

AGENDA

FOR THE
GREATER SHEPPARTON CITY COUNCIL

SPECIAL COUNCIL MEETING

TO BE HELD ON
TUESDAY 2 JULY, 2013
AT 5.30PM

IN THE COUNCIL BOARD ROOM

COUNCILLORS:

Cr Jenny Houlihan (Mayor)
Cr Les Oroszvary (Deputy Mayor)
Cr Milvan Muto
Cr Dennis Patterson
Cr Michael Polan
Cr Kevin Ryan
Cr Fern Summer

VISION

GREATER SHEPPARTON
AS THE FOOD BOWL OF AUSTRALIA,
A SUSTAINABLE, INNOVATIVE
AND DIVERSE COMMUNITY
GREATER FUTURE

**A G E N D A
FOR THE
SPECIAL COUNCIL MEETING
TO BE HELD ON
TUESDAY 2 JULY, 2013 AT 5.30PM**

**CHAIR
CR JENNY HOULIHAN**

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RISK LEVEL MATRIX LEGEND

Note: A number of reports in this agenda include a section on “risk management implications”. The following table shows the legend to the codes used in the reports.

Likelihood	Consequences				
	Negligible (5)	Minor (4)	Moderate (3)	Major (2)	Catastrophic (1)
Almost Certain (A) Event expected to occur several times per year (i.e. Weekly)	Low	Moderate	High	Extreme	Extreme
Likely (B) Will probably occur at some stage based on evidence of previous incidents (i.e. Monthly)	Low	Moderate	Moderate	High	Extreme
Possible (C) Not generally expected to occur but may under specific circumstances (i.e. Yearly)	Low	Low	Moderate	High	High
Unlikely (D) Conceivable but not likely to occur under normal operations (i.e. 5-10 year period)	Insignificant	Low	Moderate	Moderate	High
Rare (E) Only ever occurs under exceptional circumstances (i.e. +10 years)	Insignificant	Insignificant	Low	Moderate	High

Extreme CEO’s attention immediately required. Possibly avoid undertaking the activity OR implement new controls

High Director’s attention required. Consider suspending or ending activity OR implement additional controls

Moderate Manager’s attention required. Ensure that controls are in place and operating and management responsibility is agreed

Low Operational, manage through usual procedures and accountabilities

Insignificant Operational, add treatments where appropriate

PRESENT:

1. ACKNOWLEDGEMENT

“We the Greater Shepparton City Council, begin today’s meeting by acknowledging the traditional owners of the land which now comprises Greater Shepparton. We pay respect to their tribal elders, we celebrate their continuing culture, and we acknowledge the memory of their ancestors.”

2. APOLOGIES

3. BUSINESS DIRECTORATE

3.1 Draft 2013/2014 Budget

Disclosures of conflicts of interest in relation to advice provided in this report
Under section 80C of the *Local Government Act 1989* officers and persons engaged under a contract providing advice to Council must disclose any conflicts of interests, including the type and nature of interest.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Council Officers involved in producing this report

Author: Team Leader Corporate Accounting

Proof reader(s): Manager Finance and Rates

Approved by: Director Business

Executive Summary

The report presents to Council the Draft Budget for the financial year ending 30 June 2014. It is proposed that public notice be given inviting submissions on any proposal contained in the Draft 2013/2014 Budget.

The *Local Government Act 1989* requires the Council to give public notice of the preparation of the budget and a person has a right to make a submission on any proposal contained in the budget. Submissions will be received until 5.00pm Friday 2 August 2013.

RECOMMENDATION

That the Council:

1. endorse the Draft 2013/2014 Budget as presented;
2. authorise the Chief Executive Officer to:
 - a. give public notice of the preparation of the Draft 2013/2014 Budget in accordance with section 129 of the *Local Government Act 1989*;
 - b. invite submissions in accordance with section 223 of the *Local Government Act 1989*; and
 - c. administer the section 223 process.
3. form a committee of the whole to hold a meeting at 5.30pm on Tuesday 6 August 2013 to hear any person wishing to be heard in support of their submission on any proposal contained in the Draft 2013/2014 Budget in accordance with section 223 of the *Local Government Act 1989*.
4. consider all written submissions on any proposal contained within the Draft 2013/2014 Budget.
5. consider a recommendation to adopt the 2013/2014 Budget with or without amendment at the Ordinary Council meeting to be held at 5.30pm on Tuesday 20 August 2013.
6. endorse the amended Fees and Charges as identified in appendix I of the Draft 2013/2014 Budget, to be effective immediately.

3. BUSINESS DIRECTORATE

3.1 Draft 2013/2014 Budget (continued)

Background

The Draft 2013/2014 Budget has been prepared in accordance with the requirements of the *Local Government Act 1989*.

Council has prepared a Strategic Resource Plan for the ten years from 2013 to 2023 as part of its corporate planning framework to assist in preparing a budget within a longer term framework. The Draft 2013/2014 Budget reflects year one of the Strategic Resource Plan and takes into account the activities and initiatives which contribute to achieving the strategic objectives specified in the Council Plan. The Strategic Resource Plan highlights the significance of rates and charges as a source of revenue and guides Council on the amount required to be raised to maintain services, renew existing assets and invest in new and upgraded assets.

As provided for within the Strategic Resource Plan the Draft 2013/2014 Budget proposes a 4.95 per cent increase in rates and charges, excluding supplementary valuations, which will generate \$60 million. The proposed rating structure for the 2013/2014 year has been informed by the Draft Rating Strategy 2013-2017 which has taken into account the recommendations of the Rating Strategy Reference Group and subsequent public comment received regarding what is an equitable distribution of the rates burden between categories of ratepayers.

