Ararat Rural City

AGENDA

SPECIAL MEETING OF COUNCIL

Tuesday 8 May 2018

To be held in the
Alexandra Oval Community Centre,
1 Waratah Avenue, Ararat
Commencing at 6.00pm

Council:

Cr Gwenda Allgood
Cr Jo Armstrong
Cr Peter Beales
Cr Bill Braithwaite
Cr Darren Ford
Cr David Pettman

Our Vision
Our communities, our opportunities

Our Mission Statement
We will demonstrate leadership through social responsibility, openness and transparency by actively working with our community to achieve shared goals.

Our Values
Respect - Respect for each other and the wider community.
Excellence - Striving for ongoing professionalism and organisational excellence.
Passion - Passion for our people, community and services.

An audio and video recording of this meeting is being made for the purpose of verifying the accuracy of the minutes of the Council Meeting, Special Council Meeting or Assembly of Councillors.

The recording is being streamed live via Facebook, to improve transparency between council and the community and give more people the opportunity to view what decisions are being made.

Recordings of Council Meetings and Special Council Meetings (excluding closed sessions) are made available on Council's website.

SECTION 1 – PROCEDURAL MATTERS

1.1 LIVE STREAMING

Council is keen to engage with members of the community and now live streams the formal Council Meetings to make them accessible. The stream will be available to view on Ararat Active's Facebook page from 6pm and on Council's website, www.ararat.vic.gov.au from Wednesday morning following the Council Meeting.

You do not require a Facebook account to watch the live broadcast, simply enter www.facebook.com/araratactive into your address bar.

1.2 TRADITIONAL ACKNOWLEDGEMENT/OPENING PRAYER/COUNCILLORS PLEDGE

Traditional acknowledgement

We acknowledge the traditional owners of the land on which we meet today, and pay our respects to their elders, past, present and emerging.

Opening Prayer

Almighty God, we humbly ask you to help us, as elected Councillors of the Ararat Rural City Council. Guide our deliberations. Prosper what is your will for us, to your honour and glory and for the welfare and benefit of the people whom we serve in the Ararat Rural City.

Councillors Pledge

We will undertake the duties of the office of Councillor in the best interests of the people of the municipal district of the Ararat Rural City Council and faithfully and impartially carry out the functions, powers, authorities and discretions vested in us under the local government act 1989 or any other act to the best of our skill and judgment.

1.3 APOLOGIES

RECOMMENDATION (if required)

That the apology of (Name) be accepted.

1.4 DECLARATION OF DISCLOSURE OF INTERESTS

Disclosure of Interests are to be made immediately prior to any relevant item being discussed.

Local Government Act 1989 Section 79 (2) A Councillor or member of a special committee who has a conflict of interest and is attending the meeting of the Council or special committee must make a full disclosure of that interest -

(a) by either -
  (i) advising the Council or special committee at the meeting of the details required under paragraph (b) and (c) immediately before the matter is considered at the meeting; or
  (ii) advising the Chief Executive Officer in writing of the details required under paragraphs (b) and (c) before the meeting; and
(b) classifying the type of interest that has given rise to the conflict as either -
  (i) a direct interest: or
  (ii) an indirect interest and specifying the particular kind of indirect interest under section 78, 78A, 78B, 78C, 78D or 78E; and
(c) describing the nature of the interest; and
(d) if the Councillor or member advised the Chief Executive Officer of the details under paragraph (a) (ii), the Councillor or member must make a disclosure of the class of interest only to the meeting immediately before the matter is considered at the meeting.

Local Government Act 1989 Section 80C) A person who is providing advice or a report to a meeting of the Council or a special committee, and who has a conflict of interest in a matter to which the advice or report relates, must disclose the constituting the conflict of interest when providing the advice or report and before the advice or report is considered by the Council or the committee.

SECTION 2 – REPORTS REQUIRING COUNCIL DECISION

2.1 DRAFT REVENUE AND RATING STRATEGY, 2018

RESPONSIBLE OFFICER: MANAGER CORPORATE SUPPORT
DEPARTMENT: ASSETS, FINANCE AND CORPORATE SERVICES
REFERENCE: 18094681

Officer's Declaration of Interest
Under Section 80C of the *Local Government Act 1989* officers providing advice to Council must disclose any interests, including the type of interest.

No person involved in the preparation of this report has a direct or indirect interest requiring disclosure.

Introduction
In 2017 Council considered a rating strategy which abolished differential rates, applying a uniform rate and no municipal charge. Over 690 submissions were received and 44 ratepayers addressed Council on 6 June 2017. Council eventually decided not to abolish differential rates, accepting the Minister for Local Government's recommendation that "Council adopts the 2016 rating strategy, instead of the extreme changes proposed on the Draft Revenue and Rating Strategy, 2018".

The Minister for Local Government also recommended that Council:
- Establish a rating strategy advisory group and be informed by the outcomes of a Citizens' Jury-type approach,
- Prepare a rating strategy in accordance with *Local Government Better Practice Guide* to determine the most equitable imposition of rates and charges. The Rating Strategy should be developed after the results of the 1 January 2018 general revaluation are known.

RECOMMENDATION

That:
1. **Council adopts in-principle the Draft Revenue and Rating Strategy, 2018 that is attached to this report, which includes the following:**
   a) **That Council continues to use Capital Improved Value (CIV) as the basis on which the rate in the dollar will be assessed, pursuant to Section 157 of the Local Government Act 1989.**
   b) **That Council raises the municipal rates by the use of differential rates on the basis that Council considers that the use of the differential rates will contribute to the equitable and efficient carrying out of its functions.**
   c) **That Council raise the municipal rates by the application of three differential rates:**
      i. **General;**
      ii. **Commercial/Industrial; and**
      iii. **Farm.**
   d) **That Council change the definition of farm rate for differential rate purposes to include the requirement that the farm land must also be used for the carrying on primary production by an owner or occupier who is regarded as a Primary Producer by the Australian Taxation Office.**
   e) **That Council review the current recipients of the Farm rate to ensure each rate assessment is properly classified as Farm by sending each property that currently receives the farm rate a "Farm Land Application Form" to complete to ensure that all properties currently receiving are actually entitled to receive the farm rate.**
   f) **That Council require a statutory declaration from the land owner or ratepayer to certify their ATO primary producer status**
   g) **That applications to confirm eligibility of the farm rate be processed during 2018/19 with any changes to rate classifications being effective for 2019/20, allowing a full year to transition to the General rate.**
   h) **That any ratepayer affected by a reclassification of the farm land to general land can make application to Council for an exemption of interest on any outstanding rates for the affected property for 2018/19 until 30 June 2020.**
   i) **That the procedure to determine whether a property shall classed as Farm, for the purpose of Differential Rating, as set out in the document titled "Farm Land**

Application Form" [attached as Appendix 2 to this report] be endorsed and the Director Assets Finance & Corporate Services or the Manager Corporate Support be authorised to administer such.

j) That all cultural and recreational lands and indoor cultural and recreational facilities be exempt from the payment of municipal rates, except where:
   i. the land is subject to a grazing lease, in which case it will attract the General rate (or the Farm rate if applicable);
   ii. the land is used for housing gaming machines, in which case the portion of the premises used for housing gaming machines shall attract the Commercial rate, and the balance of the property shall be exempt from the payment of municipal rates

k) That Council approve the following Differential percentages for the 2018/19 rating year to ensure the equitable imposition of rates and charges:

i.	General	100%
ii.	Commercial/Industrial	125% of General
iii.	Farm	55% of General

l) That Council levies a Municipal Charge of $94 for the 2018/2019 financial year to cover some of the administrative costs of Council.

m) That Council continue to levy a Service Charge for the garbage collection and recycle collection services, which incorporates the collection and disposal of waste, green waste and recyclables.

n) That Council continues to use Special Rates and Charges for the purpose of footpath, kerb and channel and drainage schemes and that special rates and charges be investigated for other purposes, where appropriate.

o) That Council not expand rating concessions on Charitable and Not-for-Profit Organisations properties beyond those provided for under Section 154 of the Local Government Act 1989

p) That Council no longer provides a Council funded rebate ($92 for 2017/18).

q) That Council does not grant any rebate or concession in relation to any rate or charge to support the provision of affordable housing, to a registered agency in accordance with the provisions of Section 169 (1D) of the Local Government Act 1989.

r) That ratepayers seeking a waiver or deferral of rates under Section 170 and 171 of the Local Government Act 1989 be required to complete the form titled "Application for Waiver/Deferral of Rates and Interest Form" [attached as Appendix 1 to the Rating Strategy].

s) That the applications for the waiver or deferral of rates will only be considered by Council on the basis of genuine hardship supported by another government agency, welfare group or financial counsellor

t) That Council will consider applications for the waiver or deferral of rates as a confidential report in a closed Council meeting.

u) That waiver or deferral of rates will only apply with regard to rates on the applicant's primary residence

v) That Council allow the option of the lump sum payment of rates and charges, in accordance with Section 167 of the Local Government Act 1989.

