Wodonga Council
Ordinary meeting of the council
January 21, 2019

Tabled papers
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Rating Strategy Reference Group

Terms of Reference

Schedule

1 Definitions

In this Schedule unless contrary intention appears:

**Rating Strategy Reference Group** (Reference Group) will advise Council with regards to reviewing Council’s current rating strategy and offering suggestions for improvement.

**Reference Group** means the persons who are appointed to the Special Reference Group in the manner hereinafter provided.

2 Objectives of the Reference Group

The objectives of the Rating Strategy Reference Group shall be to act as an advisory group and provide input into the development of a new Rating Strategy. The Rating Strategy will be presented to councillors by no later than two weeks prior to the ordinary meeting of Council to be held in November 2018.

In particular the objectives of the reference group are to:

2.1 Identify and recommend principles that Council should consider when striking general rates, particularly with regard to the creation and maintenance of any differential rates.

2.2 Provide input regarding the equitable sharing of the rates burden between various categories of ratepayers – eg, Residential, Commercial, Industrial, Rural.

2.3 Make suggestions regarding changes to the structure of current charges and their relationship to general rates, eg. Garbage, Environmental Levies, Municipal Charges.

2.4 Identify any other special rates or charges or levies it believes Council should consider.

Other issues the group may consider include:

- Garbage charges cost reflectivity;
- Incentives, disincentives and other pricing signals (eg. Incentives to encourage protection of heritage values);
- Mechanisms for raising funds for neighbourhood works;
- Balance between general rates funding and specific user pays fees and charges (public benefit v’s individual benefit);
- Transparency of cross subsidies;
- Usage/consumption of services v’s ability to pay;
8 - Officers reports for determination

Item 8.1 - Document A

- Cost reflectivity;
- Equitable share of burden; and,
- Capacity to pay.

3 Items outside the Scope of this Review

Issues the Reference Group will not be asked to consider or comment upon:

3.1 The amount of total rates revenue to be collected;

3.2 Strategies and policies of Council in general, except to the extent they relate directly to rating strategies;

3.3 Cost effectiveness and efficiency of providing Council services;

3.4 The merit or otherwise of the range of services and facilities provided by Council; and,

3.5 Council’s capital works program.

4 Council’s Responsibility to the Reference Group

4.1 Council will provide the Reference Group with the appropriate information, data and expert advice to enable it to reach its recommendations.

4.2 Council will support participation of Officers as required to inform the meeting, support meeting processes and other meeting requirements.

4.3 Council may use the information provided from the Reference Group and consult further with the wider Wodonga community.

4.4 Council will use this information that has been obtained from the Reference Group and the wider Wodonga community as part of its decision making process.

4.5 Council may amend the recommendations of the Reference Group based on the information obtained during any subsequent consultations.

4.6 Council retains the ultimate discretion to accept all, part, or none of the recommendations of the Reference Group.

5 Composition and Proceedings of the Reference Group

5.1 The Reference Group shall be appointed by resolution of Council.

5.2 The group will include two Councillors with one acting as Chairperson, the Director Business Services, and representation from a range of rate paying stakeholders including, but not limited to, representation from the different rating categories currently in existence.
5.3 Organisations such as the Wodonga Chamber of Commerce, tourism groups, community based service providers, and environmental groups, may also be represented.

5.4 Council staff will also attend to provide advice, technical input and administrative support.

5.5 All persons nominated to serve on the Reference Group shall be subject to the initial and continued approval of Council. All Reference Group members remain in office until completion of the review, or May 2019, whichever is the earlier.

5.6 A Councillor shall be appointed as Chairperson.

5.7 If a member of the Reference Group has a conflict of interest in any matter in which the Reference Group is concerned, the member must disclose the nature of that interest at the meeting at which the matter is discussed.

5.8 Members with a conflict of interest must abstain from the proceedings, including removing themselves from the meeting while the item is under discussion.

5.9 For the purpose of clauses 5.7 and 5.8 it is accepted that all members of the Reference Group are likely to be ratepayers and may potentially benefit from any changes recommended by the group. It is also accepted that such potential benefit, or disbenefit, may vary disproportionately in its financial effect between members of the Reference Group. This is in itself would not be deemed to be a conflict of interest.

6 Meeting of the Reference Group

6.1 Meetings of the Reference Group shall be held as determined by the Reference Group Chairperson.

6.2 The Reference Group shall keep a record of each of its meetings and the Chairperson shall ensure that the minutes of the meeting are submitted to the next meeting for confirmation.

6.3 When the minutes are confirmed the Chairperson at the meeting must sign the minutes and certify that they have been confirmed.

6.4 A quorum need not be established to conduct business at any meeting of the Reference Group.

6.5 All recommendations will be by consensus. Dissenting views will be noted and reported to Council.

7 Indemnity

7.1 The Council will indemnify members of the Reference Group against any action liability claim or demand on account of any matter or thing done by them on behalf of the Reference Group when they are acting in accordance
with this Terms of Reference by that member of the Reference Group in the honest and reasonable belief or under a mistake of law that the member was properly exercising any function or power of the Reference Group.

7.2 All materials, information and references provided in the course of Reference Group meetings will be deemed confidential unless approved by Council as not being confidential.

8 **Term of Appointment**

8.1 This Reference Group shall cease in May 2019 unless otherwise extended in writing by the Council.
1 INTRODUCTION

1.1. Introduction

An objective for a council under the Local Government Act 1989 (section 3C(2)(f)) is to ensure the equitable imposition of rates and charges.

A rating strategy is the process by which council systematically considers the factors of importance that informs its decisions about the rating system. 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. The rating system comprises the (valuation) base and actual rating instruments that are used to calculate an individual property owners’ liability for rates.

Council’s rating strategy was significantly reviewed in the mid 1990's with the changes becoming effective from 1995/96. At that time Council moved from Site Value (land only) based rates calculations to Capital Improved Value (land plus capital improvements such as buildings). Also at that time several new rating categories were introduced. The next significant review was conducted in 2010 with changes being made to differentials for vacant, commercial, industrial and development use land. It also saw the change from Rural 1, 2 and 3 categories to Rural Farming and Non-Farming. At that time Council resolved to review its rating strategy every four years.

A review in 2014 was undertaken but did not result in any significant changes to those made in the 2010 review.

1.2. Rating Strategy Reference Group

At its September 2018 ordinary meeting council appointed a Rating Strategy Reference Group.

Objectives of the Reference Group

The objectives of the Rating Strategy Reference Group shall be to act as an advisory group and provide input into the development of a new Rating Strategy. The Rating Strategy will be presented to councillors by no later than two weeks prior to the ordinary meeting of Council to be held in December 2018.

In particular, the objectives of the reference group are to:

- Identify and recommend principles that Council should consider when striking general rates, particularly with regard to the creation and maintenance of any differential rates.
- Provide input regarding the equitable sharing of the rates burden between various categories of ratepayers – eg, Residential, Commercial, Industrial, Rural.
- Identify any other special rates or charges or levies it believes Council should consider.
Other issues the group may consider include:

- Garbage charges cost reflectivity;
- Incentives, disincentives and other pricing signals (eg. Incentives to encourage protection of heritage values);
- Mechanisms for raising funds for neighbourhood works;
- Balance between general rates funding and specific user pays fees and charges (public benefit v’s individual benefit);
- Transparency of cross subsidies;
- Usage/consumption of services v’s ability to pay;
- Cost reflectivity;
- Equitable share of burden; and,
- Capacity to pay.

Items considered to be outside of the Scope of this Review

Issues the Reference Group was not asked to consider or comment upon:-

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

The group brought a variety of skills and perspectives as well as representation of the various categories of ratepayers. Community members of the group were as follows:-

<table>
<thead>
<tr>
<th>Person</th>
<th>Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simon Fisher</td>
<td>Representing commercial ratepayers and is a property valuer</td>
</tr>
<tr>
<td>Matthew Hood</td>
<td>Resident, representing young families and low income earners</td>
</tr>
<tr>
<td>Robert Lappin</td>
<td>Resident, representing residential ratepayers and retired people</td>
</tr>
<tr>
<td>Dale Manley</td>
<td>Resident</td>
</tr>
<tr>
<td>Paul Oberin</td>
<td>Resident, representing residential and commercial ratepayers</td>
</tr>
<tr>
<td>Ant Packer</td>
<td>Resident</td>
</tr>
<tr>
<td>Ray Snell</td>
<td>Resident, representing rural and not-for-profit ratepayers</td>
</tr>
</tbody>
</table>

These were accompanied by Council representatives as follows: -

<table>
<thead>
<tr>
<th>Person</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Councillor Tim Quilty</td>
<td>Chairperson, Councillor</td>
</tr>
<tr>
<td>Council Libby Hall</td>
<td>Councillor</td>
</tr>
<tr>
<td>Narelle Klein</td>
<td>Director Business Services</td>
</tr>
<tr>
<td>Stephen Byrns</td>
<td>Manager Finance</td>
</tr>
</tbody>
</table>
The group performed an advisory function by providing input and feedback on the current strategy. The group was not requested to formally vote on, or endorse, this strategy in total or in part. Its input and feedback, however, provided a critical source of community input into the concepts and strategies outlined in the strategy document.

Council expresses its gratitude and appreciation and thanks the members of the group for the time and effort provided by them in the review of the strategy. Council notes the committee members attended several meetings over a two-month period as well as reading significant amounts of documentation.

1.3. Legislative Requirements

The Local Government Act 1989 provided the legislative framework from which the rating strategy is derived, in particular Part 8 – Rates and Charges on Rateable Land, including:

- Section 154 - What is rateable land?
- Section 155 - what rates and charges may a Council declare?
- Section 159 – Municipal charge
- Section 161 – Differential rates
- Section 162 – Special rate and service charge

The information in the above sections was provided to the reference group and discussed as part of the education process in the early meetings of the group.

1.4. Revenue and Rating Strategy – Better Practice

During 2014 the Victorian Government issued the Local Government Better Practice Guide – Revenue and Rating Strategy. This document was a revised version of the 2004 Developing a Rating Strategy.

The guide provides a discussion of the major issues in revenue and rating and a method for supporting councils to take up this integrated approach, with the main points being:

- Rates are just one part of the revenue picture, which includes other revenue components such as fees, charges and grants. All must be considered in conjunction with each other
- A key influence of the overall revenue picture is a council’s pricing policy that determines what type and proportion of each revenue source pays for different services
- Knowing the full cost of council services is important when setting their prices
- Rates are an important source of funding for infrastructure
- The rating system chosen by a council should take into account a number of factors including equity, efficiency, capacity to pay and the benefit derived

This document was used as the basis for development of the agenda and content for the reference group meetings, with key areas reviewed during meetings.
1.5. Step by Step Outline for creating a Rating Strategy

The Guidelines provides a number of the steps that are recommended in creating a rating strategy, these are shown in the following process diagram and discussed throughout the document:

**Education process**

An important aspect of developing a revenue and rating strategy includes understanding what charging approaches are available and how the revenue and rating system works, including:

- the concepts of revenue neutrality and zero sum – that is how the rating system determines only the share of revenue contributed by each property and does not influence the total amount of money that will be raised.
- the reckoning around how rates are calculated.
- fundamentals around property valuation – the valuation bases available, revaluation cycle, factors taken into account by valuers when valuing property and the valuation profile/s of the municipality, and
- relevant legislation and guidelines – the rating instruments that may be used by councils including municipal charge, differential rates, service rates and charges, rate rebates, concessions, waivers and payment of rates.

During the first two (2) meetings of the reference group all of the above was presented, demonstrated and discussed.
Revenue and rating principles

The following rating principles were discussed in detail during the process:

- **Wealth tax principle** - The “wealth tax” principle implies that the rates paid are dependent upon the value of a ratepayer’s real property and have no correlation to the individual ratepayer’s consumption of services or the perceived benefits derived by individual ratepayers from the expenditures funded from rates.

- **Equity** - There are two main equity concepts used to guide the development of rating strategies (and taxation more generally):
  - **Horizontal equity** – where ratepayers in similar situations should pay similar amounts (ensured mainly by accurate property valuations, undertaken in a consistent manner, their classification into homogenous property classes and the right of appeal against valuation), and
  - **Vertical equity** – where those who are better off should pay more than those worse off (the rationale applies for the use of progressive and proportional income taxation. It implies a “relativity” dimension to the fairness of the tax burden).

- **Efficiency** - Economic efficiency in revenue collection is maximised when the degree of this distortion is minimised. Efficiency is also related to the cost of administration. Administration costs include the issuing of assessments, collection of rates (including maintaining and improving collection systems), monitoring outcomes, educating and informing ratepayers, and enforcement and debt recovery.

- **Simplicity** - The principle of simplicity revolves around how easily a system can be understood by the public namely ratepayers.

- **Benefit Principle** - A popular complaint levelled at councils is that “the rates I pay have no correlation with the services I consume or the benefits I receive”. Application of the benefit principle to rates is difficult in practice because of the impossibility of measuring the relative levels of access and consumption across the full range of council services, for example, it might be argued that rural ratepayers derive less benefit from library services than their town counterparts but the reverse argument can apply to the costs of repairing local roads in rural areas where there are mostly rural users.

- **Capacity to pay** – this principle is fundamentally reflected by property value or that the application of the wealth tax and benefit principles should be moderated for groups of ratepayers because of capacity to pay considerations. This principle was of significant interest to the reference group, with the following issues discussed:
  - Are pensioners living centrally in the municipality disadvantaged by the value of their property?
  - Are assumptions being made about the relative capacities of different type of property owners?
  - Who and where are the farmers – small family businesses or large multi-nationals or a mix?
  - Should retirement villages be treated differently as they are effectively “gated communities”?
  - The rating of specific uses such as charities and not for profit organisations.
  - What are neighbouring council differentials and why, how does this relate to the capacity of the ratepayer in each area?

- **Diversity** - There is considerable diversity in the economic circumstances of households related to household income, the number of breadwinners and members, expenditure patterns and debt levels, leading to the issue of how well the assumptions made about a large class of ratepayers accurately reflect the circumstances of most of its members.
With reference to the steps for developing a rating strategy diagram above, steps 3.3 propositions/discussion paper, 3.4 service costing and pricing options and 3.5 Rate option modelling were discussed in meetings 4 and 5 of the reference group, with outcomes detailed throughout this report.
The following table summarises key rating data in total, and by category, used in the development of the 2018-2019 Budget. This data, and the underlying details for each individual ratepayer was used as the basis for modelling shown in this report.

Table 1 – Rates Summary (2018-2019 Budget)

<table>
<thead>
<tr>
<th>Type of Property</th>
<th>Differential Compared with residential Property</th>
<th>Cents in the $CIV</th>
<th>Number of Assessments</th>
<th>Total value of Land (CIV)</th>
<th>Rates Raised $</th>
<th>Rates raised Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Occupied</td>
<td>1.00</td>
<td>0.556</td>
<td>16,669</td>
<td>4,827,001,000</td>
<td>26,838,126</td>
<td>71.34%</td>
</tr>
<tr>
<td>Residential Vacant</td>
<td>2.00</td>
<td>1.113</td>
<td>875</td>
<td>111,242,000</td>
<td>1,238,123</td>
<td>3.29%</td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>1.40</td>
<td>0.779</td>
<td>700</td>
<td>502,651,000</td>
<td>3,915,651</td>
<td>10.41%</td>
</tr>
<tr>
<td>Commercial vacant</td>
<td>2.00</td>
<td>1.113</td>
<td>64</td>
<td>6,258,000</td>
<td>69,652</td>
<td>0.19%</td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>1.40</td>
<td>0.779</td>
<td>596</td>
<td>467,865,000</td>
<td>3,644,668</td>
<td>9.69%</td>
</tr>
<tr>
<td>Industrial vacant</td>
<td>2.00</td>
<td>1.113</td>
<td>64</td>
<td>22,872,000</td>
<td>254,565</td>
<td>0.68%</td>
</tr>
<tr>
<td>Rural Farming</td>
<td>0.75</td>
<td>0.417</td>
<td>273</td>
<td>208,296,000</td>
<td>868,594</td>
<td>2.31%</td>
</tr>
<tr>
<td>Rural Non-farming</td>
<td>1.00</td>
<td>0.556</td>
<td>119</td>
<td>74,510,000</td>
<td>414,276</td>
<td>1.10%</td>
</tr>
<tr>
<td>Social Clubs/Society</td>
<td>0.93</td>
<td>0.517</td>
<td>3</td>
<td>1,174,000</td>
<td>6,070</td>
<td>0.02%</td>
</tr>
<tr>
<td>Development use land</td>
<td>1.00</td>
<td>0.556</td>
<td>50</td>
<td>66,545,000</td>
<td>369,990</td>
<td>0.98%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19,362</strong></td>
<td><strong>6,288,414,000</strong></td>
<td><strong>37,619,715</strong></td>
<td><strong>100%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Property Values

The following chart shows the relative share of the total value of all rateable properties in Wodonga. The vast majority (77%) of properties, by value, are in the Residential Occupied category, followed by Commercial Occupied and Industrial Occupied each at approx. 8% and 7.5% respectively. Rural – Farming makes up only 3% of properties, by value.

