

## COLAC OTWAY SHIRE COUNCIL MEETING

AGENDA 26 AUGUST 2015 at 4:00 PM

### **Executive Management Team**

The Colac Otway Shire Council welcomed two new General Managers over the past month. Ingrid Bishop, General Manager Infrastructure and Leisure Services, and Brydon King, General Manager Development and Community Services, started with us on 27 July 2015.

### **Colac Otway “Community Matters”**

Newsletter Council’s new quarterly newsletter, “Community Matters”, has been released. This initiative has been implemented in response to feedback from the 2015 Community Satisfaction Survey which indicated that the community wanted more consultation and information on Council’s activities. The newsletter will be produced four times a year to inform the community about projects, services and opportunities to get involved in decisions that affect them.

### **Great Ocean Road Strategic Master Plan**

Great Ocean Road Regional Tourism (GORRT) has been working with industry and community on the development of a Master Plan for the region. The Project Committee presented a draft of the plan to the GORRT Board in April. The draft Master Plan was released for stakeholder consultation throughout May with the aim of finalising the Master Plan in August. Copies of the draft plan have been distributed to key stakeholders and are available in full on the Great Ocean Road Regional Tourism website. [www.greatoceanroadtourism.org.au](http://www.greatoceanroadtourism.org.au).

### **Draft Domestic Wastewater Management Plan**

The draft Domestic Wastewater Management Plan (DWMP) has been on exhibition since the start of August, after being considered by Council at the July Council meeting. The draft Plan fulfils regulatory requirements for Council to demonstrate how it will manage wastewater treatment on unsewered properties in the Shire, but also aims to create flexibility to vary State Government guidelines for water catchments which currently restrict development potential in the Otways. The written submission period closes on 28 September 2015. Public drop-in information sessions were held in Colac, Lavers Hill, Beech Forest and Gellibrand on 21 and 22 August, and were well attended.

## **LOCAL GOVERNMENT RATES CAPPING & VARIATION FRAMEWORK REVIEW**

### **Background**

As part of their pre-election campaign pledge, the Victorian Government announced that it planned to legislate to cap Council rate increases to CPI. This will have effect from 1 July 2016, that is, from the 2016/17 financial year onwards.

In January 2015, the Essential Services Commission (ESC) received terms of reference from the Minister for Finance and the Minister for Local Government to conduct a review and report on a local government rates capping and variation framework. The Commission was tasked to inquire into and advise the Ministers on options and a recommended approach for a rates capping framework for implementation from the 2016-17 financial year.

The Commission was also required to provide advice on the processes and guidance to best give effect to the recommended approach for the rates capping and variation framework with a final report due to the Victorian Government by 31 October 2015. On 17 April 2015, the Commission released an initial Consultation Paper outlining the review’s timelines and process, the ESC’s approach and seeking feedback from interested parties on key matters for the review.

That document outlined eight principles guiding the development of the framework as follows;

Principle 1 — Local communities differ in their needs, priorities and resources.

Principle 2 — Local communities and ratepayers are entitled to hold their councils to the highest standards of accountability and transparency when setting rates.

Principle 3 — The framework should support the autonomy of councils to make decisions in the long-term interests of their community and ratepayers.

Principle 4 — Councils will need to satisfy the burden of proof outlined in the framework when seeking a variation above the cap.

Principle 5 — Rate increases should be considered only after all other viable options have been explored.

Principle 6 — The framework should support best practice planning, management systems and information sharing to uphold council decision-making.

Principle 7 — The framework should be flexible and adaptable.

Principle 8 — There should be few surprises for ratepayers and councils in the implementation of the framework.

Submissions to the initial Consultation Paper closed 5 May 2015. The ESC received 287 submissions in response to the Consultation Paper including from Colac Otway Shire Council expressing concerns related to the fact that the Consumer Price Index (CPI) is not a true measure of the annual increase on Council's operations and encouraging the ESC to explore all available options. On 31 July 2015, the ESC released a draft report (in two volumes) outlining the details of the draft framework that the ESC are proposing.

The three elements of the ESC proposed framework are:

**Rate cap:** The maximum annual rate of increase by which councils can increase the rates. The cap will be set annually and will apply to general rates and municipal charges only. It will be based on average rate revenue per assessment. The level of the cap will be based on the forecast rate of increase in the CPI, together with an allowance for the wage price index. An efficiency factor will also be applied to the cap. The 2016-17 rate cap will be based on the 2015-16 revenue from general rates and municipal charges.

