



**13.1** **PROGRESS ON RATING STRATEGY AND WASTE STRATEGY REVIEWS**

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**1. PURPOSE**

- 1.1 For Council to note the progress of reviews of the Rating Strategy and the Don't Waste It! Waste Management Strategy and to endorse key topics for community engagement.

**2. EXECUTIVE SUMMARY**

- 2.1 Council's Rating Strategy is scheduled for a review every five years.
- 2.2 The last review performed in 2018 was a limited review due to significant sector reviews the Victorian Government was progressing at the time, which included the Local Government Act 2020 and Rating System review.
- 2.3 Since then, the new Local Government Act 2020 (the Act) was introduced, the Rating System review was finalised with minimum changes, the COVID-19 pandemic occurred with its significant social and economic impact to our community, a new Council was elected and a new Council Plan was developed.
- 2.4 Additionally, the National Waste Policy 2018 & Action Plan 2019 and Recycling Victoria: a new economy 2020, which requires new waste services such as organics (food and garden) and glass recycling to be introduced; and centralisation of the annual valuations responsibility to the Victorian Valuer General came into effect.
- 2.5 We also experienced property demographic shifts, with greater residential growth and higher valuation increases to the housing sector than other property types.
- 2.6 The purpose of this Rating Strategy review is to make transparent to the community the principles by which our \$135 million of rates (Budget 2021/22) are set, to appropriately consider the changing operational environment, and ensure we are compliant with statutory requirements.
- 2.7 The Rating Strategy informs how Council rates are distributed across the community. It does not impact on the total rates revenue that is raised each year, which is determined by the annual budget process within prescribed rate capping increases.
- 2.8 Recent workshops with Councillors have been insightful. Valuable feedback was received on the principles, objectives, new and pending issues, available rating instruments, and the approach and timing for meaningful engagement with our community.
- 2.9 Officers have reviewed the current rating principles and proposed to add an additional principle for managing the impacts of change on our community:



*That Council is committed to ensure the impact of change is identified, communicated and managed appropriately, including where necessary phasing in changes to reduce its impact.*

- 2.10 Officers have analysed the changing landscape of our community, particularly the growth in residential properties and the shifting of valuation from non-residential to residential properties since the last comprehensive review in 2015.
- 2.11 Under Council's existing Net Annual Value (NAV) rating system, Council is unable to effectively respond to issues relating to valuation shifts.
- 2.12 Officers recommend that a change to the Capital Improved Value (CIV) rating system with Differential Rating would make available the instruments for Council to address rate shift issues. It is a simpler mechanism based on property market value and as it is consistent with majority of councils who use the CIV structure, thereby will assist the community in understanding how rates work.
- 2.13 Officers highlight the distribution shift within the residential property class from the lower value properties (e.g. units) to the higher value properties (e.g. houses) due to valuation movements over time. This coupled with the rates shift from non-residential to residential has resulted in a disproportionate rates shift to some cohorts of residential properties.
- 2.14 A Fixed Charge – either a Waste Charge or a Municipal Charge – could be used to address this issue. Given the advantages of a Waste Charge, which can be set by any criteria determined by Council, is outside the rates cap and can fund new waste services, a Fixed Waste Charge is preferred over a Municipal Charge.
- 2.15 Over the past twelve-months Councillors were briefed on the changes in the waste and recycling sector including the new requirements outlined in the State Government's Recycling Victoria Policy. These briefings have focused on how Council's current waste management strategy, Don't Waste It!, will help to achieve these broader outcomes and where it does not. Officers have worked closely with Councillors to review and update the strategy which will be subject to public consultation in 2022 alongside Council's 2022/23 Budget.
- 2.16 As part of these briefings, officers presented to Council waste service options based on criteria including environmental outcomes, cost effectiveness and affordability, customer experience, strategic alignment and community expectation.
- 2.17 The development of the options and analysis has been informed by the significant work undertaken over the first four-years of the Don't Waste It! Strategy including the roll-out of a small kerbside FOGO collection service in Elwood, the communal food organics trials currently underway across the City, the glass collection trials in Garden City, the multi-unit development kerbside collection services currently underway in South Melbourne, and the ongoing communal glass collection service.
- 2.18 These trials have helped to inform the development of new waste services that are effective, practical and financially responsible in the context of the City of Port Phillip. As an inner-city, densely populated municipality, officers recommend that a hybrid kerbside and communal service model offers the best way to deliver on the sustainability objectives of Council and achieve compliance with the State Government's Policy settings.
- 2.19 Having received feedback from Councillors, Officers recommend engaging with the community on an 'Accelerated Transition Plan' which would see progression to a four-