Due to proposed changes to the rating structure the rates paid by some property types will increase while the rates paid by other properties will decrease as detailed in the table below which shows the impacts of changes on median valued properties:

RATES AND CHARGES	Median CIV	Total Declared 2013/2014	Change	Change	Per week
RESIDENTIAL UNIMPROVED LAND	\$116,000	\$721	\$61	9%	\$1.17
RESIDENTIAL IMPROVED LAND	\$234,000	\$1,457	\$120	9%	\$2.32
FARM LAND	\$365,000	\$1,703	\$87	5%	\$1.68
RURAL RESIDENTIAL LAND	\$335,000	\$1,887	\$163	9%	\$3.14
COMMERCIAL UNIMPROVED LAND	\$382,000	\$3,023	\$750	33%	\$14.42
COMMERCIAL IMPROVED 1 LAND	\$337,000	\$3,913	(\$198)	(5%)	(\$3.81)
COMMERCIAL IMPROVED 2 LAND	\$835,000	\$9,075	(\$899)	(9%)	(\$17.30)
COMMERCIAL IMPROVED 3 LAND	\$147,000	\$1,585	\$33	2%	\$0.64
INDUSTRIAL UNIMPROVED LAND	\$221,000	\$1,967	\$317	19%	\$6.11
INDUSTRIAL IMPROVED 1 LAND	\$332,500	\$3,538	(\$87)	(2%)	(\$1.66)
INDUSTRIAL IMPROVED 2 LAND	\$1,330,000	\$15,057	(\$2,103)	(12%)	(\$40.45)
INDUSTRIAL IMPROVED 3 LAND	\$205,500	\$2,072	\$94	5%	\$1.81
RECREATIONAL LAND	\$1,380,000	\$4,514	\$436	11%	\$8.39

The Council will introduce an additional direct debit payment method which will allow ratepayers to pay their rates in 10 equal monthly payments, commencing in September and ending in May each financial year. It is proposed that the previous 1.5% lump sum payment discount no longer be offered due to administrative issues associated with the introduction of the State Government Fire Services Property Levy.

The Draft 2013/2014 Budget provides for an Operating Surplus of \$8.81 million.

3. BUSINESS DIRECTORATE

3.1 Draft 2013/2014 Budget (continued)

The 2013/2014 Schedule of Fees and Charges was adopted by Council at its Ordinary Meeting on 20 May 2013. It is budgeted that the adopted fees and charges will raise \$19.73 million during the 2013/2014 financial year. A list of amendments to the adopted Schedule of Fees and Charges is included in the Draft 2013/2014 Budget as Appendix I.

To improve the understanding of the range and cost of the functions performed by Council the Draft 2013/2014 Budget incorporates a Program Budget which details purpose, influences, challenges, Council Plan links and service reduction/growth areas for each Council function.

The Draft 2013/2014 Budget provides for a \$36.20 million capital works program. Funding sources include \$18.44 million from Council operations and \$13.15 million from external grants including funding received in advance.

The proposed capital works program includes:

Roads and Drains

- Mooroopna West Growth Corridor \$5.13 million
- Local roads reconstructions \$4.47 million
- Road asset preservation works \$3.43 million
- Vaughan Street upgrade \$2.52 million
- Roads to Recovery Program \$1.39 million
- Urban and Rural Drainage renewal program \$1.11 million
- Flood Mitigation Works – Congupna and Tallygaroopna \$0.22 million

Open space & Recreation

- Shepparton Sporting Precinct redevelopment \$2.30 million
- Shepparton Showgrounds works \$0.75 million
- Festive decorations \$0.07 million
- Australian Botanic Gardens Shepparton \$0.05 million

Buildings

- Building renewal works \$1.40 million
- Aquamoves utility management works \$0.65 million
- Goulburn Valley Regional Library redevelopment Shepparton \$0.43 million
- Shepparton Visitor Information Centre \$0.25 million

Other

- Cosgrove Landfill land purchase \$1.85 million
- Safety Strategy – CCTV project \$0.49 million
- Bitumen Kettle renewal \$0.21 million
- Saleyards Loading Ramp \$0.10 million

No new borrowings are proposed to deliver this capital works program.

Incorporated in the above capital works program is \$16.8 million for renewal works. As part of the further development of its asset management system, Council is moving from allocating renewal funding based on accounting depreciation expense to the prioritisation of renewal works based on assessed condition.

3. BUSINESS DIRECTORATE

3.1 Draft 2013/2014 Budget (continued)

External Influences

In preparing the 2013/2014 Budget, a number of external influences have been taken into consideration, as they impact significantly on the services delivered by the Council in the budget period. These include:

- Consumer Price Index (CPI) of 2.5 per cent per annum (as at March 2013)
- MAV Local Government cost index of 3.9 per cent per annum for 2012/2013
- Average growth within Greater Shepparton of one per cent per annum which impacts the demand on Council services, infrastructure and Council costs associated with residential developments.
- State and Federal grants decreasing in real terms as the current trend of grants being indexed to CPI or less continues. This means that each year government grants are not keeping pace with the cost to Council of delivering services.
- Increase of 10 per cent (or \$4.84 per tonne) in the levy payable to the State Government upon disposal of waste into landfill, resulting in additional waste tipping costs of \$133,560. The municipal levy has increased from \$7 per tonne in 2008/2009 to \$26.60 per tonne in 2013/2014 (380 per cent increase in 5 years). The industrial levy has increased from \$13 per tonne in 2008/2009 to \$46.60 per tonne in 2013/2014 (358 per cent increase in 5 years).
- Fuel and associated products pricing expected to remain high based on worldwide demand
- Prevailing economic conditions faced across the community
 - Impact of flood and storm events in 2010, 2011 and 2012
 - Impacts felt by Greater Shepparton from the prolonged period of the high Australian Dollar
- Increases in utility costs. The 2013/2014 Budget allows for a 12 per cent increase in utility costs from the 2012/2013 adopted budget. The 2012/2013 Budget provided for an increase of 15 per cent.
- Potential additional employer contributions to the defined benefit superannuation scheme. An amount of \$350,000 will be set aside each year for the purpose of offsetting future calls should they occur.
- Full year of costs associated with Federal and State Government changes to provision of Childcare services. While changes were implemented during the 2012/2013 financial year, the full year impacts have been recognised in the 2013/2014 Budget.
- From 1 July 2013 the Superannuation Guarantee will increase from 9 per cent to 9.25 per cent progressively rising to 12 per cent by July 2019.
- Amendments to the Local Government Act 1989 specifying that penalty interest for rates may only be calculated from the day when each quarterly installment was due, irrespective of whether or not a lump sum option is available. It is estimated that this will result in the loss of annual penalty interest revenue of \$250,000.
- Fees collected by Council on behalf of the State Government include:
 - Fire Services Property Levy \$3.90 million
 - Environment Protection Authority landfill levy \$1.44 million
 - Dog and Cat registrations \$0.04 million
 Council also collects other fees on behalf of the State Government including Building Permit Levy's and some Aged Services.

