

Murrindindi
Shire Council

Draft Rating Strategy

2015

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For Council Meeting – 28 January 2015

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Section 1 Executive Summary & Recommendations

The selection of rating philosophies and the choice between the limited rating options available under the *Local Government Act* (1989) is a challenge for all Councils to develop. It is most likely that a perfect approach that meets Council objectives, legislative requirements and the preferences of all ratepayers is almost impossible to achieve in any Local Government environment.

Four key platforms currently form the basis of the current approach to rating at Murrindindi Shire Council that is recommended for continuation. They are:

- a) That rates will continue to be based principally on an ad-valorem basis (i.e. based on the valuation of the various properties)
- b) That Council will continue to apply a service charge to fully recover the cost of the collection and disposal of garbage.
- c) That Council will continue to apply differential rating against various property classes that considers equity across the community.
- d) That Council will continue to apply a municipal charge to assist in the funding of the administrative costs of Council.

Prior to the development of this strategy, Council had four different classes of property within the Shire. This Rating Strategy recommends that a new property rating class, vacant land, is developed resulting in five different rate classes of properties.

The longer term view is to consider:

- The implementation of mandatory periodical payments of rates, rather than the current options of full payment in February or quarterly instalments.
- The continued review of rating differentials to ensure equity of rate distribution amongst ratepayers dependant on the type of property owned within the Shire.

This proposed strategy recommends that Council adopt the following:

Section	Strategy Recommendations
Valuation Methodology	That Murrindindi Shire Council continues to apply Capital Improved Valuation (CIV) and the valuation methodology to levy Council rates.
Uniform vs Differential Rates	That Murrindindi Shire Council continues to apply differential rating as its rating system.
What differential rates should be applied?	That Council continues to apply differential rates for: <ul style="list-style-type: none"> • General Residential properties, including flats and units. • Rural 1 properties at a rate of 75% of the general rate.

Section	Strategy Recommendations
	<p>That Council introduces differential rates for:</p> <ul style="list-style-type: none"> • Vacant land at a rate of 150% of the general rate. • Commercial / Industrial properties at a rate of 125% of the general rate.
Special Rates & Charges	<p>That Council use special rates and charges in instances that fit the following circumstances:</p> <ul style="list-style-type: none"> • Funding of narrowly defined capital projects (e.g. streetscape works, private road sealing) where special benefit can be shown to exist for a grouping of property owners; • Raising funds for a dedicated purpose where the use of CIV is not the most equitable method of calculating property owner contributions. (e.g. Unfunded Defined Benefit Superannuation Liability or Natural Disaster); or • Covering the cost of an expense relating to a specific group of ratepayers (e.g. licensed premises).
Impact of Council Revaluations	<p>That Council reviews the impacts of revaluations as they occur in accordance with the <i>Local Government Act</i>.</p>
Municipal Charge	<p>That Council continue to utilise a Municipal Charge as part of its Rating Strategy.</p>
Service Charges	<p>That Council continues to apply waste charges as part of its Rating Strategy based on the full cost recovery of the waste function.</p>

Section 2 What is a rating strategy?

The purpose of this strategy is to ensure Council considers rate revenue and how it can be most equitably distributed among the community.

What is a rating strategy?

A rating strategy is the method by which Council systematically considers 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, rather it determines the share of revenue contributed by each property. The rating system comprises the valuation base for each property and the actual rating instruments allowed under the *Local Government Act (1989)* to calculate property owners' liability for rates.

It is important to note from the outset that the focus of this strategy is very different from that which is discussed in the Annual Budget. In the annual Budget, the key concern is regarding the **quantum** of rates required to be raised for Council to deliver the services and capital expenditure required. In this Strategy, the focus instead is on how this quantum will be **equitably distributed** amongst Council's ratepayers.

In essence, a rating strategy is not designed to determine **how much** money Council will generate through rates, but **how** Council constructs its ratings framework in order to achieve its desired outcomes.

The importance of a rating strategy

Murrindindi Shire Council is budgeted to receive 54% of its total revenue (excluding non-discretionary capital grants and contributions) by way of property-based rates and waste levies for the 2014/15 financial year. The development of strategies in respect of the rating base is therefore of critical importance to both Council and the community.

The principles of good governance further require Council to provide ongoing or periodic monitoring and review of the impact of major decisions. It is therefore essential for Council to evaluate on a regular basis the legislative objectives to which it must have regard and other strategic rating objectives which Council believes are relevant and pertinent to its long term financial and strategic planning.

Through the development of this strategy, Murrindindi Shire Council is seeking to fully document its objectives and approach to the raising of rate revenue in line with its goal of providing transparency and accountability in its decision-making.

The importance for Murrindindi Shire

As highlighted in Council's recent budgets, annual reports and Council Plan, Murrindindi Shire continues to be challenged in its recovery from the tragic events of the 2009 Bushfires. The population and number of rateable properties in Murrindindi Shire have still not recovered to levels prior to those of February 2009. Furthermore, the additional maintenance, operational, depreciation and insurance costs of the new and enhanced assets received through funding from the Victorian Bushfire Appeal and through the Victorian Bushfire Reconstruction & Recovery Authority continue to have a significant impact on the long term financial sustainability of Council.

As detailed in the Council Plan 2013-2017 and the 2014-15 Annual Budget, Murrindindi Shire Council has been seeking State Government financial assistance to help meet the substantial additional annual costs of \$1.762 million related to these assets. Unfortunately, a commitment by the previous or new State Government has not been made to Council despite repeated submissions regarding the burden of these costs that have been placed on the Murrindindi Shire following the most devastating natural disaster in our country's history.

In the interests of financial responsibility and responsible forward planning, Council has been indicating to all ratepayers and residents for the last 12 months that it would be necessary in the coming months to evaluate a range of potential measures that might be applied in the absence of additional financial support.

To that end Council presents to the community a new Ratings Strategy. This is one of the measures highlighted by Council in the last 12 months as a necessity that will be undertaken to address the long term financial sustainability.

The Council Plan 2013-2017 contains a number of initiatives that are addressed through the implementation of the Ratings Strategy, summarised as follows:

Council Plan Goal	Council Plan Strategy	Rating Strategy Outcome
Our Economy	Identify and promote opportunities for growth in housing & business development in and around the Shire's main townships.	The introduction of a differential rate for vacant land to encourage land holders to develop vacant land across the Shire's main townships.
Our Council	Actively develop and implement a long term vision for Murrindindi Shire	Developing a new Rating Strategy will assist in addressing the long term financial sustainability issues currently faced by Council.
Our Council	Communicate key Council decisions and strategies to the community in a variety of ways	The adoption of this strategy will assist in explaining to the community the need for a comprehensive review of Council's rating obligations and future ratings structure.

Council Plan Goal	Council Plan Strategy	Rating Strategy Outcome
Our Council	Grow our rate base through diligent planning	This strategy, in conjunction with the Murrindindi Planning scheme and various township structure plans, is designed to grow Council's rate base over the coming years.
Our Council	Promote an equitable rating strategy for all ratepayers	This strategy considers Council's legislative obligations and delivers a new and equitable rating structure that will assist in Council delivering its service obligations in a financially sustainable way.

Section 3 The legislative framework

The purpose of this section is to outline the legislative framework within which Council operates its rating system and the various matters that Council must consider when making decisions on rating objectives.

3.1 Legislative Framework

Section 3(C) of the *Local Government Act* (1989) stipulates the primary objective of Council is to endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effects of its decisions. One of the seven supporting objectives to *Section 3(C)* states that Councils are to ensure the equitable imposition of rates and charges.

The issue of equity must therefore be addressed as a part of Council's rating strategy to ensure compliance with the respective legislation.

3.2 Consideration of Equity

Having determined that Council must review its rating strategy in terms of the equitable imposition of rates and charges, the difficulty becomes how to define and determine what is in fact equitable in the view of Council.

In considering what rating approaches are equitable, some concepts that Council needs to take into account are:

- **Horizontal equity** refers to justice or fairness in the treatment of **like** properties, in other words, that similar rates are paid by similar properties. On the proviso that Council valuations fairly reflect the true valuation of like properties, horizontal equity will be achieved.
- **Vertical equity** refers to the justice or fairness in the treatment of properties in different circumstances. (e.g. different property types – Residential/ Commercial/ Industrial / Farming/ Vacant / Developed)

In the case of property rates, it may be considered equitable for one type of property to bear more or less of the rates burden than another type of property. In achieving vertical equity in its rating strategy, Council must consider the valuation base it chooses to adopt to apply property rates and the application of the various rating tools available to it under the *Local Government Act* (e.g. differential rates).