service model across the municipality by 1 July 2023 (including a mix of kerbside Food and Garden Organics for selected properties, community food organics, and community glass collection). It is proposed to then move to an 'Enhanced Diversion Plan' within six to 12 months, where kerbside garbage collection will be transition from the current weekly collection to a fortnightly service alongside the increase in collection frequency of FOGO from fortnightly to weekly.

- 2.20 As part of the engagement process, input from the community is recommended to be sought on the key variables to the hybrid kerbside and communal collection model including which properties to be provided FOGO kerbside bin and those that are provided access to the communal services, the location of communal collection points for glass and organics and the appetite for the transition to a fortnightly garbage collection service including timing, and approach for different properties (i.e. access to kerbside or communal services).
- 2.21 Alongside the broader work to engage and finalise the new waste strategy, it is recommended that Council work with the residents on the 400 properties in Elwood that currently have a fortnightly kerbside FOGO service to trial the principles of the proposed enhanced diversion plan (i.e., the shift to fortnightly garbage and weekly FOGO collection). This would provide further data that can help inform the broader transition to this model across the City.
- 2.22 Officers modelled the projections on waste services including forecast waste costs above rates cap and additional new waste services. The cost provide waste services is primarily the driver for Council's forecast funding gap estimated at \$103 million over the next 10-year period.
- 2.23 Fundamentally, Council will need to introduce a Waste Charge to fund the new waste services or consider service reductions.
- 2.24 Officers examined the key Waste Charge considerations including what should be included in waste services charge, how much to recover in the Waste Charge (full cost recovery, partial or incremental cost), how will the Waste Charge be structured (fixed, variable, hybrid), who should be paying the Waste Charge.
- 2.25 Officers propose community engagement on a Fixed Waste Charge for the Private Benefits/Direct Services of Waste leading to approximately \$12 million being separated from General Rates, noting this amount will increase as new services are proposed for introduction including Food, Organic and Glass recycling with a mix of kerbside and communal services.
- 2.26 Further engagement is also proposed for special consideration on additional Waste Charges for non-rateable assessments and upsize to 240L waste bin and rebates for 80L waste bin, private collection properties, private residential carparks and storage areas.
- 2.27 Officers will report back to Councillors on engagement outcomes in March 2022. This will inform development of the draft Rating Strategy prior to public consultation alongside the Budget 2022/23 process.



### 3. RECOMMENDATION

That Council:

