



CITY OF BALLARAT BUDGET 2017/18



Mayors Message

Cr Samantha McIntosh

This year's budget is the first budget for this Council's four-year term and comes after Ballarat City Councillors launched their Draft Council Plan 2017-2021.

The Council Plan sets the vision, priorities and outcomes for Council's term and guides the annual budget, which determines the projects, services events and other initiatives that will be funded and delivered in the upcoming financial year.

The plan and budget have been divided into four key pillars: Liveability, Prosperity, Sustainability and Accountability.

Our current and future budgets are being developed in an environment of rate capping and cost shifting, with Council required to keep its average rate increase within a cap set by the Minister for Local Government.

For the 2017/18 year, we will not be seeking a variation to that cap and have set the rate increase at 2 per cent.

This means capital infrastructure funding is now frozen at 2015/16 levels for the next 20 years.

The biggest challenge long-term is the need to maintain our infrastructure to the level our community members expect and deserve. However, the community can have confidence that Council has a long-term strategy for providing infrastructure, and this strategy is based on sound evidence, community consultation and diligent financial systems.

While we are doing everything, we can to reduce wastage and improve efficiencies, our reduced expenditure means demand will continue to outstrip supply and our asset renewal gap will continue to increase.

Council is committed to lobbying state and federal governments for more funding to reduce the gap.

Our service delivery will also be impacted; over the coming years we will undertake a rigorous review of Council's more than 100 services, with a forecast reduction in the number of State Government services Council delivers over the next decade. We understand the government's position of seeking to control the cost of rate rises, however, councils have very few options as to how they fund their business.

We recognise Ballarat has been a big winner from the Victorian Budget 2017/18; securing close to \$100 million for key projects which will result in jobs growth and see significant investment in the health, education, government and legal sectors.

We also understand the government's position of seeking to control the cost of rate rises.

However, councils have very few options as to how they fund their business and it's crucial for Council to keep up the pressure and continue lobbying to enable us to implement our vision of future major projects."

Despite the challenges, it's important to highlight the fact Ballarat is open for business and our budget strategy focuses on driving economic growth, being proud of our identity, and providing leadership for the city and region.

CEO Message

Justine Linley

It will be of little surprise to residents and ratepayers that this year's budget has been a challenging one to construct. The City of Ballarat faces similar constraints and issues as our colleague regional cities and neighbouring rural councils: small rate bases, ageing infrastructure, large distances, changing and often dispersed populations and increasing regulation and compliance costs. In Ballarat, our communities have a good working relationship with Council, and Council has been diligent in listening to community and business needs and aspirations.

Since the election in late 2016, Council has been drafting a new four year Council Plan. Each year the annual budget is constructed to provide the funds and resources to put that plan into action. The 2017/18 Budget is the first budget towards delivering the vision and goals contained in the new Council Plan 2017-2021. The new Council has taken a fresh look at recurrent problems, has questioned the status quo and has demonstrated a desire to enquire and better understand the workings of local government and Ballarat's position not only as the capital of Western Victoria but as a leader in the local government sector across the State.

As the budget is derived from the Council Plan, the Council Plan is reflective of the Council's Vision. This vision is a clear and concise one: Ballarat, a proud city that is bold, vibrant and thriving. Easy to say, harder to implement; particularly in an environment with diminishing revenue streams, increasing regulation and increasing costs.

However, holding onto this vision is the key to the financial sustainability and long-term economic, social and environmental health of the Ballarat City Council as an organisation and the City of Ballarat as a community.

The 2017/18 Budget has been constructed to align with the new Council Plan, to align with the themes, goals, objectives and strategies that you, our community, our businesses and our staff, have told us are important to you. The Budget enables us to deliver the 100 plus different services to a municipal community of some 103,000 people and a regional community of close to 200,000. It enables us to do so with confidence and with the surety that we are managing your money responsibly, that we are doing so fully understanding the impact that this will have on the wellbeing of residents not only today but well into the future.

This has seen a heightened focus on the level, standard and types of services provided by the organisation leading to two key questions: will this activity or service improve the economic, social or environmental viability of Ballarat or will it deliver a core local government service or targeted project in line with Council's vision?

The 2017/18 Budget sets Council on the path to answering both questions with a resounding yes.

What Does The Budget Deliver?

The services/projects a Council delivers can be categorised into three (3) components.

1. Those services that are utilised by the community every day.
2. Maintenance of community assets.
3. Provision of new community assets for future growth.

Council provides in excess of 100 services used by different people in the community each day. These include:

SERVICING BALLARAT

Every day, the City of Ballarat is working to deliver more than 100 services to the community. Your rates fund these essential programs and we believe they are the core work of Council. The City of Ballarat's community services include:

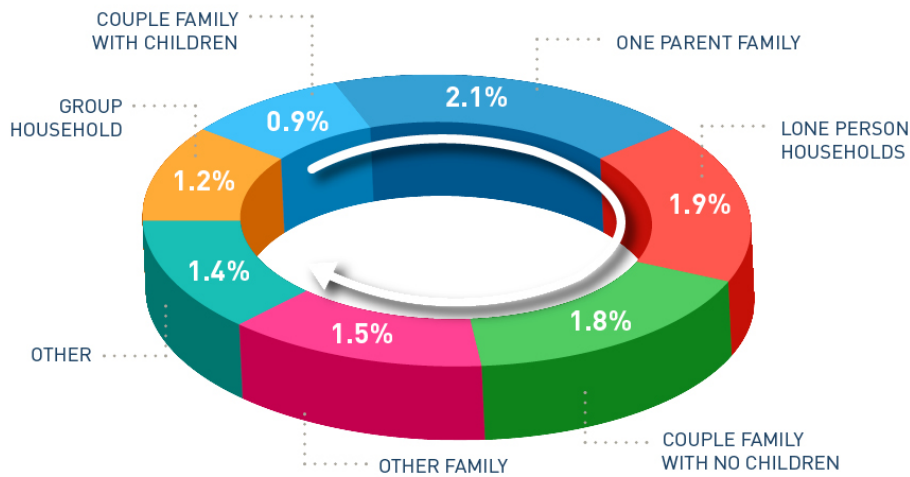
After Hours Environmental and
Public Health Emergency Service
Animal Control services
Art Gallery of Ballarat
Arts and Culture
Asset Management
Backspace Gallery
Ballarat Airport management
Ballarat Aquatic and Lifestyle Centre
Ballarat Botanical Gardens - Conservatory,
Robert Clark Centre
Ballarat Heritage Advisory Service
Ballarat Regional Tourism
Bicycle paths
Bridges
Building Permits
Buninyong Botanic Gardens
Business Investment Facilitation
Cemetery management
Childcare
Citizenship Ceremonies
City of Ballarat social media - facebook,
twitter and instagram
City of Ballarat website ballarat.vic.gov.au
Community Awards
Community Events
Community Grants
Community Halls
Community Policy and Development
Community Safety
Community Services
Cultural Diversity
Customer Service
Deaf Access
Disability Services
Drains, Kerb and Channel

Economic Development
Engaging Communities Program
Environment
Environmental Health
Events Management
Family and Children's Services
Facility Maintenance
Family Day Care
Fire Prevention and control
Girrabanya Centre for Children and their
Families
Graffiti Removal
Her Majesty's Theatre
Home and Community Care Services
Immunisation
Infrastructure Delivery
Kindergartens
Kohinoor Community Centre and programs
Lake Burrambeet
Lake Esmond
Lake Learmonth
Lake Wendouree
Library Services - Sebastopol, Wendouree,
Ballarat and Outreach Library Van
Local Laws
M.A.D.E
Major projects
Maternal and Child Health
Meals on Wheels
Multicultural Services
Municipal Building Surveyor and Building
Services
Municipal Emergency Management
MyBallarat community magazine
New Residents Program
New subdivisions

Neighbourhood Planning and Engagement
Occasional Child Care
Outdoor Swimming Pools and Water Play
Parent Place
Parking
Parks and Gardens
Pet registrations
Planned Activity Groups
Planning Framework, Amendments,
Approvals and enforcement
Playgroups
Playspaces
Positive Ageing
Property leasing and licensing
Public Art
Public Toilets
Rates and Property valuations
Risk management
Roads
Rural Access
School Crossings
Senior Citizens' Centres and Services
Sport and Recreation Planning and
Management
Statues and monuments
Statutory Planning
Strategic Planning
Street cleaning, furniture and lighting
Street trees - arboriculture services
Sustainability
Traffic management and amenity
Trees
Volunteers
Waste and recycling collection
Wendouree Children's Services
Youth Services

In formulating the 4 year Council Plan and Long Term Financial Strategy, Council must consider not only the needs of the community today, but also the predicted needs of the community into the future.