w) That Council allow the payment of rates and charges by four (4) instalments in accordance with Section 167 of the Local Government Act 1989.

x) That Council allow the payment of rates and charges by direct debit over nine (9) monthly or eighteen (18) fortnightly payments, free of interest, commencing the last Friday of September and finishing in the following May.

y) That Council allows a grace period of 30 days before interest is applied to late instalments under Section 172(3) of the Local Government Act 1989.

z) That should any person pay an amount equivalent to their first instalment before 30 October 2018 Council will consider the payment as an instalment payment. Should any person pay an amount equivalent to their first instalment after 30 October 2018 Council will consider the payment as an amount towards the lump sum option and the rates will then be due by 15 February next.

aa) That Council set a minimum interest amount of $3 when charging interest on late payment in accordance with Section 172 of the Local Government Act 1989.

bb) That Council commences legal proceedings for the recovery of outstanding rates and charges that exceed $2,000 after the due date if no arrangement has been made to pay unpaid rates & charges.

cc) That Council only consider selling land for the non-payment of rates under Section 181 if all of the following requirements apply:
  i. Council officers determine the property is saleable
  ii. The property has clear title (no mortgage)
  iii. The property is unoccupied

dd) That the current differential rate ratios apply for 2018/19, 2019/20 and 2020/21 to allow a reasonable degree of stability in the level of rates burden as required under the Act, when under the proposed new Local Government Act Councils are required to develop and adopt a four-year revenue and rating plan by 1 July 2021.

2. Council places the proposed strategy on public exhibition and considers submissions as part of the 2018/2019 budget process; and

3. Following consideration and hearing of any submission received as part of the budget process, Council considers the proposed Draft Revenue and Rating Strategy, 2018 for adoption at the Council meeting to be held on Tuesday 26 June 2018.

Discussion

Under the Local Government Act 1989 (the Act), a primary objective of Council is to ensure the equitable imposition of rates and charges (Section 3C(f)). No real guidance with respect to equity is provided and therefore it is left to Council to give effect to what it believes is an equitable system. The purpose of a Rating Strategy is to consider what rating options are available under the Act and how Council can achieve an equitable rating system.

Developing a rating strategy requires Council to strike a balance between competing principles to come up with a mixture of rates and charges that provides the income needed for its annual budget while meeting the tests of equity, efficiency and simplicity. Council aspires to balance service levels in accordance with the needs, means and expectations of its community and sets taxation levels (rating) to adequately resource its roles, functions and responsibilities.

Council is committed to having a strategy that is underpinned by sound rating principles, which are well understood, communicated to ratepayers and compliant with current legislation.

The rating system determines how Council will raise money from properties within the municipality. It does not influence the total amount of money to be raised, only the share of revenue contributed by each property.

There has been an extensive review of the 2017 Rating Strategy, including the establishment of a Rating Strategy Advisory Group (RSAG) and engaging a Citizens' Jury (Jury) to review RSAG's report and make recommendations to Council.

When expressions of interest were called for participation in RSAG, 14 ratepayers expressed an interest and all were subsequently appointed. Two ratepayers resigned for personal reasons during the period that RSAG was active.

The RSAG members brought a wide variety of skills and views to the process, as well as broad representation from the various categories of ratepayer, with some members owning properties in more than one property class. The group was assisted by an external rating advisor and Council staff in administration and management support. The chairperson of RSAG was an independent non-voting member who had prior knowledge of rating strategies. The Municipal Monitor also attended many meetings as a non-voting member.

The RSAG process ran from December 2017 to April 2018 and the Group's discussion paper was presented to the Jury on 21 April 2018.

RSAG considered the fundamental elements of equity, ability to pay and the wealth tax principle, as suggested in the *Local Government Better Practice Guide 2014 – Revenue Rating Strategy*. This guide acknowledges that the rating system is one of the most sensitive issues on which Council make decisions.

RSAG made the following recommendations:

- That Council use Capital Improved Value as the basis of calculating rates
- That Council use a municipal charge to cover some of the administrative costs of the Council; and the total revenue from a municipal charge is 10% of the sum of Council's total revenue from general rates.
- That Council does not offer a Council funded rebate
- That Council retain the general rate differential as the base for all other classifications
- That Council retain the farm rate classification, but add that Australian Taxation Office documentation confirming primary production be required to be classified as "Farm"
- That Council combine the Commercial and Industrial differential rate and have a differential rate of 125%.
- That there be no change in the rating of *Recreational & Cultural* land
- That there be no change in rating concessions for *Not for Profit* land

RSAG considered a number of different rating models, with the following 4 models presented at the last formal meeting of RSAG. There was no unanimous support by RSAG for any of the 4 options that were presented to the Jury for consideration:

	Current	Option 1	Option 2	Option 3	Option 4
General rate	100%	100%	100%	100%	100%
Commercial rate	160%	125%	125%	125%	125%
Industrial rate	130%	125%	125%	125%	125%
Farm rate	55%	35%	70%	55%	45%
Municipal charge	$92	$220*	$220*	$220*	$220*

* 10% of the sum of Council's total revenue from its municipal charge and the total revenue from general rates equates to a $220 municipal charge.

The Jury met on 21 & 22 April 2018 to review the RSAG report and consider which rating option is the most-fair and equitable for Council.

The Jury's "most significant advice" to Council was to:

- Adopt a 10% municipal charge
- Retain the pension rebate equivalent to the municipal charge – at 10% this would be a rebate of $220.
- Consider the RSAG option 4 as the Jury's preferred option
- Adopt a "pie" approach to determine the appropriate rating differential.

The Jury presented their recommendations to Councillors on 22 April, 2018.

The results of the 2018 general revaluation were not available at the time RSAG and the Jury met, although RSAG anticipated the Capital Improved Value of farm land was likely to increase by around 15%.

Whilst the final return of the valuations had not been received and audited at the time of preparing this report the preliminary outcomes of the general revaluation have been used to compile the Rating Strategy and the Budget for 2018/19. The rate in the dollar for the various differentials may change after the final return of the 2018 General Revaluation is audited.

Preliminary 2018 valuations indicate the following increases for each class of property:

- general valuations up by $35 Million (4%),
- commercial valuations up by $10 million (9%),
- industrial valuations up by $2 million (8%) and
- farm valuations up by $323 million (25%).

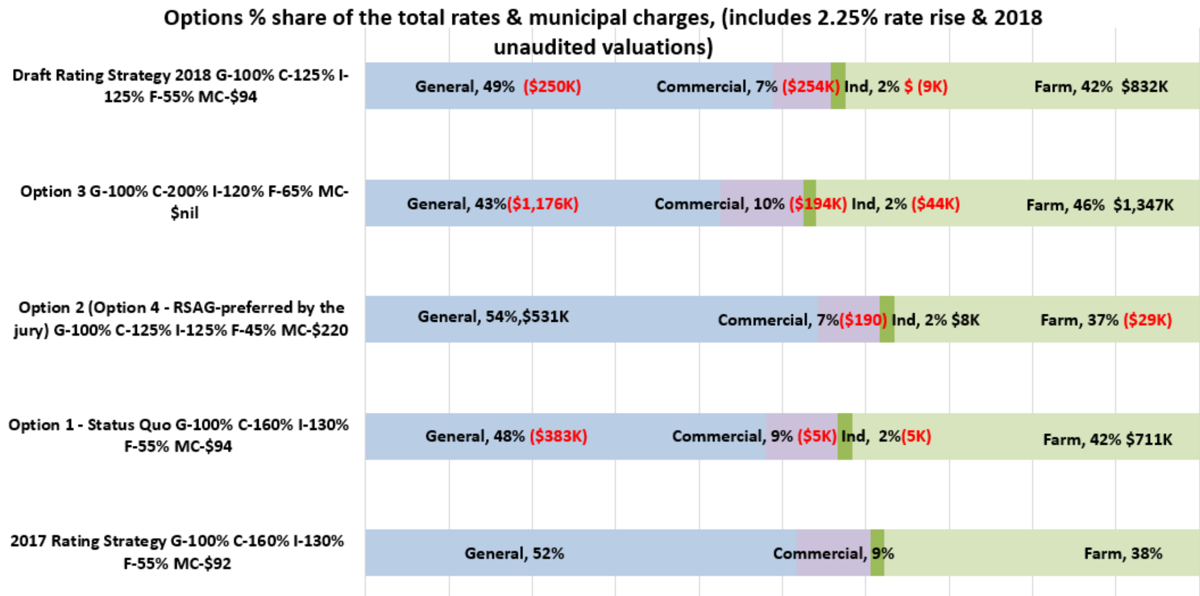
The RSAG and Jury recommendations and various other options were considered by Council during an Assembly held on 24 April 2018. Further options were also proposed and these were further considered at the Council Assembly held on 1 May 2018.