- **Linkage of property wealth to capacity to pay** – the valuation of property is an imperfect system in which to assess a resident's ability to pay annual rates but one which Council is restricted to under the *Local Government Act* (1989). A frequently raised example is in relation to pensioners who may live in their family home which carries a high value, but live on a pension. The equity question for consideration however is should Council support residents in this situation with lower rates that will eventually be to the financial benefit of estate beneficiaries? Or alternatively should the ability to defer rates (in all or in a part) represent a more equitable outcome for all ratepayers?

- **The Benefit principle** - One of the more misunderstood elements of the rating system is that residents seek to equate the level of rates paid with the amount of benefit they individually achieve. The reality is however that rates are a system of taxation not dissimilar to PAYG tax.

In paying a tax on salaries, it is rarely questioned what benefit is received with it being acknowledged that tax payments are required to pay for critical services (Health, Education, Social Infrastructure, etc) across the nation.

Local Government is not different from this with rates being required to subsidise the delivery of services and capital works that would otherwise be unaffordable if charged on a case by case basis. It is also worth considering that of all government revenue collected across all levels of Government in Australia, rates collected by Councils represent just 4% of the total taxation revenue contributed by Australian citizens.

It is a choice of Council to what degree it pursues a 'user pays' philosophy in relation to charging for individual services on a fee-for-service basis. Similarly Council must make a rating decision in terms of whether to use a fixed waste charge to reflect the cost of waste collection and a fixed municipal charge to defray the administrative costs of Council. Both of these choices are discussed further in this document.

The recommended approaches in this Rating Strategy in terms of equity are discussed further under each section.

3.3 What Rates and Charges may a Council declare?

Section 155 of the Local Government Act (1989) provides that a Council may declare the following rates and charges on rateable land-

- General rates under *Section 158*;
- Municipal Charges under *Section 159*;
- Service Rates and Charges under *Section 162*;
- Special rates and charges under *Section 163*.

The recommended strategy in relation to municipal charges, service rates and charges and special rates and charges are discussed further below.

3.4 Valuation Methodology available to Council

In raising Council rates, Council is required to primarily use the valuation of the rateable property to levy rates. *Section 157 (1) of the Local Government Act (1989)* provides Council with three choices in terms of which valuation base to utilise. These are Site Valuation, Capital Improved Valuation and Net Annual Value. The advantages and disadvantages of the respective valuation basis are detailed further in **Section 4** of this document.

3.5 Declaring Rates and Charges

Section 158 of the Local Government Act (1989) provides that Council must at least once in respect of each financial year declare by 30 June the following for the forthcoming year:

- a) The amount which Council intends to raise by way of general rates, municipal charges, service rates and service charges;
- b) Whether the general rates will be raised by application of –
 - i. A uniform rate; or
 - ii. Differential rates (if Council is permitted to do so under *Section 161 (1)*)
 - iii. Urban farm rates, farm rates or residential use rates (if Council is permitted to do so under *Section 161A*)

Council's approach to the application of differential rates is discussed in **Section 6** of this Rating Strategy.

3.6 Rate Capping

The new Labor State Government in Victoria has recently indicated to all Councils in Victoria that it will introduce legislation before the Parliament that will prevent Councils from raising rates above inflation levels from 1 July 2016.

Whether the inflation rate used to determine the rate capping level will be based on historical averages, current inflation rates or projected inflation rates remains unclear at present, which inhibits Council from being able to make any accurate predictions about the impact that this will have on the long term financial sustainability of Council, or the corresponding impact that this may have on the delivery of services currently provided.

It is also understood by Council that there will be an appeal process where Councils will be able to appeal for an exemption to this new legislation, but it is again unclear at this stage as to how this mechanism will work, what the criteria will be to allow a Council to be considered for an exemption, or what costs from such a process might eventuate.

Once the full implications of this proposed legislation have been made publicly available, Council will communicate the impacts of this to the community through its annual budget development process for the 2016-17 financial year.

Section 4 Valuation methodology

As outlined, under the *Local Government Act* (1989), Council has three options as to the valuation base it may elect to use.

They are:

- **Capital Improved Valuation (CIV)** – Value of land and improvements upon the land;
- **Site Valuation (SV)** – Value of land only;
- **Net Annual Value (NAV)** – Rental valuation based on CIV. For residential and farm properties, NAV is calculated at 5 per cent of the Capital Improved Value. For commercial and industrial properties, NAV is calculated as the greater of the estimated annual rental value or 5 per cent of the CIV.

In choosing a valuation base, Councils must decide on whether they want to adopt a differential rating system (different rates in the dollar for different property categories) or a uniform rating system (same rate in the dollar). If a Council was to choose the former, under the Act it must adopt either of the CIV or NAV methods of rating.

4.1 Capital Improved Value

Capital Improved Valuation is the most commonly used valuation base by Victorian Local Government with over 70 Councils out of 79 in Victoria applying this methodology. Based on the value of both land and all improvements on the land, it is relatively easy to understand by ratepayers as it broadly equates to the market value of the property.

Section 161 of the *Local Government Act* (1989) provides that a Council may raise any general rates by the application of a differential rate if –

- a) It uses the capital improved value system of valuing land; and
- b) It considers that a differential rate will contribute to the equitable and efficient carrying out of its functions.

Where a Council does not utilise CIV, it may only apply limited differential rates in relation to farm land, urban farm land or residential use land.

Advantages of using Capital Improved Valuation (CIV)

- Capital improved value includes all improvements, and hence is often supported on the basis that it more closely reflects “capacity to pay”. The CIV rating method takes into account the full development value of the property, and hence better meets the equity criteria, rather than Site Value or NAV.
- With the increased frequency of valuations (previously legislated as up to six year intervals, now two year intervals), the market values are more predictable and has reduced the level of objections resulting from valuations. The concept of the market value of property is far more easily understood with CIV rather than NAV or SV.
- Most Councils in Victoria have now adopted CIV which makes it easier to compare relative movements in rates and valuations across Councils.

- The use of CIV allows Councils to apply differential rates so as to equitably distribute the rating burden. The application of CIV allows Council to apply higher rating differentials to the commercial and industrial sector that can offset residential rates.

Disadvantages of using CIV

- The main disadvantage with CIV is the fact that rates are based on the total property value which may not necessarily reflect the income level of the property owner as with pensioners and low income earners.

4.2 Site Value (SV)

There are now no Victorian Councils that use this valuation base. With valuations based simply on the valuation of land and with only very limited ability to apply differential rates, the implementation of Site Value in Murrindindi Shire Council's context would cause a considerable shift in rate burden from the industrial and commercial sectors to the residential and farming sectors.

It is difficult to see an equity argument being served by the implementation of Site Valuation in the Murrindindi Shire.

Advantages of Site Value

- There is a perception that under site valuation, a uniform rate would promote development of land, particularly commercial and industrial developments. There is however little evidence to prove that this is the case.
- Under the SV methodology, Council maintains the possibility for concessions on urban farm land and residential use land.

Disadvantages in using Site Value

- Under SV, there would be a shift from the Industrial & Commercial sectors onto the residential sector of Council. The percentage increases in many cases would be in the high range.
- SV is a major burden on property owners who have large areas of land. Some of these owners may have much smaller/older dwellings compared to those who have smaller land areas but well developed dwellings - but would pay more in rates. A typical example is flat, units, townhouses which would all pay low rates compared to traditional housing styles.
- The use of SV can place pressure on Council to give concessions to categories of landowners on whom the rating burden is seen to fall disproportionately (e.g. farm land, urban farm land and residential use properties). Large landowners, such as farmers for example, are disadvantaged by the use of site value.
- SV will reduce Council's rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates;

- The rate-paying community has greater difficulty in understanding the SV valuation on their rate notices, as indicated by many enquiries from ratepayers on this issue handled by Council's Customer Service and Property Revenue staff each year.

4.3 Net Annual Value

Net annual value, in concept, represents the annual rental value of a property. However, in practice, NAV is closely linked to capital improved value for residential and farm properties. Valuers derive the NAV directly as 5 per cent of CIV.