In 2040, the structure of families will be different to today



Forecast Annual % Change in family types 2013 - 2031

The delivery of these services reflects the four goals or objectives in the 2017-2021 Council Plan. These are:

LIVEABILITY - Improve our community's quality of life.

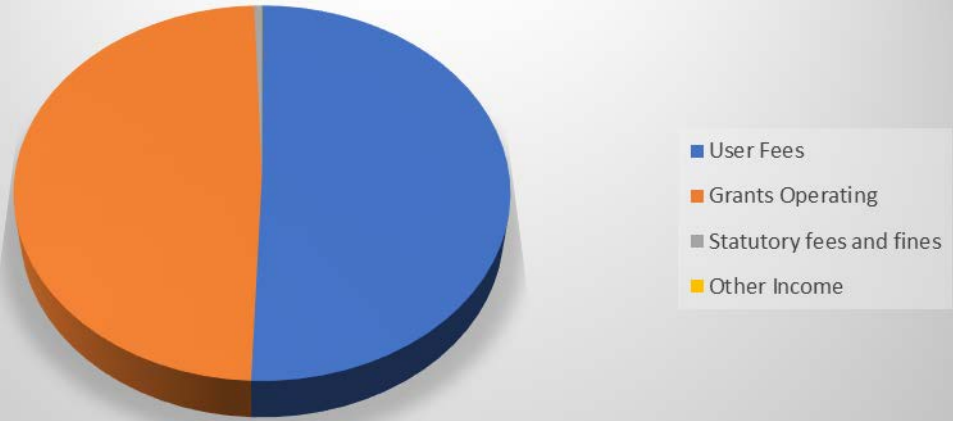
Council understands the importance of a happy and connected community, and is working to ensure Ballarat's quality of life remains a key attraction for locals and increasing numbers of new residents from metropolitan and other regional areas

We will aim for:

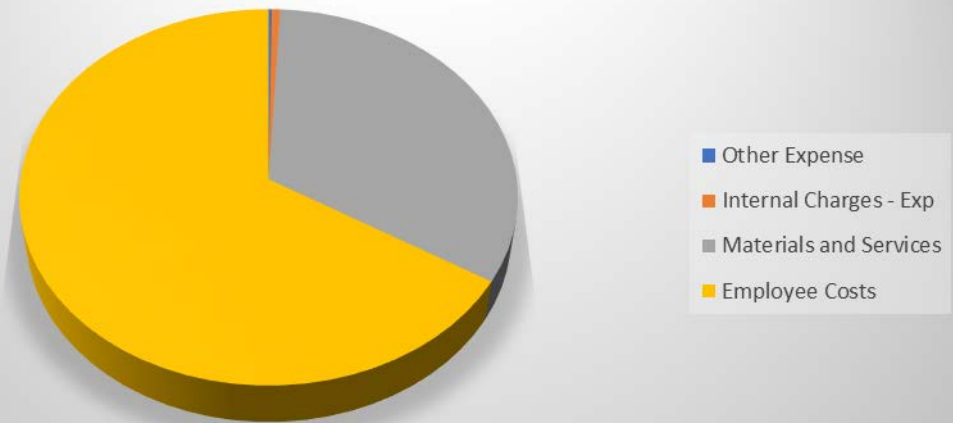
- > A welcoming, active & socially-connected city
- > Healthy cultural life & creative expression
- > A city with multi-arts, culture and heritage
- > Well-used public spaces for learning & social engagement
- > Public sports & recreation facilities
- > Safe & accessible community spaces & facilities

Liveability	\$
Active Ageing	(116,265)
Ainaro, East Timor	(3,050)
Ballarat Aquatic Centre	(445,493)
Community Safety	(96,559)
Community Development	(467,216)
Community Grants	(368,248)
Cultural Diversity Operations	(324,928)
Customer Service	(1,126,967)
Emergency Management	(162,524)
Engaged Communities	(936,539)
Family & Children's Services	(1,165,644)
Fire Prevention	(187,108)
Girrabanya Child Care Centre	14,824
Lake Wendouree Management	(115,000)
Library Operations	(2,625,269)
Maternal & Child Health	(847,692)
Occasional Child Care Centre	48,447
Outdoor Pools Operations	(610,267)
Regional Soccer Facility	(201,094)
Safe Taxi Rank	(87,000)
Senior Citizens	(144,049)
SES Funding	(16,505)
Sport & Recreation Projects	(928,091)
Wendouree Child Care Centre	30,829
Youth Projects	(503,184)
Liveability Total	(11,384,592)

Liveability - Income Distribution



Liveability - Expense Distribution



PROSPERITY - Advance our economic position as the capital of Western Victoria.

Ballarat is open for business and we are committed to advancing our economic position as the capital of Western Victoria, which means continuing to drive jobs and investment across the region.

Council has a clear strategy to deliver both major and community projects, and will form project teams to ensure their delivery is both efficient and effective.

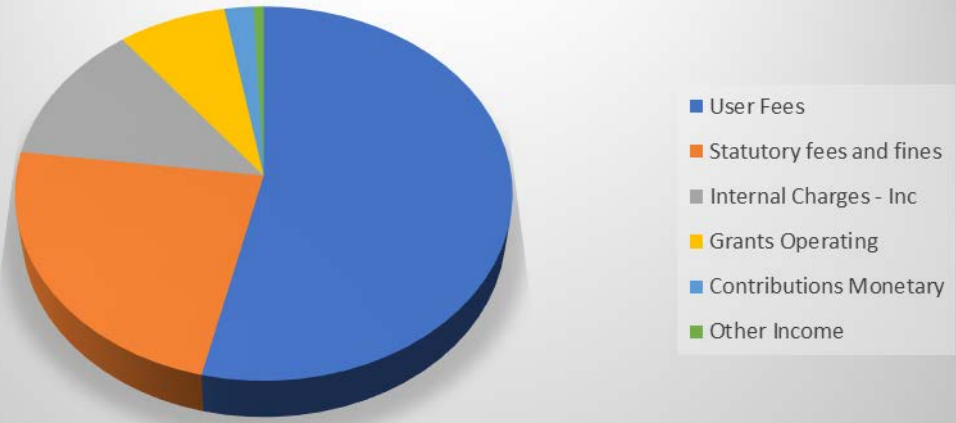
Council also has strong plans in place to advocate for State and Federal Government funding in light of the challenges such as rate-capping and cost shifting.

