged</li><li>• Perception that Council intends to raise extra revenue versus recovery of costs</li><li>• Low value residential properties contribute significantly more and high value residential properties contribute significantly less</li></ul>



<ul style="list-style-type: none"><li>• Consistent approach to current fixed charges for Green Waste (compulsory) and Additional Bin (optional) charges</li><li>• Everyone pays a set charge for the same service received</li><li>• Everyone continues to contribute to public waste services</li><li>• Previously established and accepted approach in the sector</li></ul>	<p>compared to current approach</p> <ul style="list-style-type: none"><li>• Commercial rates and vacant residential properties contribute less rates and charges revenue and residential properties and tourist accommodation properties contribute less</li></ul>
<b>2. A CIV-based Kerbside Waste charge, fixed Green Waste charge and fixed Public Waste charge</b>	
<b>Benefits</b> <ul style="list-style-type: none"><li>• Recovery of actual costs and transparency of full waste management costs on the rates notice</li><li>• Only those who access the service pay for the service (Kerbside Waste charge and Green Waste charge excludes Commercial &amp; vacant residential land assessments)</li><li>• Everyone continues to contribute to public waste services</li><li>• Using a CIV based approach is consistent with current accepted rating approach – those with higher property values contribute more</li><li>• Those ratepayers with less capacity to pay (low value properties, pensioners, war veterans) are less disadvantaged.</li><li>• Those ratepayers with more capacity to pay (high value properties) contribute more to kerbside waste services</li></ul>	<b>Limitations</b> <ul style="list-style-type: none"><li>• Ratepayers may not expect to pay more or less for the same service</li><li>• A CIV-based Kerbside Charge is an inconsistent approach to other ‘fixed’ waste charges</li><li>• Perception that Council intends to raise extra revenue versus recovery of costs</li><li>• Low value residential properties contribute significantly more and high value residential properties contribute significantly less</li></ul>

The application of waste charges to recover the full cost of all waste management services will enable the Borough of Queenscliffe to continue to recover the full cost of kerbside collection and disposal of waste and public waste services, which generally exceed CPI. Separating waste charges on the Rate Notice also enables increased transparency about the waste management costs to be recovered in each year.

The waste management cost streams covered by waste charges include residential kerbside general waste, recyclables, hard waste and public waste collection and disposal. It is proposed that all costs associated with each of the waste management streams be disclosed to the community as supplementary information to accompany the 2016/17 Rate Notice. These cost streams are included in the annual budget and may include the net cost of items such as:





### **Kerbside Waste**

- Roadside E Waste collection
- Kerbside waste collection (including general, recycling and hard waste)
- Landfill disposal (including Landfill Levy)
- Waste collection bin renewal
- Waste and litter education
- Regional Waste Management Group membership

### **Green Waste**

- Kerbside collection and disposal of green waste
- Green waste monitoring and evaluation
- Green waste education program

### **Public Waste**

- Public waste collection (including street and park bins)
- Street cleaning and sweeping
- Beach cleaning

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 kerbside 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, together with the local community, place a high priority on clearly communicating the elements of the draft Rating Strategy and understanding the State Government imposed changes. This is particularly important this year due to the impact of rate capping and how this alters the way that Council rates are calculated.

Community engagement on the Rating Strategy, although not a statutory consultation process, aligns with Council's Policy CP003 Community Engagement. Clause 1.2.1 of Council's Community Engagement policy confirms that Council will *"consult to help it plan and make informed decisions on major strategic, town planning, policy and service provision issues and be open to new ideas and information."* Clause 1.4 of the policy makes further provision for Council to limit the level of consultation when *"the Council is bound by legal, commercial or legislative constraints and/or considerations such as statutory requirements, funding requirements or policy requirements of other levels of government."* Identified as a Category 5 'Major plan' in the policy, community consultation initially included seeking public submissions on the initial draft Rating Strategy, consistent with the statutory process under Section 223 of the Act.

The communication undertaken aimed to explain the elements of the initial draft Rating Strategy, provide an understanding of the changes and what it means for ratepayers. A community information video clip was published on Council's website to provide additional information about the changes proposed in the draft Rating Strategy. Councillors and Council officers also presented the initial draft Rating Strategy and revised draft Rating Strategy to the Governance and Finance Portfolio Reference Group during the public exhibition period in January 2016 and March 2016 to develop an understanding of the proposals and to seek feedback.