Council acknowledges the significant contributions made by members of RSAG and the Jury. The community engagement process followed in developing the Draft Revenue and Rating Strategy, 2018 has been very extensive as Council develops a fair and equitable Draft Revenue and Rating Strategy, 2018.

Options Summary

A summary of the options included in the 2018 Draft Revenue and Rating Strategy, 2018 are as follows:

	Rating Strategy 2017	Option 1	Option 2	Option 3	Draft Revenue and Rating Strategy, 2018
General rate	100%	100%	100%	100%	100%
Commercial rate	160%	160%	125%	200%	125%
Industrial rate	130%	130%	125%	120%	125%
Farm rate	55%	55%	45%	65%	55%
Municipal charge	$92	$94	$220	$nil	$94



Option 1

Option 1 assumes the same differential rates as 2017, but takes into account a 2.25% rate rise as well as the preliminary 2018 valuations. As farm valuations have increased by 25% the 2018 valuations show the farming sector's share of the total rates have increase from 38% to 42%. A rate rise of 2.25% or $318,000 under this option would see the farming sector paying $711,000 more, the general sector paying $383,000 less and the commercial/industrial sector paying $10,000 less.

Option 2

Option 2 reflects one of the options considered by RSAG and was the Jury's preferred option. The RSAG report presented to the Jury shows 6 RSAG members could support this option in practice and 3 members could not support this option in practice.

The RSAG report provided the following comments on option 2 (option 4 in RSAG report):

<u>RSAG comments in support of option 2</u>

- Addresses the change in property valuations expected this year
- Reduces the disproportionate rates paid by farmers per capita
- Small $ increases to general and industrial rates
- Increase in valuation does not equate to increase in ability to increase income
- Amount per capita more evenly spread
- Farmers cannot pass increase in rates on to consumers
- Six members of RSAG were in favour of Option 4 and 3 were not in favour of Option 4
- May reunite city and rural areas

<u>RSAG comments not in favour of option 2</u>

- Shifts the burden to the general and industrial section of category of ratepayers
- Difficult concept to demonstrate as fair to all – numbers need to clearly show % and $ in a way that demonstrates the proportions paid by each class

The Jury report provided the following comments on option 2 (option 4 in RSAG report):

- The Jury understands that Option 4 attempts to take into account expected 2018 land revaluation to maintain current share of rates burden by classification group
- Jury poll – 17 in favour, 4 against

Jury comments in support of option 2

- This model attempts to bring stability to the rating system amongst the uncertainty of the upcoming land revaluations.
- This model provides a more favourable rate for the commercial and industrial sector.
- We agreed with RSAG's findings that commercial and industrial businesses provide
- essential services and employment, and it's important to encourage them to thrive in ARCC
- This model provides a more favourable rate to farmland, in recognition that:
  - This is likely to be offset by increases in land value;
  - Farmers pay disproportionate rates per household;
  - Farmers cannot pass increase in rates cost on to consumers; and
  - Rate of return on farmland is relatively low.

Jury Comments not in support of option 2

- There is too much uncertainty due to lack of valuation information that results in the relative rate burden between the property classes potentially being very fluid & with the result that the adopted differentials may not reflect the desired outcomes
- It was increasing the rate responsibility on to the General residential rate payers in favour of the primary production. This would add to the uncertainty of the increasing land valuations for all, to a substantial increase in rates for Residential properties. This would be seen by many as a form of subsidy from General residents to the rural industry.
- Before 2011 the differential rate for Farms was 60%. This was lowered in that year to accommodate the fallout from the drought. However, it has never been reinstated & reducing again to 45% seems to be an unfair decision.

Option 3

Option 3 assumes changes to the rating system – commercial differential at 200% of the general rate, industrial differential at 120% of the general rate, farm differential at 65% of the general rate and no municipal charge. A rate rise of 2.25% or $321,000 under this option would see the farming sector paying $1,347,000 more, the commercial sector paying $194,000 more, the general sector paying $1,176,000 less and the industrial sector paying $44,000 less.

Draft Revenue and Rating Strategy, 2018

Council acknowledges the efforts and contributions made by all members of Rating Strategy Advisory Group and the Citizens' Jury. The outputs from both of these groups have been carefully considered by Council in developing the following Draft Revenue and Rating Strategy, 2018.

The Draft Revenue and Rating Strategy, 2018 proposes only minor changes to the existing differential rating system. It reduces the commercial and industrial rate to 125% of the general rate, and increases the municipal charge by the 2.25% rate cap, to $94. Assuming a rate rise of 2.25% (totally $319,000), this option will see the farming sector paying $832,000 more, the commercial sector paying $253,000 less, the general sector paying $250,000 less and the industrial sector paying $9,000 less. The difference between Option 1 and the Draft Revenue and Rating Strategy, 2018 is the effect of reducing the differential rate ratios for commercial and industrial assessments, with general assessments contributing $133,000 and farm assessments contributing $121,000 towards the reduction for commercial and industrial assessments.

The Draft Revenue and Rating Strategy, 2018 has been prepared on the following basis:

- To accept RSAG and the Jurys' recommendation to reduce the Commercial differential rate and the Industrial differential rate to 125% of the general rate. Having only one differential for both classes will comply with the simplicity principle, making it easier to administer. The reduced differential rate ratio will also recognise the services these sectors provide to our community and the role they play in the creation of employment opportunities.

- That the municipal charge will be based on covering some of the administrative costs of the council, including rates administration and cashiering, councillor support and the office of the chief executive. It is widely considered that a municipal charge is a regressive tax, but one that is appropriate in recovering some of Council's administrative costs.

- To not accept the findings of the RSAG and Jury to increase the municipal charge to 10% of the sum of Council's total revenue from general rates as it is regressive in nature and Council has determined that it is not equitable to dramatically shift the rate burden from highly valued properties to lowly valued properties.

- To retain the farm rate ratio at 55% of the general rate. This will result in a 16% shift in the rate burden to the farming sector due to the 2018 preliminary, unaudited valuations showing a $323 million increase in the capital improved value of farm land. It is equitable that highly valued properties should pay more.

  Council notes that the RSAG considered a farm differential of 45% and 55%, and that the Jury preferred a 45% farm differential as they took into account that farm valuations were likely to increase significantly in the 2018 valuations. If Council did apply a farm differential of 45%, this would likely result in a reduction in the rates paid by the farming sector. Furthermore, excluding Wyndham City Council & Mornington Peninsula Shire Council, Ararat continues to have the lowest farm differential rate in Victoria (Ballarat City Council has 70%, Hepburn Shire Council has 65%, Northern Grampians Shire Council has 65%, Shire of Yarra Ranges has 70%, South Gippsland Shire Council has 70%, Warrnambool City Council has 57%, Wangaratta Rural City Council has 68% and all other Councils are over 70%).

  Retaining the farm rate ratio at 55% supports the following comments made by some RSAG members and jurors that did not favour option 2:
    - "*Shifts the burden to the general and industrial section of category of ratepayers*
    - *It was increasing the rate responsibility on to the General residential rate payers in favour of the primary production. This would add to the uncertainty of the increasing land valuations for all, to a substantial increase in rates for Residential properties. This would be seen by many as a form of subsidy from General residents to the rural industry.*
    - *Before 2011 the differential rate for Farms was 60%. This was lowered in that year to accommodate the fallout from the drought. However, it has never been reinstated & reducing again to 45% seems to be an unfair decision".*