We will aim for:

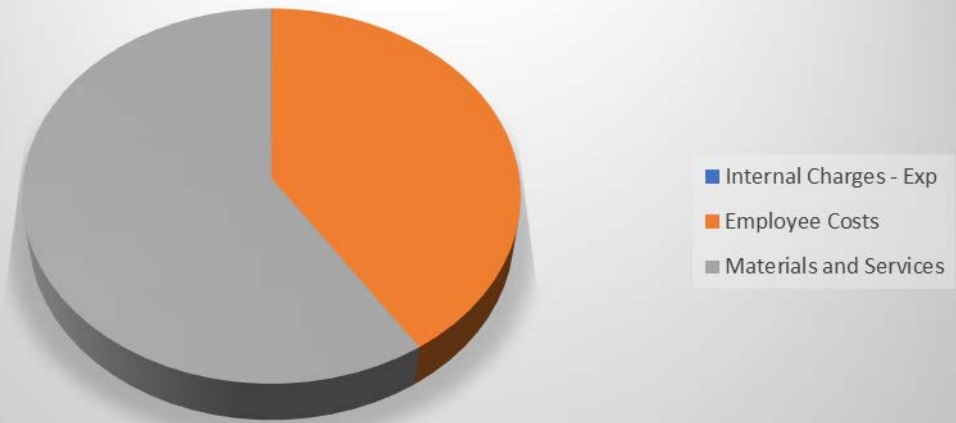
- > Revitalised CBD & neighbourhood centres
- > Planned population growth
- > Increased investment & visitation
- > A Vibrant city that is proud of its identity
- > Regional leader in innovation, research & creative industries

Prosperity	\$
Arts & Culture	(715,236)
Ballarat Art Gallery	(1,670,816)
Ballarat Regional Tourism	(2,832,154)
Begonia Festival	(350,000)
Bridge Mall Traders	(320,000)
Communications	(1,121,690)
Community Events	(2,775,102)
Development and Planning	(542,921)
Digital Communications	(554,810)
Economic Development	(744,726)
Her Majesty's Theatre	(589,548)
Major Projects	(572,906)
Mining Exchange Management	(30,937)
Museum of Australian Democracy at Eureka	(1,055,752)
My Ballarat	(245,000)
Places & Renewal	(1,240,004)
Projects & Promotions	(930,000)
Statutory Planning	(808,073)
Strategic Planning	(1,444,577)
Prosperity Total	(18,544,252)

Prosperity - Income Distribution



Prosperity - Expense Distribution



SUSTAINABILITY - Protect, maintain and enhance our built and natural assets.

Protecting, maintaining and enhancing our built and natural assets, and improving our connectivity, is another key focus for this Council.

Council is also continuing to work towards our aim of leading the state with an economical and innovative integrated waste management system by 2020. This means solving many of the city's waste challenges, including reducing waste to landfill; creating jobs; and driving economic development.

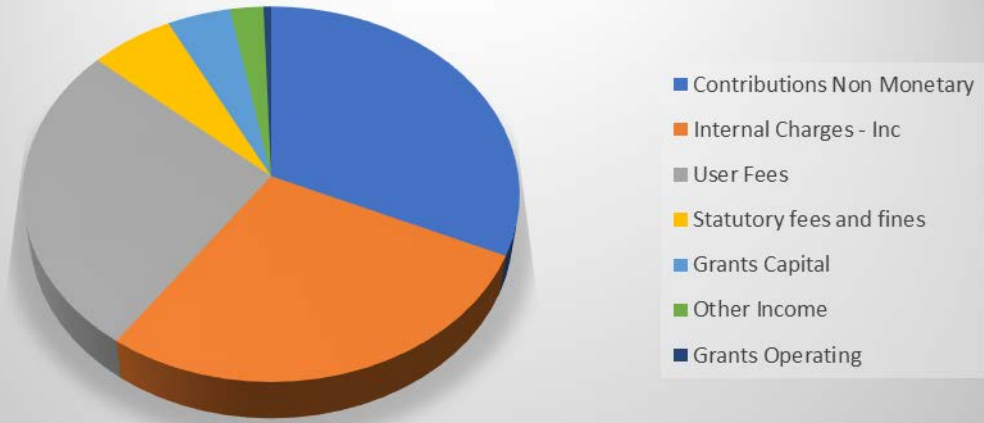
We will aim for:

- > Supported growth in a structured way
- > An environment reflective of community needs
- > Improved natural environment
- > Sustainable waste management
- > Reduced environmental impact
- > People & goods move efficiently

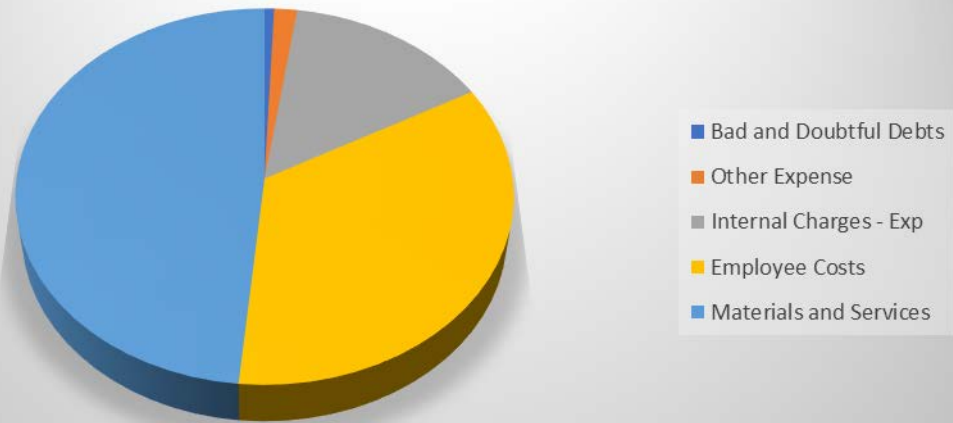
Sustainability	\$
Animal Management	422,100
Avenue of Honour	(65,250)
Ballarat Airport	(198,832)
Ballarat Municipal Observatory	(11,850)
Ballarat West Facilitation	(197,350)
Blackhill Landfill	(137,601)
Botanical Reserve Maintenance	(2,243,265)
Bridges & Major Culverts	(205,211)
Building Control	(166,834)
Call out / Rapid Response	(102,597)
City Entrance Reserve Maintenance	(1,631,216)
Collection of Domestic Garbage	(2,302,494)
Collection of Recyclables	(1,458,710)
Drainage Maintenance	(1,546,703)
Enivornmental Protection	(495,854)
Environment Programs	(566,176)
EPA Licence	(15,000)
Federal Blackspot Funding	1,000,000
Federal Roads to Recovery Funding	1,000,000
Footpath - Routine Maintenance	(1,212,844)
GPT Cleaning	(12,240)
Guardrail Maintenance	(112,037)
Guardrail Renewal	(45,000)
Guide Posts - Maintenance	(10,000)
Illegal Dumping	(111,318)
Infrastructure and Assets	(547,184)
Infrastructure and Environment	(667,388)
Kerb & Channel - Renewal	(152,971)
Lake and Linear Reserve Maintenance	(1,366,851)
Lake Wendouree Precinct	(591,355)

Sustainability (cont.)	\$
Lake Wendouree Treated Waste Water	(265,000)
Lake Wendouree Water Ecology.	(49,000)
Lake Wendouree-Weed Cutting	(302,430)
Landfill Monitoring Programs	(444,266)
Landfills	941,329
Linemarking Maintenance	(553,800)
Local Laws Enforcement	(356,857)
Minor Traffic Investigations	(85,000)
Operations and Environment	(6,670,224)
Park and Reserve Maintenance	(1,778,988)
Parking Management	4,257,825
Planning Enforcement	(16,250)
Processing Greenwaste Material	(1,514,057)
Processing of Recyclables	(326,400)
Property and Facilities Management	(4,895,626)
Regulatory Services	(154,842)
Reseal Programmed Maintenance	(95,217)
Road Safety - Slashing	(61,200)
Roadside Spraying	(15,300)
School Crossing Supervision	(591,804)
Sealed Road Maintenance	(1,154,915)
Signage Road Safety	(746,707)
Sports Reserve Maintenance	(1,950,912)
Statue Maintenance	(50,000)
Street Cleaning	(2,274,084)
Street Lighting	(1,872,500)
Subdividers Contribution	14,000,000
Traffic Management	(432,290)
Tree Maintenance	(2,401,990)
Western Link Road project	(185,842)
Sustainability Total	(23,798,378)

