



South Gippsland
Shire Council

Come for the beauty, Stay for the lifestyle

COUNCIL AGENDA PAPERS

Thursday 13 February 2014

**SPECIAL MEETING OF COUNCIL
COUNCIL CHAMBERS, LEONGATHA
COMMENCING AT 5PM**

MISSION

To effectively plan and provide for the social, built, economic and natural environments that ensure the future wellbeing of South Gippsland Communities.

SOUTH GIPPSLAND SHIRE COUNCIL

**NOTICE IS HEREBY GIVEN THAT SPECIAL MEETING OF THE
SOUTH GIPPSLAND SHIRE COUNCIL WILL BE HELD ON
THURSDAY 13 FEBRUARY 2014 IN THE COUNCIL CHAMBERS,
LEONGATHA COMMENCING AT 5PM**

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**Tim Tamlin
Chief Executive Officer**

SECTION A - PRELIMINARY MATTERS

A.1 WELCOME

Please ensure Mobile phones remain 'off' during the Council Meeting.

A.2 OPENING PRAYER

We pray to God to guide us so that the thoughts we have and the decisions made this day, are in the best interests of the people of the South Gippsland Shire.

Amen

A.3 ACKNOWLEDGEMENT OF TRADITIONAL CUSTODIANS

The South Gippsland Shire Council respectfully acknowledges the Traditional Custodians of this Land, Elders past and present, their Spirits and Ancestors.

A.4 APOLOGIES

A.5 DECLARATION OF CONFLICT OF INTEREST FOR COUNCILLORS

Any interest that a Councillor or staff member has deemed to be significant and has disclosed as either a direct or an indirect interest is now considered to be a conflict of interest. Conflict of interest legislation is in sections 77A, 77B, 78, 78A-D and 79 of the Local Government Act 1989. This legislation can be obtained by contacting the Council's Corporate Services Directorate (Governance Services) or by accessing the Victorian Legislation and Parliamentary Documents website at www.legislation.vic.gov.au. An interest may be by close association, financial, conflicting duties or receipt of gifts.

If a Councillor or staff member discloses any interest in an item discussed at any Council Meeting (whether they attend or not) they must:

- Complete a disclosure of interest form prior to the Meeting (forms are available from the Organisational Development Department – Governance).
- Advise the Chair of the interest immediately before the particular item is considered (if attending the Meeting).
- Leave the Council Chamber or Meeting room while the item is being discussed and during any vote taken (if attending the Meeting).

The Councillor or staff member will be advised to return to the Council Chamber or Meeting room immediately after the item has been considered and the vote is complete.

Councillors should check the Minutes of the Council Meeting to ensure their disclosure is recorded accurately.

Councillors are not required to disclose conflict of interest in relation to matters only considered at Meetings they do not attend.

Detailed information is available in Conflict of Interest – A Guide for Councillors June 2011.

Type of Interest		Example of Circumstance
Direct Interest		Reasonably likely that your benefits, obligations, opportunities or circumstances will be directly altered. Reasonably likely to receive a direct benefit or loss measurable in money. Reasonably likely that your residential amenity will be directly affected.
Indirect Interest	Close Association	A member of your family has a direct interest or an indirect interest. A relative has a direct interest. A member of your household has a direct interest.
	Indirect financial Interest	Likely to receive a benefit or loss, measurable in money, resulting from a change to another person's interest. Holding shares in a company or body that has a direct interest (subject to threshold) When a person with a direct interest owes money to you.
	Conflict of Duty	Manager or member of the governing body of an organisation with a direct interest. Trustee for a person with a direct interest. Past dealings in relation to the matter as duty to another person or body.
	Applicable Gift	Gifts valued at \$500 in previous 5 years. Election donations valued at or above \$500 in previous 5 years. Gifts other than election campaign donations that were received more than 12 months before a person became a Councillor are exempt.
	Party to the Matter	Initiated or became party to civil proceedings in relation to the matter.

Privacy

Council is required to keep minutes of each Council meeting. The minutes contain details of proceedings which may include personal information about community members disclosed as part of presentations, submissions and questions. The minutes of Council meetings are a public record and can be inspected by members of the public.

Council undertakes audio recordings of Council Meetings as a contribution to good governance and accuracy of minutes. An audio recording of this meeting is being made for the purpose of verifying the accuracy of minutes of the meeting. In some circumstances the recording may be disclosed, such as where Council is compelled to do so by court order, warrant, and subpoena or by any other law such as the Freedom of Information Act 1982. It should be noted that other people present at the meeting may be recording the meeting and Council has limited power to regulate this. Council has developed a policy to regulate recordings, "Sound Recording of Council Meetings". A copy of this policy is located on Council's website www.southgippsland.vic.gov.au. Further information or a copy of the policy or can be obtained by contacting Council's Organisational Development Department (Governance).