**Variation process:** A mechanism for councils to seek (and have considered) increases in rate revenue that are above the rate cap. Under the proposed framework, Councils will be able to apply to the ESC for a rate increase above the cap. The Commission will be responsible for assessing all applications. The variation process aims to recognise that there are differences between individual councils and the need for flexibility. Applications for variations will need to take into account ratepayer and community views.

**Monitoring and reporting:** A means for verifying and reporting on compliance with the cap or variation conditions and providing accurate and reliable information about overall outcomes for ratepayers and communities under the framework. Monitoring and reporting also facilitates a process for identifying and addressing unusual or unexplained outcomes. The ESC has invited submissions to be provided in response to their Draft Report by Friday, 28 August 2015.

### **General Comments**

It should be noted from the outset that only providing a 4 week period to respond to what will be one of the most important issues impacting the future of Local Government in Victoria is considered to be unreasonable and fundamentally unfair.

**Colac Otway Shire currently delivers approximately 90 services across a diverse community. Financial modelling indicates that the rate capping model that is proposed by the ESC will mean that the future sustainability of smaller councils like Colac Otway will need to be carefully managed. In order to do this, Colac Otway Shire will need to significantly review the level and range of services that are currently delivered to our community and consider reducing or ceasing some of our current services and activities. The level of rates that Colac Otway Shire Council currently charge is based on the services that council delivers and the funding required to maintain the significant community asset base to the level required.**

**Councils play a critical role in community development and delivery of social policy outcomes for the community which cannot be ignored. This is particularly true for Colac Otway Shire where we have pockets of high socio-economic disadvantage characterised by lower incomes, education and skill levels, alongside higher levels of unskilled occupations, family and health issues.**

To date, the Victorian Government has not clearly outlined what they are trying to achieve through the rate capping agenda - that is:

- What is to be achieved?
- What are the issues that exist in the Local Government sector that need to be addressed?
- Were other methods to address these issues explored/considered?

It should also be noted that there is an inherent contradiction that the current process highlights that the ESC have been requested by the State Government to design a system to introduce rate capping as well as a system to work around rate capping.

**According to the Local Government Rates Capping & Variation Framework Review – Draft Report Volume 2 “Victoria’s 79 councils manage around \$78 billion of community infrastructure and assets, generate revenue of \$7.8 billion, incur expenses of \$7.2 billion and employ around 42 500 people... Councils provide more than 100 services in areas such as social and community services, health, transport and infrastructure, planning and building, environment and emergency services.**

Small rural councils spent the largest share of their operating and capital expenditure on capital works (29 per cent compared with 25 per cent for all councils). This finding may reflect the additional challenges faced by rural councils in servicing large road networks and dispersed communities, as well as the capital expenditure required to address the impacts of natural disasters. Expenditure by all councils grew by an average 5 per cent per year between 2010-11 and 2013-14.

**...Councils collected a total of \$4.6 billion in rates and charges in 2013-14, comprising rate revenue (85 per cent), garbage charges (10 per cent) and municipal charges (3 per cent). Supplementary rates and charges, special rates and charges, revenue in lieu of rates and revenue from cultural and recreational land, made up the remaining 2 per cent.**

...Our terms of reference require us to assess the magnitude and impact on ratepayers of Victorian councils’ successive above CPI increases in rates and charges.

**...Between 2005-06 and 2013-14, total rates and charges per assessment increased by around 5.8 per cent per year, compared with an annual CPI increase of 2.7 per cent. ...Victorian ratepayers paid \$1,448 more over the period than if average rates and charges per assessment had increased at the same rate as the CPI.** If our proposed rate cap had applied over the period, ratepayers rates could have been lower by \$1,242 (assuming councils did not apply for a variation during that period). Although the annual growth in total rates and charges was approximately 7 per cent over recent years, rateable assessments also grew (by approximately 2 per cent) which explains why rates and charges per assessment grew by only 5.8 per cent per year.