In contrast to the treatment of residential and farms, Net Annual Value for commercial and industrial properties is assessed with regard to actual market rental. This differing treatment of commercial versus residential properties and farms has led to some suggestions that all properties should be valued on a rental basis.

Overall, the use of NAV is not supported. For residential and farm ratepayers, actual rental values pose some problems. The artificial rental estimate used may not represent actual market value, and means the base is the same as CIV but harder to understand.

4.4 Summary

It is recommended that Council continue to apply Capital Improved Valuation as the valuation base for the following reasons:

- CIV is considered to be the closest approximation to an equitable basis for distribution of the rating burden.
- CIV provides Council with the ability to levy a full range of differential rates. Differential rating is limited under the other rating bases.
- It should be noted that more than 70 of 79 Victorian Councils apply CIV as their rating base and as such, it has a wider community acceptance and understanding than the other rating methodologies.

Strategy Recommendations

That Murrindindi Shire Council continues to apply Capital Improved Valuation and the valuation methodology to levy Council rates.

Section 5 Murrindindi's existing rating framework

Council's current rating structure comprises three key elements. These are:

- Property values, form the central basis of rating under the *Local Government Act 1989*
- A user pays component to reflect usage of certain services provided by Council
- A fixed municipal charge per property to cover some of other administrative costs of the Council.

Striking a proper balance between these elements provides equity in the distribution of the rate burden across residents.

Having reviewed the various valuation bases for determining the property value component of rates, Council has determined to apply a Capital Improved Value (CIV) basis on the grounds that it provides the most equitable distribution of rates across the municipality.

The existing rating structure comprises a general rate (applicable to residential, commercial, industrial and Rural 2 properties) and one differential rate (Rural 1). These rates are structured in accordance with the requirements of *Section 161* of the *Act*. The Rural 1 rate is set at 75% of the general rate and is applied to any land that is not less than 40ha.

The current Council rating category of Rural 2 properties are defined as rateable land greater than 4ha but less than 40ha. Council has previously utilised this rating category to apply a differential rate, and has maintained this category should it choose to do so again in the future, but has not offered a differential rate for this category now for some years.

Council also levies a municipal charge, a kerbside waste collection charge and a recycling charge as allowed under the *Act*.

The below tables display the breakdown of the current rating categories.

Rating Categories for the 2014/15 year as per Council's adopted budget

2014/15 Rating Category	No. of Rating Units	Capital Improved Value	% Rates of Total
Residential	5,988	\$1,652,113,500	42.7%
Commercial and Industrial	471	\$175,497,000	4.5%
Rural 1	1,316	\$1,247,944,000	32.3%
Rural 2	1,727	\$789,216,000	20.4%
Total Assessments	9,502	\$3,864,770,500	100.00%

Council currently utilises service charges to fully recover the cost of the Waste function. These charges are levied under *section 162* of the *Act* and are applicable per rateable assessment where the service is provided.

Type of charge	Adopted 2014/15	Total Income
Kerbside collection (120 litre garbage bin)	\$325.00	\$1,951,087
Kerbside recycling collection (240 litre recycling bin)	\$79.50	\$476,285
TOTAL		\$2,427,372

As detailed further in **Section 9** Council currently applies a municipal charge for the purpose of defraying some administration costs of Council. The municipal charge for the 2014/15 financial year is \$290.00.

Section 6 Uniform vs. differential rates

Council may apply a uniform rate or differential rates to address the needs of Council. They are quite different in application and have different administrative and appeal mechanisms that need to be taken into account.

6.1 Uniform rate

Section 160 of the *Act* stipulates that if a Council declares that general rates will be raised by the application of a uniform rate, the Council must specify a percentage as the uniform rate. Rates will be determined by multiplying that percentage by the value of the land.

Murrindindi Shire Council has not adopted uniform rates.

6.2 Differential Rates

Differential rating allows particular classes of properties to be assessed at different levels from the general rate set for the municipality. Differential rating allows Council to shift part of the rate burden from some groups of ratepayers to others, through different “rates in the dollar” for each class of property.

Under the *Local Government Act (1989)*, Council is entitled to apply differential rates **on the provision that it uses Capital Improved Valuations** as its base for rating.

Section 161 outlines the regulations relating to differential rates. This section is outlined below.

(1) A Council may raise any general rates by the application of a differential rate, if Council considers that the differential rate will contribute to the equitable and efficient carrying out of its functions.

(2) If a Council declares a differential rate for any land, the Council must-

- a) Specify the objectives of the differential rate, which must be consistent with the equitable and efficient carrying out of the Councils functions and must include the following:

 - i. A definition of the types of classes of land which are subject to the rate and a statement of the reasons for the use and level of that rate.*
 - ii. An identification of the type or classes of land which are subject to the rate in respect of the uses, geographic location (other than location on the basis of whether or not the land is within a specific ward in Councils district)**
- b) Specify the characteristics of the land, which are the criteria for declaring the differential rate*

The maximum differential allowed is no more than 4 times the lowest differential.

Council, in striking the rate through the Annual Budget process sets the differential rate for set classes of properties at higher or lower amounts than the general rate. There are five different levels of rates proposed in this Rating Strategy.

6.3 Objective of the rate and characteristics

For a Council to declare differential rates it is considered that each rate will be used to contribute to the equitable and efficient carrying out of Council's functions. The following are the objectives of the differential rate currently adopted by Council.

Rural 1 rate – The main objectives of having a differential rate for rural properties greater than 40ha are:

- To promote and support the use of sound agricultural practices
- To conserve and protect areas which are suited to certain agricultural pursuits.
- To encourage proper land use consistent with genuine farming activities.

6.4 Advantages of a differential rating system

The perceived advantages of utilising a differential rating system are:

- There is greater flexibility to distribute the rate burden between all classes of property, and therefore link rates with the ability to pay and reflecting the tax deductibility of rates for commercial and industrial premises;
- Differential rating allows Council to better reflect the investment required by Council to establish infrastructure to meet the needs of the commercial and industrial sector;
- Enables Council to encourage particular developments through its rating approach e.g. encourage building on vacant blocks;
- Allows Council to reflect the unique circumstances of some rating categories where the application of a uniform rate may create an inequitable outcome (e.g. farming enterprises)
- Allows Council discretion in the imposition of rates to 'facilitate and encourage appropriate development of its municipal district in the best interest of the community'.

6.5 Disadvantages of Differential Rating

The perceived disadvantages in applying differential rating are:

- The justification of the differential rate can at times be difficult for the various rating groups to accept giving rise to queries, objections and complaints where the differentials may seem to be excessive;
- Differential rates can be confusing to ratepayers, as they may have difficulty to understand the system. Some ratepayers may feel they are unfavourably treated because they are paying a higher level of rates than other ratepayer groups.

- Differential rating involves a degree of administrative complexity as properties continually shift from one type to another (e.g. residential to commercial, vacant to developed) requiring Council to update its records. Ensuring the accuracy/integrity of Council's data base is critical to ensure that properties are correctly classified into their differential rate category.
- Council may not achieve the objectives it aims for through differential rating. For example, Council may set its differential rate objectives to levy a higher rate on land not developed, however it is difficult to measure whether the differential rate achieves these objectives.

6.6 Local Government Sector Approach to Differential Rating

When comparing Murrindindi's current approach to differential rating with the other 20 small rural shires in Victoria, it is worth noting the following details regarding current rating structures across these Councils:

Rural Land Differentials

- 18 out of 20 small rural Shires (excluding Murrindindi), currently provide a differential rate for rural or farm land assessments.
- In the 18 small rural Shires that provide a differential rate for rural or farming land assessments, the range is between 60% and 98% of the general rate.
- The average rural rate for the 18 Shires that set a reduced rate for rural or farming land is 80% of the general residential rate, above the current level of 75% set by Murrindindi.
- Of the 18 small rural Shires that currently provide a differential rate for rural or farm land assessments, only four Shires provide a tiered rural rating structure (eg. Rural 1 land and Rural 2 Land).
- Most small rural Shires have moved away from the complexity and confusion of a tiered rural land differential and now have just one classification of rural/farm land that qualifies for the differential rate.