State Government Fire Services Property Levy

From 1 July 2013, the Victorian Government will replace the existing insurance-based Fire Services levy with a property-based levy. This is an additional charge that will be collected by Council and immediately passed on to the Victorian Government. The

3. BUSINESS DIRECTORATE

3.1 Draft 2013/2014 Budget (continued)

charge will not increase Council's revenue in any way. It is expected that the Council will collect approximately \$3.90 million on behalf of the Victorian Government.

The levy will be payable by all rateable and non-rateable property owners and will comprise of a fixed charge of \$100 for residential properties and \$200 for non-residential properties as well as a variable cost. The variable cost is calculated, depending on the type of property, as a percentage of the capital improved value of the property and set based on contribution to the CFA or the MFB. Variable rates for CFA districts are as follows:

(cents per \$1,000 of Capital Improved Value)

Property Sector	CFA district
Residential (including vacant residential land)	11.5
Commercial	109.2
Industrial	170.9
Primary Production	31.2
Public benefit	11.5
Vacant (excluding vacant residential land)	11.5

The Victorian Government has committed to Council \$37,000 in 2012/2013 and \$82,000 in 2013/2014 for the implementation costs associated with the Fire Services Property Levy.

Internal Influences

As well as external influences, there are a number of internal influences which have a significant impact on the preparation of the 2013/2014 Budget. These matters have arisen from events occurring in the 2012/2013 year resulting in variances between the forecast actual and budgeted results for that year and matters expected to arise in the 2013/2014 year. These matters and their financial impact are set out below:

- The Council's Strategic Resource Plan provides strategic direction on financial sustainability and guides the development of the 2013/2014 Budget. This will assist Council to maintain a low risk financial sustainability rating as assessed by the Victorian Auditor General.
- 4.95 per cent rates and charges increase on the existing capital improved value of properties to fund services and infrastructure.
- As included in the Council's Strategic Resource Plan, discretionary user fees and charges collected are projected to increase by 3.5 per cent annually, which includes inflation of 2.5 per cent and growth of 1 per cent.
- Increases in employee benefits (in line with Council's Enterprise Bargaining increase of 4 per cent from 1 July 2013, banding level increments and additional staff resources to meet growth and demand)
- A project management methodology being implemented as part of the governance, planning, management and delivery of capital projects.
- The estimated average annual infrastructure renewal required is over \$23 million per year, which is \$6 million greater than the budgeted 2013/2014 renewal funding of \$16.8 million.

3. BUSINESS DIRECTORATE

3.1 Draft 2013/2014 Budget (continued)

Council Plan/Key Strategic Activity

The Draft 2013/2014 Budget is consistent with the five strategic goals of the Council Plan which include:

1. Active & Engaged Community (Social)
2. Enhancing the Environment (Natural)
3. Economic Prosperity (Economic)
4. Quality Infrastructure (Built)
5. High Performing Organisation (Leadership & Governance)

The Draft 2013/2014 Budget also includes Key Strategic Activities as required by the *Local Government Act 1989*.

Risk Management

A well planned budget will reduce the risk that Council will not be able to provide the services expected and required by the community.

Risks	Likelihood	Consequence	Rating	Mitigation Action
Failure to comply with the Local Government Act 1989	Unlikely	1	High	Recommendation for Council to authorise the provision of public notice for the Draft 2013/2014 Budget
Operating surplus not achieved	Possible	3	Medium	Monthly and Quarterly Budget Reviews reported to Council
Capital works budget not delivered within the financial year	Possible	3	Medium	Project bids and cost estimates have been reviewed

Policy Considerations

There are no conflicts with Council policy. The annual budget resources the Council Plan to enable the outcomes in the Council Plan to be achieved, including Council policies.

Financial Implications

The full financial implications are outlined in the background section of this report and within the attachments.

	2012/2013 Forecast	2013/2014 Draft Budget	Variance \$	Comments
Revenue	109,900,000	108,300,000	1,600,000	1.5 per cent decrease
Expense	97,300,000	99,500,000	2,200,000	2 per cent increase
Net Result	12,600,000	8,800,000	3,800,000	30 per cent decrease

Legal/Statutory Implications

The Draft 2013/2014 Budget has been prepared in accordance with the requirements of the *Local Government Act 1989 (Act)*.

In accordance with section 127 of the Act, Council must prepare a Budget for each financial year. The Council must ensure that the budget contains:

1. the standard statements in the form and containing the matters required by the regulations;

3. BUSINESS DIRECTORATE

3.1 Draft 2013/2014 Budget (continued)

2. a description of the activities and initiatives to be funded in the budget;
3. a statement as to how the activities and initiatives will contribute to achieving the strategic objectives specified in the Council Plan;
4. separately identified Key Strategic Activities to be undertaken during the financial year and performance targets and measures in relation to each Key Strategic Activity;
5. any other details required by the regulations.

In accordance with Section 158 of the Act Council must ensure that the budget also contains the amount which the Council intends to raise by general rates, municipal charges, service rates and service charges. In accordance with section 161(2) of the Act, if Council declares a differential rate for any land, the Council must:

- (a) specify the objectives of the differential rate which must include the following:
 - (i) a definition of the types or classes of land which are subject to the rate and a statement of the reasons for the use and level of that rate in relation to those types or classes of land;
 - (ii) an identification of the types or classes of land which are subject to the rate in respect of the uses, geographic location (other than location on the basis of whether or not the land is within a specific ward in the Council's municipal district) and planning scheme zoning of the land and the types of buildings situated on it and any other criteria relevant to the rate;
 - (iii) if there has been a change in the valuation system, any provision for relief from a rate for certain land to ease the transition for that land; and
- (b) specify the characteristics of the land which are the criteria for declaring the differential rate.