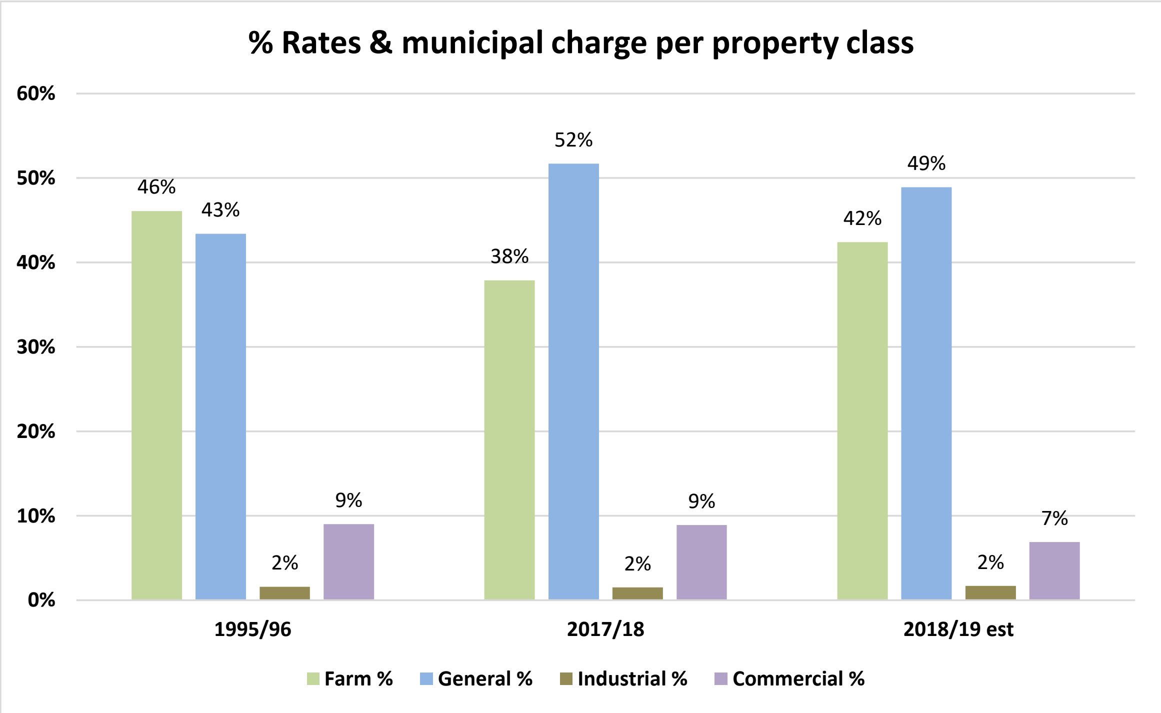
- To adopt the RSAG recommendation to no longer provide a Council-funded rebate for pensioners. There is no evidence to support the granting of the pension rebate provides a benefit to the community as a whole, as required under the Act. There are a number of low income groups in Ararat (e.g. Health Care Card holders) who are not entitled to this rebate, which is clearly not equitable. Whilst RSAG supported this proposal, the Jury recommended that Council retain the rebate at the same level as the municipal charge. There is no direct correlation between the level of the municipal charge and the pension rebate. If Council accepted the Jury's recommendation to retain the rebate and increase the municipal charge to $220, this would result in a new unfunded cost to Council of $172,998 per annum, which equates to a 1.2% increase in rates. In Victoria, only 19 councils are in the small rural shire category and 18 are in the large shire category. Of these, only three offer a rebate: Ararat; Borough of Queenscliffe ($40 rebate with no municipal charge); and East Gippsland Shire Council ($55.77 rebate and a $283.34 municipal charge).

- To increase the recycle collection charge by $35 (from $109 to $144) as the cost of recycling has increased as a result of China's decision to stop importing low-quality mixed recyclable materials. Other service charges for waste collection will increase by 2.25%.

- To accept RSAG and the Jury's recommendation to change the definition of farm rate for differential rate purposes to include the requirement that the farm land must also be used for the carrying on primary production by an owner or occupier who is regarded as a Primary Producer by the Australian Taxation Office. Council will review the current recipients of the farm rate during 2018/19 and any land and change to the differential rate from farm rate to general rate will apply from 2019/20, allowing a year to transition to the higher level of rates.

- To retain the current differential rate ratios to apply for 2018/19, 2019/20 and 2020/21 to allow a reasonable degree of stability in the level of rates burden as required under the Act, when under the proposed new Local Government Act Councils are required to develop and adopt a four-year revenue and rating plan by 1 July 2021.

The following graph shows that in 1995/96, properties with a general differential rating classification contributed 43% of the total general rates paid whilst farm properties contributed 46% of the total general rates paid. In 2018/19 general properties will pay 49% of the total general rates and municipal charges whilst farm properties will pay 42% of the total rates and municipal charges. The shift in the rate burden in 2018/19 from general, commercial and industrial to farm properties is due to the 2018 general valuation and the reduction in the differential rate ratios for commercial and industrial properties.



The Draft Revenue and Rating Strategy, 2018 assumes:

- a general (G) differential of 100%,
- a commercial (C) differential of 125%,
- an industrial (I) differential of 125%,
- a farm (F) differential of 55% and
- a municipal charge of $94.

Based on the preliminary, unaudited 2018 valuations, the following table the changes in rate yield by rating category.

Table 1.1 - Change in rate yield by rating category

		Existing Strategy 100%(G), 160% (C), 130% (I), 55% (F) $92 Municipal Charge			Draft Revenue and Rating Strategy, 2018 100%(G), 125% (C), 125% (I), 55% (F) $94 Municipal Charge					
Rate Differential	Assessments.	Rates & MC Revenue 2017/18	Current Share of Revenue	Current Average rates & mc	Rates & MC Revenue 2018/19	Share of Revenue	Average rates & MC	Change in Average rates	$ Change	% Change
General (G)	4,997	$7,358,024	52%	$1,472	$7,108,318	49%	$1,422	-$49	-$249,706	-3%
Commercial (C)	331	$1,263,352	9%	$3,817	$1,009,514	7%	$3,050	-$767	-$253,838	-20%
Industrial (I)	95	$259,440	2%	$2,730	$250,230	2%	$2,634	-$97	-$9,210	-4%
Farm (F)	1,697	$5,336,600	38%	$3,144	$6,168,950	42%	$3,635	$490	$832,350	16%
Totals	**7,120**	**$14,217,416**	**100%**	**$1,996**	**$14,537,012**	**100%**	**$2,042**	**$45**	**$319,596**	**2%**

Table 1.2 – Indicative changes in rates for various property values

Property Classification	**Actual 2016 CIV $'000**	**Total Rates & M/C 2016/17**	**Actual 2018 CIV $'000**	**Total Rates & M/C 2017/18**	**Change $**	**Change %**
Commercial max	$9,437	$110,741	$11,838	$100,693	-$10,048	-9.07%
Commercial min	$4	$134	$4	$127	-$7	-5.22%
Commercial average	$318	$3,817	$346	$3,037	-$780	-20.43%
Commercial median	$177	$2,161	$192	$1,729	-$432	-19.99%
Industrial max	$2,560	$24,479	$3,802	$32,403	$7,924	32.37%
Industrial min	$28	$354	$30	$346	-$8	-2.26%
Industrial average	$277	$2,730	$299	$2,636	-$94	-3.44%
Industrial median	$138	$1,402	$149	$1,356	-$46	-3.28%
General max	$1,086	$8,050	$1,377	$9,455	$1,405	17.45%
General min	$2	$103	$2	$105	$2	1.94%
General average	$188	$1,472	$196	$1,426	-$46	-3.13%
General median	$174	$1,363	$180	$1,321	-$42	-3.08%
Farm max *	$16,071	$64,858	$19,145	$71,677	$6,819	10.51%
Farm max – SFE*	$29,746	$119,966	$36,185	$135,388	$15,422	12.86%
Farm min	$2	$98	$2	$101	$3	3.06%
Farm average	$767	$3,181	$958	$3,677	$496	15.59%
Farm median	$464	$1,962	$580	$2,263	$301	15.34%

* The highest valued individual farm assessment is valued at $19,145,000. Individual farm assessments can be combined into a single farm enterprise (SFE). The highest valued single farm enterprise currently consists of 5 individual assessments, which have a collective capital improved value of $36,184,500.

Further detail regarding each option is provided in the attached Draft Revenue and Rating Strategy, 2018 document.

The Act specifies the various rating options that Council has in terms of distributing the rate burden and the options available in the collection of rates. In terms of these choices, the Draft Revenue and Rating Strategy, 2018 includes the following recommendations:

a) That Council continues to use Capital Improved Value (CIV) as the basis on which the rate in the dollar will be assessed, pursuant to Section 157 of the Local Government Act 1989.
b) That Council raises the municipal rates by the use of differential rates on the basis that Council considers that the use of the differential rates will contribute to the equitable and efficient carrying out of its functions.
c) That Council raise the municipal rates by the application of three differential rates:
    i. General;
    ii. Commercial/Industrial; and
    iii. Farm.
d) That Council change the definition of farm rate for differential rate purposes to include the requirement that the farm land must also be used for the carrying on primary production by an owner or occupier who is regarded as a Primary Producer by the Australian Taxation Office.
e) That Council review the current recipients of the Farm rate to ensure each rate assessment is properly classified as Farm by sending each property that currently receives the farm rate a "Farm Land Application Form" to complete to ensure that all properties currently receiving are actually entitled to receive the farm rate.
f) That Council require a statutory declaration from the land owner or ratepayer to certify their ATO primary producer status
g) That applications to confirm eligibility of the farm rate be processed during 2018/19 with any changes to rate classifications being effective for 2019/20, allowing a full year to transition to the General rate.
h) That any ratepayer affected by a reclassification of the farm land to general land can make application to Council for an exemption of interest on any outstanding rates for the affected property for 2018/19 until 30 June 2020.
i) That the procedure to determine whether a property shall classed as Farm, for the purpose of Differential Rating, as set out in the document titled "Farm Land Application Form" [attached as Appendix 2 to this report] be endorsed and the Director Assets Finance & Corporate Services or the Manager Corporate Support be authorised to administer such.
j) That all cultural and recreational lands and indoor cultural and recreational facilities be exempt from the payment of municipal rates, except where:
    i. the land is subject to a grazing lease, in which case it will attract the General rate (or the Farm rate if applicable);
    ii. the land is used for housing gaming machines, in which case the portion of the premises used for housing gaming machines shall attract the Commercial rate, and the balance of the property shall be exempt from the payment of municipal rates
k) That Council approve the following Differential percentages for the 2018/19 rating year to ensure the equitable imposition of rates and charges:

i.	General	100%
ii.	Commercial/Industrial	125% of General
iii.	Farm	55% of General

l) That Council levies a Municipal Charge of $94 for the 2018/2019 financial year to cover some of the administrative costs of Council.
m) That Council continue to levy a Service Charge for the garbage collection and recycle collection services, which incorporates the collection and disposal of waste, green waste and recyclables.
n) That Council continues to use Special Rates and Charges for the purpose of footpath, kerb and channel and drainage schemes and that special rates and charges be investigated for other purposes, where appropriate.
o) That Council not expand rating concessions on Charitable and Not-for-Profit Organisations properties beyond those provided for under Section 154 of the Local Government Act 1989
p) That Council no longer provides a Council funded rebate ($92 for 2017/18).
q) That Council does not grant any rebate or concession in relation to any rate or charge to support the provision of affordable housing, to a registered agency in accordance with the provisions of Section 169 (1D) of the Local Government Act 1989.
r) That ratepayers seeking a waiver or deferral of rates under Section 170 and 171 of the Local Government Act 1989 be required to complete the form titled "Application for

Waiver/Deferral of Rates and Interest Form" [attached as Appendix 1 to the Rating Strategy].

s) That the applications for the waiver or deferral of rates will only be considered by Council on the basis of genuine hardship supported by another government agency, welfare group or financial counsellor

t) That Council will consider applications for the waiver or deferral of rates as a confidential report in a closed Council meeting.

u) That waiver or deferral of rates will only apply with regard to rates on the applicant's primary residence

v) That Council allow the option of the lump sum payment of rates and charges, in accordance with Section 167 of the Local Government Act 1989.

w) That Council allow the payment of rates and charges by four (4) instalments in accordance with Section 167 of the Local Government Act 1989.

x) That Council allow the payment of rates and charges by direct debit over nine (9) monthly or eighteen (18) fortnightly payments, free of interest, commencing the last Friday of September and finishing in the following May.

y) That Council allows a grace period of 30 days before interest is applied to late instalments under Section 172(3) of the Local Government Act 1989.

z) That should any person pay an amount equivalent to their first instalment before 30 October 2018 Council will consider the payment as an instalment payment. Should any person pay an amount equivalent to their first instalment after 30 October 2018 Council will consider the payment as an amount towards the lump sum option and the rates will then be due by 15 February next.

aa) That Council set a minimum interest amount of $3 when charging interest on late payment in accordance with Section 172 of the Local Government Act 1989.

bb) That Council commences legal proceedings for the recovery of outstanding rates and charges that exceed $2,000 after the due date if no arrangement has been made to pay unpaid rates & charges.

cc) That Council only consider selling land for the non-payment of rates under Section 181 if all of the following requirements apply:

   i. Council officers determine the property is saleable
   ii. The property has clear title (no mortgage)
   iii. The property is unoccupied

dd) That the current differential rate ratios apply for 2018/19, 2019/20 and 2020/21 to allow a reasonable degree of stability in the level of rates burden as required under the Act, when under the proposed new Local Government Act Councils are required to develop and adopt a four-year revenue and rating plan by 1 July 2021.

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

5.1 Good Governance through leadership
5.5 Sustainable, long term financial management

Financial

Adopting the Rating Strategy will not result in additional income to Council. It will ensure that the income proposed to be raised in the Council Budget is apportioned among all ratepayers in a fair and equitable manner

Risk Assessment

None identified.

Policy/Legal/Statutory

The Local Government Act 1989 provides the legislative framework to be used in developing a Rating Strategy. Council has also considered the Ministerial Guidelines for Differential Rating (2013) and the Local Government Better Practice Guide 2014 - Revenue and Rating Strategy

Community Implications

The community relies on the raising of rate revenue to deliver vital services to the community and expects rates to be raised in a fair and equitable manner.

Environmental Implications
None identified.

Internal/external consultation
The 2017 Rating Strategy has been extensively reviewed by RSAG and the Jury. Their recommendations have been considered at two Council Assemblies. The proposed Rating Strategy 2018 will be placed on public exhibition and further community submissions will be considered as part of the budget process for 2018/19.

Conclusion
The Draft Revenue and Rating Strategy, 2018 has been developed after considering the recommendations from RSAG and the Jury. The reduction in the commercial and industrial differential rate ratio, together with the 2018 valuation, will result in a significant shift in the rate burden to the farm sector, especially as farm valuations have increased by 25% ($323 million) since the 2016 general valuations.

The fundamental rating principles of equity, ability to pay and the wealth tax principle have been considered in the development of the Draft Revenue and Rating Strategy, 2018. The wealth tax principle implies that the rates paid are dependent upon the value of a ratepayer's real property and have no correlation with the individual ratepayer's consumption of services or the perceived benefits derived by individual ratepayers from rates-funded expenditures. This principle infers that higher property values should incur higher levels of tax. The benefit principle is recognized by having the differential ratio of 55% for farm assessments and 125% for commercial and industrial assessments. Capacity to pay is difficult to assess in a meaningful way but the Act has various provisions including waiver and deferral of rates and charges, and Council has a number of different payment arrangements to assist ratepayers.

Council can now consider adopting the Draft Revenue and Rating Strategy, 2018. This strategy will be placed on public exhibition as part of the Budget process and anyone interested will still be able to provide further submissions.

Attachments
- Draft Revenue and Rating Strategy, 2018
- Rating Strategy Jury Information Booklet, incorporating the RSAG Report
- Ararat Jury Poll on Rating Strategy 21-22 April 2018 Recommendations Report

2.2 DRAFT COUNCIL PLAN 2017-2021 INCORPORATING THE STRATEGIC RESOURCE PLAN

RESPONSIBLE OFFICERS: **MANAGER CORPORATE SUPPORT**
MANAGER EXECUTIVE SERVICES AND GOVERNANCE
DEPARTMENT: **CORPORATE STRATEGY, RISK AND GOVERNANCE**
REFERENCE: **13041955**

Officer's Declaration of Interest
Under Section 80C of the *Local Government Act 1989* officers providing advice to Council must disclose any interests, including the type of interest.

No person involved in the preparation of this report has a direct or indirect interest requiring disclosure.

Introduction
The draft Council Plan 2017-2021 incorporating the Strategic Resource Plan (SRP) is presented to Council for proposal to the community.

The draft Council Plan includes the strategic objectives for the next year, including the strategic actions and indicators for monitoring the achievement of these objectives.

The SRP is a plan of the resources required to achieve the Council's strategic objectives expressed in the Council Plan. It also facilitates the commencement of the Budget 2017-18 which follows as an annual resource plan to implement the third year of the Council Plan. The SRP also assists Council maintain a financially sustainable organisation into the long term.

The statutory requirements prescribed under Sections 125 and 126 of the Local Government Act 1989 require Council to consider whether the current Council Plan requires any adjustment in respect to the remaining period of the Council Plan at least once in each financial year.

Council is required to advertise the draft Council Plan/SRP for a period of 28 days in accordance with section 223 of the Local Government Act 1989. During this period, community members are encouraged to scrutinise and review the Council Plan to ensure it expresses their view of the Council's intended future direction.

RECOMMENDATION

That Council:

1. **Having revised the draft Council Plan 2017-2021, incorporating the Strategic Resource Plan, in accordance with Section 125 and 126 of the Local Government Act 1989 adopt the draft document;**
2. **Under Section 223 of the Local Government Act 1989 make the draft Council Plan 2017-2021 incorporating the Strategic Resource Plan available for public exhibition;**
3. **Invite interested persons to make a written submission relating to the revised Council Plan 2017-2021 with written submissions to be received at the Municipal Offices, Ararat Rural City Council, 59 Vincent Street, Ararat not later than 5.15pm on Friday 9 June 2018;**
4. **Authorise the Chief Executive Officer to administer the Section 223 process; and**
5. **Should any person wish to be heard in support of their written submission, that they be heard by Council at a Special Council Meeting to be held at 6.00pm on Tuesday 12 June 2018.**

Discussion
The draft Council Plan sets the direction for Council for the next year. As Council's role is to support the community through leadership and service provision, it is ultimately a plan for the community.

The statutory process over the next 28 days, calls for submissions that Council must consider in accordance with Section 223 of the Local Government Act 1989.

Report

1. Council Plan

The Council Plan was developed with a strong understanding of the key physical and strategic issues facing Council fulfilling its role of fostering future growth and development for the Municipality's residents.

It defines the strategies Council will employ in endeavouring to meet these challenges and ensure continued growth and prosperity for the municipality.

The 2017-2021 Council Plan is built on four Pillars:

Our Community
We value our people and our community, their sense of place and connectedness and will target our services to meet their needs.