A.6 DECLARATION OF CONFLICT OF INTEREST FOR STAFF

Sections 80B and 80C of the Local Government Act 1989 require members of Council staff who have delegated functions and /or provide advice to Council or a Special Committee to disclose conflicts of interest. If Council staff have written, provided information/advice or approved a Council Report and have a conflict of interest it is the responsibility of that staff member to disclose the interest. Guidance to identifying and disclosing a conflict of interest is contained in Department of Planning and Community Development in '*Conflict of Interest A Guide for Council staff*', October 2011.

SECTION B - COUNCIL REPORTS

B.1 RATING STRATEGY 2014-2018 DISCUSSION PAPER

Corporate Services Directorate

EXECUTIVE SUMMARY

The Rating Strategy Review Steering Committee (Committee) appointed to provide advice to Council on the development of a new Rating Strategy, has completed the objectives it was appointed to undertake. The Committee has developed the 'Rating Strategy 2014-2018 Discussion Paper For Public Comment' (Discussion Paper) contained in **Appendix 1**, for Council's consideration.

It is recommended that Council endorse the Discussion Paper and require that it be made public for community consultation till 5pm 10 March 2014.

Analysis of the community consultation results, arising from the consultation, will be formulated into a draft 2014-2018 Rating Strategy (Rating Strategy) for Council's consideration and endorsement in April. The Rating Strategy would then be able to inform the 2014-2015 Budget and be subject to a formal Section 223 Public Consultation process in May, prior to final adoption in June 2014.

Document/s pertaining to this Council Report

- **Appendix 1** - Rating Strategy 2014-2018 Discussion Paper For Public Comment

A copy of **Appendix 1** - Rating Strategy 2014-2018 Discussion Paper For Public Comment is available on Council's website:

www.southgippsland.vic.gov.au or by contacting 5662 9200.

LEGISLATIVE / ACTION PLANS / STRATEGIES / POLICIES

- Local Government Act 1989 - Sections 3C, 136, Part 8, and 183 specifically
- Valuation of Land Act 1960
- Cultural and Recreational Lands Act 1963
- Ministerial Guidelines for Differential Rating, April 2013
- Rating Practices in Local Government VAGO, February 2013
- Developing a Rating Strategy - A Guide for Councils, MAV July 2004

INTERNAL POLICIES / STRATEGIES / DOCUMENTS

- Council Plan 2013-2017
- Annual Plan 2013-2014
- Special Charge Scheme Policy 2010
- Debt Recovery of Unpaid Rates Policy 2013
- Rates and Hardship Policy 2013
- Long Term Financial Plan 2013-2014

COUNCIL PLAN

Outcome:	4.0	A Leading Organisation.
Objective:	4.1	Improve the Financial Sustainability of Council, Including Diversifying Revenue Streams.
Strategy:	4.1.1	We will explore innovative ways of increasing revenue and reducing expenditure where appropriate.
Action/Target:	4.1.1	Review and Revise Council's Rating Strategy to align with amended State Government requirements and ensure equity as far as practicable - Report presented to Council by 30 June 2014.
Objective:	4.2	Pursue Best Practice in Organisational Development and Operations of the Organisation.
Strategy:	4.2.3	We will make informed decisions and provide opportunities for the community to participate in the decision making process.

CONSULTATION

The Rating Strategy Review Steering Committee, established and appointed by Council, consisted of 3 Councillors and 7 Community members. Eight Committee Meetings were held between 6 November 2013 and 6 February 2014.

The Committee has considered correspondence and information received or published from Landcare, Victorian Farmers Federation (VFF), MAV media release on VFF's 'Critical Analysis' and from Residents of Retirement Villages Victoria.

The Discussion Paper contained in **Appendix 1**, is presented to Council with a recommendation that it now be released for public comment to inform Council's draft and final 2014-2018 Rating Strategy.