(2A) A Council must have regard to any Ministerial guidelines made under subsection (2B) before declaring a differential rate for any land.

(2B) The Minister may, by notice published in the Government Gazette, make guidelines for or with respect to-

- (a) the objectives of differential rating;
- (b) suitable uses of differential rating powers;
- (c) the types or classes of land that are appropriate for differential rating.

- (3) A Council which declares a differential rate must ensure that copies of the following information are available on its Internet website and for public inspection at the Council office:
 - (a) the definition of the types or classes of land which are subject to the rate;
 - (b) the objectives of the differential rate;
 - (c) the rate and amount of rates payable in relation to each type or class of land and what proportion of the total rates and charges this represents;
 - (d) any other information which the Council considers it necessary to make available.
- (4) On the recommendation of the Minister, the Governor in Council may by Order in Council prohibit any Council from making a declaration of a differential rate in respect of a type or class of land, if the Minister considers that the declaration would be inconsistent with any guidelines made under subsection (2B).
- (5) The highest differential rate in a municipal district must be no more than 4 times the lowest differential rate in the municipal district.

3. BUSINESS DIRECTORATE

3.1 Draft 2013/2014 Budget (continued)

Section 129 of the *Local Government Act 1989* requires the Council to give public notice of the preparation of the budget and a person has a right to make a submission on any proposal contained in the budget.

Environmental/Sustainability Impacts

Environmental and sustainability impacts have been considered when developing the Draft 2013/2014 Budget, including the proposed funding of the street lighting retrofit project and the Aquamoves utility management upgrade.

Social Implications

The Draft 2013/2014 Budget provides resources for the implementation of various strategies, plans, works and the delivery of services required to achieve the objectives of the Council plan including an active and engaged community.

Economic Impacts

The boost from the Mooroopna West Growth Corridor Project is important with \$5 million of infrastructure works proposed for the 2013/2014 financial year and grants to encourage economic activity.

Consultation

The Draft 2013/2014 Budget has taken into account the goals and strategies of the Council Plan 2013-2017 and the strategic directions of the Strategic Resource Plan.

It is proposed that public notice be given in the Shepparton News on Friday 5 July 2013 that Council's Draft 2013/2014 Budget has been prepared and is available for inspection on Council's website, or at Council's offices in Welsford Street and Doyles Road and that written submission are invited in accordance with Section 223 of the *Local Government Act 1989*.

Submissions are to be received by 5.00pm Friday 2 August 2013.

In addition to this statutory notice a number of budget community forums will be held in the following towns:

- Shepparton
- Mooroopna
- Tatura
- Dookie

It should also be noted that the Draft 2013/2014 Budget provides funding for nominated projects and where appropriate further community consultation will occur throughout the year specific to each project.

Level of public participation	Promises to the public/stakeholders	Examples of techniques to use
Inform	Keep informed	<ul style="list-style-type: none"> • Media Releases • Social Media • Radio • Council Website
Consult	Inform, Listen, Acknowledge	<ul style="list-style-type: none"> • Information forums • Public submissions • Hearing of submissions

3. BUSINESS DIRECTORATE

3.1 Draft 2013/2014 Budget (continued)

Officers believe that appropriate consultation has occurred and the matter is now ready for Council consideration.

Strategic Links

a) Greater Shepparton 2030 Strategy

The Draft 2013/2014 Budget is linked to the *Greater Shepparton 2030 Strategy* via the Council Plan 2013-2017.

b) Other strategic links

The Draft 2013/2014 Budget is linked to the Council Plan by the funding of the Strategic Objectives contained in the Council Plan.

Options for Consideration

1. That the Council authorise the Chief Executive Office to invite public submissions on any proposal contained in the Draft 2013/2014 Budget with or without amendment.

Recommended.

Authorisation will enable the Council to provide public notice to citizens that it has prepared its budget and allow submissions on proposals contained in the Draft 2013/2014 Budget to be received, heard and considered.

2. That the Council not authorise the Chief Executive to commence a public consultation process. **Not recommended.**

Section 130 of the Act provides that Council may adopt a budget if it has complied with all of the relevant requirements of the Act. Section 129 of the *Local Government Act 1989* requires the Council to give public notice of the preparation of the budget, and a person has a right to make a submission on any proposal contained in the budget.

Conclusion

The Draft 2013/2014 Budget is presented for consideration and if appropriate public notice will be given inviting submissions on any proposal contained in the Draft 2013/2014 Budget.

Attachments

Draft 2013/2014 Budget

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017

Disclosures of conflicts of interest in relation to advice provided in this report

Under section 80C of the *Local Government Act 1989* officers and persons engaged under a contract providing advice to Council must disclose any conflicts of interests, including the type and nature of interest..

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Council Officers involved in producing this paper

Author: Revenue and Rates Manager

Proof reader(s): Manager Finance and Rates

Approved by: Director Business

Executive Summary

The report presents the Rating Strategy 2013-2017 for Council's consideration prior to seeking community feedback.

The Rating Strategy 2013-2017 has been developed with community input via the Rating Strategy Reference Group, public information sessions and public submissions.

Proposed changes, as detailed in the Rating Strategy 2013-2017, to the rating structure achieve a more equitable distribution of the rate burden will increase the amount paid by some properties and decrease the amount paid by others.

It is proposed that changes to the rating structure be implemented over a two year period.