- 3.1 Notes the progress on the City of Port Phillip Rating Strategy review and the Don't Waste it! Waste Management Strategy review, including principles, issues, options, and community engagement approach and timing.
- 3.2 Endorses the additional principle for inclusion in the Rating Strategy: *Impacts of Change - That Council is committed to ensure the impact of change is identified, communicated and managed appropriately, including where necessary phasing in changes to reduce its impact.*
- 3.3 Notes that current rating strategy and rating structure do not provide Council with enough flexibility to:
  - 3.3.1 Effectively deal with issues associated with valuation shifts between property classes
  - 3.3.2 Effectively deal with changes in rates distribution within the residential property class
  - 3.3.3 Raise sufficient income to fund new waste services and above rates cap increase in waste costs.
- 3.4 Endorses community engagement on Rating Strategy Option Five, which consists of the following proposals:
  - 3.4.1 Shifting our rating system from Net Annual Value (NAV) to Capital Improved Value (CIV)
  - 3.4.2 Introducing Differential Rating
  - 3.4.3 Separating the cost of private benefits/direct waste services (Kerbside Bins Collection, Communal FOGO & Glass, Hard & Green Waste, and Resource Recovery Centre) from General Rates (approximately \$12 million) to a Fixed Waste Charge.
- 3.5 Endorses community engagement on other Waste Charge considerations, including charging for non-rateable assessments and waste bin upsize, rebates for smaller waste bins, rebates to properties with private bin collections, and rebates to residential carparks and storage areas.
- 3.6 Notes that officers are currently finalising a revised draft waste management strategy that is based on an Accelerated Transition Plan for waste services and that the funding of this strategy is a key issue influencing the Rating Strategy.
- 3.7 Endorses community engagement on the Accelerated Transition Plan for waste services including:
  - 3.7.1 Fortnightly collection of 120-litre FOGO bin to eligible Single Unit Developments commencing 1 January 2023.
  - 3.7.2 Fortnightly collection of FOGO bin (sized to be determined) to eligible Multi-Unit Developments commencing 1 July 2023.
  - 3.7.3 Expanded communal FOGO access for all other properties across the City commencing 1 July 2023.



- 3.7.4 The expansion of communal glass recycling across the entire City to commence 1 January 2023.
- 3.7.5 An intention to move to an Enhanced Diversion Plan within six to 12 months, with fortnightly garbage and weekly FOGO collection.
- 3.8 Endorses community input on other Waste Strategy considerations including:
  - 3.8.1 Which properties to be provided FOGO kerbside bin and those that are provided access to the communal service.
  - 3.8.2 The location of communal FOGO and Glass collection points.
  - 3.8.3 The appetite for the transition to a fortnightly garbage collection service including timing, and approach for different properties (i.e. access to kerbside or communal services).
- 3.9 Endorses working with the residents in the Elwood kerbside FOGO service area to pilot a move to fortnightly garbage collection and weekly FOGO collection as part of the foreshadowed Enhanced Diversion Plan for waste services.
- 3.10 Notes the community engagement outcomes analysis and report will be brought back to Council in March 2022 and will further inform the draft rating strategy to be endorsed for public consultation in April 2022 and the revised Waste Management Strategy.

#### 4. KEY POINTS/ISSUES

##### Rating Strategy Review

- 4.1 Victorian councils have been granted the power under the Local Government Act 2020 (the Act) to declare rates and charges on rateable land within their municipal boundaries. Councils use property values as the basis for calculating how much each property owner pays in rates.
- 4.2 Section 8(1) of the Act outlines that the role of Council is to provide good governance for the benefit and wellbeing of municipality. In seeking to do this, Council must 'ensure the equitable imposition of rates and charges'.
- 4.3 The Rating Strategy informs how Council rates are distributed in the community. It does not impact on the total rates revenue that is raised each year (\$135 million in Budget 2021/22), which is determined by the annual budget process within the confines of the rating capping legislation.
- 4.4 A limited range of options exist for Council to raise rates revenue. Council has developed this Rating Strategy to make transparent to the community the principles by which Council exercises these options to distribute the rates burden across the community fairly, to improve community understanding of our rating system, and to satisfy statutory requirements.
- 4.5 Our current Rating Strategy requires Council to review the Rating Strategy on a regular basis - at least every 5 years (essentially, a review to be performed for each new Council). Since the limited review in 2018 due to pending legislative reviews, there have been significant developments relevant to Council's Rating Strategy including:
  - The new Local Government Act 2020 came into force, which introduced new requirements relating to an Asset Plan, Revenue and Rating Plan, a 10-Year Financial Plan and other legislative requirements