Our Lifestyle
We will strengthen the underlying community fabric by building upon the culture and heritage which defines our identity.

Our Economy
We will enhance our community's prosperity through encouraging sustainable growth.

Our Environment
We value our natural and built environment and want to protect, enhance and manage it, now and for future generations.

Underlying these four pillars is the foundation of 'Our Organisation'.

Our Organisation
Our Council is open, fair and honest, engaging with the community to provide leadership and supporting our community through efficient and effective service provision.

2. Strategic Resource Plan (SRP)

The SRP is a rolling plan of at least four years and forms part of the Council Plan. The Plan outlines the resources Council requires to achieve the objectives described in the Council plan, and includes the standard statements as prescribed by the regulation to outline the financial and non-financial resources required.

The SRP has been developed to assist Council in adopting a budget within a longer term prudent financial framework.

The key objective of this plan is financial sustainability in the medium to long term, whilst still achieving the Council's strategic objectives in the Council Plan.

The key financial policies detailed below are supported in the separate sections of the SRP document included in the Council Plan.

Council has developed these in the context of the long term financial sustainability of the municipality and in assisting frame the 2018/19 Budget.

The key policy outcomes include:

Rating Strategy

Council is reviewing the 2017 Rating Strategy and is considering reducing the commercial (160%) and industrial (130%) differential ratios to 125% of the general rate for 2018/19.

Differential	2017/18	2018/19-Draft Revenue and Rating Strategy, 2018
General	100%	100%
Commercial	160% of General	125% of General
Industrial	130% of General	125% of General
Farm	55% of General	55% of General
Municipal Charge	$92	$94

This change alone would see a redistribution of the rate burden from General assessments and Farm assessments. Preliminary valuations indicate an increase in valuation for each class of property - general valuations by $35 Million or 4%, commercial valuations by $10 million or 9%, industrial valuations by $2 million or 8% and farm valuations by $323 million or 25%.

These changes combined will result in a significant shift in the rate burden to farm assessments. With a 2.25% rate increase for the 2018/19 budget, the total amount raised from the farming sector would be $832,350 more, the commercial sector would be $253,838 less, the industrial sector $9,210 less and the general sector $249,706 less.

		Existing - 100%(G), 160% (C), 130% (I), 55% (F), $92 Municipal Charge			Draft Revenue and Rating Strategy, 2018 - 100%(G), 125% (C), 125% (I), 55% (F), $94 Municipal Charge					
Rate Differential	Assessments	Rates & MC Revenue 2017/18	Current Share of Revenue	Current Average rates & mc	Rates & MC Revenue 2018/19	Share of Revenue	Average rates & MC	Change in Average rates	$ Change	% Change
General (G)	4,997	$7,358,024	52%	$1,472	$7,108,318	49%	$1,422	-$49	-$249,706	-3%
Commercial (C)	331	$1,263,352	9%	$3,817	$1,009,514	7%	$3,050	-$767	-$253,838	-20%
Industrial (I)	95	$259,440	2%	$2,730	$250,230	2%	$2,634	-$97	-$9,210	-4%
Farm (F)	1,697	$5,336,600	38%	$3,144	$6,168,950	42%	$3,635	$490	$832,350	16%
Totals	**7,120**	**$14,217,416**	**100%**	**$1,996**	**$14,537,012**	**100%**	**$2,042**	**$45**	**$319,596**	2%

The Draft Revenue and Rating Strategy, 2018 will also propose the following recommendations:

a) That Council continues to use Capital Improved Value (CIV) as the basis on which the rate in the dollar will be assessed, pursuant to Section 157 of the Local Government Act 1989.
b) That Council raises the municipal rates by the use of differential rates on the basis that Council considers that the use of the differential rates will contribute to the equitable and efficient carrying out of its functions.
c) That Council raise the municipal rates by the application of three differential rates:
    i. General;
    ii. Commercial/Industrial; and
    iii. Farm.

d) That Council change the definition of farm rate for differential rate purposes to include the requirement that the farm land must also be used for the carrying on primary production by an owner or occupier who is regarded as a Primary Producer by the Australian Taxation Office.

e) That Council review the current recipients of the Farm rate to ensure each rate assessment is properly classified as Farm by sending each property that currently receives the farm rate a "Farm Land Application Form" to complete to ensure that all properties currently receiving are actually entitled to receive the farm rate.

f) That Council require a statutory declaration from the land owner or ratepayer to certify their ATO primary producer status

g) That applications to confirm eligibility of the farm rate be processed during 2018/19 with any changes to rate classifications being effective for 2019/20, allowing a full year to transition to the General rate.

h) That any ratepayer affected by a reclassification of the farm land to general land can make application to Council for an exemption of interest on any outstanding rates for the affected property for 2018/19 until 30 June 2020.

i) That the procedure to determine whether a property shall classed as Farm, for the purpose of Differential Rating, as set out in the document titled "Farm Land Application Form" [attached as Appendix 2 to this report] be endorsed and the Director Assets Finance & Corporate Services or the Manager Corporate Support be authorised to administer such.

j) That all cultural and recreational lands and indoor cultural and recreational facilities be exempt from the payment of municipal rates, except where:
   i. the land is subject to a grazing lease, in which case it will attract the General rate (or the Farm rate if applicable);
   ii. the land is used for housing gaming machines, in which case the portion of the premises used for housing gaming machines shall attract the Commercial rate, and the balance of the property shall be exempt from the payment of municipal rates

k) That Council approve the following Differential percentages for the 2018/19 rating year to ensure the equitable imposition of rates and charges:

i.	General	100%
ii.	Commercial/Industrial	125% of General
iii.	Farm	55% of General

l) That Council levies a Municipal Charge of $94 for the 2018/2019 financial year to cover some of the administrative costs of Council.

m) That Council continue to levy a Service Charge for the garbage collection and recycle collection services, which incorporates the collection and disposal of waste, green waste and recyclables.

n) That Council continues to use Special Rates and Charges for the purpose of footpath, kerb and channel and drainage schemes and that special rates and charges be investigated for other purposes, where appropriate.

o) That Council not expand rating concessions on Charitable and Not-for-Profit Organisations properties beyond those provided for under Section 154 of the Local Government Act 1989

p) That Council no longer provides a Council funded rebate ($92 for 2017/18).

q) That Council does not grant any rebate or concession in relation to any rate or charge to support the provision of affordable housing, to a registered agency in accordance with the provisions of Section 169 (1D) of the Local Government Act 1989.

r) That ratepayers seeking a waiver or deferral of rates under Section 170 and 171 of the Local Government Act 1989 be required to complete the form titled "Application for Waiver/Deferral of Rates and Interest Form" [attached as Appendix 1 to the Rating Strategy].

s) That the applications for the waiver or deferral of rates will only be considered by Council on the basis of genuine hardship supported by another government agency, welfare group or financial counsellor

t) That Council will consider applications for the waiver or deferral of rates as a confidential report in a closed Council meeting.

u) That waiver or deferral of rates will only apply with regard to rates on the applicant's primary residence

	v) That Council allow the option of the lump sum payment of rates and charges, in accordance with Section 167 of the Local Government Act 1989. w) That Council allow the payment of rates and charges by four (4) instalments in accordance with Section 167 of the Local Government Act 1989. x) That Council allow the payment of rates and charges by direct debit over nine (9) monthly or eighteen (18) fortnightly payments, free of interest, commencing the last Friday of September and finishing in the following May. y) That Council allows a grace period of 30 days before interest is applied to late instalments under Section 172(3) of the Local Government Act 1989. z) That should any person pay an amount equivalent to their first instalment before 30 October 2018 Council will consider the payment as an instalment payment. Should any person pay an amount equivalent to their first instalment after 30 October 2018 Council will consider the payment as an amount towards the lump sum option and the rates will then be due by 15 February next. aa) That Council set a minimum interest amount of $3 when charging interest on late payment in accordance with Section 172 of the Local Government Act 1989. bb) That Council commences legal proceedings for the recovery of outstanding rates and charges that exceed $2,000 after the due date if no arrangement has been made to pay unpaid rates & charges. cc) That Council only consider selling land for the non-payment of rates under Section 181 if all of the following requirements apply: i. Council officers determine the property is saleable ii. The property has clear title (no mortgage) iii. The property is unoccupied dd) That the current differential rate ratios apply for 2018/19, 2019/20 and 2020/21 to allow a reasonable degree of stability in the level of rates burden as required under the Act, when under the proposed new Local Government Act Councils are required to develop and adopt a four-year revenue and rating plan by 1 July 2021.
Fees & Charges Strategy	That Council officers continue to review the itemised list of fees and charges and increase controllable fees by 2% wherever possible, acknowledging the property rentals are generally controlled by formal leases, most of which include rental increase clauses.
Asset Review Process	That Council continues to review assets that no longer meet the needs of the community with the aim to rationalise assets wherever possible.
Borrowing Strategy	That Ararat Rural City Council, based on compliance with the State Government Prudential Guidelines, borrows funds for capital expansion projects that provide inter-generational equity. The following table sets out future proposed borrowings, based on the forecast financial position of Council as at 30 June 2017.