Sustainability - Income Distribution



Sustainability - Expense Distribution

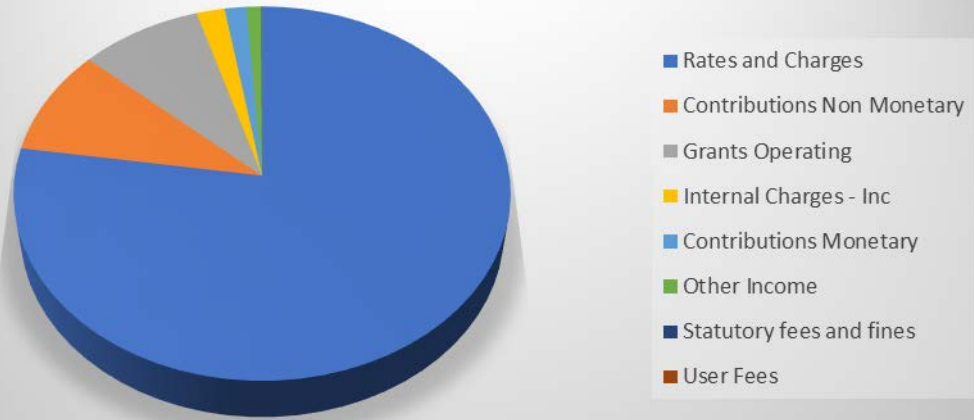


ACCOUNTABILITY - Provide strong and decisive leadership, and transparent governance.
We will aim for:

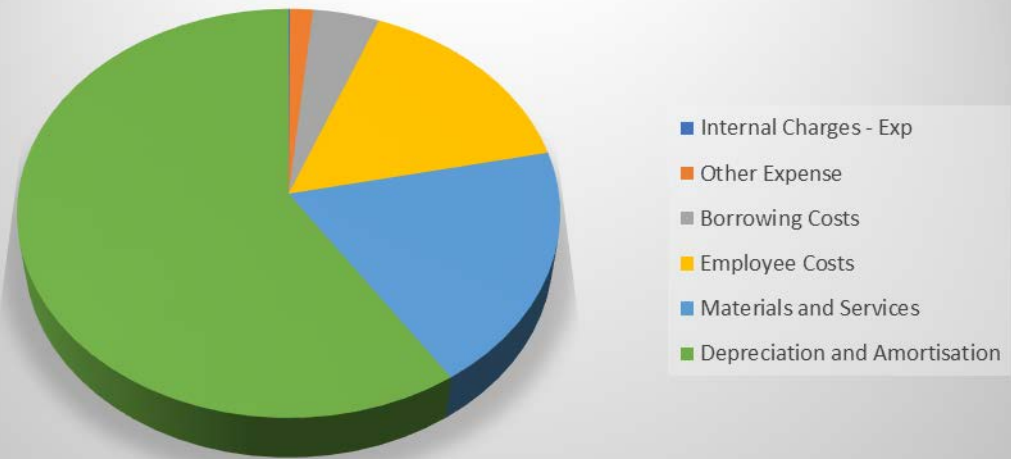
- > Strong regional partnerships
- > Transparent governance
- > Engaged, informed community
- > Reduced Govt. regulation
- > Financially sound organisation
- > Strong focus on innovation
- > Increased public disclosure

Accountability	\$
Civic Support	(606,890)
Councillors	(496,950)
Digital Transformation Office	(725,722)
Facilities /Hallkeepers	(146,514)
Financial Services	(263,077)
Fleet Management	(381,293)
Human Resources Services	(1,231,591)
Information Services	(5,129,582)
Organisation Development	(345,000)
Policy & Projects	(856,562)
Procurement	(120,079)
Revenue Services	(1,097,830)
Safety, Risk and Compliance Service	(2,981,148)
Whole of Organisation	100,941,050
Accountability Total	86,558,812

Accountability - Income Distribution



Accountability - Expense Distribution



Core Capital Program

Project Description	Gross \$
BAC Programmable Assets & Equipment	200,000
Social Infrastructure Capital Improvement Program	1,000,000
Ballarat Botanical Gardens Program	60,000
Bicycle Paths	360,000
Bicycle Strategy Projects	260,000
Bridge Rehabilitation	210,000
Bus Shelter repair and replacement	160,000
City Entrances	162,240
Desktop Replacement Program	476,550
Drainage Projects	811,000
Facility Renewal Program	2,602,000
Federal Blackspot Funding	1,000,000
Federal Roads to Recovery Funding	1,000,000
Footpath Works	540,000
Home carers - Hand Held PDA	50,000
IT Infrastructure	519,690
IT System Development	816,000
Kerb and channelling	440,000
Lake Wendouree Infrastructure Works	100,000
Land Development Council Contribution	102,000
Landfill Upgrade	2,100,000
Library Books	371,315
Major New Capital Road Projects	510,000
Major Rural Roads Infrastructure Works	1,235,187
Median Strip Landscaping Project	104,040
Minor Road improvements /upgrades	1,153,000
Monument Renewal Program	110,323
Outdoor Pools	137,904
Parking Meter Replacement Program	80,000
Parks Development Program	286,840
Plant, machinery and equipment	2,845,102
Playground Improvement Program	60,000
Playspace Planning Framework	275,808
Public Art Program	110,323
Public Place Recycling	11,032
Recreation Capital Improvement Program	4,243,200
Replacement Bins Program	330,970
Road Renewal	7,571,141
School Crossing Supervisor Shelters	22,065
Street Furniture Renewal Program	165,485
Street Irrigation Project	102,000
	32,695,215

Non-Core Capital Works Program

Project Description	Gross \$
Minor Capital Works	5,000,000
Subdivision Contribution	14,000,000
DCPConstruction-Council	5,707,439
DCPConstruction-WIK	11,930,904
DCP-Land-WIK	1,096,647
	37,734,990

How is the 2017/18 Budget Structured?

A number of challenges faced the Council in formulating the 2017/18 budget. Council was aware of the financial pressures on the community, whilst being aware of these pressures Council is aware of the financial liabilities facing the Council dealing with future growth, the delivery of services required by the community, and the maintenance of community assets.

When formulating a Council budget, the demands placed on Council always exceeds the revenue available to the Council. 2017/18 is no different in relation to this.

In addition to the demand for projects, the growth in Ballarat West has bought forward another set of financial liabilities. Under the Developers Contribution Scheme Council is liable for approximately \$60 million in infrastructure in dealing with that growth. Over the next 10 years the majority of the infrastructure is required with a significant amount of income due under the scheme not expected to be received until the following 10 years.

This has created Council with a significant cashflow shortage over the next 10 years. The only option available to Council was to embark on an aggressive borrowing program over the next few years. Council put together a new twenty (20) year Long Term Financial Strategy, ensuring the long term financial stability of the Council.

Although Council will borrow \$35 million over the next 9 years, raising the Council's debt levels to a maximum of \$83 million. Though debt will rise in the short-term, it is anticipated that Council's debt, at the end of this twenty (20) year strategy, will be reduced back to \$4.6 million in year 20.