Chart 1 – Property Values – Share of total Wodonga by property type
Ordinary meeting – January 21, 2019

8 - Officers reports for determination  Item 8.1 - Document B

Chart 2 – Residential property values summary

Chart 3 – Commercial property values summary
Chart 4 – Rural - farming property values summary

Chart 5 – Development Use Land property values summary
Development Use Land
Rates payable (excludes Waste Management Levy)

The following charts depicts the percentage of rate revenue raised from each rating differential.

Whilst the percentages are similar it is important to note that whilst the bulk of rates comes from occupied residential properties, the residential rate revenue is 71.3% of the total rate revenue in comparison to residential property values being 76.7% of the value of all rateable properties.

Chart 6 – Rating Revenue – Share of total Wodonga by property type
The reference group were asked to consider the existing rating categories, their current differential, and the rationale underlying that current treatment as described in Council’s current rating strategy (2015). The following section summarises the rationale, and the group’s feedback and recommendation for each item.

### 3.1 Rural - Farming

<table>
<thead>
<tr>
<th>Current Differential</th>
<th>0.75</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Differential</td>
<td>0.75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current Rationale</th>
<th>Benefits of large holdings and open space.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Traditionally generally less demand upon Council services per land area held.</td>
</tr>
<tr>
<td></td>
<td>Takes into account of the traditional low economic return to large landholdings.</td>
</tr>
<tr>
<td></td>
<td>Is usually a place of residence.</td>
</tr>
<tr>
<td></td>
<td>Generally much higher value properties relative to services provided.</td>
</tr>
<tr>
<td></td>
<td>Is generally the farmer’s main income producing asset, but is rateable, when others have superannuation and other financial investments which are not.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reference Group Deliberations</th>
<th>Discount seems reasonable for reasons noted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Observations compared with other councils – 0.75 benchmarked to other council and appropriate given the higher rate in the dollar that is applied when compared to other councils.</td>
</tr>
<tr>
<td></td>
<td>Note: the group did review the impact of a potential change in the differential to 0.8, however considered 0.75 appropriate.</td>
</tr>
<tr>
<td></td>
<td>The group proposed that the rural –farming differential remain at 0.75</td>
</tr>
</tbody>
</table>
Chart 7– Benchmarking current differential with other councils – Rural Farming

Rates Modelling – Rural Farming increased from 0.75 to 0.80
Scenario: Farming differential changed from 0.75 to 0.8

Income raised from rates in 18/19

<table>
<thead>
<tr>
<th>Type or class of land</th>
<th>Budgeted Rates income*</th>
<th>Differential change Rates income*</th>
<th>Variance to BUD</th>
<th>% difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Vacant</td>
<td>1,237,785</td>
<td>1,235,882 (1,903)</td>
<td>-0.15%</td>
<td></td>
</tr>
<tr>
<td>Residential Occupied</td>
<td>26,855,014</td>
<td>26,813,732 (41,281)</td>
<td>-0.15%</td>
<td></td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>3,915,101</td>
<td>3,909,082 (6,018)</td>
<td>-0.15%</td>
<td></td>
</tr>
<tr>
<td>Commercial Vacant</td>
<td>69,633</td>
<td>69,526 (107)</td>
<td>-0.15%</td>
<td></td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>3,644,150</td>
<td>3,638,548 (5,602)</td>
<td>-0.15%</td>
<td></td>
</tr>
<tr>
<td>Industrial Vacant</td>
<td>254,496</td>
<td>254,105 (391)</td>
<td>-0.15%</td>
<td></td>
</tr>
<tr>
<td>Rural Farming</td>
<td>869,141</td>
<td>925,659 (56,518)</td>
<td>6.50%</td>
<td></td>
</tr>
<tr>
<td>Rural Non-Farming</td>
<td>414,535</td>
<td>413,898 (637)</td>
<td>-0.15%</td>
<td></td>
</tr>
<tr>
<td>Social Clubs/Society</td>
<td>6,074</td>
<td>6,065 (9)</td>
<td>-0.15%</td>
<td></td>
</tr>
<tr>
<td>Development Land Use</td>
<td>370,223</td>
<td>369,654 (569)</td>
<td>-0.15%</td>
<td></td>
</tr>
<tr>
<td>Total general rates</td>
<td>37,636,151</td>
<td>37,636,151 (0)</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

* rates income does not include any provision for supplementary rates

Impact on average property in 18/19

<table>
<thead>
<tr>
<th>Type or class of land</th>
<th>Average CIV</th>
<th>Rates BUD 18/19</th>
<th>This scenario</th>
<th>Variance Incr / Decr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Occupied</td>
<td>$ 289,580</td>
<td>$ 1,611.08</td>
<td>$ 1,608.60</td>
<td>($2.48)</td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>$ 718,073</td>
<td>$ 5,593.00</td>
<td>$ 5,584.40</td>
<td>($8.60)</td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>$ 785,008</td>
<td>$ 6,114.35</td>
<td>$ 6,104.95</td>
<td>($9.40)</td>
</tr>
<tr>
<td>Rural Farming</td>
<td>$ 762,989</td>
<td>$ 3,183.67</td>
<td>$ 3,390.69</td>
<td>$207.02</td>
</tr>
<tr>
<td>Development Land Use</td>
<td>$ 1,330,900</td>
<td>$ 7,404.46</td>
<td>$ 7,393.08</td>
<td>($11.38)</td>
</tr>
</tbody>
</table>

Average rates paid:

3.2 Rural non-farming

Current Differential 1.00

Proposed Differential 1.00

Current Rationale

Rural – non farming should be subject to general rate.

No reason or justification identified for either a rate premium, or a rate discount.

Most rural residential properties make generally similar claims on council expenditures to residential properties, by virtue of their main purpose and location.

Reference Group Deliberations

Support no change to the differential.

Agreed with current rationale that there is no case for discount or premium.

The group proposed that the current differential of 1.0 should remain unchanged.

Chart 8 – Benchmarking current differential with other councils – Rural Non Farming
3.3 Vacant land

Current Differential 2.00
Proposed Differential 2.00

<table>
<thead>
<tr>
<th>Current Rationale</th>
<th>Vacant land differential should be higher than the general rate for the following reasons: -</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To encourage the development of land.</td>
</tr>
<tr>
<td></td>
<td>To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council.</td>
</tr>
<tr>
<td></td>
<td>Development is strategically important as it has a positive effect on local employment and income, whilst the speculative behaviour should be discouraged.</td>
</tr>
<tr>
<td></td>
<td>Assists to partly offset the costs of servicing new land, including major infrastructure studies and implementation of interconnecting infrastructure between subdivisions.</td>
</tr>
</tbody>
</table>

Reference Group Deliberations
The rationale is sound as it encourages building in the shorter term.
No cause for change identified.
Current differential of 2.0 is considered appropriate.
The group proposed that the current differential of 2.0 remain unchanged.

Chart 9 – Benchmarking current differential with other councils – Residential vacant
Chart 10 – Benchmarking current differential with other councils – Commercial vacant

Chart 11 – Benchmarking current differential with other councils – Industrial vacant
## 3.4 Occupied Commercial/Industrial

<table>
<thead>
<tr>
<th>Current Differential</th>
<th>1.40</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Differential</td>
<td>1.40</td>
</tr>
</tbody>
</table>

### Current Rationale

Council continues to make significant investment in economic development including industrial estate development, tourism, retail and general support provided for the business community.

The cost of servicing the major industrial and commercial businesses is arguably higher due to maintenance of road infrastructure (heavy trucks), increased frequency of street sweeping, street garbage collection, and so on.

There is arguably a greater capacity to pay of business generally when compared with general residential properties.

Improved land asset itself is income producing, whereas residential land generally is not (rental properties excepted).

Rates are generally tax deductible for business, but not for residential (again rental properties excepted).

### Reference Group Deliberations

The rationale is sound.

Caution needed with regard to the risk of competition from Albury.

Any increase in differential may serve to discourage investment/jobs in Wodonga.

Substantial investments to benefit commercial and industrial ratepayers have been made in the CBA and LOGIC industrial estate, which are reasons to not reduce this differential.

The group proposed that the current differential of 1.40 remain unchanged.
Chart 12 – Benchmarking current differential with other councils – Commercial occupied

Chart 13 – Benchmarking current differential with other councils – Industrial occupied
### 3.5 Societies/Clubs

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Differential</td>
<td>0.93</td>
</tr>
<tr>
<td>Proposed Differential</td>
<td>0.93</td>
</tr>
</tbody>
</table>

**Current Rationale**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Societies/Clubs</td>
<td>Current differential of 0.93.</td>
</tr>
<tr>
<td></td>
<td>All other similar clubs within the municipality are exempt from rates with the exception of three (3) entities.</td>
</tr>
<tr>
<td></td>
<td>It is felt there is no overpowering argument for this position to be amended, especially in consideration of the limited impact any change will have.</td>
</tr>
</tbody>
</table>

**Reference Group Deliberations**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree with the rationale</td>
<td>there is no benefit to be gained with a change in status.</td>
</tr>
<tr>
<td></td>
<td>The group proposed that the differential remain at 0.93.</td>
</tr>
</tbody>
</table>
### 3.6 Development Use Land

<table>
<thead>
<tr>
<th>Current Differential</th>
<th>Current rated the same as residential properties at 1.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Differential</td>
<td>To rate development use land the same as vacant land at 2.00</td>
</tr>
</tbody>
</table>

#### Current Rationale
- Development Use Land current differential of 1.00, which was reduced from 1.32 as an outcome of the 2010 rating strategy review process.
- As land is usually vacant for a short period of time there is not significant impact as a result of the differential being set at 1.0.
- There is limited comparative data available from other councils.

#### Reference Group Deliberations
- The number of lots and how long they were usually classified as Development Use land was considered and it was felt that due to the short period of time land would be rated as Development Use would not create a large financial penalty for developers.
- Consensus was that an increase from 1.0 to 2.0 was not unreasonable considering the definition detailed in the 2015 rating strategy review.
- The group consider it fair and equitable that Development Use Land be treated equivalent to vacant land.
- There has been a trend downwards in available vacant lots due to growth in population of the Municipality. An increase in the differential may create an incentive to develop this land quickly.
- However, there was consensus that an increase to 2.0 is too much in one hit and a stepped approach should be adopted.
- An increase in the number of vacant lots available may improve the price of land for prospective home owners.
- It was noted that properties categorised as Development Use Land not currently about to be developed may need to be reclassified as Rural – Non Farming or Rural – Farming, as some lots have been included in Development Use Land for an extended period of time. These classifications would have occurred under the 2010 definition of Development Use Land which was not as prescriptive as the 2015 definition, which requires development to be occurring.
- The group proposed that the Development Use Land be increased from 1.0 to 2.0 over a 2 year period.
The following tables details the change in the rating provision for Development Use Land after 2 years when the differential rate reaches 2.0

### Scenario: Development land differential change from 1.0 to 2.0

#### Income raised from rates in 18/19

<table>
<thead>
<tr>
<th>Type or class of land</th>
<th>Budgeted Rates income*</th>
<th>Differential change Rates income*</th>
<th>Variance to BUD</th>
<th>% difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Vacant</td>
<td>1,237,785</td>
<td>1,225,728</td>
<td>(12,057)</td>
<td>-0.97%</td>
</tr>
<tr>
<td>Residential Occupied</td>
<td>26,855,014</td>
<td>26,593,416</td>
<td>(261,598)</td>
<td>-0.97%</td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>3,915,101</td>
<td>3,876,963</td>
<td>(38,138)</td>
<td>-0.97%</td>
</tr>
<tr>
<td>Commercial Vacant</td>
<td>69,633</td>
<td>68,954</td>
<td>(678)</td>
<td>-0.97%</td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>3,644,150</td>
<td>3,608,652</td>
<td>(35,498)</td>
<td>-0.97%</td>
</tr>
<tr>
<td>Industrial Vacant</td>
<td>254,496</td>
<td>252,018</td>
<td>(2,479)</td>
<td>-0.97%</td>
</tr>
<tr>
<td>Rural Farming</td>
<td>869,141</td>
<td>860,674</td>
<td>(8,467)</td>
<td>-0.97%</td>
</tr>
<tr>
<td>Rural Non-Farming</td>
<td>414,535</td>
<td>410,497</td>
<td>(4,038)</td>
<td>-0.97%</td>
</tr>
<tr>
<td>Social Clubs/Society</td>
<td>6,074</td>
<td>6,015</td>
<td>(59)</td>
<td>-0.97%</td>
</tr>
<tr>
<td>Development Land Use</td>
<td>370,223</td>
<td>733,233</td>
<td>363,010</td>
<td>98.05%</td>
</tr>
<tr>
<td><strong>Total general rates</strong></td>
<td><strong>37,636,151</strong></td>
<td><strong>37,636,151</strong></td>
<td><strong>(1)</strong></td>
<td></td>
</tr>
</tbody>
</table>

* rates income does not include any provision for supplementary rates

#### Impact on average property in 18/19

<table>
<thead>
<tr>
<th>Average CIV</th>
<th>Rates BUD 18/19</th>
<th>Devt land 2.0</th>
<th>Variance Incr / (Decr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Occupied</td>
<td>$ 289,580</td>
<td>$ 1,611.08</td>
<td>$ 1,595.38</td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>$ 718,073</td>
<td>$ 5,593.00</td>
<td>$ 5,538.52</td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>$ 785,008</td>
<td>$ 6,114.35</td>
<td>$ 6,054.78</td>
</tr>
<tr>
<td>Rural Farming</td>
<td>$ 762,989</td>
<td>$ 3,183.67</td>
<td>$ 3,152.65</td>
</tr>
<tr>
<td>Development Land Use</td>
<td>$ 1,330,900</td>
<td>$ 7,404.46</td>
<td>$ 14,664.67</td>
</tr>
</tbody>
</table>

Rebate to pensioner properties if development land differential change attributed completely to

#### Number of properties:

<table>
<thead>
<tr>
<th>Differential</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 125.65</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of properties :</th>
<th>Differential</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$ 125.65</td>
</tr>
</tbody>
</table>
3.7 Cultural and Recreation Land

<table>
<thead>
<tr>
<th></th>
<th>Current Differential</th>
<th>Proposed Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

The provision of rate relief to recreational land is provided by the Cultural and Recreational Lands Act 1963. The Act effectively provided for properties used for outdoor activities to be differently rated unless it involves land that is being leased from a private landowner.

There are currently 14 assessments that have been granted non-rateability under the Cultural and Recreational Lands Act.

The reference group discussed the reasons for rate relief under the Act, especially in comparison to the Societies /Clubs properties that are rated in Section 3.5 above.

The reference group are satisfied as to the reasons that these properties are provided rating relief.
4 REVIEW OF OTHER ITEMS

4.1 Municipal charge

<table>
<thead>
<tr>
<th>Current Municipal Charge</th>
<th>Nil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Municipal Charge</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Background**

Under the Local Government Act councils may levy a Municipal Charge being a fixed charge per assessment. A Municipal Charge does not increase the overall rates levied, but rather, it reduces the amount levied via a rate on property. Overall total rates collected remain unchanged.

No more than 20% of rate revenue in total may be collected via a Municipal Charge. Note that in the Local Government Bill 2018 it is proposed that the municipal charge be no more than 10%.

In its current rating strategy council has determined not to include a Municipal Charge.