RECOMMENDATION

That the Council:

1. endorse the Draft Rating Strategy 2013-2017 as presented;
2. authorise the Chief Executive Officer to give public notice of the preparation of the Draft Rating Strategy 2013-2017 and invite public submissions which are to be received no later than 5.00pm Friday 2 August 2013;
3. form a committee of the whole to hold a meeting at 5.30pm on Tuesday 6 August 2013 to hear any person wishing to be heard in support of their submission regarding the Draft Rating Strategy 2013-2017
4. consider all written submissions on the Draft Rating Strategy 2013-2017;
5. consider a recommendation to adopt the Rating Strategy 2013-2017, with or without amendment at the Ordinary Council meeting to be held at 5.30pm on Tuesday 20 August 2013.

Background

Following the release of the Draft 2012-2013 Budget for public consultation, a total of 21 formal budget submissions were received and considered by Council prior to final adoption. The main areas of concern raised by submitters were in relation to the current level of rates being unsustainable, rate relief for commercial and industrial sectors and support for a review of the Rating Strategy.

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017 (continued)

In addition to the formal submissions, community feedback was received specifically in relation to the level of commercial and industrial rates and business sustainability across Greater Shepparton. Council's responses to those who provided formal submissions and feedback included an opportunity to become a member of the Council's Rating Strategy Reference Group.

At the Council Meeting held on 17 July 2012, Council approved a process to implement a review of the Council's Rating Strategy through the establishment of an advisory committee representing a cross section of rate-paying stakeholders and two Councillors.

As specified in the Rating Strategy Reference Group Terms of Reference the objectives of the Rating Strategy Reference Group are to act as an advisory group for the development of a new Rating Strategy, and in particular to:

- Identify and recommend to the Council the principles that the Council should consider when striking general rates, particularly with regard to the creation and maintenance of any differential rates.
- Make recommendations to the Council regarding the equitable sharing of the rates burden between various categories of ratepayers – e.g. Residential, Rural, Commercial and Industrial.
- Recommend to the Council any changes to the structure of current charges and their relationship to general rates, e.g. Waste service charges and Municipal Charges.
- Identify any other special rates, charges or levies it believes the Council should consider.

Issues the Rating Strategy Reference Group were not to consider or comment upon included:

- The amount of total rates and charges revenue to be collected;
- Strategies and policies of the Council in general, except to the extent they relate directly to rating strategies;
- Cost effectiveness and efficiency of providing Council services;
- The merit or otherwise of the range of services and facilities provided by the Council; and
- The Council's Capital Works Program.

At its meeting held on 20 November 2012, the Council adopted amendments to the Rating Strategy Reference Group Terms of Reference so that between five and seven community members, representing a cross section of ratepayer categories could be appointed to the Group and remain in office until 31 March 2013. The Council also resolved to appoint applicants to fill six of the seven available positions for community representatives and the two Councillor representatives to the Rating Strategy Reference Group.

Subsequently at its meeting held on 18 December 2012, the Council appointed three additional community representatives to the Rating Strategy Reference Group and amended the Terms of Reference to allow for the appointment of additional members.

Discussion Points

The purpose of a Rating Strategy is to explain Council's approach towards rating under Part 8 of the *Local Government Act 1989*. A Rating Strategy sets out the factors considered by Council when selecting the rating system for determining how money will be raised from properties within the municipality.

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017 (continued)

Council's Rating Strategy benchmarks the differential rates and charges applied by Council compared with those charged by other regional and neighbouring councils.

The Rating Strategy Reference Group recommended that Council's practices and decisions regarding rating should be underpinned by the following principles:

- Equity principle, includes consideration of:
 - Property wealth tax (including both horizontal and vertical equity)
 - User benefit
 - Capacity to pay
- Incentive principle
- Comparative rates principle
- Simplicity principle
- Efficiency principle
- Legislative compliance principle

The Rating Strategy Reference Group did not consider in detail or make recommendations to the Council regarding waste service charges or special rates, due to the attention given to differential rates and the municipal charge within the time available. Waste service charges and special rates will be the subject of future strategy reviews.

The Rating Strategy Reference Group made 19 recommendations which were incorporated into a Rating Strategy 2013-2017 Discussion Paper regarding the equitable sharing of the rates burden between various categories of ratepayers. The Discussion Paper was presented to the Council at its meeting on 19 March 2013 and the public were invited to make written submissions regarding the Discussion Paper.

Following consideration of the Rating Strategy 2013-2017 Discussion Paper and public comments received, the Rating Strategy Reference Group revised two of its recommendations.

Comparisons of the 19 recommendations of the Rating Strategy Reference Group, including the two amendments, along with recommendations from Council officers are highlighted below:

PROPOSAL 1

Council has adopted the Capital Improved Value (CIV) as the value to which the rate in the dollar will be assessed. 73 of 79 Victorian councils use CIV and the remaining 6 councils use Net Annual Value.

Original Rating Strategy Reference Group Recommendation 1

That the basis of valuation for rating purposes continue to be Capital Improved Value.

Council Officer Recommendation 1 - AGREE

That the basis of valuation for rating purposes continue to be Capital Improved Value.

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017 (continued)

PROPOSAL 2

The municipal charge is a flat, identical charge that can be used to offset some of the “administrative costs” of the Council. It is proposed that the recovery of Council’s administration costs be allocated by property valuation rather than as a flat fee. The municipal charge is a regressive tax and has a greater impact upon lower valued properties, which have a lower capacity to pay. Removing the requirement for a municipal charge also simplifies the Council’s rating system.

Original Rating Strategy Reference Group Recommendation 2

That there be no Municipal Charge.

That a municipal charge be maintained to ensure every property makes an equitable contribution to the administration costs of the Council. Increasing or decreasing the municipal charge has a varying impact on higher and lower valued properties.

Amended Rating Strategy Reference Group Recommendation 2

That the Municipal Charge be set no greater than \$150.

Applying a municipal charge allows Council to raise a portion of rates by a flat fee for all properties, rather than sole use of the Capital Improved Valuation method. To maintain a minimum contribution by low valued properties towards the funding of Council services, it is proposed that the existing charge remain unchanged as a proportion of total municipal charge and general rate revenue.

Council Officer Recommendation 2 - DISAGREE

That the amount raised by the municipal charge be maintained at the existing proportion of total municipal charge and general rate revenue of 12.4%.