Public submissions were invited on the previous draft Rating Strategy endorsed by Council on 20 January 2016, which occurred over a 28 day exhibition and closed on Wednesday, 17 February 2016. This revised draft Rating Strategy was prepared in accordance with the Act and is now submitted to Council for approval following completion of a further community consultation process, which called for public submissions over a 14 day exhibition period and closed on Thursday, 31 March 2016. This further consultation provided an opportunity for the community to provide feedback on the expansion of the scope of waste management charges to include public waste, as a result of the establishment of a full cost recovery principle to apply to all waste management cost streams.

Council received 21 public submissions during the public exhibition period from 17 March 2016 to 31 March 2016. The key themes relating to the submissions were:

#### **1. Confusion about the Rating Strategy process**

- a. Requests for access to information about what ratepayers might expect to pay in rates and charges, Council's modelling of waste charges and waste service contract cost increases (5)



- b. Perceptions that the process of engaging with the community was rushed/inconsistent with Council's Community Engagement policy, including requests for more extensive consultation on alternative options for waste management charges (4)
- c. Concern that the effective increase in rates and charges will be higher than the 2.5% rate cap promised by the State Government due to the exclusion by the State Government of waste management charges from the rate cap and request to Council to seek and justify a variation to the rate cap (3)
- d. Perception that Public Waste charges could be partly funded from Tourism revenue collected on Crown Land (2)
- e. Suggestion that Council should consider increasing the Commercial differential rate or rate Commonwealth land to reduce the impact of waste management charges (1)

**2. Feedback on the principle of transparency relating to waste management costs and charges**

- a. Support for full cost recovery of waste management charges (4)
- b. Support for the principle of transparency of waste management charges on rate notices (8)

**3. Feedback on the methodology applied to waste management charges**

- a. Opposition to a CIV-based Kerbside Waste charge (15) – not an indicator of the property owner's wealth or the amount of waste collected; Kerbside Waste costs do not vary across the municipality; preference for consistency of methodology across waste management charges
- b. Support for a CIV-based Kerbside Waste charge (3)
- c. Support for a CIV-based Public Waste charge (1)
- d. Support for a combined fixed and variable charge to balance a perceived inequity of a CIV-based charge (1)
- e. Request to consider a higher Council Pensioner rebate (1)

In relation to the matters raised by submitters in point 1, Council officers have provided the following facts:

- a. Requests for access to information about what ratepayers might expect to pay in rates and charges, Council's modelling of waste charges and waste service contract cost increases (5)

Information requested to be made publicly available included financial details about Contract 2015/11 – Waste Collection Services, which is to be considered by Council in Item 4.2 of this Agenda. This information is part of a confidential tendering process, including tender pricing that is reported in camera in accordance with reporting restrictions outlined in Section 89(2)(d) of the Act.

Rate modelling information was the subject of several Council workshops and this was designed to develop an understanding of the potential impacts of rating options across the municipality. This information was also requested to be made publicly available to enable the community to gain an understanding of what ratepayers might expect to pay in rates and charges as a result of the proposed changes.

---



Modelling information provided to Council is indicative only with a number of factors that may affect the amount of rates and charges that ratepayers will pay being uncertain at the time the modelling was prepared and remains so at the time of preparation of this report. Council has been informed that key assumptions were made in the preparation of the rate modelling, which may change. This includes the budget estimates for the waste management cost streams, yet to be formally considered by Council, as well as the impact of the 2016 general revaluation of all properties within the Borough of Queenscliffe. Budget estimates will not be known until Council has considered the draft 2016/17 Budget at its Ordinary Meeting scheduled on 27 April 2016. This follows consideration of tender costs for Waste Contract 2015/11.

It should be noted that the purpose of the Rating Strategy is to establish Council's policy intent, including how rates and charges will be applied and the methodology to be used. In contrast, the Budget establishes the level of the rates and charges to be applied, which will be considered by Council in the preparation of its draft 2016/17 Budget. As a result, confidential contractual matters and proposed rates and charges, which will be determined by Council in consideration of its draft 2016/17 Budget for each waste management cost stream when Council formally considers the draft Budget at its Ordinary Meeting on 27 April 2016.