**Rationale**

**Principles/Benefits:**
- Equitable that all properties make a standard contribution to some administrative costs
- Recognises that property holders receive equal benefits from Council regardless of their property value
- Ensure each property holder makes a meaningful “minimum contribution” – currently some ratepayers pay as little as $66 per annum
- Recognises that some costs must be borne before any service consumption occurs. Eg. unavoidable governance costs can be appropriately covered
- Will result in a reduction in the level of the general rate
- Recognises that higher property value ratepayers carry a greater share of rates - not aligned to the services they consume
- Generally will benefit farmers and commercial/industrial ratepayers

**Disadvantages:**
- Administrative costs higher
- Winners and Losers – generally lower value assessments will pay more compared to CIV.
- Community misunderstanding – seen as an “additional fee”

**Reference Group Deliberations**

Concern was expressed that the charge may have a socially unjust impact. That is, the impact is higher on lower value properties (regressive), which are more likely to be owned by people on lower incomes, which the offsetting benefit accruing to higher value properties.
Whilst the group did not support the introduction of Municipal charge, based on the reasons above, the group did review the potential impact of a Municipal Charge of 5%, 10% and 20% of the rating base.

The following tables show the impact of potential Municipal Charges on a CIV of $150,000, the average CIV and a CIV of $850,000.
### Scenario: Municipal charge introduced at 5%

#### Income raised from rates in 18/19

<table>
<thead>
<tr>
<th>Type or class of land</th>
<th>Budgeted Rates income*</th>
<th>Rates income*</th>
<th>Municipal charge</th>
<th>Rates + MC</th>
<th>Variance to BUD</th>
<th>% difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Vacant</td>
<td>1,237,785</td>
<td>1,175,893</td>
<td>85,695</td>
<td>1,261,588</td>
<td>23,803</td>
<td>1.92%</td>
</tr>
<tr>
<td>Residential Occupied</td>
<td>26,855,014</td>
<td>25,512,202</td>
<td>1,619,560</td>
<td>27,131,762</td>
<td>276,749</td>
<td>1.03%</td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>3,915,101</td>
<td>3,719,337</td>
<td>68,012</td>
<td>3,787,349</td>
<td>(127,752)</td>
<td>-3.26%</td>
</tr>
<tr>
<td>Commercial Vacant</td>
<td>69,633</td>
<td>66,151</td>
<td>1,263</td>
<td>67,414</td>
<td>(2,219)</td>
<td>-3.19%</td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>3,644,150</td>
<td>3,461,934</td>
<td>57,907</td>
<td>3,519,841</td>
<td>(124,308)</td>
<td>-3.41%</td>
</tr>
<tr>
<td>Industrial Vacant</td>
<td>254,496</td>
<td>241,771</td>
<td>6,218</td>
<td>247,990</td>
<td>(6,507)</td>
<td>-2.56%</td>
</tr>
<tr>
<td>Rural Farming</td>
<td>869,141</td>
<td>825,682</td>
<td>26,525</td>
<td>852,207</td>
<td>(16,934)</td>
<td>-1.95%</td>
</tr>
<tr>
<td>Rural Non-Farming</td>
<td>414,535</td>
<td>393,807</td>
<td>11,562</td>
<td>405,370</td>
<td>(9,166)</td>
<td>-2.21%</td>
</tr>
<tr>
<td>Social Clubs/Society</td>
<td>6,074</td>
<td>5,771</td>
<td>291</td>
<td>6,062</td>
<td>(12)</td>
<td>-0.20%</td>
</tr>
<tr>
<td>Development Land Use</td>
<td>370,223</td>
<td>351,711</td>
<td>4,858</td>
<td>356,569</td>
<td>(13,654)</td>
<td>-3.69%</td>
</tr>
<tr>
<td><strong>Total general rates</strong></td>
<td><strong>37,636,151</strong></td>
<td><strong>35,754,259</strong></td>
<td><strong>1,881,892</strong></td>
<td><strong>37,636,151</strong></td>
<td><strong>(0)</strong></td>
<td></td>
</tr>
</tbody>
</table>

* rates income does not include any provision for supplementary rates

#### Impact on property in 18/19

<table>
<thead>
<tr>
<th></th>
<th>Rates BUD 18/19</th>
<th>Rates MC @5%</th>
<th>MC</th>
<th>Total</th>
<th>Variance to BUD</th>
<th>Incr (/Decr)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential Occupied</strong></td>
<td>$834.52</td>
<td>$792.80</td>
<td>$97.16</td>
<td>$889.96</td>
<td>$55.43</td>
<td></td>
</tr>
<tr>
<td><strong>Commercial Occupied</strong></td>
<td>$1,168.33</td>
<td>$1,109.92</td>
<td>$97.16</td>
<td>$1,207.08</td>
<td>$38.74</td>
<td></td>
</tr>
<tr>
<td><strong>Industrial Occupied</strong></td>
<td>$1,168.33</td>
<td>$1,109.92</td>
<td>$97.16</td>
<td>$1,207.08</td>
<td>$38.74</td>
<td></td>
</tr>
<tr>
<td><strong>Rural Farming</strong></td>
<td>$625.89</td>
<td>$594.60</td>
<td>$97.16</td>
<td>$691.76</td>
<td>$65.86</td>
<td></td>
</tr>
<tr>
<td><strong>Development Land Use</strong></td>
<td>$834.52</td>
<td>$792.80</td>
<td>$97.16</td>
<td>$889.96</td>
<td>$55.43</td>
<td></td>
</tr>
</tbody>
</table>

### Average CIV

<table>
<thead>
<tr>
<th></th>
<th>Rates BUD 18/19</th>
<th>Rates MC @5%</th>
<th>MC</th>
<th>Total</th>
<th>Variance to BUD</th>
<th>Incr (/Decr)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential Occupied</strong></td>
<td>$289,580</td>
<td>$1,611.08</td>
<td>$1,530.52</td>
<td>$97.16</td>
<td>$1,627.68</td>
<td>$16.60</td>
</tr>
<tr>
<td><strong>Commercial Occupied</strong></td>
<td>$718,073</td>
<td>$5,593.00</td>
<td>$5,313.34</td>
<td>$97.16</td>
<td>$5,410.50</td>
<td>$182.50</td>
</tr>
<tr>
<td><strong>Industrial Occupied</strong></td>
<td>$785,008</td>
<td>$6,114.35</td>
<td>$5,808.61</td>
<td>$97.16</td>
<td>$5,905.77</td>
<td>$208.57</td>
</tr>
<tr>
<td><strong>Rural Farming</strong></td>
<td>$762,989</td>
<td>$3,183.67</td>
<td>$3,024.48</td>
<td>$97.16</td>
<td>$3,121.64</td>
<td>$(62.03)</td>
</tr>
<tr>
<td><strong>Development Land Use</strong></td>
<td>$1,330,900</td>
<td>$7,404.46</td>
<td>$7,034.22</td>
<td>$97.16</td>
<td>$7,131.38</td>
<td>$(273.08)</td>
</tr>
</tbody>
</table>

### $850k CIV

<table>
<thead>
<tr>
<th></th>
<th>Rates BUD 18/19</th>
<th>Rates MC @5%</th>
<th>MC</th>
<th>Total</th>
<th>Variance to BUD</th>
<th>Incr (/Decr)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential Occupied</strong></td>
<td>$4,450.80</td>
<td>$4,228.25</td>
<td>$97.16</td>
<td>$4,325.41</td>
<td>$(125.39)</td>
<td></td>
</tr>
<tr>
<td><strong>Commercial Occupied</strong></td>
<td>$6,231.12</td>
<td>$5,919.55</td>
<td>$97.16</td>
<td>$6,016.71</td>
<td>$(214.41)</td>
<td></td>
</tr>
<tr>
<td><strong>Industrial Occupied</strong></td>
<td>$6,231.12</td>
<td>$5,919.55</td>
<td>$97.16</td>
<td>$6,016.71</td>
<td>$(214.41)</td>
<td></td>
</tr>
<tr>
<td><strong>Rural Farming</strong></td>
<td>$3,338.10</td>
<td>$3,171.19</td>
<td>$97.16</td>
<td>$3,268.35</td>
<td>$(69.75)</td>
<td></td>
</tr>
<tr>
<td><strong>Development Land Use</strong></td>
<td>$4,450.80</td>
<td>$4,228.25</td>
<td>$97.16</td>
<td>$4,325.41</td>
<td>$(125.39)</td>
<td></td>
</tr>
</tbody>
</table>
Scenario: Municipal charge introduced at 10%

Income raised from rates in 18/19

<table>
<thead>
<tr>
<th>Type or class of land</th>
<th>Budgeted Rates income*</th>
<th>Rates + MC</th>
<th>Municipal charge</th>
<th>Variance to BUD</th>
<th>% difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Vacant</td>
<td>1,237,785</td>
<td>1,114,007</td>
<td>171,381</td>
<td>47,604</td>
<td>3.85%</td>
</tr>
<tr>
<td>Residential Occupied</td>
<td>26,855,014</td>
<td>24,169,530</td>
<td>3,238,953</td>
<td>553,470</td>
<td>2.06%</td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>3,915,101</td>
<td>3,523,583</td>
<td>136,017</td>
<td>(255,490)</td>
<td>-6.53%</td>
</tr>
<tr>
<td>Commercial Vacant</td>
<td>69,633</td>
<td>62,670</td>
<td>2,526</td>
<td>(4,437)</td>
<td>-6.37%</td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>3,644,150</td>
<td>3,279,737</td>
<td>115,809</td>
<td>(248,604)</td>
<td>-6.82%</td>
</tr>
<tr>
<td>Industrial Vacant</td>
<td>254,496</td>
<td>229,047</td>
<td>33,238</td>
<td>(33,867)</td>
<td>-12.70%</td>
</tr>
<tr>
<td>Rural Non-Farming</td>
<td>414,535</td>
<td>373,082</td>
<td>43,453</td>
<td>(12,438)</td>
<td>-29.60%</td>
</tr>
<tr>
<td>Social Clubs/Society</td>
<td>6,074</td>
<td>5,467</td>
<td>608</td>
<td>(608)</td>
<td>-10.00%</td>
</tr>
<tr>
<td>Development Land Use</td>
<td>370,223</td>
<td>333,201</td>
<td>37,022</td>
<td>(37,022)</td>
<td>-10.00%</td>
</tr>
<tr>
<td>Total general rates</td>
<td>37,636,151</td>
<td>33,872,561</td>
<td>3,763,590</td>
<td>37,636,152</td>
<td>0</td>
</tr>
</tbody>
</table>

* rates income does not include any provision for supplementary rates

Impact on average property in 18/19

<table>
<thead>
<tr>
<th></th>
<th>Rates BUD 18/19</th>
<th>Rates MC @10%</th>
<th>MC</th>
<th>Total</th>
<th>Variance to BUD</th>
<th>Incr (/Decr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Occupied</td>
<td>$289,580</td>
<td>$1,611.08</td>
<td>$1,449.97</td>
<td>$194.31</td>
<td>$1,644.28</td>
<td>$33.20</td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>$718,073</td>
<td>$5,593.00</td>
<td>$5,033.70</td>
<td>$194.31</td>
<td>$5,228.01</td>
<td>($364.99)</td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>$785,008</td>
<td>$6,114.35</td>
<td>$5,502.91</td>
<td>$194.31</td>
<td>$5,697.22</td>
<td>($417.12)</td>
</tr>
<tr>
<td>Rural farming</td>
<td>$762,989</td>
<td>$3,183.67</td>
<td>$2,865.30</td>
<td>$194.31</td>
<td>$3,059.61</td>
<td>($124.05)</td>
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<tr>
<td>Development Land Use</td>
<td>$1,330,900</td>
<td>$7,404.46</td>
<td>$6,664.02</td>
<td>$194.31</td>
<td>$6,858.33</td>
<td>($546.13)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Rates BUD 18/19</th>
<th>Rates MC @10%</th>
<th>MC</th>
<th>Total</th>
<th>Variance to BUD</th>
<th>Incr (/Decr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Occupied</td>
<td>$4,450.80</td>
<td>$4,005.72</td>
<td>$2,000.03</td>
<td>$194.31</td>
<td>$4,200.03</td>
<td>($250.77)</td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>$6,231.12</td>
<td>$5,608.01</td>
<td>$5,802.32</td>
<td>$194.31</td>
<td>$5,802.32</td>
<td>($428.80)</td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>$6,231.12</td>
<td>$5,608.01</td>
<td>$5,802.32</td>
<td>$194.31</td>
<td>$5,802.32</td>
<td>($428.80)</td>
</tr>
<tr>
<td>Rural farming</td>
<td>$3,338.10</td>
<td>$3,004.29</td>
<td>$3,198.60</td>
<td>$194.31</td>
<td>$3,198.60</td>
<td>($139.50)</td>
</tr>
<tr>
<td>Development Land Use</td>
<td>$4,450.80</td>
<td>$4,005.72</td>
<td>$2,000.03</td>
<td>$194.31</td>
<td>$4,200.03</td>
<td>($250.77)</td>
</tr>
</tbody>
</table>
Scenario: Municipal charge introduced at 20%

Income raised from rates in 18/19

<table>
<thead>
<tr>
<th>Type or class of land</th>
<th>Budgeted Rates income*</th>
<th>Rates income*</th>
<th>Municipal charge</th>
<th>Rates + MC</th>
<th>Variance to BUD</th>
<th>% difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Vacant</td>
<td>1,237,785</td>
<td>990,230</td>
<td>342,577</td>
<td>1,332,807</td>
<td>95,022</td>
<td>7.68%</td>
</tr>
<tr>
<td>Residential Occupied</td>
<td>26,855,014</td>
<td>21,484,046</td>
<td>6,478,073</td>
<td>27,962,120</td>
<td>1,107,106</td>
<td>4.12%</td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>3,915,101</td>
<td>3,132,086</td>
<td>272,041</td>
<td>3,404,127</td>
<td>(510,974)</td>
<td>-13.05%</td>
</tr>
<tr>
<td>Commercial Vacant</td>
<td>69,633</td>
<td>55,706</td>
<td>5,052</td>
<td>60,758</td>
<td>(8,874)</td>
<td>-12.74%</td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>3,644,150</td>
<td>2,915,325</td>
<td>231,623</td>
<td>3,146,948</td>
<td>(497,202)</td>
<td>-13.64%</td>
</tr>
<tr>
<td>Industrial Vacant</td>
<td>254,496</td>
<td>203,598</td>
<td>48,872</td>
<td>252,470</td>
<td>(4,026)</td>
<td>-1.59%</td>
</tr>
<tr>
<td>Rural Farming</td>
<td>869,141</td>
<td>695,314</td>
<td>106,096</td>
<td>801,410</td>
<td>(67,731)</td>
<td>-7.79%</td>
</tr>
<tr>
<td>Rural Non-Farming</td>
<td>414,535</td>
<td>331,629</td>
<td>46,247</td>
<td>377,876</td>
<td>(36,660)</td>
<td>-8.84%</td>
</tr>
<tr>
<td>Social Clubs/Society</td>
<td>6,074</td>
<td>4,859</td>
<td>1,216</td>
<td>6,075</td>
<td>(49)</td>
<td>-0.80%</td>
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<tr>
<td>Development Land Use</td>
<td>370,223</td>
<td>296,179</td>
<td>74,044</td>
<td>370,223</td>
<td>(0)</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total general rates</td>
<td>37,636,151</td>
<td>30,108,971</td>
<td>7,527,180</td>
<td>37,636,151</td>
<td>(0)</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

* rates income does not include any provision for supplementary rates

Impact on average property in 18/19

<table>
<thead>
<tr>
<th></th>
<th>Rates BUD</th>
<th>Rates MC @5%</th>
<th>MC</th>
<th>Total</th>
<th>Variance to BUD Incr</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$150k CIV</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential Occupied</td>
<td>$834.52</td>
<td>$667.62</td>
<td>$388.63</td>
<td>$1,056.25</td>
<td>$221.73</td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>$1,168.33</td>
<td>$934.67</td>
<td>$388.63</td>
<td>$1,332.30</td>
<td>$154.96</td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>$1,168.33</td>
<td>$934.67</td>
<td>$388.63</td>
<td>$1,332.30</td>
<td>$154.96</td>
</tr>
<tr>
<td>Rural Farming</td>
<td>$625.89</td>
<td>$500.72</td>
<td>$388.63</td>
<td>$889.35</td>
<td>$263.45</td>
</tr>
<tr>
<td>Development Land Use</td>
<td>$834.52</td>
<td>$667.62</td>
<td>$388.63</td>
<td>$1,056.25</td>
<td>$221.73</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Rates BUD</th>
<th>Rates MC @5%</th>
<th>MC</th>
<th>Total</th>
<th>Variance to BUD Incr</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average CIV</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential Occupied</td>
<td>$289,580</td>
<td>$1,611.08</td>
<td>$1,288.86</td>
<td>$388.63</td>
<td>$1,677.49</td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>$718,073</td>
<td>$5,593.00</td>
<td>$4,474.41</td>
<td>$388.63</td>
<td>$4,963.04</td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>$785,008</td>
<td>$6,114.35</td>
<td>$4,891.48</td>
<td>$388.63</td>
<td>$5,923.58</td>
</tr>
<tr>
<td>Rural Farming</td>
<td>$762,989</td>
<td>$3,183.67</td>
<td>$2,564.94</td>
<td>$388.63</td>
<td>$2,935.57</td>
</tr>
<tr>
<td>Development Land Use</td>
<td>$1,330,900</td>
<td>$7,404.46</td>
<td>$5,923.58</td>
<td>$388.63</td>
<td>$6,312.21</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Rates BUD</th>
<th>Rates MC @5%</th>
<th>MC</th>
<th>Total</th>
<th>Variance to BUD Incr</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$850k CIV</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential Occupied</td>
<td>$4,450.80</td>
<td>$3,560.65</td>
<td>$388.63</td>
<td>$3,949.28</td>
<td>$501.52</td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>$6,231.12</td>
<td>$4,984.90</td>
<td>$388.63</td>
<td>$5,373.53</td>
<td>$857.59</td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>$6,231.12</td>
<td>$4,984.90</td>
<td>$388.63</td>
<td>$5,373.53</td>
<td>$857.59</td>
</tr>
<tr>
<td>Rural Farming</td>
<td>$3,338.10</td>
<td>$2,670.48</td>
<td>$388.63</td>
<td>$3,059.11</td>
<td>$278.99</td>
</tr>
<tr>
<td>Development Land Use</td>
<td>$4,450.80</td>
<td>$3,560.65</td>
<td>$388.63</td>
<td>$3,949.28</td>
<td>$501.52</td>
</tr>
</tbody>
</table>
4.2 Incentives for energy efficiency – 8 star energy rating

<table>
<thead>
<tr>
<th>Current Differential</th>
<th>Nil, not separately identified. Typically these would be residential properties at 1.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Differential</td>
<td>No change – but consider offering a temporary rebate for new or renovated properties with an 8* or higher energy rating.</td>
</tr>
</tbody>
</table>

Reference Group Deliberations

Market based drivers already apply – ie. lower energy costs enjoyed by the ratepayers.