PROPOSAL 3

The user benefits analysis undertaken estimated that the relative rate in the dollar when compared to residential land should be commercial 181% (2012-2013 Budget 292%), industrial 176% (2012-2013 Budget 272%) and farm land 80% (2012-2013 Budget 100%).

Original Rating Strategy Reference Group Recommendation 3

That user benefits be taken into consideration when setting differential rates.

Council Officer Recommendation 3 - AGREE

That user benefits be taken into consideration when setting differential rates.

PROPOSAL 4

Rating instruments such as differential rates are available to reflect the differing capacity of classes to pay. For example, higher differential rates may reflect the income producing capacity of one class of property compared to another.

Original Rating Strategy Reference Group Recommendation 4

That capacity to pay also be taken into consideration when setting differential rates.

Council Officer Recommendation 4 - AGREE

That capacity to pay also be taken into consideration when setting differential rates.

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017 (continued)

PROPOSAL 5

If a uniform rate was applied to simplify the rating system rather than applying the existing differential rates, residential and farm differential rates would increase by 48% and the commercial and industrial differential rates would decrease by 49% and 45% respectively.

Original Rating Strategy Reference Group Recommendation 5

That Greater Shepparton City Council continue to apply differential rating as its rating system.

Council Officer Recommendation 5 - AGREE

That Greater Shepparton City Council continue to apply differential rating as its rating system.

PROPOSAL 6

Current differential rates for unimproved land are set equal to or lower than relative improved residential, commercial and industrial land.

~~*Original Rating Strategy Reference Group Recommendation 6*~~

~~*That the unimproved residential, commercial and industrial land differential rates be set greater than improved residential, commercial and industrial land to encourage development.*~~

That changes to the differential rate for unimproved land be implemented over a period of time. Due to greater capacity to pay of commercial and industrial unimproved properties, fairness due to lower dollar amount paid compared to improved land, that unimproved land benefits from the development of adjoining land and to encourage development.

Amended Rating Strategy Reference Group Recommendation 6

That the unimproved residential, commercial and industrial land differential rates be set 50% greater than improved residential, commercial and industrial land.

That vacant land be classified as improved land when a planning permit is submitted.

To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council.

Council Officer Recommendation 6 – PARTIALLY AGREE

That the differential rate for unimproved land be set at the same rate as improved land.

That vacant land be classified as improved land when a building permit for the construction of a new building designed or adapted for permanent occupation has been issued.

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017 (continued)

PROPOSAL 7A

After considering the relative user benefit, capacity to pay and comparative rates for farm land of other councils, the Rating Strategy Reference Group made the following recommendation.

Original Rating Strategy Reference Group Recommendation 7A

That the farm land differential rate be set in the range of 85% to 95% in comparison to the residential rate.

A differential rate of less than 100% reflects the comparative lower utilisation and consumption of Council's assets and services.

Council Officer Recommendation 7A – PARTIALLY AGREE

That the farm land differential rate be set at 90% in comparison to the residential rate.

PROPOSAL 7B

Currently residential rural lifestyle properties are included in the farm land differential rating category.

Original Rating Strategy Reference Group Recommendation 7B

That a residential rural lifestyle differential rate be introduced for properties with a single residential dwelling on an allotment of land sized between 0.4 and 20 hectares in rural, semi-rural or bushland setting and the differential rate be set at the same rate as residential properties.

A differential rate of 100% reflects the impact of increased use of land for lifestyle purposes. It also recognises that primary production uses and associated improvements are secondary to the value of the residential home site and associated residential improvements.

Council Officer Recommendation 7B - AGREE

That a residential rural lifestyle differential rate be introduced for properties with a single residential dwelling on an allotment of land sized between 0.4 and 20 hectares in rural, semi-rural or bushland setting and the differential rate be set at the same rate as residential properties.

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017 (continued)

PROPOSAL 8

After considering the relative user benefit, capacity to pay and comparative rates for commercial improved land of other councils, the Rating Strategy Reference Group made the following recommendation.

Original Rating Strategy Reference Group Recommendation 8

That the existing three commercial improved differential rates be combined into one category.

That the commercial improved differential rate be set at 200% in comparison to the residential rate.

A lower differential rate of 200% recognises the current economic climate and better reflects user benefit.

Council Officer Recommendation 8 – PARTIALLY AGREE

That the commercial improved differential rate be set at 200% in comparison to the residential rate.

That the existing rating system of commercial improved properties within the Urban Shepparton Area contributing to Shepparton Show Me remain and the other commercial improved differential rates for land located outside the Urban Shepparton Area be combined into one category.

PROPOSAL 9

After considering the relative user benefit, capacity to pay and comparative rates for industrial improved land of other councils, the Rating Strategy Reference Group made the following recommendation.

Original Rating Strategy Reference Group Recommendation 9

That the existing three industrial improved differential rate categories be combined into one category.

That the industrial improved differential rate be set at 200% in comparison to the residential rate.

A lower differential rate of 200% recognises the current economic climate and better reflects user benefit.

Council Officer Recommendation 9 – PARTIALLY AGREE

That the industrial improved differential rate be set at 200% in comparison to the residential rate.

That the existing rating system of industrial improved properties within the Urban Shepparton Area contributing to Shepparton Show Me remain and the other industrial improved differential rates for land located outside the Urban Shepparton Area be combined into one category.

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017 (continued)

PROPOSAL 10

Should a differential rate be introduced to encourage increased tenancy of vacant commercial shops? Properties would include land with buildings that are unoccupied and are capable of use primarily for commercial purposes.

Original Rating Strategy Reference Group Recommendation 10

That a vacant commercial differential rate not be introduced due to the difficulty of administration.

Council Officer Recommendation 10 - AGREE

That a differential rate for vacant commercial shops not be introduced due to the difficulty of administration.

PROPOSAL 11

Subject to being consistent with the Ministerial Guidelines for Differential Rates additional revenue could be raised through the rating system with respect to gaming venues, late licence premises or late trading premises.