- The responsibility of the Property Valuation function was centralised to the Victorian Valuer General, with valuations performed annually. Previously under the biennial valuation cycle, all assessments would see rate increases pegged to the rates cap increase in the non-valuation year.
  - The COVID-19 pandemic had negative impacts to our community both socially and economically. Council too, has been financially impacted with up to \$35 million of income loss over the last three financial years (including 2021/22 projections). This was noted as the main reason that the Minister for Local Government settled on minimal changes to the Rating Legislation following the Rating System Review.
  - A new Council was elected, and a new Council Plan with a significant focus on economic and social recovery from the pandemic was developed.
  - Significant waste sector changes were introduced, including the National Waste Policy 2018 & Action Plan and Recycling Victoria: a new economy 2020 policy. These changes resulted in higher Environmental Protection Authority Landfill Levy increases from \$65.90 to \$125.90 per tonne by 2022/23, and new food, garden and glass recycling services by 2027. This, along with other waste service cost increases, is likely to add approximately \$85 million of expenditure above the rates cap. This is problematic for our council, as we have not separated waste from general rates, which is capped to CPI.
  - Significant changes to our community profile; a greater growth in residential properties; and valuation shifts in specific property types have resulted in some disproportionate rates distribution shifts.
- 4.6 Given the significant changes that have occurred, this rating strategy review is considering how we can be more responsive to the changed environment. It is considering all the rating instruments available, including the rating system (NAV or CIV), differential rating, a fixed component of general rates (Municipal Charge) and a Waste Charge, as part of funding for new waste services and above rates cap cost increases.
- 4.7 Officers recommendations considered feedback received from Councillors over three workshop sessions to examine all relevant issues relating to our current rating strategy and waste strategy.
- 4.8 There are items that are out of scope in this review including:
- The amount of rates revenue, which is an annual budgetary consideration that takes into account the appropriate level of council services, service mix and external budgetary and environmental factors
  - Non-rating income such as fees and charges, developer contributions, asset sales and others, which should similarly be considered as part of the annual budget development or based on separate policies adopted by Council (such as the Property Policy)
  - Rateability of properties, which Council has no power to change within the Act
  - Updated Financial Hardship Policy, which includes rates hardship rebates, deferrals and late penalty interest charges, recently endorsed by Council and will be reviewed separately as part of the budget process.



- Special rates, as this charge is a targeted charge for a specific objective or purpose; any new special rates will need to be justified based on a business case to be endorsed by Council separately.

### **Rating Principles**

- 4.9 Officers recommend maintaining the current rating principles consistent with Council's previously endorsed position, and propose to add a new principle for managing the impacts of change:

*The City of Port Phillip is committed to ensure the impact of change is identified, communicated and managed appropriately, including where necessary phasing in changes to reduce its impact.*

### **Rating Mechanism/System and Differential Rating**

- 4.10 Current rating system have seen rates distribution shifts from non-residential (commercial, industrial properties) to residential properties by up to \$0.9 million since 2016/17 due to changes in property valuation. The valuation for financial year 2021/22 has seen commercial and industrial properties on average receive a rate decrease, whereas residential properties on average had a rate increase above the rates cap due to the valuation shift.
- 4.11 The only option to manage this shift is differential rating, which would require Council to move away from NAV to the CIV rating structure/system. Council can consider adjusting the differential rates as part of the annual budget process to ameliorate the impacts of valuation shift.
- 4.12 Under the NAV system, which is based on the greater of 5% of CIV or rent, non-residential properties generally contribute higher rates, as some assessments earn up to 18% of CIV. A straight shift from NAV to CIV would therefore result in a rates distribution shift from non-residential to residential properties by 3%. CIV with Differential Rating would be able to be applied to address the impact of change from NAV to CIV.
- 4.13 Consistent with guidance provided by the Victorian Government on Differential Rating, officers recommend that differential rating should be on broad classes such as residential, commercial or industrial, and should avoid narrowly defined asset classes.
- 4.14 Illustrative examples of setting differential rates were provided, including setting premiums at company tax rates for non-residential properties, as these properties can claim rates as a tax-deductible business expense or based on 2016/17 distribution percentage. Officers suggested that if Council moved to this system, the company tax rate be considered a ceiling and that perhaps in year one the goal should be to use differentials to maintain the status quo between residential and non-residential properties.
- 4.15 It should be highlighted that the differentials available under CIV would provide some additional instruments for pursuing other objectives, such as activation or pricing for behaviour to address long-term vacant properties. There will be some administrative costs. The effectiveness of its introduction by other councils was unclear.
- 4.16 Officers propose to engage with our community on this option to change from NAV to CIV with Differential Rating. This will make available the instruments for Council to address rate shift issues. It is a simpler mechanism based on property market value



and is consistent with most councils who use the CIV structure, thereby assisting our community in understanding how rates work.