Is this a council role? Traditionally energy efficiency incentives are the domain of federal government. It does align with Council’s recently drafted Environmentally Sustainable Design strategy.

Incentives benefit those who, arguably can afford it, i.e. can afford the investment in energy saving initiatives.

Any rebate should apply to a new build or a complete renovation, which would bring the entire property up to a minimum 8 star rating.

The group felt the rebate for 8 star and higher energy rated properties was socially responsible to do and a good news story for Council.

Whilst there are currently very few 8 star rated properties in the municipality, the group thought that an incentive should be considered.

Agreement on what to recommend to Council could not be reached, therefore the following 4 options are suggested for Council to consider:

- A one (1) year 100% rate rebate
- A one (1) year rate rebate spread over 4 years – i.e. 25% credit on each notice over a 4 year period
- A one-off fixed rebate of $2,500 regardless of CIV
- A 100% rate rebate for each of the first two (2) years.
4.3 Heritage Listing

<table>
<thead>
<tr>
<th>Table: 4.3 Heritage Listing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Differential</strong></td>
</tr>
<tr>
<td><strong>Proposed Differential</strong></td>
</tr>
<tr>
<td><strong>Current Rationale</strong></td>
</tr>
</tbody>
</table>
| **Reference Group Deliberations** | Small numbers involved. May not comply with ministerial guidelines.  
Perceived disadvantage only occurs at a point in time, not ongoing.  
Heritage listing arguably a selling point.  
Council’s Valuers have confirmed that property values for rating purposes are not necessarily adjusted based on the property being heritage listed alone.  
Ratepayers have access to valuation appeal process if they disagree with their valuations.  
The group proposed no change. |
4.4 Retirement Village Properties

<table>
<thead>
<tr>
<th>Current Differential</th>
<th>Nil, not separately identified. Typically these would be residential properties at 1.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Differential</td>
<td>No change</td>
</tr>
</tbody>
</table>

**Current Rationale**
The group was asked to consider whether retirement village properties should enjoy a lower differential than general residential properties, based on the rationale that retirement villages are “self-contained” and less reliant on council provided services.

**Reference Group Deliberations**
- Infrastructure and services still provided right across city and up to the village entrance.
- Full access to all council services still expected, and available, to the residents of the villages.
- Equity issues between those who can afford to live within a retirement village versus other retirees still required to pay full rates on their property living outside a village.
- Insufficient justification existed for rate discount.
- The group proposed no change.

The group reviewed the potential of a differential of 0.93, refer below:
4.5 Trust for Nature Properties

Current Differential
Nil, not separately identified. Expected this would be Rural - Non Farming at 1.00, which the property in question is currently rated at.

Proposed Differential
No change

Current Rationale
The group was asked to consider whether a “trust for nature” protected property should enjoy a lower differential than the rural - non farming rate, as an incentive for environmental action.

Reference Group Deliberations
The group noted there was only one (1) property in the municipality. The Ministerial Guidelines advise against establishing differentials when numbers of properties that the differential would apply to are very low.

Assigning land to a “trust for nature” reserve is a voluntary act.
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>8 - Officers reports for determination</td>
<td>Item 8.1 - Document B</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>by the landholder.</td>
<td></td>
</tr>
<tr>
<td>The group proposed no change.</td>
<td></td>
</tr>
</tbody>
</table>
4.6 Waste management levy

<table>
<thead>
<tr>
<th>Current levy</th>
<th>Service charge</th>
<th>2018-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per urban residential assessment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Garbage and recycling</td>
<td>$232.10</td>
<td></td>
</tr>
<tr>
<td>Waste management levy</td>
<td>$202.00</td>
<td></td>
</tr>
<tr>
<td>Total (urban residential)</td>
<td>$434.10</td>
<td></td>
</tr>
</tbody>
</table>

Proposed levy | Change the rate to reflect the cost of the service to council.

Current situation
- Currently the revenue raised from the waste management levy exceeds the costs to which the levy is applied.
- In a review conducted by the Victorian Ombudsman, the Ombudsman recommended that the revenue collected for a waste levy should not exceed the costs of providing the service.
- There is currently no statutory requirement for service rates and charges to break-even (s162 applies). The Local Government Bill 2018 currently before Parliament has been amended to include that the budgeted revenue from service charges should not exceed the budgeted costs to provide the service.

Reference Group Deliberations | The group proposed the levy be amended to reflect the recommendation stated in the Ombudsman report.

4.7 Drainage management levy

<table>
<thead>
<tr>
<th>Current levy</th>
<th>Service charge</th>
<th>2018-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIL</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Proposed levy | If the Bill passes Parliament, Council should consider the introduction of a Drainage Levy.

Current situation
- This is not a permitted service charge under the current Local Government Act 1989.

Reference Group Deliberations
- The group acknowledged a drainage service charge is included in the Local Government Bill 2018 currently before Parliament.
- It was discussed by the group and was considered to be worth investigating the introduction of a drainage charge, by a one off revenue-neutral transfer from rates to a drainage charge. This was not a unanimous decision, with one group member
4.8 Special Charges

Council has the power to levy a special rate or special charge, or combination of special rate and charge, to fund service provision. A special rate or charge can be used if Council deems that a special benefit is received by those properties on which it is levied. The fundamental difference in using differential rates or special rates and charges in addressing the benefit principle is magnitude. A special rate or charge is generally applied to a single or narrow group of ratepayers. Generally, the area chosen for their use can be seen clearly to directly benefit some ratepayers in the Municipality.

Special rates and charges may be used by Council to fund activities like the construction of infrastructure (street schemes) or to fund marketing, promotional and economic development initiatives that assist local traders.

The reference group discussed the possibility of levying a special rate in relation to the promotion of the Central Business Area (CBA) upon completion of the High Street upgrade.

Whist the group did not think it was the appropriate time to consider a special rate in relation to promotion of the CBA, the group did conclude that consideration of such rates needs to be considered on a case by case basis. The group also noted that special rates can be raised by council when considered appropriate, not as part of a rating strategy.

No special rate or charges were considered necessary by the reference group for the 2019-2020 year, being the first year of this rating strategy. Future years should be considered on a case by case basis by Councillors as part of their annual budget process.
5 RECOMMENDATIONS

1. That the 2018 Rating Strategy be endorsed, with following adjustments:
   - Development Use Land be increased from 1.0 to 2.0 over a 2 year period.

2. That a Municipal Charge *not* be introduced;

3. That the Waste Management Charge be set to reflect the actual cost of providing waste management services to the community.

4. That Council consider offering one of the following rebates for 8 star or higher energy rated homes:
   - A one (1) year 100% rate rebate
   - A one (1) year rate rebate spread over 4 years – i.e. 25% credit on each notice for 4 years
   - A one-off fixed rebate of $2,500 regardless of CIV
   - A 100% rate rebate for each of the first two (2) years

5. That council consider the introduction of a special rate on a case-by-case basis.
Draft Wodonga City Council Rating Strategy 2019
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11.4 Commercial vacant land
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11.6 Industrial vacant land
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.7</td>
<td>Industrial occupied land</td>
</tr>
<tr>
<td>11.8</td>
<td>Rural land – non farming</td>
</tr>
<tr>
<td>11.9</td>
<td>Social clubs/society land</td>
</tr>
<tr>
<td>11.10</td>
<td>Development use land</td>
</tr>
<tr>
<td>12</td>
<td>APPENDICES</td>
</tr>
<tr>
<td>12.1</td>
<td>Rates Data per 2018-2019 Budget</td>
</tr>
</tbody>
</table>
1. EXECUTIVE SUMMARY

In the preparation of the 2010 Rating Strategy of Council, it was resolved that Council review its rating strategy every four years. The last review of the Rating Strategy in 2014 resulted with an updated Rating Strategy released in 2015, to apply for the 2015-2016 rates raised.

Council has undertaken its current review in consultation with representatives of the local community, with the following objectives:

1. Identify and recommend principles that Council should consider when striking general rates, particularly with regard to the creation and maintenance of any differential rates;
2. Make recommendations regarding the equitable sharing of the rates burden between various categories of ratepayers – eg, Residential, Commercial, Industrial, Rural, Not-for-profit groups;
3. Recommend any changes to the structure of current charges and their relationship to general rates, eg. Garbage, Environmental Levies, Municipal Charges; and,
4. Identify any other special purposes rates or charges or levies it believes Council should consider.

The review recommendations are that:

1. Council continue to use the CIV model of valuation
2. A municipal charge not be introduced
3. Council continue with the current differential categories
4. Council continue with the 140% differential for commercial and industrial properties
5. Council continue with the 200% differential for vacant land properties
6. Council continue with the 75% differential for rural farming properties
7. Council continue with the 100% differential for rural non-farming properties
8. Council continue with the 0% differential for recreation and cultural properties
9. Council continue with the 93% differential for Societies and Clubs not exempt as recreational and cultural properties
10. Council increase the differential for Development Use Land from 100% to 200% over a 2-year period.
11. The Waste Management Charge be set to equal the estimated costs of providing waste management services to the community.
12. Council offer a one (1) year 100% rate rebate for new 8 star or higher energy rated homes
13. Council should consider the introduction of a special rate on a case-by-case basis.
2 INTRODUCTION

Good governance requires Council to provide ongoing and periodic monitoring and review of the impact of major decisions, as over time corporate knowledge, issues and the membership of Council may alter. Council policies should be subject to continual refinement. It is therefore incumbent upon council to evaluate on a regular basis whether the existing rating system best satisfies the legislative objectives to which it must have regard and those other objectives, which Council believes are relevant.

Council will use the framework set out in this strategy to ensure a fair and equitable distribution of the rating burden. The rating framework is set down in the Local Government Act 1989 ("the Act") and determines a council’s ability to develop a rating system. The framework provides some flexibility to suit its requirements within the context of public finance methodology, which includes principles of equity, benefit, efficiency and community resource allocation.

2.1 HISTORY

Council significantly reviewed its rating strategy in the mid 1990’s with the changes becoming effective from 1995-1996. At the time Council moved from Site Value (land only) based rates calculations to Capital Improved Value (land plus capital improvements such as buildings). There were also several new rating categories introduced from the review.

In 2010, the next major review was conducted, with changes being made to differentials for vacant, commercial, industrial and development use land. It also saw the change from Rural 1, 2 and 3 categories to Rural Farming and Non-Farming. Council also resolved to review its rating strategy every four years.

The last review was undertaken in 2014-2015, which resulted in the rating strategy set in 2010 being retained without amendment.

2.2 RATING STRATEGY REFERENCE GROUP

This revised strategy was developed with the input and involvement of a Rating Strategy Reference Group.

The objectives of the Rating Strategy Reference Group were to act as an advisory Group for the development of a new Rating Strategy, and in particular to:

1.1 Identify and recommend principles that Council should consider when striking general rates, particularly with regard to the creation and maintenance of any differential rates;

1.2 Make recommendations regarding the equitable sharing of the rates burden between various categories of ratepayers – eg, Residential, Commercial, Industrial, Rural, Not-for-profit groups;

1.3 Recommend any changes to the structure of current charges and their relationship to general rates, eg. Garbage, Environmental Levies, Municipal Charges; and,

1.4 Identify any other special purposes rates or charges or levies it believes Council should consider.
3  RATING FRAMEWORK

3.1  CONTEXT

Council has prepared this Rating Strategy, within the context of the current legislative framework, to improve transparency by providing a detailed explanation of rating concepts and decisions.

3.2  BACKGROUND

Council acknowledges that the existing system of raising rates using the property (wealth tax) valuation methodology is imperfect, however, the application of an alternate rating model (e.g. income tax, share of GST revenues) is not available within the constraints of the existing legislation.

Council is able to modify certain aspects of the rating system in accordance with the legislation, which may include applying different rates in the dollar (or differential rates) to different classifications of properties. Such modification needs to consider social and equity principles while minimising any penalty, via a shift in rate burden, to another property classification.

Council fixes the amount of total rates collected each year as part of the budget process, which incorporates consideration of the Fair Go Rates system introduced in 2016. The Fair Go Rates system caps the amount that councils can increase the general rate in any given year. It is important that rates imposed are fair and equitable, even with Council’s ability to increase its overall rating base being constrained.

Public finance theory and practice implies that taxation revenue, whether it is at Federal, State or a Local level, is generally used to finance various forms of “public goods, services and community obligations” not necessarily in direct relation to user benefit, but ultimately for the benefit of the community as a whole. In this respect, property rates are a general-purpose levy not linked to user pays, or ability to pay, principles. Other charges, such as waste service fees, are linked to costs associated with the service and thus are user pay based.

The quantity and quality of services that Council, using conscious and considered choices, decides to provide will determine the amount of property rates collected and how much of the cost is to be recovered from other revenue sources. The amount collected in rates represents the difference between the total expense required by Council to fund programs, maintain assets, to service and redeem debt, and the total of revenue from all other sources. Other sources of income include grants, prescribed and discretionary fees, fines and charges, sales of assets and interest earned.

Rate and charges revenue is a major source of income for Council, providing around 63% of the operating income for 2017-2018 year (ie. $36.4m of a total $57.4m)

Council acknowledges that property rates do not recognise that ratepayers can be “asset rich” and “income poor”. In some cases, ratepayers may have considerable wealth reflected in property they own but have a low level of personal income. Examples include pensioners, self-funded retirees, businesses subject to cyclical downturn, households’ with large families and property owners with little equity but high levels of mortgage debt.

Moreover, the Australian taxation system which allows for annuities, allocated pensions income and other assets to be treated differently in an assessment for government concessions and benefits, may further distort the true disposable income status of one household compared to another.

While personal income tax is more reflective of the capacity to pay, it is not possible to expect a property rating system to deal practically with all aspects of capacity to pay based on individual households and businesses. Given this Council can provide flexible payment options to ratepayers experiencing genuine hardship upon request.
In the Local Government context, the rating system determines how Council will raise money from properties within the municipality, whilst the annual budget determines how Council will spend that money. The rating system comprises the valuation base and the rating instruments used to calculate property owner’s liability for rates.