REPORT

Background

The resolution of Council made at the Ordinary Council Meeting held on 26 June 2013, was:

'That Council:

1. *Instruct the Chief Executive Officer to prepare a report for presentation at the 28 August 2013 Council Meeting that examines the intent and requirements of the Ministerial Guidelines for Differential Rates and sets out the following:*
 - a. *An appropriate good governance framework for the Rating Strategy project.*
 - b. *Terms of reference for a Steering Committee made up of interested Councillors, relevant Council Officers and up to 4 community members to oversee the project.*
 - c. *Identify information sources and relevant data that can inform the review in regard to capacity to pay, equity and fairness and how the various objectives for the differentials can be justified.*
 - d. *Outline an engagement process that allows various stakeholders to participate by providing submission into the review.'*

At the 28 August Ordinary Council Meeting, Council further resolved:

'That Council:

1. *Amend its decision of 26 June 2013 to allow an increased number of greater than four (4) community members to participate in the Steering Committee;*
2. *Adopt the Rating Strategy Steering Committee Terms of Reference (Attachment 1)*
3. *Adopt the Rating Strategy Review Timetable (Attachment 2) as a guide to ensure the work is undertaken in a timely and efficient manner;*
4. *Note the Draft Information Kit (Attachment 3);*

5. *Confirm that Cr Kennedy, Cr Hill and Cr Brunt be nominated to the Committee, with the Mayor to be Chair of the Rating Strategy Review Steering Committee;*
6. *Call for nominations for the Rating Strategy Review Steering Committee via Noticeboard and targeted invitations;*
7. *Instruct the Chief Executive Officer (CEO), Director Corporate Services and the nominated Councillors to review the nominations and appoint suitable applicants representing the various rate payer categories; and*
8. *Endorse the internal provision of technical and administrative support to the Rating Strategy Review Steering Committee.'*

The Committee commenced on 6 November 2013. Cr James Fawcett, as newly appointed Mayor, replaced Cr Kennedy on the Committee and acted as 'The Chair' at all the meetings.

Cr Don Hill and Cr Lorraine Brunt attended as Council's representatives on the Committee.

Appointed Community Members were:

- John McKay - Farming, residential, tourism and retiree
- Lynn Atkinson - Community, residential, retiree
- Malcolm Davies - Farming
- Brian Hoskins - Residential, retiree
- Sheryl Bruce - Industrial
- Keith Brydon - Commercial
- Peter Watchorn - Chamber of Commerce
(Note: due to personal circumstances Peter Watchorn was only available to attend one meeting)

The Steering Committee Terms of Reference required the members to act as an Advisory Committee as defined in section 3 of the Local Government Act 1989. The objectives of the Committee were:

1. To provide advice to the Council for the development of a new Rating Strategy.
2. 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.

3. 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.
4. 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.
5. Identify any other special rates, charges or levies or other rating options available under legislation it believes the Council should consider in the Rating Strategy.

Items outside the scope of the Steering Committee to consider or make comments on included:

1. The amount of total rates and charges revenue to be collected;
2. Strategies and policies of the Council in general, except to the extent they related directly to the Rating Strategy;
3. Cost effectiveness and efficiency of providing Council services;
4. The merit or otherwise of the range of services and facilities provided by the Council; and
5. The Council's Capital Works Program.

Discussion

The recommendations contained in the Discussion Paper (**Appendix 1**) are based on a majority view of the Steering Committee. These recommendations were reached following extensive deliberations and after reviewing numerous options and models.

The Committee considered it important to advise Council that amongst the Committee members there were differing views in regard to the extent of differentiations to be applied to various land categories. The extent of the differentials was the main area where a full consensus of all members was not reached.

Variations in opinions on the differentials ranged from Farm, Industrial and Commercial being both lower and higher than those shown in the recommended model and Vacant Land being higher than in the recommended model.

In developing the Discussion Paper and the recommendations, the Steering Committee has had regard to all of the legislation, guidelines and strategic documents listed in the 'Legislative' section and the 'Internal Policies' section in the first part of this report. Further the Steering Committee has considered a large number of other reference materials, stakeholder views and numerous

models in their deliberations. It has been through the refinement of these models and deliberations' that a majority view was reached.

The Ministerial Guidelines for Differential Rating - April 2003 (Guidelines), has been a beneficial reference for the Steering Committee. From the outset, the Steering Committee highlighted that transparency and simplicity were two overarching principles that were required in its decision making, if the Council and community were to understand the recommendations made.

Further, the Committee has had regard to the Guidelines to provide clarity, consistency and meaning to the recommendations made. To this end the Committee has articulated:

- The land categories to which a Rating Differential should be applied;
- The Differential Rate proposed for each nominated land category;
- The 'Principles' that underpin the recommendations and those applied to each land category to which a Differential Rate is proposed;
- The reasoning behind each recommendation; and
- How the proposed differential categories and rates will assist Council to achieve specific purposes, objectives and strategies set out in the Council Plan 2013-2017.