Year	New Borrowings	Principal Paid	Interest Paid	Balance 30 June
	$'000	$'000	$'000	$'000
2017/18	1,000	0	140	3,000
2018/19	0	0	140	3,000
2019/20	0	0	140	3,000
2020/21	0	0	140	3,000
2021/22	0	2,000	81	1,000

Human Resources

That Council does not make any significant change in staff numbers over the duration of the SRP. Council currently has 137.4 Equivalent Full Time staff factored into the 2018/19 budget.

	Forecast Actual	**Budget**	Strategic Resource Plan Projections		
	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Staff Expenditure					
Employee costs ($,000)	11,628	12,085	12,327	12,495	12,745
	FTE	**FTE**	FTE	FTE	FTE
Staff Expenditure					
Employees	134.8	137.4	137.4	137.4	137.4
Total staff numbers	134.8	**137.4**	137.4	137.4	137.4

The SRP also provides a forecast of Council's financial performance over the next four years to 30 June 2021 based on a number of assumptions.

	2018/19 %	**2019/20** %	**2020/21** %	**2021/22** %
Materials & Services Costs	3.00	3.00	3.00	3.00
Rate increases	2.00	2.00	2.00	2.00
Property growth	0.08	0.08	0.08	0.08
Wages growth	2.00	2.00	2.00	2.00
Government funding	0.50	0.50	0.50	0.50
Statutory fees	2.00	2.00	2.00	2.00
User fees	2.00	2.00	2.00	2.00
Investment return	2.00	2.00	2.00	2.00
Borrowing Rate	4.65	4.65	4.65	4.65

The SRP includes the following capital works program:

	Forecast Actual 2017/18 $'000	**Budget 2018/19 $'000**	**Strategic Resource Plan Projections 2019/20 $'000**	**2020/21 $'000**	**2021/22 $'000**
Property					
Land	0	333	0	0	0
Total land	0	333	0	0	0
Buildings	6,488	724	304	310	316
Total buildings	6,488	724	304	310	316
Total property	6,488	**1,057**	304	310	316
Plant and equipment					
Plant, machinery and equipment	1,115	1,150	1,173	1,196	1,220
Fixtures, fittings and furniture	235	275	97	99	101
Library books	58	58	58	58	58
Total plant and equipment	1,408	**1,483**	1,328	1,353	1,379
Infrastructure					
Roads	5,183	3,065	3,126	3,188	3,252
Bridges	2,313	480	490	500	510
Footpaths and cycleways	605	185	189	193	197
Drainage	389	60	61	62	63
Total infrastructure	8,490	**3,790**	3,866	3,943	4,022
Total capital works expenditure	16,386	**6,330**	5,498	5,606	5,717
Expenditure types represented by:					
New asset expenditure	1,583	**181**	76	78	79

Asset renewal expenditure	4,963	**1,263**	732	746	761
Asset upgrade expenditure	9,840	**4,886**	4,690	4,782	4,877
Total capital works expenditure	16,386	**6,330**	5,498	5,606	5,717
Funding sources represented by:					
Grants	5,795	**1,054**	1,054	1,054	1,054
Contributions	385	**0**	0	0	0
Council cash	5,645	**4,044**	4,444	4,552	4,663
Borrowings	1,000	**0**	0	0	0
Transfers from reserve	3,312	**962**	0	0	0
Asset sales	249	**270**	0	0	0
Total capital works expenditure	16,386	6,330	5,498	5,606	5,717

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objections

5.1 Good Governance through leadership
5.2 Services and infrastructure that meets the municipality’s existing and future needs
5.5 Sustainable, long term financial management

Financial

The implications of the Council Plan 2017-2021 have been considered in the 2018/19 Budget, and the Strategic Resource Plan.

Risk Assessment

The primary objective of Council is to endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effects of decisions. The proposed Council Plan and Strategic Resource Plan manages the financial risks faced by Council, ensuring that decisions are made and actions taken having regard to their financial effects on future generations.

Statutory Implications

In accordance with Section 125 of the Local Government Act 1989 Council must consider whether the current Council Plan requires any adjustment in respect to the remaining period of the Council Plan at least once in each financial year.

Community Implications

It is expected the community will benefit from activities and initiatives funded in the Council Plan.

Environmental Implications

Environmental, social and economic impacts of the Council Plan 2017-21 have been considered in the development of a balanced future plan

Internal/external consultation

Internal - Councillors, Executive Leadership Group and Management Group.

Conclusion

There remain a number of strategic challenges ahead, including the renewal of Council’s asset base, the continuation of an appropriate range and level of services, the maintenance of a sound financial position under Rate Capping and the protection of our natural environment.

The pillars, key strategies, activities and initiatives in the Council Plan aim to meet these needs and continue to deliver on Council’s vision, mission and values.

The Council Plan incorporating the SRP will be put on public display for a period of 28 days in accordance with section 223 of the Local Government Act 1989. If requests to be heard are received under section 223 Council will convene to consider these submissions.

Attachments

The draft Council Plan 2017-2021 is included as Attachment 2.2.

2.3 DRAFT BUDGET 2018/2019

RESPONSIBLE OFFICER: MANAGER CORPORATE SUPPORT
DEPARTMENT: ASSETS, FINANCE AND CORPORATE SUPPORT
REFERENCE: 17083820

Officer's Declaration of Interest
Under Section 80C of the *Local Government Act 1989* officers providing advice to Council must disclose any interests, including the type of interest.

No person involved in the preparation of this report has a direct or indirect interest requiring disclosure.

Introduction
In accordance with Section 127 of the Local Government Act 1989, Council is required to prepare a budget for each financial year and provide the opportunity for people to make a submission under Section 223 of the Act on any proposal contained in the budget.

RECOMMENDATION

That:

1 The Ararat Rural City Council Budget Report 2018/2019 attached to this report be the Budget prepared by Council (in respect of the 2018/2019 Financial Year) for the purpose of Section 127(1) of the Local Government Act 1989 as amended ("the Act"). The attached Budget report is based on the Council adopting the Draft Revenue and Rating Strategy, 2018 (Commercial rate being 125% of the general rate, Industrial rate being 125% of the general rate, Farm rate being 55% of the general rate and a municipal charge of $94 per rateable assessment);

2 The Chief Executive be authorised to:
a) Give public notice of the preparation of this Budget in accordance with Section 129 of the Act;
b) Invite interested persons to make a written submission relating to the budget, with written submissions to be received at the Municipal Offices, Ararat Rural City Council, 59 Vincent Street, Ararat not later than 5.15pm Friday 8 June 2018. Any person who requests to be heard in support of his or her written submission will be so heard at a Special Council meeting (if required) to be held at 6pm, Tuesday 12 June 2018;
c) Make available for public inspection the information required to be made available by the Local Government (Planning and Reporting) Regulations 2014;

3 Council consider any:
a) Submissions on any proposals contained in such Budget made in accordance with Sections 129 and 223 of the Act;
b) Recommendations to adopt the 2018/19 Budget (with or without amendments), and declare rates and charges at the Ordinary Meeting of Council to be held at 6pm, Tuesday 26 June 2018 in the Council Chamber, Shire Hall, Barkly Street, Ararat;

4 The payment of rates and charges shall be by lump sum or by instalments on the dates specified by the Minister for Local Government under Section 167 of the Act. In addition, Council notes that 1 October 2018, 30 November 2018, 28 February 2019 and 31 May 2019 are the dates on which payment by four instalments of the rates or charges are payable, and 15 February 2019 is the date on which payment by lump sum of the rates and charges are payable; and

5 Council note that the due date in the 2017-2018 financial year for dog and cat registrations under the Domestic (Feral and Nuisance) Animals Act 1994 is on 10 April 2018.

Discussion
A proposed Ararat Rural City Council Budget 2018/2019 based on the Draft Revenue and Rating Strategy, 2018 is included as attachments to this report and contains all the information and statutory requirements under the Local Government Act 1989.

Council has undertaken considerable assessment and review to arrive at a Draft Budget which will deliver the vast range of services and projects the community expects in as efficient manner as is possible. Council is aware of the financial pressures that currently exist in the community but also has to be fiscally responsible to achieve financial sustainability.

Budgets are always difficult to prepare when Council is faced with the challenge of providing regional type facilities with a relatively small rates base. Budgets require establishing a fine balance between:

1. Service delivery and capital works.
2. Rating levels
3. Choices between services and projects.
4. Future needs vs. present desires.

This Budget endeavours to balance the complex needs of our community whilst preparing for financial sustainability.

The Budget 2018/2019 is intended to act as a standalone document explaining all aspects of the budget and highlighting the significant proposals contained within the budget. Notwithstanding the above statement, the budget should be read in conjunction with the Council Plan 2017-2021.