The rating framework is set down in Part 8, Division 1 of the Act and determines how a council develops a rating system. The framework provides considerable flexibility to suit an individual council’s requirements within context of public finance methodology, which includes principles of equity, benefit, efficiency and community resource allocation. Under section 155 of the Act Council has the power to levy:

- General rates,
- Municipal charges,
- Special rates and charges,
- Services rates and charges,

Council acknowledges that this framework will not universally cater for the possible significant revaluation property movements in a non-homogenous market place and may result in significant movements in rates (“rates shock”) on an individual, on a case-by-case basis within rating categories.
4 RATING STRATEGY

4.1 WHAT IS A RATING STRATEGY?

A rating strategy is the process by which council systematically considers the factors of importance that inform its decisions about the rating system. 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. The rating system comprises the (valuation) base and actual rating instruments used to calculate an individual property owners’ liability for rates.

This rating strategy comprises a number of components including:

- a review of rationales and objectives;
- related research;
- the development of definitions;
- rate modelling;
- the development of required documentation;
- opportunity for public review/consultation; and
- results of comments received.

4.2 COUNCIL RESPONSIBILITIES

Part 1A – Local Government Charter, of the Local Government Act 1989 describes the purpose of Local Government is to provide for the peace, order and good government, facilitate and encourage development, to provide services and facilities for the community and to maintain, improve, and develop the resources of the municipal district.

Local Government must operate in accordance with the Act and has responsibility for implementing many diverse programs, policies and regulations set by State and Federal Government. Councils have to be flexible and therefore have powers to set their own regulations and local laws and provide a range of discretionary services in response to local community needs. Each Victorian municipality is different. Community demographics will vary in terms of age, prosperity, property base, topography. This will therefore lead to differing service requirements between councils.

4.3 COUNCIL PROFILE

The Wodonga City Council serves a population of some 40,000 and covers an area of 433 square kilometres of land.

Wodonga is located in the Ovens-Murray district on the Victorian-NSW border, about 300km North-east of Melbourne. Bordered by the Murray River in the north, Towong Shire in the east and Indigo Shire in the south and west, the city is serviced by the Hume Freeway, Kiewa Valley Highway, Murray Valley Highway, and the Sydney to Melbourne railway line.

Wodonga shares the state boundary with Albury and the two communities share a close relationship in many areas. Residents of the two cities regularly cross the state border for employment, recreation and retail opportunities. The close proximity of the two cities — combined with the surrounding rural townships — means that Wodonga has a catchment of approximately 170,000 people.

The city includes the main urban centre of Wodonga and encompasses 13 suburbs and rural localities, as well as significant rural hinterland and substantial industrial areas. The majority of the population lives in the urban areas, whereas rural land is used mainly for agriculture, including grazing and dairy farming.

Wodonga acts as the main shopping and service amenities centre for many towns within a short drive to Wodonga. The city has excellent health facilities, several large supermarkets and schools, and a university. Because of this, Wodonga plays an important role in providing services and products, which are not always readily available to those living in the satellite towns. This also provides a significant
financial boost to Wodonga and its economy. This means that many of the beneficiaries of Wodonga Council provided services are ratepayers in other shires.

Wodonga City Council is responsible for over $500 million worth of assets and infrastructure including roads, bridges, community centres, recreation and leisure facilities, drains, libraries and parks.

Every time a person leaves their house, they use services provided by Council. From roads, foot and bike paths, public street lighting, litter bins, school crossings, library books, sporting facilities, community meeting spaces and places, community halls, swimming pools, playgrounds, parking spaces, waste transfer station, baby capsule hire, childcare programs, preschools, school holiday programs, maternal and child health services, and immunisation programs. In-home services provided by Council include parenting, maternal and child health advice and garbage, recycling and green waste / organics removal.

Local laws are important for community amenity for the safety, peace and order as well as public health, care of Council property and the environment. Council is required to control hazard reduction for noise, fire, abandoned vehicles, parking, street stalls, disabled parking, street furniture, graffiti, animals, nuisance pets and busking permits.

Council collects property rates from residents and businesses to help fund its community infrastructure and service obligations.

Council’s approach to service strategies, budget setting according to priorities and annual rate setting is crucial as to how these services are provided to the community. As previously mentioned with Wodonga being a regional centre, which services a catchment much greater than the boundaries of the city, services are utilised by non-residents of neighbouring councils, marginally increasing the cost of service to residents.

In comparison, many metropolitan councils have lower per capita rates due to economies of scale and interlinking of services with other neighbouring councils. For example, one council may have a high amenity retail sector, another focusing on industry, whilst another council may provide specialist training or aquatics venues. This cross use of facilities and the ability to specialise leads to a reduced cost of service provision.

However, Wodonga City Council must provide a full range of services due primarily to its population diversity, geographic spread, as well as providing corporate development and regional leadership.

Wodonga is also a city experiencing strong growth. Whilst this provides benefits in the form of additional rate revenue and improved economies of scale, it also places pressure on the need to provide infrastructure, which links together a wider geographical area, as well providing the higher levels of services and facilities demanded of a regional city.

Wodonga, as with most other councils, also faces the challenge of renewing and maintaining an ageing infrastructure base. Strong growth in short spaces of time in earlier decades, means that a large proportion of infrastructure will age and need replacement at approximately the same time at the end of its useful life.

This Rating Strategy includes a summary of rating principles and policies including reasons for policy and historical trends.

### 4.4 Principles

Council must raise revenue each year to enable the achievement of its charter as described in Part 1A of the Act. This includes the provision of good governance and administration, and to provide for appropriate goods and services for the community. The goods and services Council provide are broad and are allocated according to community lifecycle and lifestyle needs. In particular, Council provides goods and services that are not provided by private enterprise (eg. infrastructure, street lighting, regulatory and compliance activities).
Council rates constitute a system of taxation on the local community for the purposes of Local Government. The value of land and its improvements (or Capital Improved Value) is generally used as the basis of taxation, which is a measure of the property wealth of the ratepayer. The value of all property is to be revalued by the Victorian Valuer General every year (from the 2019 year, with revaluations only required every two years for prior years), and is to be relative to all other like property within the municipality.

The calculation for Council rates is as follows:-

\[ \text{Rate in the dollar} \times \text{Property Value} = \text{Council Rates} \]

As an example, the “rate in the dollar” for a residential occupied property in 2018-2019 is 0.00556. Assuming a property, say a house and land, was valued at $250,000, the annual rates payable would be $1,390.00, calculated as:-

\[ 0.00556 \times 250,000 = 1,390.00 \]

Rates are in the form of a general-purpose levy and the benefits that a ratepayer may receive will not necessarily be to the extent of the rates paid. Benefits are consumed in different quantities and types over the lifecycle of the ratepayer e.g. maternal and child health, libraries and aged care, roads and footpaths, local laws. In other words, Council governs for the whole needs and wishes of the community, and raises rates accordingly.

Council’s practices and decisions regarding rating are underpinned by:
- Accountability, transparency and simplicity;
- Efficiency, effectiveness and timeliness;
- Equitable distribution of the rate burden across the community according to assessment of property wealth;
- Consistency with Council’s strategic, corporate and financial directions and budgetary requirements; and
- Compliance with relevant legislation.

### 4.5 Rating Framework

The general rating framework for Local Government was set out in research undertaken for development of the Local Government Act 1989. The research recommended that property rating should be based on the following objectives:

1. The entire community should contribute to the unavoidable costs of Local Government;
2. Where feasible, services should be funded on a user pays system;
3. Where specified, local objectives can be achieved using differential rates; and,
4. Residual service costs should be apportioned on the basis of property valuation.

In addition to rates on property, Local Governments are able to levy a municipal charge on each property. This charge is set to achieve the first objective above, i.e. to fund the unavoidable costs of Local Government. The municipal charge cannot raise more than one fifth (20%) of the total amount raised through rates (including the municipal charge) - LGA Section 159. In the new Local Government Bill 2018 currently before Parliament, the municipal charge cannot raise more than one tenth (10%) of the total amount raised through rates (including the municipal charge) – LGB Section 105.

The third element is the use of differential rate groups using a variable “rate in dollar” to collect rates against property values, which is referred to as collecting an “ad valorem rate” against the property value.

The waste collection service charges are a user pays principle, while a wide variety of other services provided by Council have fees set to recover the full cost or, where subsidisation occurs, to fully notate such cross-subsidisation.

In addition to the objectives above, accepted public finance theory sets three major criteria for successful taxation policy:
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- Equity - including both horizontal and vertical equity. Horizontal equity means that those in the same position (eg. with the same property value), should be treated the same. Vertical equity in respect to property taxation means that higher property values should incur higher levels of tax.

- Efficiency, meaning that in a technical sense the tax should not unduly interfere with the efficient operation of the economy. For Local Government the tax should be consistent with the major strategic objectives of Council.

- Simplicity for both administrative ease (and therefore lower cost) and to ensure as far as possible that the tax is understood by taxpayers, with a view to the tax system being transparent and capable of being questioned and challenged by ratepayers.

The LGA at Part 1A Local Government Charter - Section 3C(2)(f) provides that an objective of council should be “to ensure the equitable imposition of rates and charges”. The LGA does not define equity or efficiency of the rating structure, therefore the adoption of a legal rating framework will ensure transparency in how Council aims to achieve equity and efficiency within the meaning and principles of the legislation.

4.6 STRATEGIC DIRECTIONS

Council has determined that its annual rate setting objectives should be set out in a framework, which integrates planning to enable the efficient and effective delivery of the services it provides to its community.

The strategic directions of Council are set out in the following documents:


- Council Budget - Annual funding allocations for activities and initiatives, service reviews, with linkages to the Council Plan, together with key financial performance targets and measures.

There are 79 Local Governments in Victoria and some 677 Local Governments throughout Australia. As indicated earlier each council has different local issues, costs and service provision needs. Each council budget is different to reflect local community needs and priorities.

Each state has a common legislative framework for setting a budget that councils must follow, which in Victoria is set out in the Local Government Act 1989.

4.7 BENEFIT PRINCIPLE

A popular complaint levelled at Council is that “the rates I pay have no correlation with the services I consume or the benefits I receive”. This argument is based on the benefit principle (the opposite of the wealth tax principle) that argues there should be a nexus between consumption/benefit and the rate burden.

Some councils have attempted to evaluate the relative benefits received by various classes of property. These approaches raise many practical difficulties, in particular, trying to trace quantifiable consumption/benefits to particular types of property or geographic locations and attributing varying levels of access by ratepayers to services that are universally available. Council accepts that any in-depth analysis of this issue could also be quite costly, impacting efficiency, and would not change the result (to any great extent) under the current legislative frameworks.

The analysis often gets reduced to arguments of what services are consumed by town versus country, businesses versus residences versus farms, and between different towns and suburbs. Clearly, the exercise is not clear-cut – for example, it might be argued that country ratepayers derive less benefit from
library services than their town counterpart’s, but the reverse may be argued with respect to the costs of repairing and constructing long lengths of local roads to service one or two properties.

4.8 PROPERTY VALUATIONS

For the purpose of the Local Government Act and its rating provisions, the Valuation of Land Act 1960, is the principle act in determining property valuations. Generally, each separate occupancy on rateable land must be valued and rated. Contiguous areas of vacant land with more than one title in the same ownership may be consolidated for rating purposes.

An assessment for rating purposes may be against any piece of land subject to separate ownership or occupation. In this context, land has been defined to include buildings, structures or improvements and may include automatic teller machines, show-case, signage, advertising, radio and mobile telecommunications towers.

Local Government may adopt one of the following three valuation methodologies to value properties in its area (LGA Section 157):-

- **Capital Improved Value**: (CIV) the value of land and other improvements including the house, other buildings and landscaping.
- **Site Value**: the value of the land plus any improvements, which permanently affect the amenity or use of the land, such as drainage works, but excluding the value of buildings and other improvements. Also referred to as the unimproved market value of the land.
- **Net Annual Value**: the value of the rental potential of the land, less the landlord’s outgoings (such as insurance, land tax and maintenance costs). For residential and farm properties this must be set at 5% of the CIV (Valuation of Land Act 1960 - Section 2).

Council has adopted the Capital Improved Value (CIV) as the value to which the rate in the dollar will be assessed. Council believes that being a measure of the realisable value of the property, the CIV most closely reflects wealth and affordability and thus it is more equitable to rate residents on the total value of their property rather than the notional value of their land alone. In addition, differential rating combined with CIV allows greater flexibility in developing rating outcomes enabling Council to pursue its particular objectives.

Up until 30 June 2018, property valuations occurred every two years by a valuation authority (a municipal council or the Valuer-General). From 2019, valuations will be annual and the Valuer-General will be the sole valuation authority. The Valuer-General will provide valuations to councils and the State Revenue Office for the purposes of council rates, land tax, and the Fire Services Property Levy.

The changes do not affect underlying valuation principles or methodologies, which are in the Valuation Best Practice Specifications updated by VGV for each revaluation.

Valuers undertake a physical inspection of at least 33% of all properties during each revaluation cycle. Other valuations are derived from a complex formula based on sectors, sub market groups, property condition factors (including age, materials and floor area), influencing factors such as locality and views, and land areas compared to sales trends within each sector / sub-market group. The municipality has defined sub-market groups that are reviewed during the revaluation process. Valuers determine the valuations according to the highest and best use of a property.

In valuing large areas of land without buildings, residential zoning, permits for subdivision or structure plans are indications of potential for subdivision. If the land is capable of subdivision, it will be valued accordingly as potential sub-divisional land rather than farmland, despite its use. The value of sub-divisional land will typically be higher than farmland. The amount of valuation increase will depend on market factors at the time of valuation.

Supplementary Valuations are valuation adjustments that are required when properties have a reason to be reviewed. Reasons for review may include a dwelling demolished, a certificate of occupancy issued for a completed dwelling, titles issued for newly subdivided lots, or the reduction of value on a parent
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assessment due to area subdivided. Supplementary Valuations are notified to Ratepayers by the issue of a rates notice.

The Valuer General of Victoria is now responsible for the total valuation of each municipality and certifying that the valuations are true and correct. Valuations are conducted using Best Practice Guidelines formulated and published by the Valuer General Victoria.

The total value of the municipality is the base value against which Council strikes its rate in the dollar for each defined category, or type, of property.

Refer Appendix 9.1, Rates Data per 2018-2019 Budget, below for information on the valuation base assumed in the 2018-2019 Budget, based upon which the rate in the dollar was struck for each property type.

4.9 OBJECTIONS TO PROPERTY VALUATION

The Valuation of Land Act 1960 provides that objection to the valuation may be made each year within two months of the issue of the original or amended (supplementary) Rates and Valuation Charges Notice (Rates Notice).

Any objections received are processed in accordance with the Valuation of Land Act – Division 3 Sections 16-21.

4.10 NO WINDFALL GAIN

There is a common misconception that if a property’s valuation rises then Council receives a “windfall gain” with additional income. This is not so as the revaluation process results in a redistribution of the rate burden across all properties in the municipality. Any increase to total valuations of the municipality is offset by a reduction to the rate in dollar (ad valorem rate) used to calculate the rate for each property. Total income is set each year as part of the budget process and the Fair Go Rates system (rate capping).

4.11 RATING DIFFERENTIALS

The Local Government Act allows Councils to “differentiate” rates based on the use of the land, the geographic locality of the land or the use and locality of the land. Different rates in the dollar of CIV can be applied to different classes of property. These classes of property must be clearly differentiated and the setting of the differentials must be used to improve equity and efficiency.

There is no theoretical limit on the number or type of differential rates levied, however the highest differential rate can be no more than four times the lowest differential rate.

Council has a diverse mix of geographically located and land use properties. Valuation methodology is not consistent between differing land use property types and the establishment of differential tariff groups ensures greater equity and contribution from rates according to land use characteristics in relation to affordability and taxation principles.

In accordance with Section 161(2) of the Act, Council is required to undertake the following when levying a differential rate. Council must:

- specify the objectives of the differential rate, which must include:
  - define the types and classes of land and a statement of reasons for the use and level of that rate
  - identify the types and classes of land in respect to uses, geographic location, planning scheme zoning, building types and any other relevant criteria
  - if there has been a change in the valuation system, any provision for relief from a rate for certain land to ease the transition for that land
- specify the characteristics of the land which are the criteria for declaring the differential rate.
The purpose of the above is to ensure that Council has a sound basis on which to develop the various charging features when determining its revenue strategies and ensure that these are consistent with the provisions of the Local Government Act.