Commercial & Industrial Differentials

- 13 out of 20 small rural Shires (excluding Murrindindi), currently provide a differential rate for commercial and industrial assessments.
- Of the 13 small rural Shires that provide a differential rate for commercial and industrial properties, 11 Shires set the same rate for commercial and industrial properties.
- In the 13 small rural Shires that provide a differential rate for commercial and industrial assessments, the range is between 90% and 162% of the general rate.
- The average commercial rate for the Shires that set an increased rate for commercial properties is 135% of the general residential rate.

Vacant Land Differentials

- 11 out of 20 small rural Shires (excluding Murrindindi), currently provide a differential rate for vacant land assessments.
- In the 11 small rural Shires that provide a differential rate for vacant land assessments, the range is between 125% and 360% of the general rate.

- The average rate for the 11 Shires that set an increased rate for vacant land is 201% of the general residential rate.

Retirement Village Land Differentials

- Council is required to give consideration to a differential rate for retirement village land as defined by the *Retirement Villages Act 1986* and in accordance with the *April 2013 Ministerial Guidelines for Differential Rating*.
- Given the minimal development of retirement villages within the Murrindindi Shire, Council sees no present need to introduce a differential rate for this category of land.

6.7 Proposed new rating structure

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.

Council has established a rating structure which comprises two key elements. These are:

- Property values, based on Capital Improved Value; and
- Differential rates in the dollar based on the category of land.

Striking a proper balance between these elements provides equity in the distribution of the rate burden across residents.

As such, two further differential rates are proposed to be added to Council’s rating category structure, in addition to the discount that is currently provided to Rural 1 properties. Rating differentials are now proposed to be applied to properties classified as either commercial or industrial, and to land that is identified as vacant and developable.

Each differential rate will be determined by multiplying the Capital Improved Value of each rateable land and property (categorised by the characteristics described below) by the relevant percentages indicated further below. Details of the objectives of each differential rate, the types of classes of land, which are subject to each differential rate and the uses of each differential rate, are set out below.

6.7.1 General – Residential

This category includes all residential properties including flats, units and rural residential properties (ie. under the 40ha threshold specified for the Rural 1 category).

Objectives:

To ensure that all owners of general residential properties, make an equitable financial contribution to the cost of carrying out the functions of the Council.

Types and Classes:

Includes all properties including residential properties which do not fit the criteria of the following differentials:

- Commercial and Industrial

- Rural 1 properties; or
- Vacant Land;

Properties that satisfy the above criteria will receive the standard general residential rate.

6.7.2. Commercial and Industrial

Commercial and industrial properties are defined as:

- Any property which is used **primarily** for commercial and/or industrial purposes and/or,
- Any property zoned as commercial and industrial land under the planning scheme in force in the municipal district which is not deemed vacant as per **Section 6.7.4**.

Objectives:

To ensure that the owners of the property having the characteristics of Commercial and Industrial Land make an equitable financial contribution to the cost of carrying out Council's functions.

Types and Classes:

Rateable property having the relevant characteristics described above. Commercial and Industrial properties are not:

- General - Residential properties;
- Rural 1 properties; or
- Vacant Land.

New differential rate:

Properties that satisfy the above criteria will be rated at 125% of the general residential rate.

6.7.3. Rural 1

To be classified as a Rural 1 property, an assessment must be classified as rural and be not less than 40 hectares in size. This shall include non-contiguous assessments within the Shire operating as a single-farm enterprise.

Objectives:

1. Encourage uses compatible with the physical capability of the land;
2. Minimise the need for urban works and services to the non-urban area;
3. Conserve the resources of soil, flora and fauna and the significant natural features in the areas identified as having ecological and landscape interest value;
4. Conserve as far as possible the existing patterns of vegetation to maintain landscape quality;
5. Assist in the maintenance of farming activities within areas eminently suited for that purpose; and

6. Discourage the proliferation of non-agricultural activities on soil of high agricultural value by protecting the social characteristics of the rural community from the encroachment of urban-type development.

Types and Classes:

Rateable properties having the relevant characteristics described above. Rural 1 properties are not:

- General Residential Land;
- Commercial and Industrial Land;
- Vacant Land

New differential rate:

Properties that satisfy the above criteria will pay 75% of the general residential rate.

6.7.4 Vacant Land

Vacant land is defined as:

- Any land which is located in Council's defined residential, commercial, rural living or industrial zones for planning purposes that is currently undeveloped.
- Undeveloped land is broadly classified as land not containing an approved, habitable structure, or land that has been developed for the purpose of commercial or industrial use.

Objectives:

The purpose of this differential is to encourage property owners to develop vacant land rather than simply acquire or hold land for the purpose of future investment without developing it. By encouraging the development of land ensures that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of the Council.

Types and Classes:

Rateable land having the relevant characteristics described above. Vacant Land is land which is not classified as:

- General Residential property;
- Rural 1 Land; or
- Commercial/Industrial.

New differential rate:

Land that satisfies the above criteria will pay 150% of the general residential rate.

6.8 Financial impact of new rating structure

The below table displays a revised breakdown of the current year's rating data, adjusted for the introduction of the new rating categories.

Rating Categories for the 2014/15 year as per Council's adopted budget

2014/15 Rating Category	No. of Rating Units	Capital Improved Value	% of Total CIV
Residential	5,334	\$1,556,866,500	40.3%
Commercial and Industrial	428	\$167,909,000	4.3%
Rural 1	1,316	\$1,247,944,000	32.3%
Rural 2	1,607	\$768,735,000	19.9%
Vacant Land	817	\$123,316,000	3.2%
Total Assessments	9,502	\$3,864,770,500	100.00%

The table below highlights the differential rates currently applied by Murrindindi Shire Council and the proposed differential rates in 2015/16 year:

Rating Category	2014/15 Rate in \$	2014/15 Index	Proposed 2015/16 Rate in \$	Proposed 2015/16 Index
General (Residential)	0.003222	100%	0.003415	100%
Commercial & Industrial	0.003222	100%	0.004269	125%
Vacant land	N/A	N/A	0.005122	150%
Rural 1	0.002416	75%	0.002561	75%
Rural 2	0.003222	100%	0.003415	100%

6.9 Non-rateable assessments

As defined in the *Local Government Act 1989* (“the Act”), all land in a Council area is rateable except that which is specified as exempt in legislation. With respect to the definition of rateable land, Sec 154 of the *Local Government Act 1989* states:

- (1) *Except as provided in this section, all land is rateable.*
 (2) *The following land is not rateable land—*

(a) *land which is unoccupied and is the property of the Crown or is vested in a Minister, a Council, a public statutory body or trustees appointed under an Act to hold that land in trust for public or municipal purposes;*

(b) *any part of land, if that part—*

- (i) *is vested in or owned by the Crown, a Minister, a Council, a public statutory body or trustees appointed under an Act to hold that land in trust for public or municipal purposes; and*
 (ii) *is used exclusively for public or municipal purposes;*

(c) *any part of land, if that part is used exclusively for charitable purposes;*

(d) *land which is vested in or held in trust for any religious body and used exclusively—*

- (i) *as a residence of a practising Minister of religion; or*
 (ii) *for the education and training of persons to be Ministers of religion; or*
 (iii) *for both the purposes in subparagraphs (i) and (ii);*

(e) *land which is used exclusively for mining purposes;*

- (f) *land held in trust and used exclusively—*
- (i) *as a club for or a memorial to persons who performed service or duty within the meaning of section 3(1) of the Veterans Act 2005 ; or*
 - (ii) *as a sub-branch of the Returned Services League of Australia; or*
 - (iii) *by the Air Force Association (Victoria Division); or*
 - (iv) *by the Australian Legion of Ex-Servicemen and Women (Victorian Branch).*

Only assessments that clearly meet the Act's definition of a non-rateable assessment will be considered by Council as being exempt from rates.

Strategy Recommendations

1. That Council continues to apply differential rates for:
 - General Residential properties, including flats and units.
 - Rural 1 properties at a value of 75% to the general rate.
2. That Council introduce a Commercial and Industrial differential rate at 125% of the general rate.
3. That Council introduce a vacant land differential rate of 150% of the general rate.
4. That Council review all properties currently classified as non-rateable to ensure equity of rate collection.

In implementing the above outcomes, Council needs to be mindful of the periodic impacts of Council revaluations as discussed in the following section. These differential rates should be reviewed every two years, in the alternate year to when revaluation occurs.