**We received submissions from 61 councils in response to our consultation paper.**

#### **Rural councils**

- Rural councils have a limited ability to raise revenue through rates, due to their smaller populations, population decline and lower land values, compared with metropolitan councils.
- They rely more heavily on Commonwealth and State Government grants. The current grant freeze has been a large revenue constraint for rural councils.
- They face higher service delivery costs due to disperse communities and large road networks.
- They face more difficulty in managing asset renewals and maintenance back logs due to their limited own-source revenue streams and disperse communities.
- Finding multiple and competitive prices and tenders for services in rural areas is difficult.
- Rural communities have ageing populations, meaning fewer people are in the workforce and more elderly people use health services.
- Residents in rural communities have fewer employment opportunities.
- Public transport options are limited compared with those in metropolitan areas, and rural communities rely more on cars.

...In considering council diversity, we also examined some structural differences amongst councils. ...small and large rural councils face particular challenges. On average they have the largest road networks and the most bridges. Further, their communities are older, have lower SocioEconomic Indexes for Areas (SEIFA) scores and incomes, have the fewest building approvals, and are the most dispersed.

The challenges of a small rate base for small rural councils are illustrated by the impact on ratepayers of a council raising an additional \$1 million through rates and charges. If a small rural council were to raise an additional \$1 million in 2013-14, it would have added \$142 to the average assessment (compared with an additional \$56 for ratepayers in large rural councils and \$17 for those in metropolitan councils).

#### **Proposed Colac Otway Response to the draft ESC Report Rate Capping**

##### **Draft Recommendation 1**

**The Commission recommends that there should be one rate cap that applies equally to all councils in Victoria.**

**It is also important to note that rural municipalities have significant infrastructure to maintain. For example Colac Otway Shire Council maintains 1,632 kms of local roads and 134 bridges and culverts. It is suggested that there is further consideration given to having a different level of rate cap for the various Council groupings.**

## **Draft Recommendation 2**

**The Commission recommends that:**

- revenue from general rates and municipal charges should be subject to the rate cap
- revenue from special rates and charges, 'revenue in lieu of rates' and the fire services levy should not be included in the rate cap; and
- service rates and charges should not be included in the rate cap, but be monitored and benchmarked.

**We are recommending that the rate cap should apply to general rates and municipal charges only — noting that these two account for about 88 per cent of the total rate revenue raised by councils.** Based on the above listed considerations, we are recommending that the cap should not apply to service rates and charges, special rates and charges, 'revenue in lieu of rates', and the fire services levy. These are discussed in more detail below. Service rates and charges Councils' current service (or garbage) rates and charges appear to partly satisfy criteria 1 and 2.

**For now, we are recommending that service rates and charges (garbage rates and charges) be excluded from the rate cap.**

**In our survey of council rates and charges, councils reported that their garbage rates and charges are cost reflective and market tested. Capping service rates and charges would make them less cost reflective and could distort price signals for the provision of these services.**

### **Fire services levy**

Councils currently collect the fire services levy on behalf of the State Government. The fire services levy is a property-based levy collected with council rates. All revenue collected through the fire services levy goes to support the State's fire services (vital life-saving equipment, firefighters, staff and volunteers, training, infrastructure and community education).

**The fire services levy should be excluded from the cap on the grounds that it is not within the control of the councils and is a direct transfer to Government.**

### **Supplementary Rates**

Councils also collect supplementary rates. These are additional rates collected during the course of the year if the value of a property is altered after rates notices have been issued. Supplementary valuations may be a result of either changes in the value of existing properties or the entry of new properties — for example, due to renovations or subdivisions, respectively. Supplementary rates accounted for 1 per cent of Victorian councils' total rates and charges revenue in 2013-14.

The VGC data shows that interface (growth councils) received the highest supplementary rates but the trend is declining. Regional centres seem to have experienced a 40 per cent increase in supplementary rates for 2013-14. At the end of each financial year, a council will adjust its valuation base and the base for its general rate revenue, to include the actual supplementary valuation and supplementary rates revenue received in the year just concluded. **The adjusted amounts become the basis for determining the next year's rate base. That is, valuations and rates are only treated as 'supplementary' in the year they occur. Thereafter, they are included in the base value and rates of the properties in question. We are proposing that supplementary rates be excluded from the rate cap in the year they occur.**

**Colac Otway Response: It is recommended that Colac Otway agrees with the recommendation. With respect to service rates and charges, Colac Otway reviews its Waste Management Charge on an annual basis to ensure that the charge covers the cost of providing the service to those receiving it.**

## **Draft Recommendation 3**

**The Commission recommends that the cap should be applied to the rates and charges paid by the average ratepayer. This is calculated by dividing a council's total revenue required from rates in a given year by the number of rateable properties in that council area at the start of the rate**

year. The ESC advise: In our consultation paper, we asked stakeholders whether the cap should apply to each council's total rate revenue or to average rate revenue per assessment.