Rate Increases

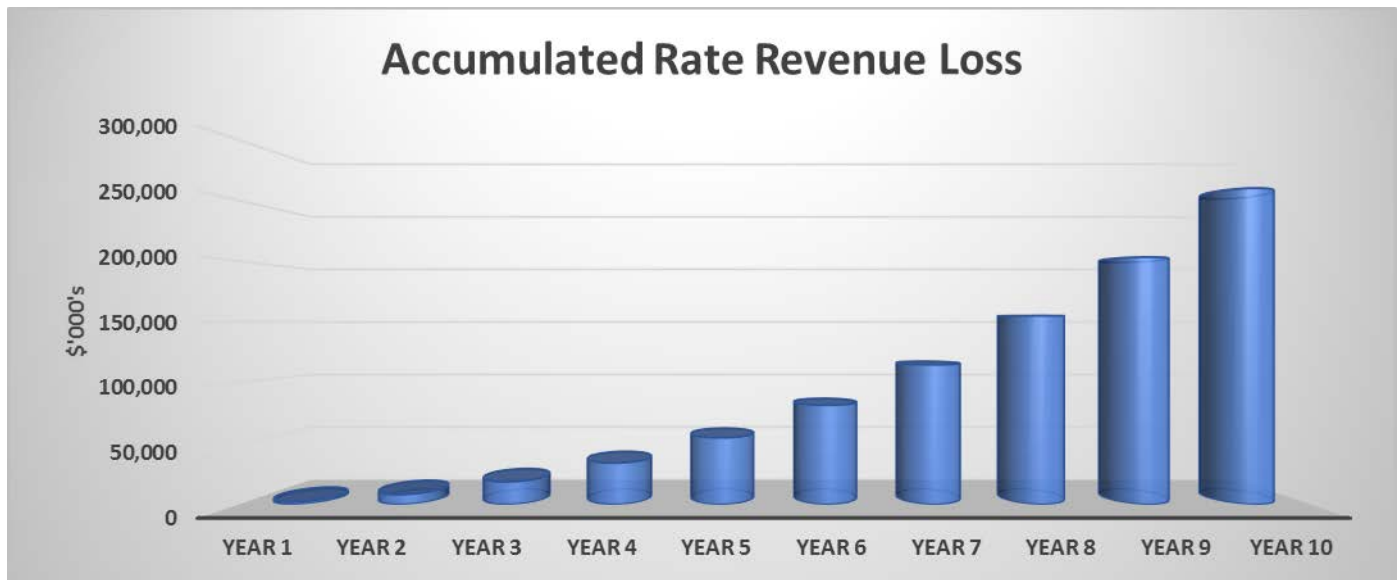
Since rate capping was lifted in 1998 the Ballarat City Council has average a rate rise of 5.4%. During that time rates ranged between 3% and 7.5%. The constant changing of rates in the past has made it difficult to plan for the future and also provides difficulties for the community to plan ahead.

As a result, the Council put forward a rating strategy that saw constant rate increases of 5.5% in the last term of Council, with the commercial rate being 2% lower to bring it into line with acceptable levels.

In the 2016/17 financial year, the State Government re-introduced rate capping. The cap for the first year was set at 2.5% with the cap for the 2017/18 year set for 2.0%. As occurred in the past with rate capping, Council's ability to plan financially into the future is severely limited. Not only will Council be required to review which services will be delivered into the future, to date Council has had to freeze funding for infrastructure works at 2015/16 levels. This effect will see widening gap in the infrastructure renewal gap which Councils over the past decade had worked hard to reduce.

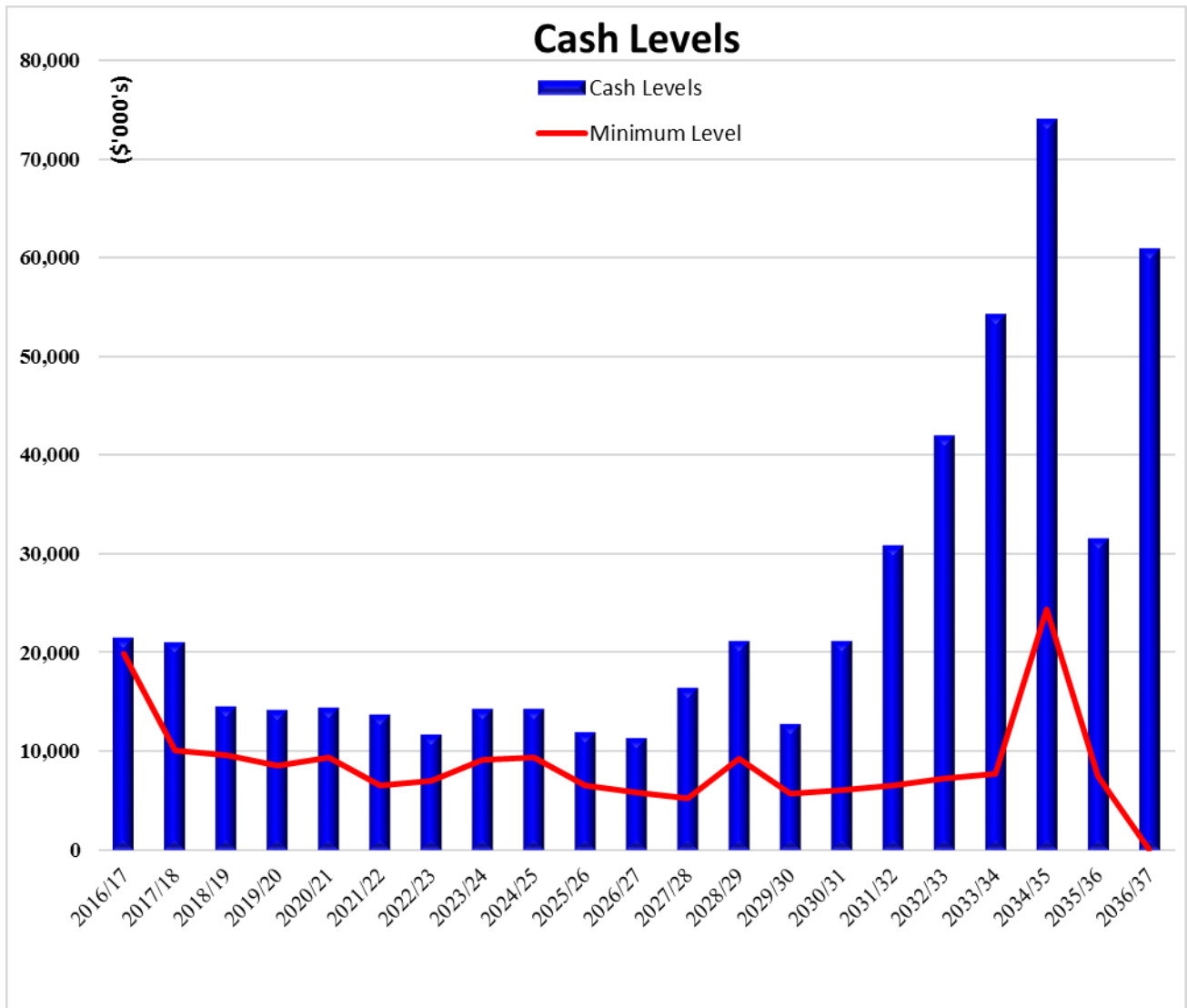
The table below indicates the loss in Rate Revenue from the predicted levels in the 2015/16 Financial Strategy compared to the 2017/18 Financial Strategy.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Rate Revenue Loss	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
2017/18 Financial Strategy - Rate Income	109,602	113,438	117,408	121,517	125,770	130,172	134,728	139,443	144,324	149,375
2015/16 Financial Strategy - Rate Income	111,707	119,526	127,893	136,910	146,562	156,894	167,955	179,796	192,472	206,041
Rate Revenue Loss per year	(2,105)	(6,088)	(10,485)	(15,393)	(20,792)	(26,722)	(33,227)	(40,353)	(48,148)	(56,666)
Accumulated Rate Revenue Loss per year	(2,105)	(8,193)	(18,678)	(34,071)	(54,862)	(81,584)	(114,812)	(155,165)	(203,313)	(259,979)



The significant loss in revenue over the 10 years provides Council with many challenges. Council will be required to review the organisations operations, not only to cover this loss of revenue but also to cater for the demands that will occur as a result of the growth in the west of the municipality.