As the waste management costs and proposed waste management charges have not been formally considered by Council and remain subject to change, the rate modelling information could be misleading, therefore cannot not be made publicly available in considering the draft Rating Strategy. The budget estimates of each waste management cost stream will be disclosed in the draft 2016/17 Budget and provided as supplementary information with the 2016/17 Rate Notices.

- b. Perceptions that the process of engaging with the community was rushed/inconsistent with Council's Community Engagement policy, including requests for more extensive consultation on alternative options for waste management charges (4)

An extensive community consultation process has been undertaken early in the planning process and has involved a total period of eight weeks, commencing in January 2016. Community engagement on the Rating Strategy, although not a statutory consultation process, aligns with Council's Policy CP003 Community Engagement to consult to help it plan and make informed decisions on major strategic policy issues, such as the Rating Strategy. The policy also makes further provision for Council to limit the level of consultation when the Council is bound by legislative constraints and consideration of statutory requirements, such as recognising the time constraints of meeting the 30 June statutory deadline to adopt the Budget.

- c. Concern that the effective increase in rates and charges will be higher than the 2.5% rate cap promised by the State Government due to the exclusion by the State Government of waste management charges from the rate cap and request to Council to seek and justify a variation to the rate cap (3)
-



This feedback was consistent with or duplicated the feedback received from the four submitters responding previously to the initial draft Rating Strategy. The Victorian Labour Government's public statements committing to a 2.5% rate cap have generated the unintended consequence, that is a community expectation that the rate cap should apply to all rates and charges, including waste management charges. In fact, the State Government has excluded waste management charges from the rate cap and acknowledged that waste management is a cost recovery service and cost increases for waste collection and disposal services are typically significantly higher than CPI.

The revised draft Rating Strategy outlines Council's commitment to the principle of full cost recovery of waste management charges, which is permitted in the Act and this principle was supported by four of the submissions received.

- d. Perception that Public Waste charges could be partly funded from Tourism revenue collected on Crown Land (2)

Council generates revenue from its tourist parks that are located on Crown Land and is required to use that revenue for open space development and maintenance within the municipality. This revenue is allocated in the Budget each year and reduces the amount of general rate revenue required to fund open space development and maintenance within the Borough. It would therefore be inconsistent with legislative requirements and therefore inappropriate to reallocate this revenue to fund waste management services.

- e. Suggestion that Council should consider changing the Commercial differential rate or rate Commonwealth land to reduce the impact of waste management charges (1)

Council have been briefed on the potential impacts that changing the Commercial differential rate could have on the proposed rates and charges. Council officers have previously informed Councillors that the rate revenue generated from the Commercial rate is proportionately small compared to the rate revenue generated from the General (residential) rate and Tourist Accommodation rate. As a result, the overall effect on residential rates and charges would be negligible. Increasing the Commercial rate is not recommended.

Council is not permitted under Section 154 of the Act to rate Commonwealth land where that land is used exclusively for public or municipal purposes and is therefore non-rateable.

Other matters raised by submitters related mainly to:

- A request that Council consider the effect of the option to exclude the hard waste collection service.
  - Concern about the impact of the 2016 general revaluation on rates and charges to be applied.
  - Concern about the level of the Public Waste costs associated with street sweeping, park cleaning and beach cleaning.
  - Support for the differential rating structure.
  - Support for not applying a municipal charge.
  - Support for the application of fixed charges for additional bin services.
-



- Support for the increase in the Council pension rebate from \$20 to \$40 per eligible ratepayer.
- Support for Concessions on Trust for Nature Properties.

The draft Rating Strategy submissions have been circulated to Councillors under separate cover, in accordance with the *Privacy and Data Protection Act 2014*.

Officers have written to all submitters thanking them for making a submission and will provide a formal response following adoption by Council of the Rating Strategy, with or without modifications.

### **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 revised draft Rating Strategy attached as **Appendix 1** has been prepared with current available staff resources. 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 revised 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 fully recovered in an equitable manner from only those ratepayers who have access to the services or who receive the benefits of those services.

---



### **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.*

Officers involved in developing the report have no direct or indirect interests.