Section 7 Council revaluations

Under the requirements of the *Local Government Act (1989)* Council is required to conduct revaluations of all assessments every two years. A revaluation does NOT provide Council with any additional rate revenue but can significantly re-align how rates are distributed between ratepayers at both a rating group and individual level.

The table below highlights the impact of the most recent Council revaluation, which came into effect for the 2014/15 financial year.

Charge Types	Property Count 2013/14	CIV 2013/14	Property Count 2014/15	CIV 2014/15	CIV growth
Residential	5,957	\$1,549,436,000	5,988	\$1,652,113,500	6.63%
Commercial and Industrial	474	\$160,338,000	471	\$175,497,000	9.45%
Rural 1	1,299	\$1,145,288,000	1,316	\$1,247,944,000	8.96%
Rural 2	1,753	\$726,643,000	1,727	\$789,216,000	8.61%
TOTAL	9,483	\$3,581,705,000	9,502	\$3,864,770,500	7.90%

The table highlights that overall Council properties have increased by **7.9%** as of 1st of January 2014 due to the most recent valuation. Council needs to be mindful of the impacts of revaluations on the various property types in implementing the differential rating strategy outlined in the previous section to ensure that rises and falls in Council rates remain affordable and that rating 'shocks' are mitigated to some degree.

Section 8 Special rates & charges

Special rates and charges are covered under *Section 163* of the *Local Government Act*, which enables Council to declare a special rate or charge or a combination of both for the purposes of:

- Defraying any expenses; or
- Repaying with interest any advance made or debt incurred or loan raised by Council.

In relation to the performance of a function or the exercise of a power by Council, if Council considers that the performance of the function or the exercise of the power will be of special benefit to the persons required to pay the special rate or special charge.

There are clearly defined procedural requirements that Council needs to adhere to in order to introduce a special rate or charge, including how Council can apply funds derived from this source.

Section 185 of the *Local Government Act* provides appeal rights to the Victorian Civil Administrative Tribunal (VCAT) in relation to the imposition of a special rate or charge. The Tribunal has wide powers, which could affect the viability of the special rate or charge.

Council should be particularly mindful of the issue of proving that special benefit exists to those that are being levied the rate or charge.

In summary, differential rates are much simpler to introduce and less subject to challenge. There may be instances however where a special charge is desirable if raising the levy by use of CIV is not equitable.

It is recommended that Council utilises special rates and charges only in the instances outlined below.

Strategy Recommendations

That Council use special rates and charges in instances that fit the following circumstances:

- Funding of narrowly defined capital projects (e.g. streetscape works, private road sealing) where special benefit can be shown to exist to a grouping of property owners;
- Raising funds for a dedicated purpose where the use of CIV is not the most equitable method of calculating property owner contributions. (e.g. Unfunded Defined Benefit Superannuation Liability or Natural Disaster); or
- Covering the cost of an expense relating to a specific group of ratepayers (e.g. licensed premises).

Section 9 Municipal Charge

Another principle rating option available to Councils is the application of a municipal charge. Under *Section 159* of the *Local Government Act*, Council may declare a municipal charge to cover some of the administrative costs of the Council. The legislation is not descriptive on what comprises administrative costs and does not require Council to specify what is covered by the charge or how the funds are to be allocated.

A Council's total revenue from a municipal charge in a financial year must not exceed 20 per cent of the combined sum total of the Council's total revenue from the municipal charge and the revenue from general rates.

The application of a municipal charge represents a choice to raise a portion of the rates by a flat fee for all properties, rather than solely relying on rates that are generated through the CIV valuation method. In applying the legislation, the maximum amount that Council could levy as a municipal charge would be approximately \$338.00 per assessment for the 2015/16 financial year.

The arguments in favour of a municipal charge are similar to waste charges. They apply equally to all properties and are based upon the recovery of a fixed cost of providing administrative services irrespective of valuation. The same contribution amount per assessment to cover a portion of Council's administrative costs can be seen as an equitable method of recovering these costs.

The argument against a municipal charge is that this charge is regressive in nature and results in lower valued properties paying higher overall rates and charges. The equity objective in levying rates against property values is lost in a municipal charge as it is levied uniformly across all assessments.

Given Council's current financial challenges, reduced rating base and the requirement to fund the ongoing maintenance and operation of the new and gifted assets, it is recommended that the existing Municipal Charge continues to be applied for the foreseeable future, in accordance with the legislation detailed above.

Strategy Recommendations

That Council continue to utilise a Municipal Charge as part of its Rating Strategy.

Section 10 Service rates & charges

Section 162 of the *Local Government Act* (1989) provides Council with the opportunity to raise service rates and charges for any of the following services:

- a) The provision of a water supply;
- b) The collection and disposal of refuse;
- c) The provision of sewerage services; and
- d) Any other prescribed service.

Murrindindi Shire Council currently applies a Service Charge for the collection and disposal of refuse on properties that fall within the designated kerbside waste collection area. Council retains the objective of setting the Service charge for waste at a level that fully recovers the cost of the waste function. It should be noted that Council does not currently provide services detailed in a) and c) above.

The advantage of the waste charge is that it is readily understood and accepted by residents as a fee for a direct service that they receive. It further provides equity in the rating system in that all residents who receive exactly the same service level all pay an equivalent amount.

The disadvantage of the waste charge is similar to the municipal charge in that it is regressive in nature. A fixed charge to a low valued property comprises a far greater proportion of the overall rates than it does to a more highly valued property.

On balance it is recommended that Council retain its existing waste Charge. Unlike a municipal charge where the direct benefit to the resident is invisible – the waste charge is a tangible service that is provided directly to all in the same fashion.

Should Council elect not to have a waste charge, this same amount would be required to be raised by way of an increased general rate – meaning that residents in higher valued properties would pay proportionally more for the same service when compared to the waste service for lower valued properties. Whilst this same principle applies for rates in general, the mix of having a single fixed charge for waste, combined with valuation determined rates for the remainder of the rate invoice provides a balanced and equitable outcome for all ratepayers within the community.

Strategy Recommendations

That Council continues to apply a waste charge as part of its Rating Strategy based on the full cost recovery of the waste function.

Section 11 Rate payment options

There are only two options available under the *Local Government Act* (1989) for Council to set payment dates. The first is an option of a lump sum payment (which by law is set on the 15th of February each year). The second is a mandatory instalment approach where payments are required at the end of September, November, February and May. Under this second approach, residents can elect to pay instalments in advance at any point in order to opt out of the instalment dates.

The profile of Murrindindi Shire Council's rate collection has been slowly moving away from the lump sum payment (currently approximately 40%) with the following effects:

1. Council enjoys an improved cash flow that is associated with the instalment payment option. Council operates under a 30 June financial year and if required to wait seven months to receive the majority of its revenue would face significant financial hardship. During seven and a half months between the commencement of the financial year and the mandatory annual payment date, Council is required to continue to provide operational services and capital works which places the cash position under stress. Quarterly payment options provide Council with the opportunity to collect a significant portion of its rate revenue prior to the 15 February deadline.
2. Quarterly payment options also provide ratepayers with the opportunity to better manage their household cashflow, as experience has shown that a percentage of the ratebase are unable to appropriately budget to ensure that the full value of their rates due to Council is available to be paid in mid-February. More regular payment options has enabled many ratepayers to better manage their personal finances and avoid interest charges, legal costs and credit rating implications that are associated with delinquency of Council rates.

In recent years, some Councils have moved to introduce mandatory instalments which is aimed at better matching when Council receives its rate revenue and its associated cost. Some Councils have even gone as far as introducing a discount for quarterly payments to improve cash flow. Should a discount be offered, it should be roughly aligned with the prevailing and expected annual interest rates in the cash investment market. As of 1 January 2015, this would equate to approximately 1.5%.

Although this strategy is not recommending a mandatory introduction of quarterly payments for Murrindindi Shire Council, it is an option that Council has available to it any stage should it choose so. An appropriate communication plan would be required if Council were to implement this change.

Hardship Provision

To assist ratepayers in meeting financial obligations to Council by providing alternative payment arrangements for property based debts, where financial hardship is proven to exist.

This gives ratepayers the opportunity to present their case and to ensure they are treated in a consistent, equitable and confidential manner. If Council becomes aware of any ratepayer

providing false or misleading information in order to gain assistance for which he/she would otherwise not be eligible, the agreement with Council will become null and void. Any charges which have been waived or deferred will be restored to the full amount. In addition, this includes any interest not charged that would have otherwise been payable.