Debate was held in regard to 'classes of land' that the Guidelines stated Council 'must give consideration' to reducing the rates burden through use of a reduced differential rate. It was determined that Farm land, as defined by the Valuation of Land Act 1960, should be given a reduced rate differential. The details of the proposed reduction are outlined in the Discussion Paper. The Committee determined that Residential Villages within the Shire remain heavily reliant on Council for most services and as a result determined that Retirement Villages should not be provided with a reduced rate.

The Committee has prepared a detailed Discussion Paper (**Appendix 1**) that contains reasoning and justification for each of its 19 recommendations to Council.

The Committee has indicated that of all its recommendations in the Discussion Paper, 'Recommendation 4 - That there is no Municipal Charge', is the most significant recommendation of them. Removal of the Municipal Charge will have a major impact on the Rating Strategy and to many ratepayers. Its removal will ultimately result in lower rates being paid by lower valued properties and higher rates being paid by higher valued properties, compared to the current Rating Strategy in place.

The Committee has factored in adjustments through the rating differentials to modify, where deemed necessary, the dramatic shift in the rate burden arising from the removal of the Municipal Charge for various land categories. The detailed graphs in Section 8 of the Discussion Paper provide a clearer outline

of the average dollar change proposed for each land category differential, based on property value ranges. These graphs also show the number of assessments to which the increase or decrease would apply.

In summary the Committee's 19 recommendations are:

Recommendation 1

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

Recommendation 2

That South Gippsland Shire Council continues to apply differentials as its rating system.

Recommendation 3

That 'user benefit' principle is given relatively low weighting and consideration when setting differential rates.

Recommendation 4

That there is no Municipal Charge.

Recommendation 5

That the Residential category differential rate be set at 100%.

Recommendation 6

That Industrial category have a 108% differential rate.

Recommendation 7

That Commercial category have a 108% differential rate.

Recommendation 8

That Farm category have a 71% differential rate.

Recommendation 9

That the Farm category definition for differential rating purposes be revised to only capture rateable properties which have primary production as its substantive use and exclude properties where primary production is secondary or incidental to the property use (commonly referred to as lifestyle properties).

Recommendation 10

That the Vacant Land category has a 200% differential rate.

Recommendation 11

That the Restricted Vacant Land category has a 200% differential rate.

Recommendation 12

That the Cultural and Recreational categories have a 50% differential rate.

Recommendation 13

That Waste Charges are only recovered for waste and recycling services across all Waste Service Charges.

Recommendation 14

That the current policy and cycle of reviewing Special Charge Scheme Policy is considered adequate.

Recommendation 15

That land management rebates for rural properties not be introduced into Council's Rating Strategy.

Recommendation 16

That the current policy and cycle of reviewing the Debt Recovery on Unpaid Rates and Charges Policy is considered adequate.

Recommendation 17

That the current policy and cycle of reviewing the Rates and Charges Hardship Policy is considered adequate.

Recommendation 18

That Council continue to offer lump sum payment options to its ratepayers and investigate introducing an additional 10 monthly payment option for ratepayers.

Recommendation 19

That Council with the assistance of a Rating Strategy Steering Committee review the Rating Strategy on a four year cycle that aligns with the 2nd year term of a newly elected Council.

The Discussion Paper (Appendix 1) is presented by the Committee for Council's consideration and endorsement to proceed to a public consultation phase.

Options

In considering the Discussion Paper, Council is able to:

1. Endorse the Discussion Paper (**Appendix 1**) and require it be presented to the community for public comment, thank the Committee for the advice provided to Council and achievement of the Terms of Reference and formally disband the Rating Strategy Review Steering Committee; or
2. Request the Committee reconvene to undertake further deliberations on specific areas required by Council and present a modified Rating Strategy 2014-2018 Discussion Paper to Council as soon as practicable.

Proposal

Option 1 is proposed for Council's consideration. The Committee has deliberated over a range of models to reach a majority view on the recommendations presented. The Committee has understood that for all those who may gain some relief from the tax burden as a result of its deliberations, there will also be others who will pay more compared to the current Rating Strategy.

The recommended model:

1. Provides a fairer distribution of rates across the various land categories than is provided under the current Rating Strategy;
2. Applies the overarching principles of transparency and simplicity in each of its recommendations;
3. Provides the context, rationale and justification for each recommendation; and
4. Will assist Council to achieve the purpose, objectives and strategies outlined in the Council Plan 2013-2017.