#### **Fixed Component of Rates (Municipal Charge)**

- 4.17 There has been distribution shift within the residential property class from the lower value properties to the higher value properties, due to valuation movements over time including 2021/22.
- 4.18 A fixed charge either via a Waste Charge or a Municipal Charge would be required to address this. Officers noted that due to the impacts of such a change, caution should be given to the introduction of both a Municipal Charge and Fixed Waste Charge.
- 4.19 Officers have modelled various scenarios based on approaches taken by other councils to illustrate the impacts. Given the advantages of a Waste Charge that can be set by any criteria determined by Council, is outside the rates cap and can fund new waste services, a Fixed Waste Charge was preferred over a Municipal Charge.

#### **Waste Services Option**

- 4.20 Council is mandated by Victorian Government legislation and policy on waste services. Council's Don't Waste It! Waste Management Strategy, alongside the Waste Transition Plan informs how we will meet legislative requirements for new waste services including Food Organic Garden Organic (FOGO) and Glass Recycling and meet sustainability targets internally set.
- 4.21 Officers presented waste service options to Councillors as part of the strategy and transition plan review based on principles, including:
- Environmental Outcomes - the amount of material that is recycled, emissions reduction, and other impacts associated with the service
  - Cost effectiveness and affordability – return on investment and funding capacity whilst maintaining financial sustainability
  - Customer Experience – practicality and user-friendliness of the service
  - Strategic Alignment – alignment with both Council and Recycling Victoria objectives
  - Community Expectations – there is a strong community sentiment for additional services to be provided quickly.
- 4.22 Officers, based on Councillor feedback have developed a draft 'Accelerated Transition Plan'. This includes the following key elements:
- Weekly collection of the 120-litre garbage bin (default) service
  - Weekly collection of the 120-litre recycling bin (default) service
  - New Services – FOGO and Glass Recycling:
    - Fortnightly collection of 120-litre FOGO bin to eligible Single Unit Developments (SUDs), commencing 1 January 2023, with expanded communal organics services at the six sites across the City.
    - Fortnightly collection of FOGO bin (size to be determined) to eligible Multi-Unit Developments, commencing 1 July 2023, with expanded communal organics services for properties that are ineligible or unable to accommodate the additional kerbside bin.





- Communal glass recycling services to be rolled-out across the City providing access for all residents from 1 January 2023.
- 4.23 The service trials undertaken across the City over the last four-years have provided a strong evidence base to underpin this hybrid kerbside and communal service offering. It is clear from the trials that whilst the provision of additional services (particularly organics recycling) will help to increase the amount of material that is recycled and not sent to landfill, to be fully effective, it should be accompanied by a move to fortnightly garbage collection. This is a significant change, as such, it is recommended that the new services be rolled-out whilst maintaining the existing garbage collection frequency. Once the new services have stabilised, it is then proposed to move to fortnightly collection of garbage and increase the collection of kerbside FOGO services to weekly. It is intended to work with the Elwood FOGO service area to pilot this approach in early to mid 2022.
- 4.24 Officers propose further engagement with our community on:
- Which properties to be provided a FOGO kerbside bin, and which ones to be provided access to the communal service
  - Locations of communal FOGO and Glass collection points
  - Appetite for transition to a fortnightly garbage collection service, including timing, and approach for different properties (that is, access to kerbside or communal services)
- 4.25 There will be trade-offs between achieving increased diversion from landfill, cost and user experience. The engagement will provide inputs into understanding what the optimal service level may be.
- 4.26 Officers are currently finalising a new draft waste strategy that will be presented to Council in early 2022. The strategy will outline in more detail the proposed approach to implementing these new services, the evidence base that supports the hybrid-model in the City, and will establish new targets to help the City transition to the circular economy.
- 4.27 There will be additional costs associated with these new waste services. Current estimates modelled are approximately between \$1.8 million to \$2.3 million per annum (depending on the service options and subject to tendering process) plus initial capital outlays of approximately \$1.3 million.
- 4.28 These ongoing costs place further pressure on Council's finances, particularly as rates are capped to the Consumer Price Index (CPI).
- 4.29 The incremental cost of these services is estimated at approximately \$30 to \$40 per assessment per annum if this charge is applied to all assessments.