Cash Levels:

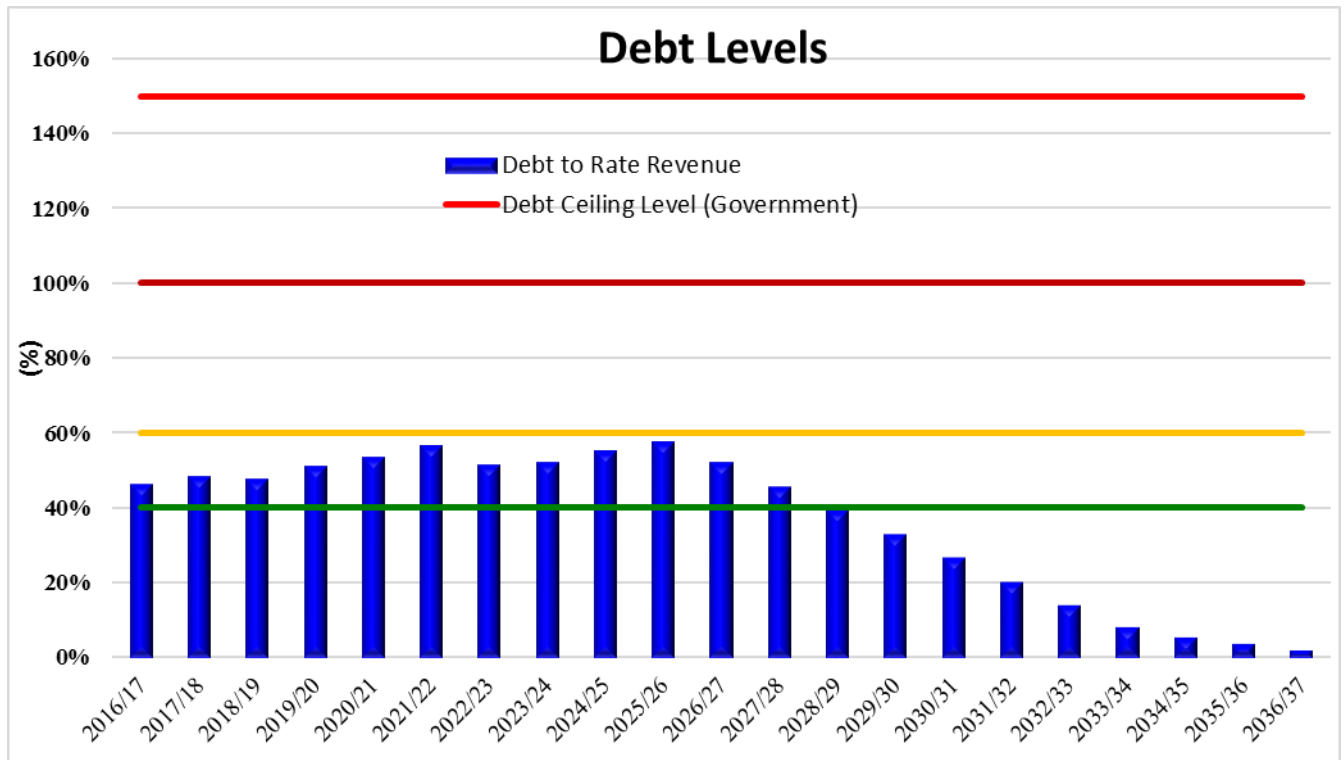


Council's receives the majority of the rate revenue from January to March each year. For the first six (6) months of the year, a council will have net outflows for the that period. In order not to operate within a bank overdraft, and to be able to deliver essential services and capital projects, the Ballarat City Council is required to have a set amount of funds available at 30 June each year.

The red line indicates those levels of cash required each year whilst the blue bar indicates the expected level of actual cash to be held each year. The levels set in this twenty (20) year program have been set essentially at those levels.

In addition to minimum levels of cash require, Council must ensure that sufficient levels of working capital are available at all times, the minimum levels being 100%.

Debt Levels:

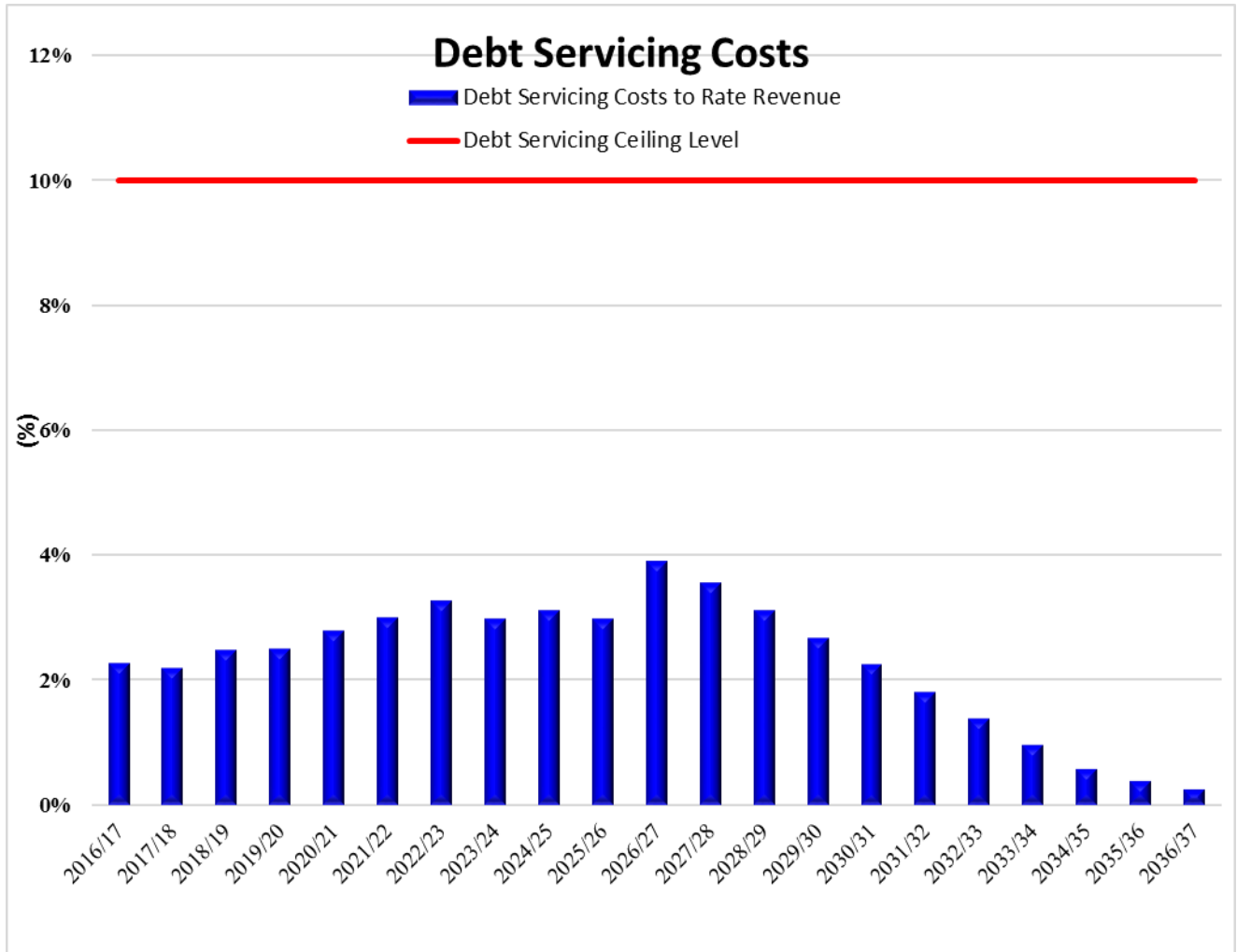


The Victoria State Government has set an indicator of maximum levels of cash a Council may borrow. This is represented by the “red” line. As can be seen the Ballarat City Council’s total debt levels are significantly lower than the debt ceiling levels.