While not a formal recommendation of the Steering Committee, a common view of members was raised on several occasions that Council could consider a transitional time, over a few years, to introduce the full change to the differentials resulting from the removal of the Municipal Charge. This option could be considered if the change in one year is considered too extreme for higher valued properties expected to be most affected by a new Rating Strategy. This would allow higher valued property owners time to plan their finances in anticipation of the change.

It is recommended that Council endorse the Discussion Paper (**Appendix 1**) and require that it be made public for community consultation until 5pm 10 March 2014.

A dedicated webpage will be established containing the Discussion Paper, an on-line survey and details where written submissions may be addressed. The Discussion Paper will also be placed in Council's Libraries, at the Customer Service Centres and promoted through the media in local newspapers.

Analysis of the community consultation results will be formulated into a Draft 2014-2018 Rating Strategy for Council's consideration and endorsement in April.

The endorsed Draft 2014-2018 Rating Strategy is then able to inform the 2014-2015 Budget and be subject to a formal Section 223 Public Consultation process during May.

The 2014-2018 Rating Strategy would then be presented with the 2014-2015 Budget for final adoption in June 2014.

FINANCIAL CONSIDERATIONS

The Discussion Paper contains a proposed model for the equitable distribution of rates across land categories. In itself, it does not have any financial considerations.

The Committee and the resulting Discussion Paper have been managed and supported within existing budgets. The Committee members have volunteered their time, both at meetings and outside of the meetings for pre-reading. Council support to the Committee has been provided within existing budgets as no additional budget allocation was provided or used to support the Committee.

The consultation phase will also be managed within existing budgets.

RISK FACTORS

Any amendments to Council's current Rating Strategy are anticipated to have both positive and negative impacts on various ratepayers in all land categories. These amendments, if not undertaken in a manner that involves the community it affects, may be perceived negatively by the ratepayers to whom the changes apply.

Council recognised from the outset that better outcomes would be achieved if community members representing various land categories were involved in the Rating Strategy review from the beginning of the process. To this end, Council established a robust governance framework and Terms of Reference for the Steering Committee, invited and appointed seven Community Members to represent various land categories and held eight Committee Meetings between November and February through which divergent views were shared, considered and refined with the aim of achieving a consensus view of recommendations to present to Council. The Committee reached a majority view on 19 recommendations to be presented to Council.

Council is now in a position to honour the trust it has placed in the Committee by endorsing the 19 recommendations and seeking broader community comment on the Discussion Paper.

There is a high risk that Council would be perceived negatively by Committee members and the wider community if Council set aside the Committee's

recommendations at this point, without seeking community feedback on the recommended model proposed.

Council retains the right to amend the proposed model, if required, once the wider community has considered and commented on its merits.

CONCLUSION

The Committee has diligently considered many options and models to arrive at the 19 recommendations contained in the Rating Strategy 2014-2018 Discussion Paper For Public Comment in **Appendix 1**. Many divergent views have been heard, modelled, considered and deliberated. It has been through a shared ownership of the Terms of Reference and the requirements of Council, that the Committee has dedicated sufficient time to reach a majority view on a model that it considers best provides a reasonable distribution of the rates burden.

The Rating Strategy 2014-2018 Discussion Paper for Public Comment in **Appendix 1**, is presented to Council for consideration and endorsement to proceed to a public consultation phase to close at 5pm Monday 10 March 2014.

RECOMMENDATION

That Council:

- 1. Receive the Rating Strategy 2014-2018 Discussion Paper (Appendix 1) presented by the Rating Strategy Review Steering Committee;**
- 2. Endorse the Rating Strategy 2014-2018 Discussion Paper (Appendix 1) for public comment.**
- 3. Thank the Rating Strategy Review Steering Committee for its deliberations and for the Rating Strategy 2014-2018 Discussion Paper (Appendix 1).**
- 4. Formally disband the Rating Strategy Review Steering Committee.**
- 5. Make available the Rating Strategy 2014-2018 Discussion Paper (Appendix 1) for public comment to 5pm Monday 10 March 2014 on Council's website, Libraries, Customer Service Centre and through the local media.**
- 6. Instruct the Chief Executive Officer to bring a draft 2014-2018 Rating Strategy to Council for consideration for endorsement, once analysis of community responses to the discussion paper have been considered.**

STAFF DISCLOSURE OF INTEREST

Nil

SECTION C - MEETING CLOSED

NEXT MEETING

The next Ordinary Council Meeting open to the public will be held on Wednesday 26 February 2014 commencing at 2pm in the Council Chambers, Leongatha.