Ratepayers may have rates and charges, or part thereof, deferred subject to the following conditions:

- (a) The ratepayer must be able to demonstrate they are or will experience undue and unusual financial hardship;
- (b) A confidential statement must be submitted by the ratepayer or their representative as evidence of such circumstances;
- (c) Where the ratepayer has complied with clauses a and b, the rate or charge or part thereof may be deferred either for a set period or an indefinite period;
- (d) Where practicable, the ratepayer must enter into an agreement with Council on a payment schedule and perform against such agreement.

Under a deferment arrangement, whilst rates and interest will still accrue, no debt recovery action shall be taken. Annually, confirmation will be sought from either the ratepayer or nominated representative that financial hardships conditions still exist. Council has the ability to review any existing arrangements.

Deferment is withdrawn automatically upon the sale of the property.

Concessions

Persons holding one of the following eligible pensioner concession cards may be entitled to a rebate from their Council rates:

- Pensioner Concession Card issued by Centrelink or Department of Veterans' Affairs;
- Department of Veterans' Affairs Gold Card - War Widow (WW); or
- Department of Veterans' Affairs Gold Card - Totally and Permanently Incapacitated

To apply for a pensioner concession, ratepayers must complete and return an application for concession on municipal rates prior to 30 June. A copy of the relevant concession card must accompany any application.

Pensioner concession only applies to eligible pensioners who are permanent residents of a property within the Murrindindi Shire. It does not apply to health care card holders.

Strategy Recommendations

1. That Council continue to apply the quarterly instalment payment option in future rating years;
2. That Council consider options to encourage further participation in the quarterly payment plan by the ratepayers of Murrindindi Shire.
3. That Council continues to provide the opportunity for varied repayment options for residents suffering genuine financial hardship.

Section 12 State Government levies

In recent years, Council has seen an increased propensity for State Government to view Local Government as a means of collecting State taxes under the branding of Councils' rate notice.

This occurred with the now defunct State Deficit Levy in the 1990's and has in recent times been revived with Victorian Councils being required to collect and remit a landfill levy to the State Government.

Since 1 July 2013 Council has been required to collect a Fire Services Levy on behalf of the State Government.

It is recommended from a Rating Policy outcome that Council adopt the following view:

- a) That Council fulfil any legislated responsibility to collect State Government taxes;
- b) That Council clearly identify the Fire Services Levy as a State charge and provide clear understanding to all ratepayers as to the purpose of this charge and Council's requirement to collect it on behalf of the State Government; and
- c) That Council utilise any funding provided by the State Government for the cost of collecting State taxes.

Dear Resident/Ratepayer

As Addressed

Castella – Toolangi Locality Boundary

Council has received a number of requests to give consideration to relocating the locality boundary between Castella and Toolangi for a number of reasons including:

- Various roads having different locality names on each side of the roads
- Locality name changes along the length of various roads
- Confusion with locality identification with respect to emergency services, transport companies, landowners, business operators, etc
- Property identification anomalies of both a statutory and practical nature.

Essentially we understand the affected areas are along the:

- Old Toolangi-Dixons Creek Road
- Spraggs Road; and
- Healesville-Kinglake Road

It has been suggested that the area shown orange on the attached plan be returned to the locality known as Toolangi.

Council can make a proposal to the Office of Geographic Names under the State Government Guidelines for Geographic Names 2010 for changes to existing locality boundaries, subject to formal processes being met.

However, Council at this stage seeks community feedback on the proposal and we have enclosed a survey for you to complete and return in the Reply Paid Envelope prior to xx xxx xxxx. Survey results will be collated and a report prepared for Council to consider the findings. Respondents to this survey will be informed by letter of the outcomes of the survey and of Council's decision regarding this matter.

If you require further information regarding this locality boundary issue then please contact xxxxxxxx on xxxxxxxx.

Yours sincerely

TBC

To the General Manager
Infrastructure & Development Services
Murrindindi Shire Council

Castella – Toolangi Locality Boundary

Survey Questions:

1. Do you believe there is a need to alter the locality boundary between Castella and Toolangi?

YES NO (please circle)

2. Do you agree to the transfer of the area shown orange on the attached plan back to Toolangi?

YES NO (please circle)

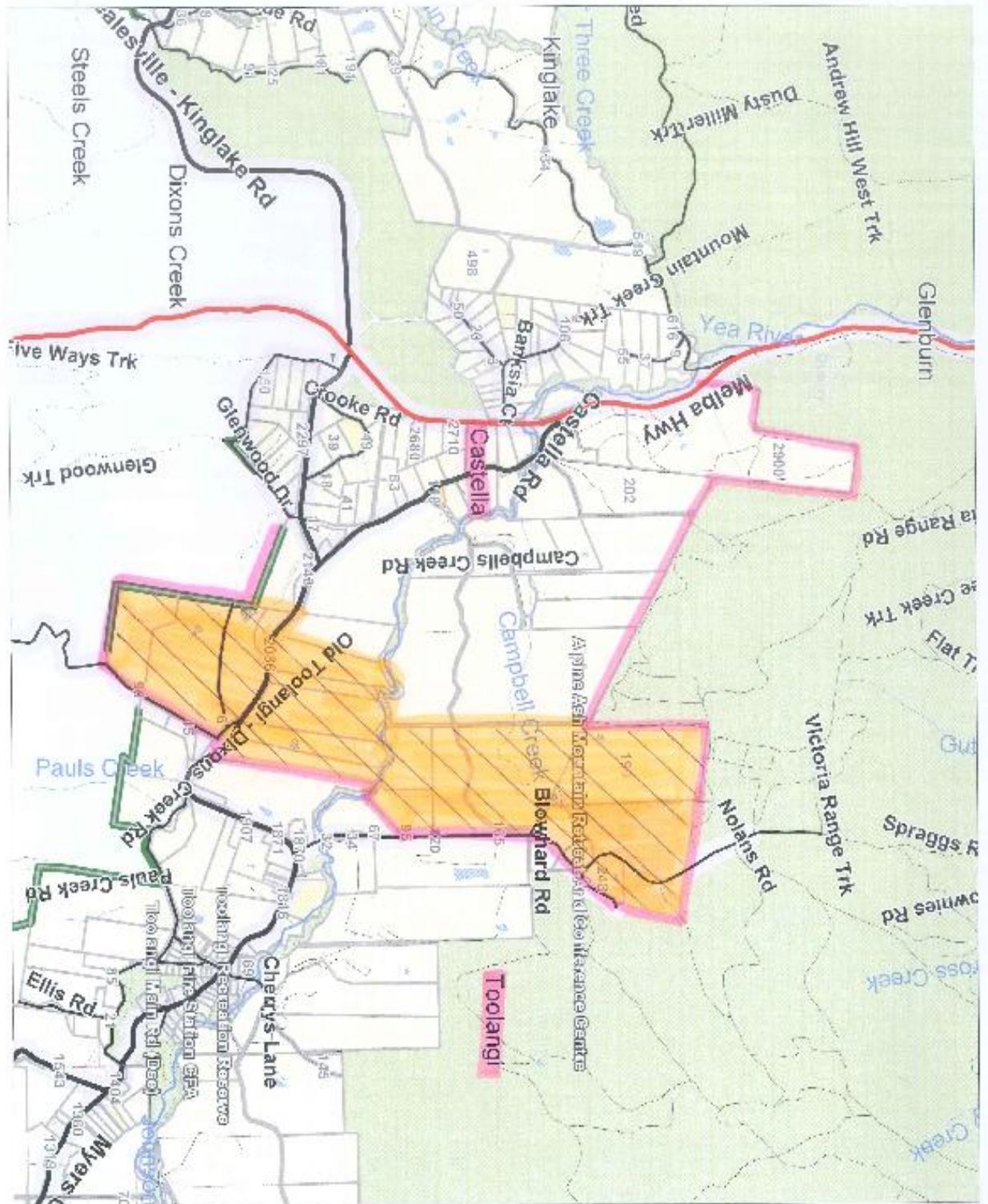
3. Do you suggest an alternative boundary to the above should be proposed?

(provide details)

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

Your Name:

Address:
.....



Attachment 1

Introduction

Council understands VicForests is seeking to achieve certification with the Forest Stewardship Council, and as part of this process is required to develop a Forest Management Plan outlining how the organisation will manage the ecological sustainability of the State's native forests.