#### **Funding of Waste Services**

- 4.30 Officers provided an overview of Council's 10-Year Financial Plan, which has a \$92 million funding gap. This gap is primarily driven by the new waste services and cost escalations, including EPA landfill levies and service contracts.
- 4.31 It is expected that organisational efficiencies and Customer Experience Program benefits would be able to address \$72 million of the gap, leaving a \$20 million residual gap.



- 4.32 Officers have updated the 10-year Financial Outlook and currently expect the funding gap to increase by \$11 million to \$103 million updated with the Accelerated Transition Plan and inclusion of new capital expenditure and asset management works such as stormwater drain cleaning, electrical line clearance measures, South Melbourne Market renewal increase and Stage One of Elwood Foreshore enhancement (other stages to be considered and worked through with Council). Officers will consider other funding options through the budget development process.
- 4.33 Based on the analysis of funding levers available to fund waste services, Officers have discounted increasing other fees and charges, applying for an above rates cap and borrowing, which is a financing option.
- 4.34 Other funding levers are still available, including:
- Pursue external funding and new revenue streams, which officers are actively advocating for, and includes examining potential revenue from glass and FOGO.
  - Increased efficiency savings; while we have achieved a significant amount in the last council term, we have \$72 million already in the financial plan yet to be identified.
  - Reprioritisation of portfolio program and use of reserves; this is still in the funding mix; however, it can only accommodate one-off capital outlay, not ongoing service costs, which is the driver for waste services.
  - Service reductions; while this is an option, it is contentious and not all recommendations were endorsed over recent years.
- 4.35 A Waste Charge needs to be part of the funding mix. While not a panacea and still reliant on the above funding options, Officers will consider the delicate balance between community affordability and Council's financial sustainability in delivering new services with significant costs when recommending and setting the Waste Charge as part of the annual budget process.

### **Waste Charge Considerations**

- 4.36 Separating waste management costs from general rates would provide greater transparency on waste costs, enable Council greater flexibility to recover above rates cap waste cost increases for core services, and fund new waste services.
- 4.37 A Waste Charge could be declared by any criteria set by Council. Ideally, the first year would be revenue neutral, but the charge could increase for new services or demonstrated cost increases such as the EPA landfill levy.
- 4.38 Officers informed Councillors on the key Waste Charge considerations:

#### **What should be included in waste services?**

Following examination on modelled scenarios, the waste services that are considered to be private good and /or direct services including Kerbside Bins Collection, Communal FOGO & Glass, Hard & Green Waste, and Resource Recovery Centre are proposed to be included in the Waste Charge. This aligns to the principles that align with: user pays, simple to administer and communicate with our ratepayers.

#### **How much to recover in the Waste Charge (Full cost recovery, partial, or incremental cost)?**

Following examination on modelled scenarios, the proposed Waste Charge scenario to engage with our community on is the full cost of private good and/or direct waste



services. As an indication, the net cost of providing these services in Budget 2021/22 is \$12 million, which equates to approximately \$161 per annum if all assessments are applied (noting general rates income would be reduced by the matching \$12 million). This option takes into account that waste amenity that are community benefits are funded from General Rates.