### **Conclusion**

The revised draft Rating Strategy responds to Council's direction provided at its Special Meeting held on 9 March 2016 and gives due consideration to the 21 public submissions received. The revised draft Rating Strategy has been developed through a process of consultation and review and includes Council's response to the State Government's new rate capping legislation, which commences from 1 July 2016. Subject to any final changes to the revised draft Rating Strategy, Council officers propose that Council consider and adopt the final Rating Strategy at this Special Meeting to ensure that Council is able to meet its statutory process obligations to consider and adopt the final 2016/17 Budget at its Ordinary Meeting scheduled on 22 June 2016.

### **Recommendation:**

**That Council, having given due consideration to the public submissions received in response to the revised draft Rating Strategy:**

- 1. Adopt the revised draft Rating Strategy as presented in Appendix 1;**
  - 2. Request officers to write to submitters to the draft Rating Strategy advising of this resolution and provide responses to each submission; and**
  - 3. Request officers to present the draft 2016/17 Budget, to be informed by the Rating Strategy, to Council at its Ordinary Meeting scheduled on Wednesday, 27 April 2016.**
-



## **4.2 Contract 2015/11 – Waste Collection Services**

<b>File:</b>	<b>QG052.03.2015/11</b>
<b>Report Author:</b>	<b>Projects and Contracts Engineer</b>
<b>Strategic Objective:</b>	<b>A Unique Natural Environment</b>
<b>Portfolio:</b>	<b>Sustainability and Local Environment</b>
<b>Portfolio Holder:</b>	<b>Cr Sue Wasterval</b>

### **Purpose**

The purpose of this report is to advise Council of the waste collection service tenders received and award Contract 2015/11 – Waste Collection Services.

### **Background**

The current Waste Collection Service contract ends on 7 July 2016 and tenders have been received for the purpose of awarding a new contract commencing 8 July 2016. The new contract will continue with the same collection services currently provided including:

- Garbage, Recyclables and Green Waste Mobile Bin based Domestic Kerbside Collection from:
  - Residential Properties
  - Caravan Parks; and
  - Municipal Offices
- Public Bins Collection ;
- Annual Hard Waste Collection from residential properties;

This report discusses the tenders received, costs, evaluation process and recommends the appointment of a contractor that provides the best value offer for Council and the community.

### **Key Issues**

- Compliance with Council's Procurement Policy and Section 186 of the Local Government Act
- Achieving best value in the provision of waste collection services
- Awarding of Contract 2015/11 – 'Waste Collection Services' to the preferred tenderer, Four Seasons Waste Pty Ltd.

### **Discussion**

#### **Public Notification**

Tenders for Contract 2015/11 were called for the provision of the Waste Collection Service on 16 January 2016. The tender was advertised in 'The Age' newspaper, through the Tenderlink network

---





and on Council's webpage. Tenders Closed on 25 February 2016. The contract is a schedule of rates contract.

### **Contract Period**

The contract commencement date is 8 July 2016. The initial contract term within the tendered specifications is five (5) years with the option to extend for a further two (2) years at Council's discretion.

### **Tenders Received**

At the close of the tender period two tenders were received. A brief summary of each tenderer is included in Confidential **Appendix 2** – Tenderer Summary.

The tendered rates are presented in Confidential **Appendix 3** – Tendered Schedule of Rates.

### **Evaluation Panel**

The evaluation panel comprised:

- Mr Stuart Hansen – Projects & Contracts Engineer
- Mr Daniel Barker – Roads & Infrastructure Engineer
- Mr Max Gilbert – Gilbert Consulting Pty Ltd

### **Evaluation Process**

The basis of the evaluation process was to assess all submitted tenders for the Contract with a view to identifying the offer which represents the most advantageous and best value for money overall for the community and Council.

The specified 'weighted' attribute scoring method was used for the evaluation of all tenders in accordance with the following criteria:

- Technical Capacity (Non Financial attributes listed below) (50%);
- Financial Benefit (Price) (50%); and
- Financial Capacity Pass/Fail.

Tenderers' Technical Capacity was assessed against the following criteria and weightings:

- Service Delivery Capabilities (20%) – ( relevant experience, methodology);
  - Operational Management Systems (10%) – (Quality, OH&S, Environment & Risk);
  - Management Skills (5%) – (experience, staff, communication, processes, philosophy);
  - Customer Service (5%) – (systems , responsiveness);
  - Local Issues (5%) – (impact on local economy); and
  - Plant Proposals (5%) – (plant & equipment details, backup & transition plan).
-



## **Evaluation**

### **Technical Capacity (Non Price attributes) Outcomes (50%)**

Taking into consideration the written tender submissions and responses to requests for further information and reference checks where required, the Panel rated each tenderer against the Technical Capacity evaluation criteria. Four Seasons Waste achieved the highest Technical Capacity ranking score.