The general objectives of each of the differential rates is to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the:

- construction and maintenance of public infrastructure;
- development and provision of health and community services;
- provision of general support services; or
- A specific objective as described within the differential characteristic

The application of a differential rate means that one class of property is treated differently from another – either paying a higher or lower ad valorem rate in the dollar. For each effect a differential has, it will have the opposite effect for other property classes. A lower differential given to one class of property is offset by a higher proportion of rates being covered by other property classes and vice-a-versa.

The relativity of the differential rate is normally expressed in terms of a comparison of the rate in the dollar against a nominated general rate. The general rate normally used as the benchmark is the particular rate in the dollar that applies to residential properties, whether it is a rate that applies to residential properties or a rate applying to a broader class that includes residential.

Under section 161 (2A) A Council must have regard to any Ministerial guidelines before declaring a differential rate for any land. This is discussed further below.

4.12 Ministerial Guidelines

In 2012 the Parliament passed the Local Government Amendment Act 2012 which introduced section 161(2B) of the Act. Section 161(2B) provides that:

The Minister may, by notice published in the Government Gazette, make guidelines for or with respect to:

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

Further, by reason of section 161(2A) a Council must have regard to any Ministerial guidelines made under subsection (2B) before declaring a differential rate for any land.

Further, section 161(4) provides that:

On the recommendation of the Minister, the Governor in Council may by Order in Council prohibit any Council from making a declaration of a differential rate in respect of a type or class of land, if the Minister considers that the declaration would be inconsistent with any guidelines made under subsection (2B).

The Ministerial Guidelines state that:

When declaring general rates, a Council must consider how the use of differential rating contributes to the equitable and efficient carrying out of its functions compared to the use of uniform rates. Such a determination and its rationale must be disclosed in the Council’s proposed budget and any revised budget, or be referenced in the Council’s rating strategy.

In specifying the objective of each differential rate, a Council should be able to provide evidence of having had regard to:

- good practice taxation principles and their assessment against a particular differential rate objective and determination;
- modelling or consideration of the impact of the rating decision on those rated differentially and the consequential impact upon the broader municipality; and
- rating strategies or related Council documents; and,
In specifying objectives of differential rates, a Council should also have regard to the strategic objectives set out in the Council Plan (S.125 of the LGA) to ensure its objectives for differential rates (and thereby a percentage of Council revenue) accords with the strategic objectives.

Types and classes of land appropriate for differential rating

The Ministerial Guidelines set out the following information on types and classes of land appropriate for differential rating.

The differential rate category terminology must unambiguously correspond with clearly identified uses, geographic location, planning scheme zoning of the land and types of buildings situated on it. The types and classes of land must be described:

- clearly and consistently so as to avoid any community uncertainty with regards to application;
- and
- in a manner that is consistent with the fulfilment of the stated council objectives.

For the purposes of reading these guidelines the following differential rates hierarchy has been adopted to:

- those that are appropriate;
- those that require careful consideration; and
- those that are not appropriate.

Types and classes of land categories and their combination that are considered appropriate for differential rates include the following:

- general land;
- residential land;
- farm land;
- commercial land;
- industrial land;
- retirement village land;
- vacant land;
- derelict; and
- cultural and recreational.

Types and classes of land categories that must be carefully considered as to whether they are appropriate for the application of differential rates include (but are not limited to) the following:

- holiday rental;
- extractive;
- landfill;
- dry land farming;
- irrigation farm land;
- automobile manufacture land;
- petroleum production land; and
- aluminium production land.

The use of a differential rate applicable to very few property assessments in a municipality should be considered with caution, particularly in relation to setting of higher differential rates, and have regard to the impact on the land subject to the proposed rate and the consequential impact upon the broader municipality through consideration of equity. This is especially so in the case of differential rates applied to narrowly or specifically defined activities or land use types.

It would not be appropriate to declare a differential rate that is defined narrowly and applied specifically or exclusively to the following types and classes of land:
- electronic gaming machine venues or casinos;
- liquor licensed venues or liquor outlet premises;
- business premises defined whole or in part by hours of trade;
- fast food franchises or premises;
- tree plantations in the farming and rural activity zones; and
- land within the Urban Growth Zone without an approved Precinct Structure Plan in place.

The use of specific differential rates on these types and classes of land is **not appropriate**. The use of differential rate powers to lessen the impact of externalities arising from the type of legitimate business conducted on the land or fund actions intended to ameliorate the externalities arising from such business on the land is **not appropriate**.

The use of differential rates to fund a specific service or benefit provided to the land subject to a particular rate is also **not appropriate**. In circumstances whereby additional services or special benefit are provided, a service rate or charge or alternatively a special rate or charge may be more appropriate as it can be targeted and correctly apportioned.

For example, the use of a differential rate as a revenue instrument to raise funding for a specific action to ameliorate the effects of problem gambling or late night venues is **not an appropriate** use of general rates which are intended for consolidated revenue and allocation via the Council budget process.
5 THE CURRENT RATING SYSTEM

The current rating system in Wodonga City Council is characterised by the following:

- a general rate based on Capital Improved Value; and
- the application of five differential rates applying to ten different categories, these being vacant land, land improved for residential, commercial or industrial use, rural farming land, rural non-farming land, development use land, and social clubs/societies.

As an example the “rate in the dollar” for a residential occupied property in 2018-2019 is 0.00556. Assuming a property, say a house and land, was valued at $250,000, the annual rates payable would be $1,390.00, calculated as:

\[
0.00556 \times 250,000 = 1,390.00
\]

The different rating categories are defined based on the following criteria:

**Residential Occupied Land**

Land that is residential, meaning rateable land upon which is erected a private dwelling flat or unit which is used primarily for residential purposes as defined under the provisions of the Wodonga Planning Scheme.

**Commercial Occupied Land**

Land that is commercial, meaning rateable land which is used primarily for business or commercial purposes, and upon which are erected structures which are used in conjunction with, or for purposes ancillary to, business or commercial purposes for which the premises are being used; business and commercial use including but not being limited to the operations included in the definition of commercial under the provisions of the Wodonga Planning Scheme.

**Industrial Occupied Land**

Land that is industrial, meaning rateable land upon which is erected a factory or workshop which is primarily used for industrial purposes and includes any land which is used in conjunction with or for purposes for which the factory or workshop is being used; industrial use including but not being limited to the operations included in the definition of industry under the provisions of the Wodonga Planning Scheme.

**Rural – Farming Land**

Any land that is “Farm Land” within the meaning of Section 2(1) of the Valuation of Land Act 1960 paragraphs (a) and (b) and other criteria as defined by Council (c) hereunder:

(a) not less than 2 hectares in area; and
(b) that is used primarily for grazing, dairying, pig-farming, poultry farming, fish farming, tree farming, bee-keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities; and
(c) being a Primary Producer as evidenced by a current ATO assessment;
Rural – Non Farming Land

Any land, which is:-
- greater than 8 hectares in size; or,
- less than 8 hectares in size and due to reasons of inappropriate subdivision is generally vacant, low valued land that has little utility to owners because the land is restricted to no development in its current form; and
- not Rural – Farming land, nor Development Use Land.

Vacant Land

Land on which there does not exist any building obviously adapted for human habitation, and which does not have the characteristics of Development Use Land.

Development Use Land

The Valuer responsible for the returning of the general revaluation or any supplementary valuation may classify any land (or a portion of that land) that is in the process of being developed into the category of Development Use Land.

Classification to Development Use Land will be at the Valuer’s discretion and based principally on the basis of applications and/or approvals for rezoning and/or development.

Society/Social Club Land

Any land, which is not subject to the Cultural and Recreational Lands Act 1963, and used primarily for the activities of a club or society carried on for the benefit of its members and their guests.
6 RATING STRATEGY

6.1 MUNICIPAL CHARGE

Council is able to levy a municipal charge on each rateable property within the municipality with the exception of farms where a single municipal charge is payable on multiple assessments operated as part of a single farm enterprise.

The municipal charge is a flat, identical charge per assessment that can offset some of the “administrative costs” of the Council. The legislation is not definitive on what comprises “administrative costs”. The current maximum municipal charge equals 20% of the total revenue raised from rates and the municipal charge combined.

The municipal charge is regressive, which means that as the value of properties decrease the municipal charge increases as a percentage of that value. As a result, there is a reduced rate burden on higher value properties.

Through its effect of providing a reduction in the amount paid by higher value properties the municipal charge may be seen to assist certain classes of property. There is a tendency in rural municipalities for farms, as a class, to generally benefit from its application.

The effect for residential, commercial and industrial properties is not as general, as there is usually a greater diversity in the range of property values.

Arguably, a municipal charge as a part of a rating system provides for a more equitable outcome in that all properties make a standard contribution to some administrative costs and that the municipal charge is a useful means of ensuring this contribution. These expenses are comparable to the property charge component in the pricing of utilities, such as water, electricity and telephone, – in other words, that some costs must be borne before any service consumption occurs.

A municipal charge is similar to waste charges, that apply equally to all properties, irrespective of valuation, a per assessment contribution to a portion of Council’s administrative costs. Whilst the benefit principle (i.e. levying individual properties for services used) cannot fully be utilised, both the above charges represent a partial application of the principle and therefore reduce total reliance on a CIV approach to collect revenue.

Without the use of municipal charges, low valued properties can possibly attract rate levies below $100 per annum (i.e. bank ATM). In effect, after administrative costs, these properties are barely contributing to the general running of Council and provision of community services or asset maintenance.

The arguments against the retention of a municipal charge are that the charge is regressive thereby adversely affecting lower valued properties. The percentage of the total rate bill that is represented by the municipal charge increases as the property value decreases.

Consideration has been given to both of the above arguments in reaching its views and Council has determined that a Municipal Charge will not be utilised when levying rates and charges.

Rating Strategy

That a Municipal Charge will not be included in Council’s rates and charges.

6.2 RESIDENTIAL OCCUPIED LAND

Residential Occupied land comprises the majority of property in Wodonga representing some 71% of all rates assessments. For this reason, this category is often referred to as the General Rate, and becomes the benchmark to which all other differential rates are compared. The differential for this category will therefore always be set at “1.0”.

The actual rating burden applying to Residential Occupied properties is an outcome determined by decisions to apply either higher or lower rates in the dollar of property value to other classes of property.

The equity of the Residential Occupied rate is therefore a by-product of the equity inherent in the setting of those other rates. In the setting of differential rates, Council consciously considered their relativity to the Residential Occupied rate (or general rate).

**Rating Strategy**

That Residential Occupied is the default rating category against which other rating differentials are applied. The differential for Residential Occupied is therefore set at 1.00.

### 6.3 **Farm Land**

Historically if properties conformed to the definition of Farm Land in the Valuation of Land Act they were provided with a lower differential rate.

Wodonga City Council currently recognises farms through the use of two distinct categories of rural properties, these being:

- **Rural – Farming** means any land that is “Farm Land” within the meaning of Section 2(1) of the Valuation of Land Act 1960 paragraphs (a) and (b) and other criteria as defined by Council (c) hereunder:
  
  (a) not less than 2 hectares in area; and
  (b) that is used primarily for grazing, dairying, pig-farming, poultry farming, fish farming, tree farming, bee-keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities; and
  (c) being a Primary Producer as evidenced by a current ATO assessment;

- **Rural – Non Farming** means any land which is greater than 8 hectares in size that is not **Rural – Farming** land, nor Development Use Land.

The Valuation of Land Act sets out the definition of Farm Land for valuation purposes and requires that farm properties are:

- at least 2 hectares;
- primarily used for agricultural production (grazing, dairying, pig farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind); and
- used by a business which has a significant or substantial commercial purpose, seeks to make a profit on a continuous or repetitive basis or has a reasonable prospect of making a profit from the agricultural activities being undertaken.

It is possible that, while conforming to the requirements of the Valuation of Land Act, some of these properties may not be “genuine” farms.

In order to address this possibility Council introduced a definition of ‘farm land’ for rating purposes, including considering several alternatives for defining “farms” including size and farm production values. Council found that the use of size and output value thresholds in order to determine eligibility for the farm rate was likely to result in a significant number of exceptions and substantially increase administration costs.

Difficulties associated with the definition in the Valuation of Land Act are arguably more to do with its practical application than with the definition itself. There are significant administration costs related to the annual auditing of properties’ conformance with criteria that reflect on the commercial purpose and business nature of the farming activities undertaken.
The value of using ATO Primary Producer Status is that responsibility for determining whether a farming activity is conducted as a business rests with the ATO rather than with council officers, so administration costs are minimised and the reliability of an ATO assessment is obtained.

ATO Primary Producer Status is relevant for farmers to be able to claim a range of tax offsets, establishment costs, depreciation allowances, farm management deposit schemes and claims for land care and water operations. However, since the introduction of GST and abolition of sales tax, the ATO no longer automatically issues any documentation that attests to Primary Producer Status, other than the Income Tax Assessment Notice, issued annually.

Council therefore requires applicants for the Rural – Farming rate to provide evidence in the form of a copy of their Income Tax Assessment Notice, or an equivalent statutory declaration or letter of confirmation from their Tax Agent, every four years.

Rating Strategy

That applicants for the Rural – Farming rate provide evidence in the form of a copy of their Income Tax Assessment Notice, or an equivalent statutory declaration or letter of confirmation from their Tax Agent, every four (4) years.

Inappropriate Subdivision (included in Rural – non farming)

Inappropriately subdivided land is generally vacant, low valued land that has little utility to owners because the land is restricted to no development in its current form. Because of this restriction, the land has little value, and the property valuations used for rating purposes reflect this.

Council believes that the low property valuation of inappropriately subdivided properties already reflects the service benefits received by these properties and leads to low rates being payable on them. It has therefore decided that this category of land should be subject to the general rate.

The definition of Rural – Non Farming is therefore as follows: -

Rural – Non Farming means any land which is:

- greater than 8 hectares in size;
- less than 8 hectares in size and due to reasons of inappropriate subdivision is generally vacant, low valued land that has little utility to owners because the land is restricted to no development in its current form; and
- not Rural – Farming land, nor Development Use Land.

Historically a lower rate applied to farms in Wodonga. The basis for this decision is that, in the absence of some rate relief, the higher land component inherent in farming properties contributes to their relatively higher values and would result in farmers having to pay disproportionately high rates in relation to the income or surplus able to be generated from their properties.

In addition, by virtue of their distance from urban centres, farming households’ access and consumption of a range of services is lower. For example, there are services such as street lighting and street sweeping from which farm properties arguably obtain little or no direct benefit.

Council believes that there is an argument that rate relief for farmland is warranted in recognition of one of its major land use objectives. Council’s Municipal Strategic Statement (MSS) includes the objective of protect existing and future farm units through the identification of all land likely to be required for future urban development and through the implementation of policies that discourage urban uses in rural areas.

In comparison to the neighbouring shires, the total value of agricultural production in Wodonga is relatively insignificant.
Due to topographical constraints such as hills and floodplains, a large percentage of Wodonga will not be required for future urban development and will remain in rural use. These areas require careful land management for a range of environmental, lifestyle and economic reasons. Accordingly, the MSS includes the following strategies:

- Rural living, rural residential development and housing on small lots below the minimum area specified in this scheme will not be supported, unless it can be clearly demonstrated that the development is ancillary to commercial rural production. Such rural enterprises are to be established prior to any proposal being considered. This strategic direction is in place to maintain the economies of scale and recognise the potential for farming to expand in the city of Wodonga.

- All rural uses are to be sustainable and manageable as effective and operational uses. A balance will be maintained between agricultural best practice, use of whole farm management plans and ensuring minimal impact on the environment within non urban areas.

In principle, farm properties as defined as **Rural – Farming**, will continue to be the lowest rated group and a farm differential tariff is to be maintained. The farm differential is to recognise the benefits of large holdings, open space and traditionally generally less demand upon Council services per land area held. This takes into account of the traditional low economic return to large landholdings, avoid distortions in the market or an ability to contribute above the standard charge.

In summary, Council takes the position that:

- It is generally accepted that the returns able to be realised by farming from the assets employed (including land) are lower than for other forms of land, and arguably will be more inconsistent into the future due to climate change, so that its capacity to pay rates is lower;

- A lower differential should continue to be provided to farm land because of its importance both to the local economy and as a characteristic of the local environment;

It should be noted that in comparison to the general residential land, farm rates in most cases will attract a tax deduction, whereas in most cases residential land rates will not.

Council believes a case can be made for a lower differential rate for **Rural - Farming**, and that a reasonable level at which to set the **Rural - Farming** rate is 0.75 of the general rate (Residential Occupied) in support of the above points.