Original Rating Strategy Reference Group Recommendation 11

That in the future separate differential rates be introduced for properties defined as Gaming Venues, Late Licence Premises and Late Trading Premises.

Council Officer Recommendation 11 - DISAGREE

That separate differential rates not be introduced for properties defined as Gaming Venues, Late Licence Premises and Late Trading Premises as they are not allowed by the recently released Ministerial Guidelines for Differential Rates.

PROPOSAL 12

Original Rating Strategy Reference Group Recommendation 12

Should the existing rating system of Shepparton commercial and industrial properties contributing to Shepparton Show Me remain, that the amount contributed by each property be communicated annually.

Council Officer Recommendation 12 - AGREE

Should the existing rating system of Shepparton commercial and industrial properties contributing to Shepparton Show Me remain, that the amount contributed by each property be communicated annually.

PROPOSAL 13

Original Rating Strategy Reference Group Recommendation 13

The promotion of Greater Shepparton is supported; however the existing rating system of Shepparton commercial and industrial properties contributing to Shepparton Show Me should be removed and the Council should investigate other methods of collection for a promotional fund.

Council Officer Recommendation 13 – DISAGREE

The existing rating system of Shepparton commercial and industrial properties contributing to Shepparton Show Me should be retained.

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017 (continued)

PROPOSAL 14

The Council has received requests to waive commercial rates under the provisions of section 171 of the Act for local charitable organisations that own land used for the retail sale of goods as part of a charitable enterprise. Adopting a waiver of rates and charges would provide recognition that charitable organisations are operating substantially for the benefit of the local community.

Original Rating Strategy Reference Group Recommendation 14

That the Council develop a policy to enable it to consider waiving rates or providing rebates or concessions by application for charitable and not-for-profit residential or retail premises in accordance with the Act, where the organisation is not making a profit from those property uses.

Council Officer Recommendation 14 - AGREE

That the Council develop a policy to enable it to consider waiving rates or providing rebates or concessions, by application, for charitable and not-for-profit residential or retail premises in accordance with the Act, where the organisation is not making a profit from those property uses.

PROPOSAL 15

Original Rating Strategy Reference Group Recommendation 15

That heritage rating incentives be investigated with the assistance of the Council's Heritage Advisory Committee, that are consistent with the heritage objectives of the Council, for consideration in the future.

Council Officer Recommendation 15 - AGREE

That heritage rating incentives be investigated with the assistance of the Council's Heritage Advisory Committee, that are consistent with the heritage objectives of the Council, for consideration in the future.

PROPOSAL 16

Shepparton's inner city area is alive with sites simply begging for "in-fill" development on which residences could easily be created by innovative designers bringing hundreds, if not thousands, of people back to live in the inner city making it a genuinely walkable or at least a city which could be easily traversed by bicycle.

Original Rating Strategy Reference Group Recommendation 16

Greater centralisation of the population through increased accommodation density to the centre of urban areas is supported. However the proposal to use the rating system to encourage centralisation is not recommended for implementation at this point in time, as this proposal requires further investigation, development, understanding and assessment.

Council Officer Recommendation 16 - AGREE

Greater centralisation of the population through increased accommodation density to the centre of urban areas is supported. However the proposal to use the rating system to encourage centralisation is not recommended for implementation at this point in time, as this proposal requires further investigation, development, understanding and assessment.

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017 (continued)

PROPOSAL 17

To spread the impact of recommendations of the Rating Strategy Reference Group the implementation of the new Rating Strategy can be phased over the period 2013-2017.

Original Rating Strategy Reference Group Recommendation 17

To provide a reasonable degree of stability in the level of the rates burden, implementation of the Rating Strategy can be phased over a number of years.

Council Officer Recommendation 17 – PARTIALLY AGREE

To provide a reasonable degree of stability in the level of the rates burden, implementation of the Rating Strategy can be phased over two years.

PROPOSAL 18

Council rates are based on principles, however understanding how the rating system is applied and the impact on individual ratepayers can be complex.

Original Rating Strategy Reference Group Recommendation 18

That the Council considers methods and opportunities for the community to better understand the rating system.

Council Officer Recommendation 18 - AGREE

That the Council considers methods and opportunities for the community to better understand the rating system.

PROPOSAL 19

Further reviews of the Rating Strategy may include the structure of waste charges and consideration of other special rates, charges or levies.

Original Rating Strategy Reference Group Recommendation 19

That the Council establishes an ongoing Rating Strategy Advisory Committee to assist in the further development and implementation of its Rating Strategy.

Council Officer Recommendation 19 – PARTIALLY AGREE

That the role and benefit of an ongoing Rating Strategy Advisory Committee to assist in the further development of Council's Rating Strategy be further investigated.

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017 (continued)

Other information incorporated into Council's rating strategy includes details regarding the property valuation process, how rates are calculated, payment due dates and payment options, interest on arrears, the government funded pensioner rebate, deferred payments and financial hardship.

Council Plan/Key Strategic Activity

The rating strategy is in line with the following strategic goal of the Council Plan:

5. High Performing Organisation (Leadership & Governance)

"We will deliver best practice management, governance, administrative and financial systems that support the delivery of Council programs to the community of Greater Shepparton."

Risk Management

Risks	Likelihood	Consequence	Rating	Mitigation Action
Unmet expectations.	Possible	3	Moderate	Clear communications regarding the objectives of the review.
Adverse public reaction particularly from those negatively affected by recommendations.	Likely	3	Moderate	Develop a robust communication and consultation process.
Strategy inadequately deals with anomalies, confusion created.	Possible	3	Moderate	Seek further community input adopting Council's Rating Strategy 2013-2017.

Policy Considerations

There are no conflicts with Council policy.

Financial Implications

In framing its four year Council Plan and annual budget, Council determines the necessary funds required to achieve its strategic objectives, deliver the range of services and undertake the priority infrastructure improvements. This process identifies the level of rates that need to be raised. The key role of a rating strategy is to define the way in which total rates will be levied and distributed across all its ratepayers. The rating strategy describes the principles, objectives, rationale and methodology for applying rates to different classes of properties in the community. While there are no financial implications for Council in this strategy, the strategy does recommend a number of changes to Council's existing approach that have benefits to the community.