**Colac Otway Response: Colac Otway agrees with the recommendation providing the guidelines are very clear on the way supplementary rates are accounted for. Councils cannot be disadvantaged by the method of calculating the average rates and charges. Supplementary rates should be excluded from the cap. Supplementary rates would become part of the base for the following year.**

#### **Draft Recommendation 4**

**The Commission recommends that the annual rate cap should be calculated as: Annual Rate Cap = (0.6 x increase in CPI) + (0.4 x increase in WPI) - (efficiency factor) With: CPI = DTF's forecast published in December each year WPI = DTF's forecast published in December each year.**

...Councils and their representative bodies have made repeated representation to the Commission that a cap based solely on changes in the CPI may unduly constrain their operations. Most councils, local government peak bodies, other council groups, unions, service providers and not-for-profit organisations argued that the cap on rate increases should exceed increases in the CPI.

**Colac Otway Response: Colac Otway disagrees with the methodology in setting the rate cap. It is recommended that the CPI represents 60% of the proposed Annual Rate Cap.**

As pointed out in a number of submissions the 2016-2017 financial year will be the first year of a revaluation across Local Government. This will mean that there will be no consistency across properties as to the increase in rates and charges and may result in confusion for ratepayers.

It should also be noted that in 2016-2017 Local Government will incur significant costs in undertaking the next Local Government Elections. For Colac Otway the costs could be in the vicinity of \$150,000. This equates to an approximate 0.6% increase required in rates and charges.

In Colac Otway rate capping will very likely limit the ability for council to continue to provide any services other than those required by legislation thus impacting on some of the most disadvantaged members of our community. **It is therefore recommended that there be no efficiency factor added on an annual basis commencing from 2017-18.**

#### **Draft Recommendation 5**

**The Commission recommends that the 2015-16 rates (general rates and municipal charges) levied on an average property should be adopted as the starting base for 2016-17.**

The ESC have indicated that "Most councils, two peak bodies, a council group and a ratepayers association suggested that the starting revenue base for 2016-17 should be the 2015-16 budgeted rates and charges revenue. They argued that 2015-16 budgets include commitments and projects already underway and the consultation they had undertaken on their four year strategic resource plans."

**Colac Otway Response: Colac Otway agrees with the recommendation providing the guidelines are clear on the way supplementary rates are accounted for. Supplementary rates should be excluded from the cap. Supplementary rates would become part of the base for the following year.**

#### **Draft recommendation 6**

**The Commission recommends that the framework should not specify individual events that would qualify for a variation. The discretion to apply for a variation should remain with councils.**

A well-designed variation process should:

- support the autonomy of councils to make decisions in the best interests of their communities
- increase the transparency of council decisions for the community
- complement the cap component of the framework by addressing individual council needs if the cap proves to be overly constraining
- reinforce financial discipline by requiring a council to be transparent in applying for a variation assessed by an independent regulator
- require from councils good information on impacts of cost changes on services, infrastructure and councils' financial sustainability

- require information in proportion to the magnitude of proposed variations above the cap and
- over time, be able to 'reward' those councils that have a proven track record of performance and effective community consultation, with a more 'streamlined' process

**Colac Otway Response: Colac Otway agrees with the recommendation.**

**Draft recommendation 6**

The Commission recommends that the framework should not specify individual events that would qualify for a variation. The discretion to apply for a variation should remain with councils.