### **Financial Benefit Outcomes (50%)**

As the tender prices submitted are in the form of a complex schedule of rates for a number of sub-components for each service, the submitted rates were used to calculate an estimate of the first year annual cost of each service for each tender using the supporting data contained in the tender documents. The estimated first year annual cost of each service is presented in Confidential **Appendix 4 – Total Year 1 Projected Cost**.

The projected first year annual costs were then used to calculate the Financial Benefit score. Four Seasons Waste achieved the highest Financial Benefit score.

The detailed evaluation scoring for each tender is presented in Confidential **Appendix 5 – Tender Evaluation Scores**.

## **Council Plan**

This report regarding the award of the Waste Collection Services contract relates to the following 2013-2017 Council Plan strategies:

Strategic Objective 3: A Unique Natural Environment

- Promote Recycling and minimise waste

Strategic Objective 5: A Proactive and Accountable Council

- Provide transparent, open and accountable governance and ensure compliance with relevant legislation

## **Financial**

The tendered prices were a schedule of rates. To assess the cost of provision of the service with the preferred tenderer, the tender rates were used to project the first year's cost by multiplying the rates by the number of units for a whole year as prescribed in the tender specifications.

The projected costs for the first 12 months are as follows:

### **Four Seasons Waste**

Collection (Kerbside Garbage, Recycling and Green Waste, Caravan Parks & Offices)	= \$313,176
On - Going Bin Deliveries	= \$5,100
Public Bin Collection (Waste, Recycling & Dog waste)	= \$159,123
<u>Hard Waste</u>	<u>= \$10,000</u>
<b>Total Operating Costs for Year One (exclusive of GST)</b>	<b>= \$487,399</b>



Four Seasons Waste was the lowest annual cost tender. The waste collection costs incurred as a result of awarding this contract will be reflected in the draft 2016/17 budget.

### **Social**

An efficient and reliable waste collection service is essential to public health and amenity.

### **Environmental**

Four Seasons Waste operates an Integrated Management System that incorporates an Environmental Management System. The Waste Management Services Contract contains a number of clauses relating to environmental controls with the purpose of ensuring the operation of this contract has minimal environmental impact.

### **Risk Management**

As part of the tender process all tenderers were required to supply documentation on their Occupational Health and Safety, Quality, Environmental and Risk Management systems. All tenderers, including Four Seasons Waste Pty Ltd, have in place the required management systems to Australian Standards to manage risks in the delivery of the service.

### **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 consider by the Council or the committee.*

Officers involved in developing the report have no direct or indirect interests.

### **Assessment**

The Four Seasons Waste Tender was strong across all evaluation criteria demonstrating an excellent understanding of local issues and presenting a comprehensive methodology for undertaking the contract requirements. The Four Seasons Waste tender is also the most financially beneficial to Council. The evaluation panel is confident that Four Seasons Waste can competently undertake all requirements of Contract 2015/11 Waste Collection Services.

### **Conclusion**

Following a rigorous evaluation process it is considered the Waste Collection Services Contract be awarded to Four Seasons Waste Pty Ltd.

---



**Recommendation:**

**That Council with respect to the Schedules of Rates tendered and shown in Confidential Appendix 3, for Contract No. 2015/11 - Waste Collection Service:**

- 1. Awards the contract to Four Seasons Waste Pty Ltd for:**
  - a) Garbage and Recyclables Collection and transport for disposal from:**
    - i) Residential properties– collected weekly from 120 litre mobile bins;**
    - ii) Caravan Parks – collected at specified frequencies; and**
    - iii) Municipal Offices – collected weekly;**
  - b) Green Waste collection and transport for disposal from residential properties collected fortnightly from 240 litre mobile bins;**
  - c) Public Bins Collection - Waste, Recyclables and ‘dog waste’ bins collected from nominated locations at nominated frequencies and transport for disposal; and**
  - d) Hard Waste collection (once per year) from residential properties and transport for disposal; and**
- 2. Sign and seal the contract.**

**5. CLOSE OF MEETING**

---