Proposals contained within the Rating Strategy 2013-2017 will be implemented over two years. Assuming a two-year staging, the proposed differential ratios would be as follows:

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017 (continued)

Differential Rate Type	2012-2013	Rating Strategy	2013-2014	Change	2014-2015	Change
	Ratio to Residential Rate	Differential Rate Type	Ratio to Residential Rate		Ratio to Residential Rate	
Residential Unimproved and Improved Land	100%	Residential Unimproved Land	100%	0%	100%	0%
Residential Unimproved and Improved Land	100%	Residential Improved Land	100%	0%	100%	0%
Farm Land	100%	Farm Land	95%	(5%)	90%	(5%)
Farm Land	100%	Rural Residential Land	100%	0%	100%	0%
Commercial Unimproved Land	140%	Commercial Unimproved Land	172%	32%	200%	28%
Commercial Improved 1 Land	301% [*includes contribution to Shepparton Show Me]	Commercial Improved 1 Land	257% [*includes contribution to Shepparton Show Me]	(44%)	217% [*includes contribution to Shepparton Show Me]	(40%)
Commercial Improved 2 Rate	304%	Commercial Improved 2 Land	249%	(55%)	200%	(49%)
Commercial Improved 3 Land	237%	Commercial Improved 2 Land	217%	(20%)	200%	(17%)
Industrial Unimproved Land	169%	Industrial Unimproved Land	185%	16%	200%	15%
Industrial Improved 1 Land	267% [*includes contribution to Shepparton Show Me]	Industrial Improved 1 Land	234% [*includes contribution to Shepparton Show Me]	(33%)	204% [*includes contribution to Shepparton Show Me]	(30%)
Industrial Improved 2 Rate	332%	Industrial Improved 2 Land	262%	(70%)	200%	(62%)
Industrial Improved 3 Land	223%	Industrial Improved 2 Land	211%	(12%)	200%	(11%)
Cultural and Recreational Land	73%	Cultural and Recreational Land	73%	0%	73%	0%

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017 (continued)

Legal/Statutory Implications

The Rating Strategy complies with the following legislation:

- Part 8 of the *Local Government Act 1989* (Rates and Charges on Rateable Land)
- Section 161 of the *Local Government Act 1989* (Differential Rates)
- Section 172 of the *Local Government Act 1989* (Interest on Unpaid Rates and Charges)
- *Cultural and Recreational Lands Act 1963*
- *Valuation of Land Act 1960*
- Section 2 of the *Penalty Interest Rates Act 1983*

Environmental/Sustainability Impacts

A proposal to amend the rating system to encourage greater centralisation of the population through increased accommodation density to the centre of urban areas was considered, however this proposal requires further investigation, development, understanding and assessment.

Social Implications

Any changes to the way rates are shared will have a redistribution effect between classes of ratepayers.

The Rating Strategy Reference Group considered the principle of equity, including user benefits and capacity to pay, when making recommends to the Council regarding the share of the rates burden between different categories of ratepayers.

It is important to note that the impact of changes as detailed within the Rating Strategy will be dependent upon property type and valuation and level of the municipal charge.

Public input will assist the Council in understanding possible social implications of the rating strategy recommendations.

Economic Impacts

The Rating Strategy includes proposal for a reduction in the relative industrial and commercial differential rates.

Consultation

It is now proposed that Council's Rating Strategy 2013-2017 be released for public comment. Public submissions are to be received until 5.00pm on Friday 2 August 2013. Any person wishing to be heard in support of their written submission will be heard by a committee of the whole at a meeting to be held on Tuesday 6 August 2013 at 5.30pm.

Level of public participation	Promises to the public/stakeholders	Examples of techniques to use
Inform	Ensuring the community is aware of the Rating Strategy 2013-2017 and the opportunity to make a submission to the Council	<ul style="list-style-type: none"> • Media releases • Website • Social Media • Newspaper advertisement
Consult	Inform, listen, acknowledge	<ul style="list-style-type: none"> • Rating Strategy Reference Group established to assist Council in the development of the Rating Strategy • Public submissions sought. • Public information sessions

3. BUSINESS DIRECTORATE

3.2 Rating Strategy 2013-2017 (continued)

Officers believe that appropriate consultation has occurred and the matter is now ready for Council consideration.

Strategic Links

a) Greater Shepparton 2030 Strategy

The Rating Strategy is included in Council's Budget which is linked to the *Greater Shepparton 2030 Strategy* via the Council Plan.

b) Council Plan

The draft rating strategy is in line with the following strategic goal of the Council Plan:

High Performing Organisation (Leadership & Governance)

"We will deliver best practice management, governance, administrative and financial systems that support the delivery of Council programs to the community of Greater Shepparton."

c) Other strategic links

No other strategic links have been identified.

Options For Consideration

Option 1 – Make no change to the current rating structure. **Not Recommended.**

The Rating Strategy Reference Group and previous public submissions have raised concerns regarding the equity of the current distribution of the rate burden.

Option 2 – Adopt the Rating Strategy 2013-2017 without seeking further community input. **Not recommended.**

As the proposed rating structure differs to the recommendations of the Rating Strategy Reference Group it is proposed that public comment is invited before the Council adopts its Rating Strategy 2013-2017.

Option 3 – Seek community input regarding the Rating Strategy 2013-2017 before adoption. **Recommended.**

This option would enable further public comment to be obtained at the same time as public comment is invited regarding Council's Draft 2013-2014 Budget.

Conclusion

The Rating Strategy 2013-2017 has been developed with community input via the Rating Strategy Reference Group, public information sessions and public submissions. Changes to the rating structure to achieve a more equitable distribution of the rate burden will increase the amount paid by some properties and decrease the amount paid by others.

Attachments

Draft Rating Strategy 2013-2017