With respect to **Rural – Non Farming** council proposes that this category of land should be subject to the general rate, that is, the same rate as Residential Occupied, and should therefore have a differential of 1.0.

**Rating Strategy**

That the **Rural – Farming** differential remain at 0.75, and the **Rural – Non Farming** differential remain at 1.00.

### 6.4 **RURAL LIVING LAND**

Rural living land applies to those areas where there is already substantial development of rural areas with dwellings and where the rural character of the area is to be maintained. Council’s Municipal Strategic Statement describes the demand for the rural residential lifestyle and the aim of confining this type of development to specific areas, where there is good access to services, and are outside areas of environmental and landscape significance.

While some of these properties may act as a buffer between agricultural lands and more intensive residential development, they have developed as a result of the fragmentation of rural land and include “hobby farms”. Council considers that most rural residential properties make generally similar claims on council expenditures to residential properties, by virtue of their main purpose and location.
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Council believes that controls via the planning scheme are sufficient to achieve its aims with respect to this land and therefore this category of land should be subject to the same rates in the dollar as residential land, either vacant or occupied as appropriate.

There is presently no separate rating category for rural living land. The properties are currently treated as either Residential Occupied land, or Residential Vacant land, and are subject to the differentials pertaining to those categories accordingly.

6.5 COMMERCIAL OCCUPIED LAND AND INDUSTRIAL OCCUPIED LAND

Wodonga includes a significant number of low valued commercial and industrial properties that reflects its small to medium sized businesses character. In addition, there a number of significantly high valued commercial and industrial properties making for a disparate valuation base.

The definition used for distinguishing these properties is that they are rateable land and that they are used predominantly for the purposes of income generation through the carrying on of a business, commercial or industrial activity that is not farming.

Council continues to make significant investment in economic development including industrial estate development, tourism, retail and general support provided for the business community.

The cost of servicing the major industrial and commercial businesses is arguably higher due to maintenance of road infrastructure (heavy trucks), increased frequency of street sweeping, street garbage collection, and so on.

Council argues that there is a greater capacity to pay of business generally when compared with general residential properties. It is argued that the improved land asset itself is income producing, whereas residential land generally is not (rental properties excepted). Rates are generally tax deductible for business, but not for residential (again rental properties excepted).

Understandably Council in the past has sought to attract investment to Wodonga through minimising rates payable within this category.

It could be argued that rates represent a small component of businesses’ annual costs, and rates incentives therefore have limited effect in changing investment decisions between cities.

For the above reasons Council sets a differential rate for Commercial Occupied and Industrial Occupied land at a higher rate than the general rate, and that differential should be set at 1.40 when compared with the general rate.

Rating Strategy

That the differential rate for Commercial Occupied and Industrial Occupied land be set at 1.40 when compared with the general rate of 1.0

6.6 VACANT LAND (RESIDENTIAL, COMMERCIAL AND INDUSTRIAL)

Wodonga currently has 952 vacant properties across the residential, commercial and industrial categories. The predominant category is residential with 875 assessments.

Council holds the view that the vacant land differential should be higher than the general rate to encourage the development of land and ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council.

The encouragement of development is strategically important as it has a positive effect on local employment and income, whilst speculative behaviour should be discouraged.
Council believes a higher differential rate also assists to partly offset the costs of servicing new land, including major infrastructure studies and implementation of interconnecting infrastructure between subdivisions. The more difficult task however is determining an appropriate differential to the general rate.

Council believes that the vacant land differentially should be set at a higher rate for the reasons noted above, and that rate be set at 2.0 when compared to the general rate of 1.0.

Rating Strategy
That the differential rate for vacant land remain set at 2.0 when compared to the general rate of 1.0.

6.7 DEVELOPMENT USE LAND

Whilst Council holds the view with regard to vacant land that a higher differential is justified to encourage the development of land (that is, the construction of buildings) for the reasons noted above, Council has also historically held the view that vacant land which has been acquired for the purpose of development should be treated differently.

Council believes that land developers inherently have a financial imperative to develop and sell land as quickly as possible. However, the deliberation of the reference group found that there has been a trend downwards in available vacant lots due to growth in population of the municipality and that an increase in the differential rate may create an added incentive to develop this land quickly.

The group considered it fair and equitable that Development Use Land be treated equivalent to vacant land, that is rated at 2.0. However, there was consensus that the shift to a differential of 2.0 should be transitioned over two years in a stepped approach, rather than as a one-off increase. This is in line with Section 161(2)(iii) of the Local Government Act 1989, which requires relief to ease the transition where there is a change in the objectives of the differential rates.

On this basis Council has determined to increase the differential from 1.0 to 1.5 in the 2019-2020 rating period and from 1.5 to 2.0 in the 2020-2021 rating period.

Rating Strategy
That the Development Use Land differential be set at 1.5 for the 2019-2020 rating period and 2.0 in the 2020-2021 rating period and beyond.

6.8 SOCIAL CLUBS/SOCIETY LAND

There are currently 3 assessments within the Social Clubs/ Societies category. Council believes that while no strong rationale exists for Social Clubs/Society Land to be assigned a differential that is higher, or lower, than the general rate (Residential Occupied land), given the traditional 0.93 rate that has applied to this category, Council has determined that it remain unchanged. It therefore proposes that Social Clubs/Societies differential be set at 0.93 of the general rate differential.

Rating Strategy
That the Social Clubs/Society Land differential be set at 0.93 times the general rate differential

6.9 CULTURAL AND RECREATIONAL LAND

The provision of rate relief to recreational land is provided by the Cultural and Recreational Lands Act 1963. The Act effectively provides for properties used for outdoor activities to be differentially rated
unless it involves land that is being leased from a private landowner. The discretion to provide a cultural and recreational land rate rests with Council.

Eligible land is described in section 2 (a) as follows:-

(i) lands which are vested in or occupied by any body corporate or incorporate which exists for the purpose of providing or promoting cultural or sporting recreational or similar facilities or objectives and which applies its profits in promoting its objects and prohibits the payment of any dividend or amount to its members; and

(ii) used for outdoor sporting recreational or cultural purposes or similar outdoor activities.

The Act goes on to cite examples such as showgrounds, Flemington racecourse, and the MCG.

Council has determined not to levy rates on properties that are used exclusively for the purposes of recreation for the community of Wodonga due to the benefit to the community derived from such recreational lands.

There are currently 14 assessments that are granted non-rateability under the C & R Lands Act being a mixture of properties in the categories of racecourse, sports clubs reserves and buildings that don't have gaming machines, kart club, yacht club, swimming club, golf club, tennis clubs, bowling club, band hall, angling club, show society and pistol club.

In the cases where properties include clubrooms that contain gaming machines these are treated as a commercial enterprise and are rated accordingly.

Council believes that the current 14 sporting bodies in this category should be treated as non-rateable under the Cultural & Recreational Lands Act 1963 for the reasons stated above.

Rating Strategy

That the current 14 sporting bodies on cultural and recreational land be treated as non-rateable under the Cultural & Recreational Lands Act 1963.

6.10 NON-RATEABLE PROPERTIES

Section 154 of the Local Government Act 1989 provides for properties where the use is charitable, to be non-rateable. Charitable uses include those providing health services, education, religion, and services to vulnerable persons.

This section of the act also provides for Council, Crown, Ministerial or other public statutory body land to be non-rateable.

There also are a number of organisations, which provide service to disadvantaged people on a voluntary and not-for-profit basis.

Council recognises that the organisations providing these services are providing a valuable community service, which in part also supplements Council's own activities in this area. It is considered appropriate that Council grants these properties non-rateability in respect of these properties, to the organisation which provides the service to the community. This will assist the organisation in its activities.

In order to be considered a charitable organisation, and granted non-rateability status, Wodonga Council determines each case on its merits and requests the following information in making its determination:

1. Evidence of “Deductible Gifts Recipient” (DGR) status;
2. A copy of their Constitution, Association Articles and Objects;
3. What, if any taxes do they pay and what, if any taxes are they exempt from;
4. What services they provide;
5. Where do they obtain their revenue to provide their services;
6. Who are their clients;
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<td>7. Copies of their annual reports including financial statements for the past two financial years; and,</td>
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<td>8. Confirmation that no dividend is paid to any member, Director, or any other person</td>
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7 OTHER RATES AND CHARGES

7.1 SERVICE RATES AND CHARGES

Collection and disposal of refuse

The council is empowered under section 162(1)(b) of the Local Government Act 1989 to levy a service charge for the collection and disposal of refuse. Council currently applies two compulsory service charges that operate as a charge per assessment:

- residential occupied kerbside collections for garbage, recycling and food organics/green organics (FOGO), and
- waste management.

Optional service charges apply to any variations from the standard kerbside service, such as for additional bins and/or larger than standard bin sizes. In addition, both the compulsory and optional services being provided are regularly reviewed and updated, to meet the ever-changing needs and expectations of the community.

The waste management levy is a charge levied to all occupied properties to cover the costs of waste management, which includes street litter and sweeping, transfer station administration, tip rehabilitation (to comply with Environment Protection Agency directions) and other general waste management functions for the city.

In previous iterations of the rating strategy, revenue collected resulted in a net surplus for Council in relation to waste management, with the surplus used for other environmental issues such as management of Wodonga’s environmental lands, parks and gardens’ activities, environmental sustainability based programs and activities, and some other programs.

Wodonga Council has determined to no longer make any surplus from refuse related charges, setting the annual charge to recover the estimated costs incurred in managing refuse at council. The Local Government Bill 2018 also provides for the proposed service charges to not exceed the estimated costs of the relevant service.

Rating Strategy

That service charges be adjusted annually to reflect the estimated cost of providing waste management services to the community.

Other service rates and charges

Section 162(1)(a) and (c) of the Local Government Act 1989 also allows a Council to declare a service rate or annual charge for the provision of a water supply and sewage services respectively. Council does not provide either of these services and therefore there are no service charges for them.

The equivalent section in the Local Government Bill 2018 is section 106(1). The services listed in the bill are (a) for the collection and disposal of refuse, and (b) drainage.

If the Bill is reintroduced to Parliament and adopted, Council will have the power to, and should explore the potential to, introduce a drainage service charge. The cost for maintaining stormwater drainage assets throughout the city is currently funded from rates. If a drainage charge is introduced under the new act in the future, a one-off revenue / cost neutral shift from rates to a drainage charge should occur.

Rating Strategy

That Council consider the adoption of a drainage service charge, should the Local Government Bill 2018 be reintroduced and passed by Parliament, via a revenue / cost neutral shift from rates.
7.2 Special Rates and Charges

Council has the power to levy a special rate or special charge, or combination of special rate and charge, to fund service provision. A special rate or charge can be used if Council deems that a special benefit is received by those properties on which it is levied. The Council need not necessarily use property value as the basis for levying a special rate or charge.

Special rates and charges have been used by Council to fund things like the construction of infrastructure (street schemes) or to fund marketing, promotional and economic development initiatives that assist local traders.

Special rates and charges are specifically designed to address the benefit principle. They are very targeted rating instruments in the sense that they focus on ratepayers that receive an exclusive or additional benefit to other ratepayers from particular council expenditures. Certain council expenses and the beneficiaries of those expenses are required to be identified clearly and the directness of the benefit needs to be demonstrable.

The fundamental difference in using differential rates or special rates and charges in addressing the benefit principle is magnitude. A special rate or charge is generally applied to a single or narrow group of expenditures. Generally the areas chosen for their use can be seen clearly to benefit some ratepayers. For example, the primary benefit from the collection of a special rate or charge from traders within a shopping precinct to spend on marketing is to the income of those traders. By comparison the sweeping of streets in that precinct, while making the area a nicer one in which to shop, has some broader public health benefits for residents who live nearby and the population in general. In the latter case it would be much more difficult to determine which properties have a benefit which is (more) special. While there has been a tendency for these special rate and charges schemes to be used for capital expenses, there has been an increasing trend of using them for recurrent things.

Councils may have several special rates and charges schemes in place at any one time.

The proliferation of these schemes is not a practical option, particularly given the impact on efficiency – each scheme having to be justified, advertised and managed. The consideration of such schemes needs to be considered on a case by case basis as to whether revenue collection issues would be better addressed by general rates or user charges.

No special rate or charges are currently operating at Wodonga. The reference group determined that future special rates or charges should be considered on a case-by-case basis as part of the annual budget process.

Rating Strategy

That special rates and charges are considered on a case-by-case basis as part of the annual budget cycle.

7.3 Deferred Payments & Waivers

Under the LGA, Council, may defer payment or waive part or all of any rate or charge on the grounds of hardship. Council will consider any legitimate submission for rate relief in cases of severe hardship in accordance with Council’s Rates and Charges Hardship Directive.
8 REBATES

8.1 PENSIONER REBATE

A ratepayer who holds a Pensioner Card or a Veteran Affairs Gold Card is eligible to receive a rate rebate from the Department of Health and Human Services (in 2018-2019 $229.40 plus a $50 rebate for the State Government Fire Services Levy).

At the time of developing the rating strategy there were 3,021 ratepayers claiming the above rebates.

8.2 8 STAR ENERGY RATING REBATE

A recommendation of the 2018 rating strategy review was for Council to introduce a one-off rate rebate for properties that have been 8 star energy rated (or higher) under the Nationwide House Energy Rating Scheme (NatHERS). This initiative aligns with Council’s recently drafted Environmentally Sustainable Design strategy and aims to encourage positive environmental practices in the community.

The rebate will apply to a new build or a complete renovation, which would bring the entire property up to a minimum 8 star NatHERS energy rating.

The rebate will be 100% of the annualised (twelve months equivalent) rates, calculated from the date of issue for the certificate of occupancy on the property, and applied as a credit against the supplementary rates notice and annual rates notice (if required).

9 OTHER ISSUES

9.1 FUTURE REVIEWS OF THIS DOCUMENT

Council proposes that a comprehensive review of its rating strategy, with community input, occur at regular intervals of every four years.

The timing of this would be in the mid-term of the prevailing Council. It is therefore proposed that the next review will be conducted in 2022-2023.

In the interim years the rating strategy will be reviewed and considered by Council as part of its annual budget process.

10 DEFINITIONS AND ABBREVIATIONS

EBA  Enterprise Bargaining Agreements.
Council  Generally refers to Wodonga City Council.
CPI  Consumer Price Index.
VCAT  Victorian and Civil Administrative Tribunal
Ad Valorem  A tax, duty or fee that varies according to value of products, service or property upon which it is levied.

11 OBJECTIVES OF EACH DIFFERENTIAL RATE

In accordance with LGA section 161 the following describes the objectives, type, class, and reasons for each differential rate, along with other disclosure as required under the Act.
11.1 RESIDENTIAL VACANT LAND

Objective:
To encourage the development of land and ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the –

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services.

Types and Classes:
Rateable land having the relevant characteristics described in the Resolution of Council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant Planning Scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

Types of Buildings:
Nil.
11.2 RESIDENTIAL OCCUPIED LAND

Objective:
To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the -

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services.

Types and Classes:
Rateable land having the relevant characteristics described in the Resolution of Council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant Planning Scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

Types of Buildings:
All buildings which are now constructed on the land or which are constructed prior to the expiry of the 2018-2019 financial year.
11.3 Rural Land - Farming

Objective:
To encourage the development of land for farming purposes and ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the:

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services.

Types and Classes:
Rateable land having the relevant characteristics described in the Resolution of Council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant Planning Scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

Types of Buildings:
Where applicable, all buildings which are now constructed on the land or which are constructed prior to the expiry of the 2018-2019 financial year.
11.4 **COMMERCIAL VACANT LAND**

**Objective:**
To encourage the development of land for commercial purposes and ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the -

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services.

**Types and Classes:**
Rateable land having the relevant characteristics described in the Resolution of Council.

**Use and Level of Differential Rate:**
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

**Geographic Location:**
Wherever located within the municipal district.

**Use of Land:**
Any use permitted under the relevant Planning Scheme.

**Planning Scheme Zoning:**
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

**Types of Buildings:**
Nil.
11.5 COMMERCIAL OCCUPIED LAND

Objective:
To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the -

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services.

Types and Classes:
Rateable land having the relevant characteristics described in the Resolution of Council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant Planning Scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

Types of Buildings:
All buildings which are now constructed on the land or which are constructed prior to the expiry of the 2018-2019 financial year.
11.6 **INDUSTRIAL VACANT LAND**

**Objective:**
To encourage the development of land for industrial purposes and ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the -

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services.
4. Provision of economic development services.