Is Council’s debt excessive?

To determine how much debt is too much, it is essential to compare debt levels to such things as total debt, level of debt to rate revenue, or debt to total revenue. In comparison to the average household which is approximately 180% in December 2013. The source of these figures is Australian National Accounts: Financial Accounts, December Quarter 2013 (ABS cat. no. 5232.0); Australian National Accounts: National Income, Expenditure and Product, December Quarter 2013 (ABS cat. no. 5206.0) In comparison, Council’s debt, at the maximum level, compared to rate revenue will be 58%.

Debt Servicing Costs:

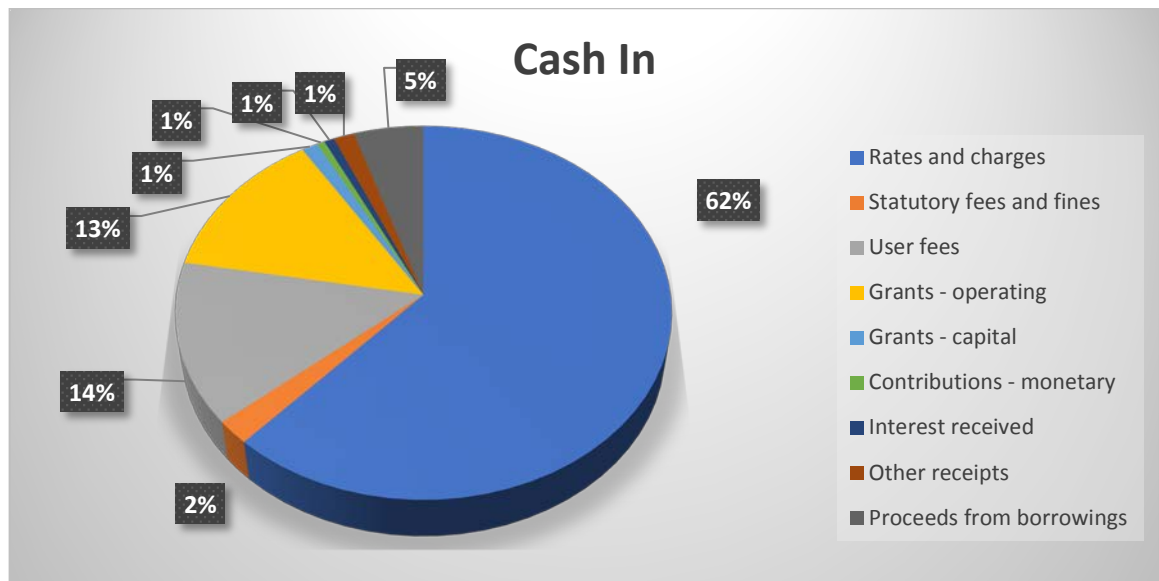


The Victoria State Government has set an indicator of maximum levels of debt servicing costs to revenue that a Council may incur. These being another target to ensure debt levels remain at appropriate levels.

Again, the target set by the state government is identified by the “red” line. Again it can be seen that the Ballarat City Council is well under the ceiling levels set by State Government, with debt servicing costs being maintained at levels less than 4%, or 4 cents per every dollar of rate revenue.

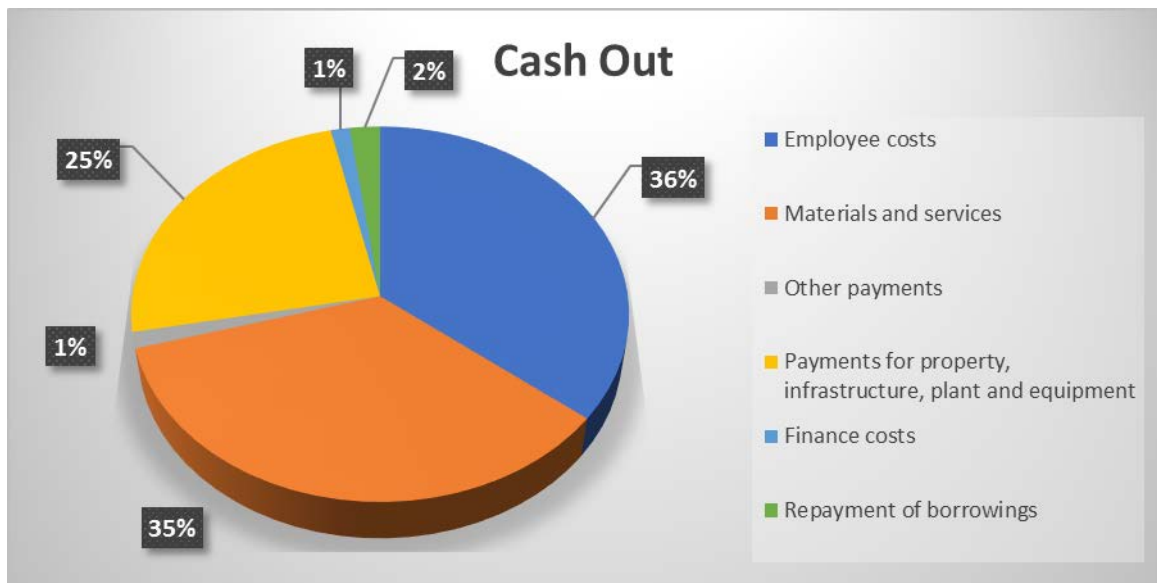
Where Does The Money Come From?

	Budget
	2017/18
	\$'000
Cash In:	
Rates and charges	109,054
Statutory fees and fines	3,639
User fees	24,703
Grants - operating	23,432
Grants - capital	2,000
Contributions - monetary	1,014
Interest received	1,263
Other receipts	2,598
Proceeds from borrowings	8,817
	176,520



What Is The Money Spent On?

	Budget
	2017/18
	\$'000
Cash Out:	
Employee costs	63,051
Materials and services	61,895
Other payments	2,460
Payments for property, infrastructure, plant and equipment	43,402
Finance costs	2,394
Repayment of borrowings	3,817
	177,019



2017/18 Budget Introduction

At the Council meeting held on 10 May 2017, Council considered and resolved to place on public submission the 2017/18 budget.

Council advertised in the Ballarat Courier on Saturday 13 May 2017, that the 2017/18 budget would be on public display at the Town Hall and Phoenix buildings, also would be available on the Ballarat City Council website for a period of 28 days. The public display period would be closed at 9.00 am on 12 June 2017.

During this period, members of the public can submit a written submission to Council on any matters contained within the budget. If a member of the public wishes to present to the Council at the Council meeting to be held on Wednesday 14 June 2017, at 7.00pm, then such request should be stated within their written submission.