#### **How will the Waste Charge be structured (Fixed, Variable, or Hybrid)?**

Following examination on scenarios modelled, Officers recommend a Fixed Waste Charge be proposed for community engagement. This applies the principle of user pays (fee for service), is simple to administer and provides transparency to our community.

#### **Who should be paying the Waste Charge?**

Officers recommend that all properties should contribute to the cost of waste. There are some pockets of the community that will require special consideration. We will look to test this with our community, including:

- **Annual Waste Charge for non-rateable assessments.**

We currently charge non-rateable assessments \$362 per annum in 2021/22 for the full cost of waste and waste amenity services, including community benefits such as street cleaning and litter bin collections.

It is proposed this will continue.

- **Annual charge to upsize to a 240-litre garbage bin.**

We currently charge \$201 per annum (150% of the standard cost for 120L bin).

The purpose is to: a) provide a service for larger families, b) recover the cost for additional waste, c) introduce a pricing mechanism to incentivise the take-up of the smaller bin size.

It is proposed that we continue to charge based on above objectives and where possible, set price to drive behaviour to recycle more and divert from landfill. Further analysis is to be undertaken as part of the service delivery model and in the budget development process.

- **Annual Rebate for 80-litre garbage bin.**

We currently provide a \$60 rebate to cater for low waste households and to provide a positive incentive to take up a smaller bin to reduce waste and increase recycling.

It is proposed we continue to apply this rebate.

- **Property with Private Bin Collection.**

Some developments approved by the State's planning authority do not meet Council design and service provision standards/requirements, such as narrow streets that are not accessible by Council's garbage trucks, thereby requiring a private collection service to be used. There are approximately 7,000 assessments that fall within this category. We do not currently offer a rebate.

In line with the user pays principle, it would be consistent that a partial rebate would be appropriate for Garbage and Recycling service, noting these properties will still be able to access communal glass and FOGO.



- **Private (residential) carparks and storage areas.**

There are approximately 3,800 separately rated private carparks and storage areas in our valuation system due to various reasons, including how they are packaged for sale as separate titles by developers or buyers taking up additional carparks/storage areas in multi-unit developments - noting no additional waste is generated from these assessments.

In line with the user pays principle, a rebate is appropriate, as these owners are not accessing Council services multiple times and therefore should not pay multiple Waste Charges.

### **Summary of preferred Rating Strategy and Waste Charge options**

4.39 Officers modelled and examined the following seven strategic rating options including funding of waste services. Details and analysis against principles are provided in attachment 1.

1. Status Quo (no change – keeping NAV and no waste).
2. Status Quo plus a Municipal Charge
3. Status Quo plus a Waste Charge
4. Change to CIV plus Differential Rating
5. Change to CIV plus Differential Rating, plus a Fixed Partial Waste Charge
6. Change to CIV plus Differential Rating, plus a Fixed Full Waste Charge
7. Change to CIV plus Differential Rating, plus a Hybrid (Fixed & Variable) Full Waste Charge

4.40 Officers, having considered feedback from Councillors, propose Option Five: Change to CIV plus Differential Rating, plus a Fixed Partial Waste Charge, for waste services that are considered as private benefits/direct services, for community engagement.

4.41 This option achieves the following objectives and principles:

- Makes available the essential instruments available to address issues including valuation shifts.
- Separates waste from general rates to fund new waste services (FOGO, Glass), noting an annual review of the delicate balance between affordability for our community and financial sustainability.
- Linkage between the new Waste Charge and the new waste services that the community wants is clear.
- It is a simpler model to implement.
- It is consistent with the majority of councils using this methodology, including surrounding councils such as Maribyrnong and Bayside.

## **5. CONSULTATION AND STAKEHOLDERS**

5.1 Officers have consulted with other departments in the organisation to capture all issues with rates.

5.2 All Councillors participated in a series of workshops and have provided valuable feedback, which has been incorporated in the review to date.