The Budget Report 2018/2019 includes Initiatives to be resourced and undertaken in 2018/2019 in order to contribute to achieving the Strategic Objectives and 4 Year Strategies specified in the Council Plan.

Budget Summary
The 2018/19 proposed budget includes an increase in revenue raised from rates and municipal charges of 2.25%. This is in line with the new Fair Go Rates System (FGRS) introduced by the State Government. Council has elected not to apply to the Essential Services Commission (ESC) for a variation in 2018/19. Rate capping will restrict Council's capacity to raise income at an appropriate level to fund Council's operations.

The recycle collection charge has increased by $35 (from $109 to $144) as the cost of recycling has increased as a result of China's decision to stop importing low-quality mixed recyclable materials. Other service charges for waste collection will increase by 2.25%. These charges have been increased to cover the increasing costs of waste management services, including the levy charged by the State Government and the price paid to deposit waste at the Landfill site.

The budgeted operating result for 2018/19 is a deficit of $2.529 million, as compared to a forecasted result of $0.218 million surplus in 2017/18. The forecast surplus of $0.218 million for 2017/18 is inflated as Council is expecting to receive $7.472 million in 2017/18 in non-recurrent grants for capital projects, including the upgrade to the Ararat Arts Precinct.

Major Influences
In preparing the 2018/19 budget a number of external and internal influences have been taken into consideration:

1. Rate capping, set at 2.25% for 2018/19;
2. Funding renewal of existing infrastructure assets;
3. Increasing recurrent costs in providing regional type services such as the Performing Arts Centre, Regional Art Gallery, Chinese Heritage Museum, Alexandra Oval Community and Recreation Centre, botanical gardens, indoor and outdoor pools;
4. Deriving rate revenue from a small rural base;
5. User charges are not a significant source of income which increases the reliance on rate revenue to fund services;
6. Reliance on expected community contributions and State Government Grants to part fund Council's capital works program;
7. Continued cost shifting from State and Federal Governments with increases in government grants not covering increases in the cost of providing services;
8. Council's enterprise agreement an allowance of 2.5% has been factored in to the budget for wage increases;
9. Increased debt servicing costs as a result of new borrowings;

Rating Strategy
Council is reviewing its Rating Strategy and is considering reducing the commercial (160%) and industrial (130%) differential ratios to 125% of the general rate for 2018/19.

The Draft Revenue and Rating Strategy, 2018 has been based on the following:

Differential	2017/18	2018/19-Draft Revenue and Rating Strategy, 2018
General	100%	100%
Commercial	160% of General	125% of General
Industrial	130% of General	125% of General
Farm	55% of General	55% of General
Municipal Charge	$92	$94

The changes in differentials alone would see a redistribution of the rate burden from General assessments and Farm assessments. Preliminary valuations indicate an increase in valuation for each class of property - general valuations by $35 Million or 4%, commercial valuations by $10 million of 9%, industrial valuations by $2 million or 8% and farm valuations by $323 million or 25%.

These changes combined will result in a significant shift in the rate burden to farm assessments. Based on a 2.25% rate increase for the 2018/19 budget, the total amount raised from the farming sector would be $832,350 more, the commercial sector would be $253,838 less, the industrial sector $9,210 less and the general sector $249,706 less.

		Existing - 100%(G), 160% (C), 130% (I), 55% (F), $92 Municipal Charge			Draft Revenue and Rating Strategy, 2018 - 100%(G), 125% (C), 125% (I), 55% (F), $94 Municipal Charge					
Rate Differential	Assessments.	Rates & MC Revenue 2017/18	Current Share of Revenue	Current Average rates & mc	Rates & MC Revenue 2018/19	Share of Revenue	Average rates & MC	Change in Average rates	$ Change	% Change
General (G)	4,997	$7,358,024	52%	$1,472	$7,108,318	49%	$1,422	-$49	-$249,706	-3%
Commercial (C)	331	$1,263,352	9%	$3,817	$1,009,514	7%	$3,050	-$767	-$253,838	-20%
Industrial (I)	95	$259,440	2%	$2,730	$250,230	2%	$2,634	-$97	-$9,210	-4%
Farm (F)	1,697	$5,336,600	38%	$3,144	$6,168,950	42%	$3,635	$490	$832,350	16%
Totals	**7,120**	**$14,217,416**	**100%**	**$1,996**	**$14,537,012**	**100%**	**$2,042**	**$45**	**$319,596**	**2%**

The Draft Revenue and Rating Strategy, 2018 has been developed after considering the recommendations from the Rating Strategy Advisory Group and the Citizens' Jury. The reduction in the commercial and industrial differential rate ratio, together with the 2018 valuation, will result in a significant shift in the rate burden to the farm sector. This is to be expected, as farm valuations have increased by 25% or $323 million.

The fundamental rating principles of equity, ability to pay and the wealth tax principle have been considered in the development of the Draft Revenue and Rating Strategy, 2018. The wealth tax principle implies that the rates paid are dependent upon the value of a ratepayer's real property and have no correlation with the individual ratepayer's consumption of services or the perceived benefits derived by individual ratepayers from rates-funded expenditures. This principle infers that higher property values should incur higher levels of tax. The benefit principle is recognized by having the differential ratio of 55% for farm assessments and 125% for commercial and industrial assessments. Capacity to pay is difficult to assess in a meaningful way but the Act has various provisions including waiver and deferral of rates and charges, and Council has a number of different payment arrangements to assist ratepayers who are unable to pay their rates.

The Draft Budget 2018/19 has been based on the Draft Revenue and Rating Strategy, 2018 . Should Council decide to change the Draft Revenue and Rating Strategy, 2018 a revised proposed Budget will need to be prepared to present to the community.

The public is encouraged to read the separate Council report on the Review of the Rating Strategy and a person may make a written submission that can be considered as part of the budget process.

Cash Flows – net decrease of $0.298 million
Overall, total cash and cash equivalents are forecast to decrease by $0.298 million as at 30 June 2019. The net cash provided by operating activities is $5.872 million whilst the new cash used in financing activities is $0.140 million and the net cash used in investing activities is $6.030 million. There is a net transfer from reserves of $0.307 million.

Capital Works Program - $6.330 million
Council has again set down a program that balances the need to re-invest in existing assets whilst also addressing a number of new projects that the community has been requesting.

The capital works program includes $3.790 million for roads, bridges, drainage and footpaths. Major works include a reseal program worth $1.15 million and the gravel re-sheeting program worth $0.8 million. Road reconstruction works include Back Bolac Road and Buangor Ben-Nevis Road.

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives
5.1 Good Governance through leadership.
5.5 Sustainable, long term financial management.

Financial
The Draft Budget has been prepared within the following parameters:

- Reduced the commercial differential rate ratio from 160% to 125% of the general rate and reduce the industrial differential rate ratio from 130% to 125%.
- An increase of 2.25% in the total amount received from general rates and charges;
- An increase in the Municipal Charge from $92 per rateable property in 2017/18 to $94 per rateable property in 2018/19;
- An increase of $35 for recycle collection and a 2% for other waste management charges;
- A balanced budget in terms of a cash result and an operating deficit of $2.529 million in terms of an accrual accounting result;
- A net increase decrease in cash and cash equivalents of $0.298 million;
- A capital works program of $6.330 million;
- No new loan borrowings;
- Capital budgets have been prepared in accordance with good asset management principles.

More detailed information is contained in the Budget document.

Risk Assessment
Council must implement the principles of sound financial management, which includes managing financial risks faced by Council and ensuring that decisions are made and actions taken having regard to their financial effects on future generations. The increases in rates and charges are considered necessary if Council is to strive for long term financial sustainability.

Policy/Legal/Statutory
Council is required under Section 127 of the local Government Act to prepare a budget for each financial year. The budget contains the Financial Statements, a description of services and initiatives to be funded in the budget, service outcome indicators, and major initiatives to be undertaken during the financial year and the performance measures in relation to each major initiative.

Community Implications
It is expected the community will benefit from the services funded in the budget.

Environmental Implications
Refer to the draft budget document.

Internal/external consultation
The budget for 2018/19 has been developed over a number of months after a thorough and comprehensive review process. All departments have analysed both financial and non-financial information to develop the draft budget. In releasing the budget for public consideration, Council encourages comments and submissions on any matters contained within the Budget document.

Conclusion

The Draft Budget 2018/2019 has been prepared over a considerable period of time, with significant input from Council officers and Councillors. The Draft Budget will allow Council to continue to deliver a wide range of services to ratepayers and residents. The Budget is a balanced budget and will constitute the public document that will be put on public display for a period of 28 days in accordance with section 223 of the Local Government Act 1989. If requests to be heard are received under section 223 Council will convene to consider these submissions.

Attachments

The Draft Budget 2018/2019 based on the Draft Revenue and Rating Strategy, 2018 is included as Attachment 2.3.