Council has prepared a submission in response to VicForests request for stakeholder feedback. The submission outlines Council's comments in regard to Vic Forest's activities within the Murrindindi Shire. The submission provides comment on the need to protect the natural environment, support economic growth and promote employment opportunity within the Shire.

Council has a policy position endorsed at Ordinary Meeting of Council on 12 August 2012 which states:

"The Murrindindi Shire Council recognises that State Forest in the Murrindindi Shire provides important environmental, economic, and social benefits. For these benefits to be realised the Council supports forest management practices that sustain the long term health and biodiversity of the forest and respect the needs of Shire's local communities.

To this end, the Murrindindi Shire Council opposes logging in State Forest in the Murrindindi Shire which:

- *Reduces the visual appeal of significant landscapes and vistas*
- *Adversely impacts threatened species or ecological communities*
- *In the longer term reduces biodiversity of the forest*
- *Significantly reduces reasonable access to the forest by local communities*
- *Unfairly impacts on the amenity of local residents*

The Council will advocate for these matters to be satisfactorily addressed..."

In the context of this position, the submission makes comment around the following focus areas:

Science-based Decision Making

Scientific evidence should drive the choice of harvesting locations, systems and associated management activities. Council opposes logging in State Forests which contravenes its policy position. It would be useful for the following scientific information to be made available to assist in decision making as required:

- Forestry management practices which reverse the rate of endangered species extinction due to ongoing loss of hollow bearing trees.
- Assessing links between clear fell logging and increase in bushfire risk and severity especially to local communities such as Kinglake, Toolangi, Castella, Marysville and Rubicon Valley regions.
- Assessing impacts of carbon stock depletion as a result of clear fell logging.

Submission to VicForests Ecologically Sustainable Forest Management Plan

- Investigating links between clear felling and reduction in water quality and water yields including impact on dams, streams and other water bodies critical for irrigation and agricultural production.
- Assessing the socio-economic consequences of logged landscapes on local communities, and effects on tourism and ability for local governments to attract new residents.
- Cost benefit modelling for alternative industries in state forests, such as carbon trading, outdoor recreation and eco-tourism.

Biodiversity and Other Significant Conservation Values

Maintaining the natural function of native forests is one of the priority issues for many stakeholders in the community. There is strong community concern relating to the health of biodiversity in State forests logged across Murrindindi Shire, especially ecosystems such as the Central Highlands Mountain Ash assessed on International Union for Conservation of Nature (IUCN) criteria as critically endangered.

Over the last 100 years, the effects of wildfires (1926, 1939 and 2009) have changed the situation on the ground in the Central Highlands, with many old growth stands killed and alterations to the range and population sizes of endangered species. Research provides evidence of serious ecological problems that require careful future management. For example, science is indicating that ongoing logging of Murrindindi's ash forests will eventually lead to the extinction of Leadbeater's Possum and to the eventual loss of the forest ecosystem itself.

In 2014, the Mountain Ash Forest Ecosystem of the Central Highlands of Victoria was assessed as critically endangered on IUCN criteria and is likely to be included on the IUCN Red List of Ecosystems to be published later this year. Leadbeater's Possum has also been assessed as critically endangered and a formal announcement by the federal minister is expected in the near future.

Local knowledge is readily available and should be used in VicForests process for identifying and managing significant values important for conservation, especially in regard evidence collected by people who live within or nearby to VicForests operations. The ability for this knowledge to be regarded as 'science' in the process could be an opportunity for improvement.

A precautionary approach to biodiversity management is suggested that not only identifies and adequately represents high biodiversity values, but puts avoidance and/or minimisation strategies in place to ensure these values do not decline over time.

To this end, science should drive the decisions to harvest including if, where and how management activities are undertaken.

Community Involvement

It is noted that VicForests has undertaken community consultation in relation to the Draft Management Plan, including opportunities for written submissions as well as community information sessions. VicForests also provides regular briefings to Council, hosting site visits

to logging operations and arranges public forums or drop in sessions for local communities.

Community engagement is important to ensure local concerns are addressed in the management of VicForests activities, especially in regard to significant projects. Community concerns have been raised with Council about environmental, economic and amenity impacts of logging activities.

VicForests should consider that Council has received feedback from residents in the past that they were not made aware of consultation processes, or of the planning and operational stages, until it was too late to make changes. Lengthy time periods between a consultation period and the works occurring also adds to community concerns, when a logging activity eventually commences.

Long-term Economic Development

The forestry sector has a significant history and cultural heritage within the Murrindindi Shire and contributes to the Shire's economy and Council continues to support the forestry sector as part of the broader economy. Industry of employment data sourced from the Australian Bureau of Statistics indicates 45 people within Murrindindi Shire work in the forestry and logging industry. (Source: Australian Bureau of Statistics – 2011 Census).

However the importance of other sectors of the economy must also be given consideration and not be limited nor adversely compromised by forestry operations within the State's native forests. Other industries such as arts and recreation, retail trade, accommodation and food services are important for Murrindindi Shire's current and future economic prosperity.

State forests are critical for these markets because they provide ecosystem services and a visual beauty upon which these businesses and industries depend. For example healthy water yields are important for the Shire's agriculture enterprises and visually appealing vistas and landscapes attract visitors and new residents to the region.

Council has received feedback from community in regard to concerns about the use of harvested wood (in Murrindindi Shire). The feedback relates to the Draft Management Plan giving an impression that higher quality grade sawlogs (higher value timber) comprise a higher percentage of the industry than is believed to be the case by some members of the community. Council encourages VicForests to increase transparency in this regard. A higher degree of transparency will assist address any misunderstandings or conceptions.

Social and Environmental Services

Specific examples of concern felt by community members and industry groups in Murrindindi Shire include the amenity impacts, deterioration of roads used by timber haulage trucks, decline in biodiversity, decline in carbon storages, water quality issues and reduction in water yields.

Water and carbon

It is noted that VicForests is investing in projects via its Research and Development Plan to investigate the impacts of timber harvesting on downstream water yields which is an issue of concern for farmers dependent on run-off from catchments to sustain their agricultural

Submission to VicForests Ecologically Sustainable Forest Management Plan

enterprises. Research in this area is important particularly in relation to alternative timber harvesting and silviculture practices to avoid and/or minimise impacts.

The Plan indicates that VicForests models carbon change in forests under its management but there are still significant knowledge gaps. VicForests needs to invest in research which aims to address this gap, by:

- Refining estimates of above ground bio-mass for a range of native forest types.
- Applying a whole-of-life approach in assessment of greenhouse implications of production and conservation of forests

Visual amenity and recreation

Members of the community and industry groups have approached Council in regard to concerns at the visual impact of logging, for example, the logging presently taking place in the Royston Range where residents of the Rubicon Valley have requested Council to undertake advocacy on their behalf to the State Government (particularly those Ministers with portfolios relevant to tourism and the natural environment).

In 2013, the Rubicon Valley residents raised their concerns regarding the lack of consultation with the community in relation to logging operations. Residents state the area has been dramatically affected by drought, flood and fire and any further disturbance would lead to undesirable consequences both visually and environmentally.

Visual amenity and recreation values are important to maintain as residents and visitors appreciate the natural beauty of the forests, and expect to be provided with access to healthy forests for activities such as mountain biking, horse riding, bushwalking, 4 wheel driving and camping. Many local operators run businesses which provide these activities to residents and visitors alike and in doing so provide jobs to local and non-local people.

The Plan notes that VicForests is committed to a process of stakeholder input in the development of Timber Release Plans, but it is important that VicForests maintains open communication and dialogue with the Council, local communities and relevant business people about their logging operations, so that any adverse impacts can be managed through genuine collaboration with the Council and local communities.

Roads

VicForests spends in excess of \$5 million per year on road development and maintenance activities to support the timber harvesting operations as well as maintaining access to the general public through the State's forest areas. In the Draft Management Plan, VicForests refers to the Department of Environment, Land Water and Planning as the lead agency responsible for the management of roads in State forests, and that VicForests uses a portion of these roads to haul timber products from coupes to their customers. Some haulage routes also mean that VicForests use Council managed roads; however this is not recognised in the Plan. Council has had ongoing issues with deterioration of municipal road assets caused by forestry cartage operations.