**Colac Otway Response: Colac Otway agrees with the recommendation.**

**Draft recommendation 7**

**The Commission recommends that the following five matters be addressed in each application for a variation:**

- **The reason a variation from the cap is required**
- **The application takes account of ratepayers' and communities' views**
- **The variation represents good value-for-money and is an efficient response to the budgeting need**
- **Service priorities and funding options have been considered**
- **The proposal is integrated into the council's long-term strategy.**

**Colac Otway Response: It is noted that whatever information is required for a variation it will require additional resources which will place additional administrative burdens on Council. It is important that the variation process does not create unnecessary levels of bureaucracy as Council is already financially constrained.**

**The major issue with variations is the proposed timelines.**

**Draft recommendation 8**

**The Commission recommends that in 2016-17, variations for only one year be permitted. Thereafter, councils should be permitted to submit and the Commission approve, variations of up to two, three and four years.**

**Draft recommendation 9**

**The Commission recommends that it should be the decision-maker under the framework, but only be empowered to accept or reject (and not to vary) an application for variation.**

**Colac Otway Response: Colac Otway agrees with the recommendations providing it is clear how the ESC will assess applications for any variations. It should be noted that Colac Otway strongly believes that the State Government should fund the operations of the Essential Services Commission with respect to the Rate Capping and variation processes. It is also important that the variation process does not create unnecessary levels of bureaucracy as Council is already financially constrained.**

**Draft recommendation 10**

**The Commission recommends that it monitor and publish an annual rates report on councils' adherence to the cap and any approved variation conditions.**

**Colac Otway Response: Colac Otway agrees with the recommendation.**

**Draft recommendation 11**

**The Commission recommends that it monitor and publish an annual monitoring report on the overall outcomes for ratepayers and communities.**

**Colac Otway Response: Colac Otway agrees with the recommendation.**

## **AUSTRALIA DAY AWARD GUIDELINES**

The Colac Otway Shire Australia Day Awards celebrate the achievements and contributions by outstanding members and groups in our community that inspire us through their efforts and make us proud to be Australian. Awards are available in the following categories:

- Citizen of the Year
  - Young Citizen of the Year
  - Community Service of the Year Award
  - Sporting Service of the Year Award
  - Arts Service of the Year Award
- Eligibility and Selection Criteria

#### *Selection Criteria*

In line with the National and State Australia Day Award Guidelines, it is recommended that the following selection criteria and list of considerations against the nominated criteria are adopted:

- Demonstrated excellence in their field
- Significant contribution to the Colac Otway Shire community
- Inspirational role model for the Colac Otway Shire community

Council will give consideration to the following in assessing and comparing nominations against the above criteria:

- Community contribution – how has the nominee contributed to the betterment of the Colac Otway Shire Community

- Long term and short time benefit for the community

- Personal academic and professional achievements will be recognised as long as the nominee has used his or her achievements to "put back" into the community to benefit others or the community as a whole.

- Contributions must have been made on a voluntary basis and beyond paid work
- Nature and length of activity or service
- Degree of difficulty and/or sacrifices made
- Previous awards and recognition
- Demonstrated leadership, innovation and creativity
- Future goals and likely impact

#### *Eligibility Criteria*

In line with the National and State Australia Day Award Guidelines, it is recommended that the following eligibility criteria are adopted:

All nominees must be at least 16 years of age on 26 January in the year of the award.

Sitting state and federal politicians and vice regal officers are not eligible. Retired politicians and vice regal officers will only be considered for work undertaken in addition to their official duties.

- Self-nominations will not be accepted
- Awards will not be granted posthumously
- Unsuccessful nominees may be re-nominated in subsequent years
- No weight is given to the number of times a person is nominated
- A nominee that has previously received an award in one category cannot receive another award in the same category.

The following exception has been made to the national and state criteria:

- The Colac Otway Shire Australia Day Awards Program does not require award recipients to hold Australian Citizenship. The Colac Otway Shire Australia Day Awards is an inclusive program, it celebrates everyone who has contributed to our community, including Australian Citizens, refugees and those on permanent and temporary visas.
- The Colac Otway Shire Australia Day Awards Program recognises that there are a number of groups and clubs as well as individuals that contribute to community and as such encourage group and club nominations as well as individual nominations in the Community, Sports and Art Service Award Categories.

The following additional criteria have been added to the national and state criteria:

- The current eligibility criteria of residing and/or attending an educational institution within the Colac Otway Shire have been included in the new guidelines. Under the new guidelines the selection panel reserves the right to consider community contributions made by those that reside and study outside the Shire if their volunteer contributions have been made within the Shire.
- The age requirement for the Young Citizen (25 years or younger on the day of the award) and the Citizen of the Year (25 years or older on the day of the award) will remain the same in the new guidelines as in the previous guidelines.

**Recommendation: That Council adopts the revised Australia Day Award Guidelines and Nomination Form.**