- 5.3 Officers have also kept a register of issues that relate to the rating strategy, raised through budget consultations, customer requests and questions from the public.
- 5.4 The principles outlined in the Rating Strategy are outlined annually in the preparation of the budget.
- 5.5 As part of the Rating Strategy, Council will commit to future Rating Strategy reviews at least every five years.
- 5.6 The draft revision to the Don't Waste It! Waste Management Strategy will be presented to Council in early 2022. At this point, community feedback and engagement on the strategy will be sought with a view to finalise the strategy following the adoption of the 2022/23 Council Budget.

## **6. LEGAL AND RISK IMPLICATIONS**

- 6.1 The Act provides a limited range of options for councils to develop rating systems, which have been considered in the Rating Strategy review.
- 6.2 The principles within the Rating Strategy are compliant with provisions for developing rates within the Act.

## **7. FINANCIAL IMPACT**

- 7.1 The Rating Strategy review does not impact on the total rates revenue that is raised each year, which is determined by the annual budget process and in accordance with the requirements of rate capping legislation.
- 7.2 This review considers the introduction of a Waste Charge that, if adopted, will result in additional Waste Charge income (approximately \$2.3 million per annum plus indexation) offset by matching additional costs of new waste services and above rates cap cost escalations. This will assist in making Council more financially sustainable.
- 7.3 Council rates collection processes have been developed to manage the financial risk of rates collection and defaults, while also implementing a compassionate approach to rate debt management.

## **8. ENVIRONMENTAL IMPACT**

- 8.1 The Rating Strategy review aims to address funding of new waste services to increase landfill diversion and recycling, which in turn contributes to reducing impacts to the environment.
- 8.2 The proposed approach to the roll-out of new waste services provides a basis upon which to reduce the environmental impact of waste generation in the City.

## **9. COMMUNITY IMPACT**

- 9.1 The Rating Strategy, together with other Council policy initiatives, must consider the possibility that rates may become unaffordable for particular groups in the community. In response to this, the Rating Strategy retains an emphasis on targeted support for financially disadvantaged members of our community.

## **10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY**

- 10.1 Consistent with the Council Plan strategic direction *Well-Governed Port Phillip*, Council is a financially sustainable, high performing, well-governed organisation that puts the community first. The cost of providing Council services is a key component of the value





equation. The Rating Strategy contains the principles by which these costs are borne by the community.

10.2 To support valued outcomes for the community, the Rating Strategy review:

- Aims to make transparent the key principles by which the rates burden is shared by the community and the legislative framework Council operates within
- Includes reference to the impacts that the rating principles have on the community
- Retains an emphasis on targeted support for the financially disadvantaged

10.3 This review aims to address the funding of new waste services to achieve sustainable outcomes for the community.

## 11. IMPLEMENTATION STRATEGY

### 11.1 TIMELINE

- The Rating Strategy will, in the ordinary course of events, be reviewed within five years.
- November 2021 - Officers launched an 'Expression of Interest' process in preparation for future engagement opportunities in early 2022
- February 2022- deliberative engagement program (Phase 1 engagement) to be delivered
- March 2022 - Council will receive a report on the outcomes of this phase of engagement
- April 2022 - the draft Rating Strategy will be presented for Council to consider releasing for wider public consultation (Phase 2 engagement) alongside the annual draft budget and any proposed changes to the Council Plan 2021-31
- May 2022 - Consultation on the draft Rating Strategy will close and engagement findings will be presented to Council
- Early June 2022 - Hearing of submissions at a Council meeting
- Mid-late June 2022 - The updated draft Rating Strategy, updated Council Plan 2021-31 (Year Two) and Budget 2022/23 presented to Council for adoption.

### 11.2 COMMUNICATION

- Following this update on the Rating Strategy review and Don't Waste It! Waste Management Strategy review, a communication plan will be implemented to ensure the general public is made aware of this important review and how they may be affected by it, and how they can be part of the engagement process.
- Officers encourage community input into this review through participation in the deliberative engagement program (Phase 1) in February 2022 or through the broader consultation process (Phase 2) in April 2022.

## 12. OFFICER DIRECT OR INDIRECT INTEREST

12.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

### ATTACHMENTS 1. Strategic Rating Options Analysis