For private forestry activities, Council administers a planning approval process which requires two points of contact. The forest owner or manager is required to produce a plantation development notice, including general information relation to location, species,

Submission to VicForests Ecologically Sustainable Forest Management Plan

time of planting and plan of plantation. The second notification involves the submission of a Timber Harvesting Plan. The submission of these documents enables the Council to conduct a road condition inspection. This inspection allows Council to assess the road condition prior to commencement of harvesting, and place specific conditions on how roads are to be used and monitor any damage to roads as a result of logging transport activities once harvesting commences.

Council would like to see the introduction of a similar process through the submission of long term coupe development and harvesting plans to Council. This will assist Council to identify logging truck routes and enable monitoring of these operations and any damage to road infrastructure due to logging transport activities, which continues to create a significant financial burden on Council's road maintenance budgets.

The level of available funding through the Timber Industry Road Evaluation Survey (TIRES) has not enabled a number of roads to be upgraded where the industry has adverse affect on the Council road network.

Road safety relating to logging vehicles is an issue and there have been complaints concerned with operator speeds along access roads, in particular, Rubicon Road where there are a number of facilities fronting this road. Council would be seeking specific actions to address these concerns.

The use of larger B-doubles and higher mass limit vehicles facilitates the transport of logs but there is a community perception that there is no reduction on the number of trips being generated which, would lead to accelerated damage to Council's road network.

Another issue being raised are travel times where operators are starting early morning or late at night causing amenity issues to adjoining residential properties.

Because of these ongoing operations, there is a long term impact on properties along some Council roads used for logging access.

Transparency

Council values open and transparent dialogues with VicForests. Fostering open and transparent dialogue will assist Council understand how VicForests activities may affect the social and environmental services important to sustain for the long term health of our local communities.

Transparent reporting against the Forest Management Plan is critical if VicForests wish to assure its stakeholders and Australian consumers that VicForests products are sustainable. Council would also like more information from VicForests on how the Draft Forest Management Plan will be complied with in relation to the Council's policy position.

Conclusion

Council appreciates the opportunity to make this submission and supports a balanced approach in line with its endorsed policy position. Council has raised a number of opportunities for improvement, as outlined in this submission and looks forward to continuing its strong working relationship with VicForests into the future.

Minutes - Murrindindi Environment Advisory Committee				File: SF/1078	
Date	9 th Dec	Time	1:30pm	Location	Y Water Centre, Yea
Attendance:	Ron Litjens, Rita Seethaler, Roger Cook, John Coyne, Judy Watts, Nigel Waterhouse, Mark Leitinger, Zoe Blakeney, Cr. John Kennedy, Cr. Andrew Derwent.			Apologies: Peter McKernan, Robert Chaffe, Steve Meacher, Ann Jelinek, Christine Glassford	
Item	Description of Issue	Action	Who	When	
	General Meeting				
1.	<u>Welcome and update from Manager Infrastructure Operations:</u> Updates were provided by Mark Leitinger including progress in delivering Environment Business Plan 2014/15, and preparations underway for next year (2015/16) business plan.	No action.			
2.	<u>Progress updates:</u> Progress updates were provided from the Coordinator Environmental Program on the Corporate Resource Monitoring System Project, and the Corporate Pilot Energy Management Program. MEAC members were supportive of the aforementioned work. In addition a report on the Biodiversity Offsets Program (Historical Offsets) was provided. MEAC members commented: <ul style="list-style-type: none"> • The GBCMA is currently calling for EOIs for natural resource management projects in 2015/16. There may be some alignment with projects which meet Council's requirements under this Program. • There is also an opportunity, if land options are in short supply to consider exploring feasibility of implementing some works on local school grounds, involving school children in the project as part of education and engagement strategy. • Other comments relation to the need to develop clear decision making criteria, what is eligible and what is not in the way of sites. 	Consider MEAC comments in the agenda for the next Historical Offsets Project Reference Group Meeting.	ZB	11 Dec 14	
3.	<u>Roundtable discussion focused on updates from members including:</u> <ul style="list-style-type: none"> • Coordination of riparian management program on private land led by the GBCMA. • Yea Wetlands Committee currently underway with Platypus hides and Honey Suckle control. 				

	<ul style="list-style-type: none"> • UGLN delivered a successful schools program this year, and priority weeds program was also effectively delivered (which provides subsidies to private landholders to encourage weed control). • UGLN currently preparing business planning for the next two years focusing on areas: biodiversity, schools, landcare and river health, sustainable farming and small farms, rail trail, blackberry action groups, fire recovery works and landcare group support. • UGLN current funding received through Communities for Nature Funding includes: funding to continue works along rail trail, yea river reserves, holly control, weed control and rehabilitation of Godfrey's Creek and the Lorax Revegetation Project. • DEPI has now changed its name and organisation structure where it is now sitting within planning and local government area, a new department titled Department of Environment, Land, Water and Planning (DELWP). • DEPI Biodiversity Team have also completed second phase of fauna camera monitoring with intention to analyse footage. • Murrindindi Climate Network has almost completed the Green Business Assessment Program, with funding still being allocated to the electricity meter roll out in businesses and other organisations. In addition, Murrindindi Climate Network also led the 'Virtual Candidate Forum'. MCN approached the candidates for the Eildon Electorate by inviting them to participate in a questionnaire around a range of climate change and environmental issues. The Forum has responses from: Bruce Argyle (Independent), Cindy McLeish (Liberal), Jane Judd (Independent), Marie Sellstron (Greens) and Sally Brennan (Labor). • Kinglake Landcare continuing to coordinate works on Koala Browsing Project and Number One Creek. Have been involved in coordinating partnerships with Conservation Volunteers Australia. 			
Item	Description of Issue	Time	Who	When
	<p>Environment Policy and Strategy Steering Committee</p>			

	<p><u>Review of status of action plan report and discussion:</u> Coordinator Environmental Programs presented the first draft of evaluating the status/performance of Council’s Environment Strategy to MEAC members. The following comments were received:</p> <ul style="list-style-type: none"> • The ‘qualifiers’ used to assess status should be revised to better reflect that status of each action. • Consider adding in the priority rating of each action and its timeframe (as stated in the Environment Strategy). • Importance of Councillor involvement in strategy development and overall responsibility for implementation was highlighted • Need to better understand how to align with and make connections with economic development. Need to understand the interface and how this translates into action (i.e. eco/nature based tourism opportunities, green industry development, green business brands, local produce and market development etc.) 	<p>Members to provide any further comments via email by 31 January 2015.</p>	<p>MEAC</p>	<p>31 Jan 15</p>
<p>4.</p>	<p><u>Review of Environment Policy recommendations report, changes and discussion around Committee’s views.</u> Coordinator Environmental Programs presented the first review of Environment Policy to MEAC. Members comments were:</p> <ul style="list-style-type: none"> • Parts are still sound, but some elements are out of date. • In its revision, consider the effect of climate change on land use – the connection appears to be missing from the policy. 	<p>Members to provide any further comments via by 31 January 2015.</p>	<p>MEAC</p>	<p>31 Jan 15</p>
	<p>Meeting Dates 2015: 10 February 2015, Alexandra 14 April 2015, Yea 9 June 2015, Alexandra 11 August 2015, Yea 13 October 2015, Alexandra 8 December 2015, Yea</p>			
	<p>The meeting closed at: 3.30pm</p>			

With reference to a decision made at the ordinary meeting of Murrindindi Shire Council held in Alexandra on the 17th of December 2014, I propose a motion to amend a decision made with respect to item 6.3 - Great Victorian Rail Trail (GVRT) – Alexandra, Thornton and Eildon Feasibility Study as such:

That council:

- a. Notes the findings in the feasibility study.
- b. Adopts a staged approach to the development of a trail from Eildon to Alexandra
- c. Subject to identifying suitable funding, endorses officers to prepare a Trail Development Plan for that section of trail between Eildon and The Outdoor Education Group's (OEG) camp on the Eildon Back Rd.
- d. Endorses the implementation of the section from Eildon to the OEG camp on the Eildon Back Rd, based on the approved Trail Development Plan, subject to identifying suitable construction funding and subject to OEG committing to maintain the section.
- e. Subject to identifying suitable funding, endorses officers to prepare Trail Development Plans incrementally for further stages upon completion of each stage and only if the following stage is approved to be implemented.



Cr. Andrew Derwent
18th December 2014