**Types and Classes:**
Rateable land having the relevant characteristics described in the Resolution of Council.

**Use and Level of Differential Rate:**
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

**Geographic Location:**
Wherever located within the municipal district.

**Use of Land:**
Any use permitted under the relevant Planning Scheme.

**Planning Scheme Zoning:**
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

**Types of Buildings:**
Nil.
11.7 INDUSTRIAL OCCUPIED LAND

Objective:
To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the -

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services.

Types and Classes:
Rateable land having the relevant characteristics described in the Resolution of Council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant Planning Scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

Types of Buildings:
All buildings which are now constructed on the land or which are constructed prior to the expiry of the 2018-2019 financial year.
11.8 RURAL LAND – NON FARMING

Objective:
To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the -

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services.

Types and Classes:
Rateable land having the relevant characteristics described in the Resolution of Council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant Planning Scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

Types of Buildings:
Nil.
11.9 SOCIAL CLUBS/SOCIETY LAND

Objective:
To ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the:

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services.

Types and Classes:
Rateable land having the relevant characteristics described in the Resolution of Council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant Planning Scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

Types of Buildings:
Where applicable, all buildings which are now constructed on the land or which are constructed prior to the expiry of the 2018-2019 financial year.
11.10 DEVELOPMENT USE LAND

Objective:
To encourage the development of land and ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council, including the -

1. Construction and maintenance of public infrastructure; and
2. Development and provision of health and community services; and
3. Provision of general support services.

Types and Classes:
Rateable land having the relevant characteristics described in the Resolution of Council.

Use and Level of Differential Rate:
The differential rate will be used to fund some of those items of expenditure described in the Budget adopted by Council. The level of the differential rate is the level which Council considers is necessary to achieve the objectives specified above.

Geographic Location:
Wherever located within the municipal district.

Use of Land:
Any use permitted under the relevant Planning Scheme.

Planning Scheme Zoning:
The zoning applicable to each rateable land within this category, as determined by consulting maps referred to in the relevant Planning Scheme.

Types of Buildings:
Nil
12 APPENDICES

12.1 RATES DATA PER 2018-2019 BUDGET

The current rate relativities and share of rate revenues, number of assessments and total value of land (CIV) is summarised in Table 1.

Table 1: Rates Data per 2018-2019 Budget

<table>
<thead>
<tr>
<th>Type of Property</th>
<th>Differential Compared with Residential Property</th>
<th>Cents in the $CIV</th>
<th>Number of Assessments</th>
<th>Total value of Land (CIV)</th>
<th>Rates Raised $</th>
<th>Rates raised Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Occupied</td>
<td>1.00</td>
<td>0.556</td>
<td>16,669</td>
<td>4,827,001,000</td>
<td>26,838,126</td>
<td>71.34%</td>
</tr>
<tr>
<td>Residential Vacant</td>
<td>2.00</td>
<td>1.113</td>
<td>875</td>
<td>111,242,000</td>
<td>1,238,123</td>
<td>3.29%</td>
</tr>
<tr>
<td>Commercial Occupied</td>
<td>1.40</td>
<td>0.779</td>
<td>700</td>
<td>502,651,000</td>
<td>3,915,651</td>
<td>10.41%</td>
</tr>
<tr>
<td>Commercial Vacant</td>
<td>2.00</td>
<td>1.113</td>
<td>13</td>
<td>6,258,000</td>
<td>69,652</td>
<td>0.19%</td>
</tr>
<tr>
<td>Industrial Occupied</td>
<td>1.40</td>
<td>0.779</td>
<td>596</td>
<td>467,865,000</td>
<td>3,644,668</td>
<td>9.69%</td>
</tr>
<tr>
<td>Industrial Vacant</td>
<td>2.00</td>
<td>1.113</td>
<td>64</td>
<td>22,872,000</td>
<td>254,565</td>
<td>0.68%</td>
</tr>
<tr>
<td>Rural Farming</td>
<td>0.75</td>
<td>0.417</td>
<td>273</td>
<td>208,296,000</td>
<td>868,594</td>
<td>2.31%</td>
</tr>
<tr>
<td>Rural Non-farming</td>
<td>1.00</td>
<td>0.556</td>
<td>119</td>
<td>74,510,000</td>
<td>414,276</td>
<td>1.10%</td>
</tr>
<tr>
<td>Social Clubs/Society</td>
<td>0.93</td>
<td>0.517</td>
<td>3</td>
<td>1,174,000</td>
<td>6,070</td>
<td>0.02%</td>
</tr>
<tr>
<td>Development use land</td>
<td>1.00</td>
<td>0.556</td>
<td>50</td>
<td>66,545,000</td>
<td>369,990</td>
<td>0.98%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>37,619,715</td>
<td>100%</td>
</tr>
</tbody>
</table>

Currently no special rates or charges are operating at Wodonga City Council.
Table of Contents

1. Background .................................................................................................................. 2
2. Introduction .................................................................................................................... 2
3. Objectives ....................................................................................................................... 2
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1. **Background**

Wodonga Council has created, pursuant to s139 of the *Local Government Act 1989* (the Act), an Audit Committee of council.

Section 139 of the Act states:

*Audit Committee*

(1) *A Council must establish an Audit Committee.*

(2) *An Audit Committee is an advisory committee.*

(3) *An Audit Committee must be constituted in the prescribed manner.*

(4) *An Audit Committee has the functions and responsibilities prescribed for the purposes of this section.*

(5) *The Minister may make guidelines for the purposes of this section.*

(6) *Guidelines made under subsection (5) must be published in the Government Gazette.*

(7) *A council may pay a fee to a member of an Audit Committee who is not a Councillor or member of the council staff.*

2. **Introduction**

The Audit Committee is an independent advisory committee to the council. The primary objective of the Audit Committee is to assist the council in the effective conduct of its responsibilities for financial reporting, management of risk, maintaining a reliable system of internal controls and facilitating the organisation’s ethical development.

The Audit Committee is established to assist the co-ordination of relevant activities of management, the internal audit function and the external auditor to facilitate achieving overall organisational objectives in an efficient and effective manner.

3. **Objectives**

As part of the council’s governance obligations to its community, the council has constituted an Audit Committee to facilitate:

- The enhancement of the credibility and objectivity of internal and external financial reporting;
- Effective management of financial and other risks and the protection of the council assets;
- Compliance with laws and regulations as well as use of best practice guidelines;
- The effectiveness of the internal audit function; and,
• The provision of an effective means of communication between the external auditor, internal audit, management and the council.

4. General

(a) The Audit Committee is a formally appointed advisory committee of the council and is responsible to that body. The Audit Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility.

(b) The Audit Committee does not have any management functions and is therefore independent of management.

(c) The committee’s role is to report to the council and provide appropriate advice and recommendations on matters relevant to its charter in order to facilitate decision making by the council in relation to the discharge of its responsibilities.

5. Membership

(a) The Audit Committee will comprise a minimum of four members – one councillor, and three external independent members, with the chairperson having a casting vote. All members shall have full voting rights.

(b) The Mayor of the Wodonga Council will be an ex-officio member of the Audit Committee.

(c) External independent persons will have senior business or financial management/reporting knowledge and experience, and be conversant with the financial and other reporting requirements. The evaluation of potential members will be undertaken by the Mayor and Chief Executive Officer taking account of the experience of candidates and their likely ability to apply appropriate analytical and strategic management skills, and a recommendation for appointment put to the council.

(d) Appointments of external persons shall be made by the council by way of a public advertisement and be for a maximum term of three years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to the council’s elected representatives.

(e) If the council proposes to remove a member of the committee, it must give written notice to the member of its intention to do so and provide that member with the opportunity to be heard at a council meeting which is open to the public, if that member so requests.

(f) In addition, the council may remove a member of the committee if he/she fails to attend three (3) consecutive meetings without leave of the committee by resolution duly passed, or on the recommendation of the committee.

(g) Remuneration will be paid to each independent member of the committee at a rate determined by the council.
(h) The chairperson shall be appointed from the external members of the committee by the Audit Committee subject to the council’s approval. In the absence of the appointed chairperson from a meeting, the meeting will appoint an acting chairperson from the external members present.

(i) Members are expected to:

i. Contribute the time needed to study and understand the papers provided;

ii. Apply good analytical skills, objectivity and good judgment; and,

iii. Express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

(j) New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities.

(k) The Director Business Services and internal auditor should attend all meetings, except when the committee chooses to meet in camera. Other members of the council or council staff may be invited to attend at the discretion of the committee to advise and provide information when required.

(l) Representatives of the external auditor should be invited to attend at the discretion of the committee but must attend meetings considering the draft annual financial report and results of the external audit.

(m) The council shall provide secretarial and administrative support to the committee.

(n) All independent members of the Audit Committee shall sign a confidentiality agreement as shown in appendix A.

(o) All persons nominated to serve on the Audit Committee must, within 30 days of becoming a member of the Audit Committee, submit a register of interests primary return to the Chief Executive Officer. Thereafter, all members of the Audit Committee must, within 40 days of 30 June and 31st December each year, submit a register of interests ordinary return.

If a member of the Audit Committee has a conflict of interest in any matter in which the Audit Committee is concerned, the member must disclose the nature of that interest at the meeting at which the matter is discussed.

6. Authority

The Audit Committee, through the Chief Executive Officer and following authorisation from the council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.

7. Meetings

(a) The committee shall meet at least quarterly.

(b) A schedule of meetings will be developed and agreed to by the members. As an indicative guide, meetings would be arranged to coincide with relevant council reporting deadlines.
(c) Additional meetings shall be convened at the discretion of the chairperson or at the written request of any member of the committee, internal or external auditor.

(d) A quorum shall be three members.

8. Reporting

(a) The Audit Committee shall after every meeting forward the minutes of that meeting to the next ordinary meeting of the council, including a report explaining any specific recommendations and key outcomes.

(b) The committee shall report annually to the council summarising the activities of the committee during the previous financial year.

9. Duties and responsibilities

The following are the duties and responsibilities of the Audit Committee in pursuing its charter:

Financial reporting

(a) Review the council’s draft annual financial report, focusing on:
   i. Accounting policies and practices;
   ii. Changes to accounting policies and practices;
   iii. The process used in making significant accounting estimates;
   iv. Significant adjustments to the financial report (if any) arising from the audit process;
   v. Compliance with accounting standards and other reporting requirements; and,
   vi. Significant variances from prior years.

(b) Recommend adoption of the annual financial report to the council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.

Performance reporting

(a) Review the annual performance statement and recommend its adoption to the council.

(b) Review the council processes in place for the preparation of the annual performance statement and the inclusion of the statement in the annual report.

Risk management

(a) Monitor the risk exposure of the council by determining if management has appropriate risk management processes and adequate management information systems.

(b) Recommend to the council for approval the general risk management policies for the management of credit risk, interest rate risk, liquidity risk, and capital risk.
(c) Review the process of developing and implementing the council fraud control arrangements and that the council has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks.

(d) Review reports on fraud from management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in the council.

Internal control

(a) Review the scope of the internal audit plan and program and the effectiveness of the function. This review should consider whether, over a period of years, the internal audit plan systematically addresses:

i. Internal controls over significant areas of risk, including non-financial management control systems;
ii. Internal controls over revenue, expenditure, assets and liability processes;
iii. The efficiency, effectiveness and economy of significant council programs; and,
iv. Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.

(b) Recommend to the council an internal audit program for the financial year understanding the budget allocated towards internal audits by the council. The council shall approve the internal audit program.

(c) Undertake special internal audit assignments undertaken by internal audit at the request of the council or the Chief Executive Officer.

(d) Periodically review the performance of the internal audit.

(e) Provide advice to the council on the appointment of the internal auditor.

(f) Review reports of internal audit and the extent to which the council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.

(g) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.

(h) Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the committee’s terms of reference. Review management’s response to, and actions taken as a result of the issues raised.

(i) Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.

(j) Monitor and review the control framework by determining whether systems of management are adequate with regard to:

i. An effective internal control framework;
ii. Relevant policies and procedures are in place, and that these are periodically reviewed and updated;

iii. Processes are in place to assess whether policies and procedures are complied with;

iv. The management and exercise of delegations;

v. How management identifies any required changes to the design or implementation of internal controls; and,

vi. Embedding a culture which is committed to ethical and lawful behaviour.

(k) Review the effectiveness of the system for monitoring the council’s compliance with relevant laws, regulations and associated government policies.

(l) Monitor the effectiveness and efficiency of the information and communications technology to ensure it meets the compliance needs of internal and external audit and the council governance.

(m) Discuss with the external auditor the scope of the audit and the planning of the audit.

(n) Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.

(o) Review guidelines for the management of the council’s treasury operations and monitor the activities of the Business Services group.

(p) Review and recommend exposure management strategy within which the treasury management activities may be undertaken and review performance through monthly reporting processes.

Other functions

(a) Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, who may or may not approve the special project or investigation given consideration to the subject’s relative importance and budget required to complete the task. Oversee any subsequent investigation, including overseeing of the investigation of any suspected cases of fraud within the organisation.

(b) Address issues brought to the attention of the committee, including responding to requests from the council or the Chief Executive Officer for advice that are within the parameters of the committee’s terms of reference.

10. Assessment and Review

(a) The Chair of the committee, in consultation with the Mayor, will initiate a review of the performance of the committee annually. The review will be conducted on a self-assessment basis (unless otherwise determined by the council) with appropriate input sought from the council, the Chief Executive Officer, the internal and external auditors, management and any other relevant stakeholders, as determined by the council.
(b) At least once every three years the committee will review this charter.

(c) Any substantive changes to the charter will be recommended by the committee and formally submitted to the council for its consideration.
Appendix A

Audit Committee
Confidentiality Agreement

This agreement is made the day of 20__

between

and

I herewith agree that I must not, whether during or after my membership of the Wodonga City Council Internal Audit Committee, unless expressly authorised by the Chief Executive Officer or in accordance with law make any disclosure or use of:

(i) any information or trade secrets of the council;

(ii) the position of the council or of any councillor or council officer on any confidential matter; or

(iii) any other information whatsoever, the disclosure of which may be detrimental to the interest of the council or of any other person who has provided it to the council on a confidential basis, unless I am required to disclose the information by law. I must use my best endeavours to prevent the improper publication or disclosure or use of any such information by anyone else.

The termination or expiry of my membership of the committee, for whatever reason, does not affect or derogate from my obligations of confidentiality set out above.

Signed by:

........................................

Audit Committee Member

Signed for and on behalf of Wodonga City Council:

........................................

Chief Executive Officer
Wodonga City

Waste Collection

Provision of kerbside waste collection service to the community including garbage and recyclables
Kerbside bin collection requests per 1,000 households

Number of kerbside bin collection requests received by council per 1,000 kerbside bin collection households

<table>
<thead>
<tr>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>143.19</td>
<td>120.35</td>
<td>99.66</td>
</tr>
</tbody>
</table>

Performance Trend

Wodonga City Council Says...

Results in 2017-18 now include requests sent directly to the contractor from the public.
Kerbside collection bins missed per 10,000 households

Number of kerbside collection bins missed per 10,000 scheduled kerbside collection bin lifts

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.70</td>
<td>5.54</td>
<td>5.05</td>
</tr>
</tbody>
</table>

Performance Trend

Wodonga City Council Says...

Results in 2017-18 now include requests sent directly to the contractor from the public.
Cost of kerbside garbage bin collection service per bin

Direct cost to council of the kerbside garbage bin collection service per kerbside garbage collection bin

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>$57.97</td>
<td>$97.21</td>
<td>$102.52</td>
</tr>
</tbody>
</table>

Performance Trend

Wodonga City Council Says...
Cost of kerbside recyclables collection service per bin

Direct cost to council of the kerbside recyclables collection service per kerbside recyclables collection bin

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td>$28.98</td>
<td>$36.06</td>
<td>$42.45</td>
</tr>
</tbody>
</table>

Performance Trend

Wodonga City Council Says...

2017-18 saw an increase in recycling bins issued. This has contributed to the increased costs.
### Kerbside collection waste diverted from landfill

Percentage of garbage, recyclables and green organics collected from kerbside bins that is diverted from landfill

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>71.43%</td>
<td>47.71%</td>
<td>44.69%</td>
</tr>
</tbody>
</table>

#### Performance Trend

Graph showing the performance trend from 2014-2015 to 2017-2018 for Wodonga City Council.

**Wodonga City Council Says...**

- **Similar Council Average**
- **All Council Average**
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