At the Council Meeting to be held on 12 June 2017, Council will receive all submissions and hear from those members of the community that have indicated that they wish to have the opportunity to address the Council in support of their submission.

All written submissions will be presented to Council, where there are multiple copies of the same submission presented by members of the community; only one of those submissions will be presented to Council with a list all community members that presented the same submission.

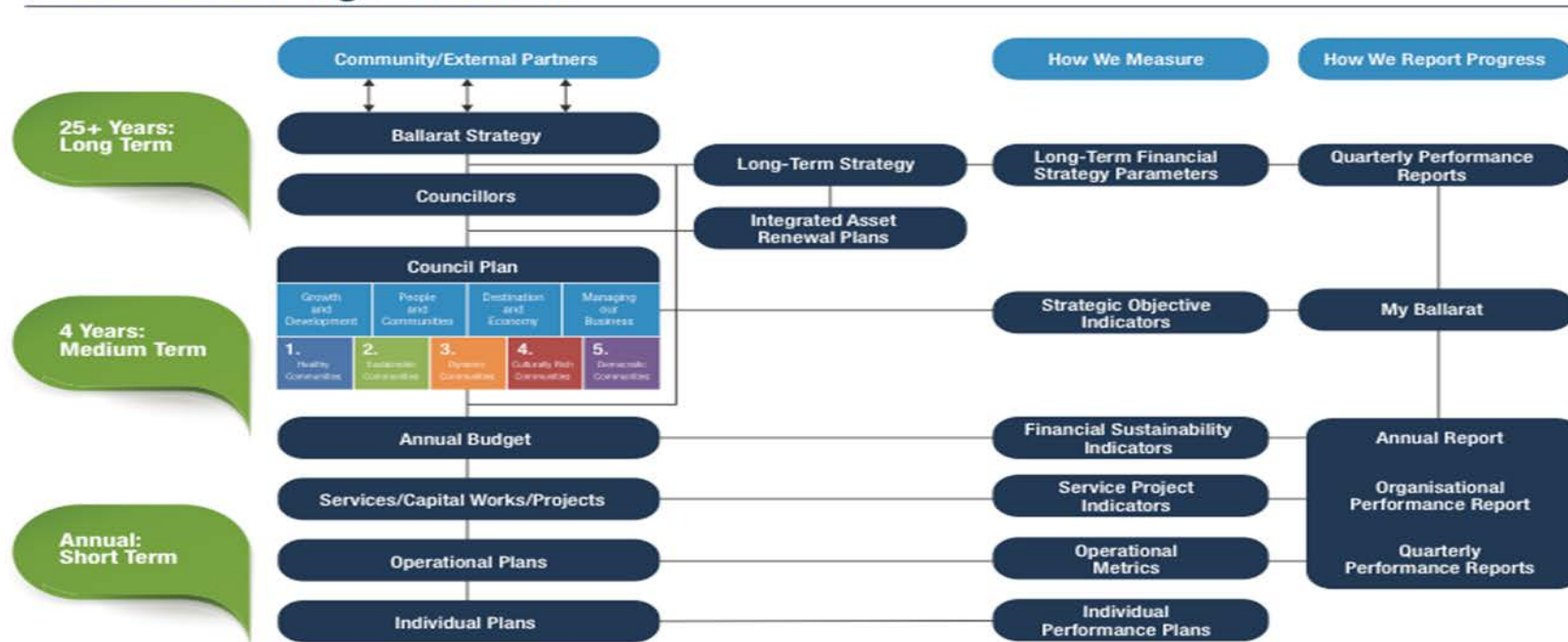
All submission are treated as confidential, as such, submissions will not be made available to the public or media and will be treated in confidence.

Strategic Planning Framework

The Annual Budget has been developed within an overall planning framework, which guides the Council in identifying community needs and aspirations over the long term (Community Plan), medium term (Council Plan) short term (Annual Budget) and then holding itself accountable (Audited Statements).

The Strategic Resource Plan, included in the Council Plan summarises the financial and non-financial impacts of the objectives and strategies and determines the sustainability of these objectives and strategies. The Annual Budget is then framed within the Strategic Resource Plan, taking into account the objectives and initiatives included in the Annual Budget which contribute to achieving the strategic objectives specified in the Council Plan. The diagram below depicts the strategic planning framework of the City of Ballarat.

Council's Planning Framework



The timing of each component of the planning framework is critical to the successful achievement of the planned outcomes. The Council Budget, and Council Plan, including the Strategic Resource Plan, is required to be completed by the 30th June, following a general election is reviewed each year by February to ensure that there is sufficient time for officers to develop their Activities and Initiatives and Key Strategic Activities in draft form prior to the commencement of the Annual Budget process in February.

This also allows time for targets to be established during the long term financial planning process that has led to the development of the Long Term Financial Strategy. This process has guided the preparation of the Annual Budget.

Budget Process

Under the Act, Council is required to prepare and adopt an annual budget for each financial year. The budget is required to include certain information about the rates and charges that Council intends to levy as well as a range of other information required by the Regulations which support the Act.

The preparation of the budget begins with Officers preparing the operating and capital components of the budget during January and February, including submissions that have been identified by officers and Councillors during the year.

The various components of the budget are then prepared and discussed with Council at briefings during March and April. A proposed budget is then prepared in accordance with the Act and the following steps followed to review and adopt the budget in June:

- Step 1: Officers to prepare the annual budget in accordance with the Act and submit the “proposed” budget to Council for approval in “principle”.
- Step 2: Council to review all documentation, discuss and amend as required.
- Step 3: Council is then required to give 28 days” notice of its intention to adopt the proposed budget and make the budget available for inspection at its offices.
- Step 4: Individuals have the right to make a submission on any proposal contained in the budget and any submission must be considered before adoption of the budget by Council.
- Step 5: Council is to formally adopt the budget after receiving and considering any submissions from interested parties.

For the 2017/18 year Council is required to adopt the budget by 31 August 2017. The date for adoption has been amended from 30 June to accommodate those Councils wishing to put in a submission to the Essential Service Commission of an amendment to the rate cap. The Ballarat City Council resolved not to put in a submission for a rate cap variation and considers it prudent financial management to adopt the budget by 30 June 2017.

The 2017/18 budget, which is included in this report, is for the year 1 July 2017 to 30 June 2018, and is prepared in accordance with the Act and Regulations. The budget includes standard statements:

- Budgeted Comprehensive Income Statement
- Budgeted Balance Sheet
- Budgeted Statement of Changes in Equity
- Budgeted Statement of Cash Flows
- Budgeted Statement of Capital Works

These statements have been prepared in accordance with Australian Accounting Standards, “Financial Reporting by Local Governments”, and other mandatory professional reporting requirements and inline with the Act and Regulations.

This report also includes detailed information about the rates and charges to be levied, and other financial information, which Council requires in order to make an informed decision about the adoption of the budget.

The budget includes consideration of a number of long term strategies to assist Council in considering the Budget in a proper financial management context. These include:

- Strategic Resource Plan for the years 2017/18 to 2020/21
- Rating Strategy
- Borrowing Strategy

Our Municipality

HISTORY

The municipal district of the City of Ballaarat (historical spelling) was first created in 1856, followed shortly by the creation of the City of Ballaarat East in 1857.

These two municipalities merged in 1921 to form the City of Ballaarat. The City was surrounded by the Borough of Sebastopol and the Shires of Buninyong, Grenville, Bungaree and Ripon.

The present City of Ballarat was created by an Order of Parliament on 6 May 1994 under the Victorian Local Government Act and is the amalgamation of the previous Shire of Ballarat, City of Ballaarat, the Borough of Sebastopol, and parts of the shires of Bungaree, Buninyong, Grenville and Ripon.

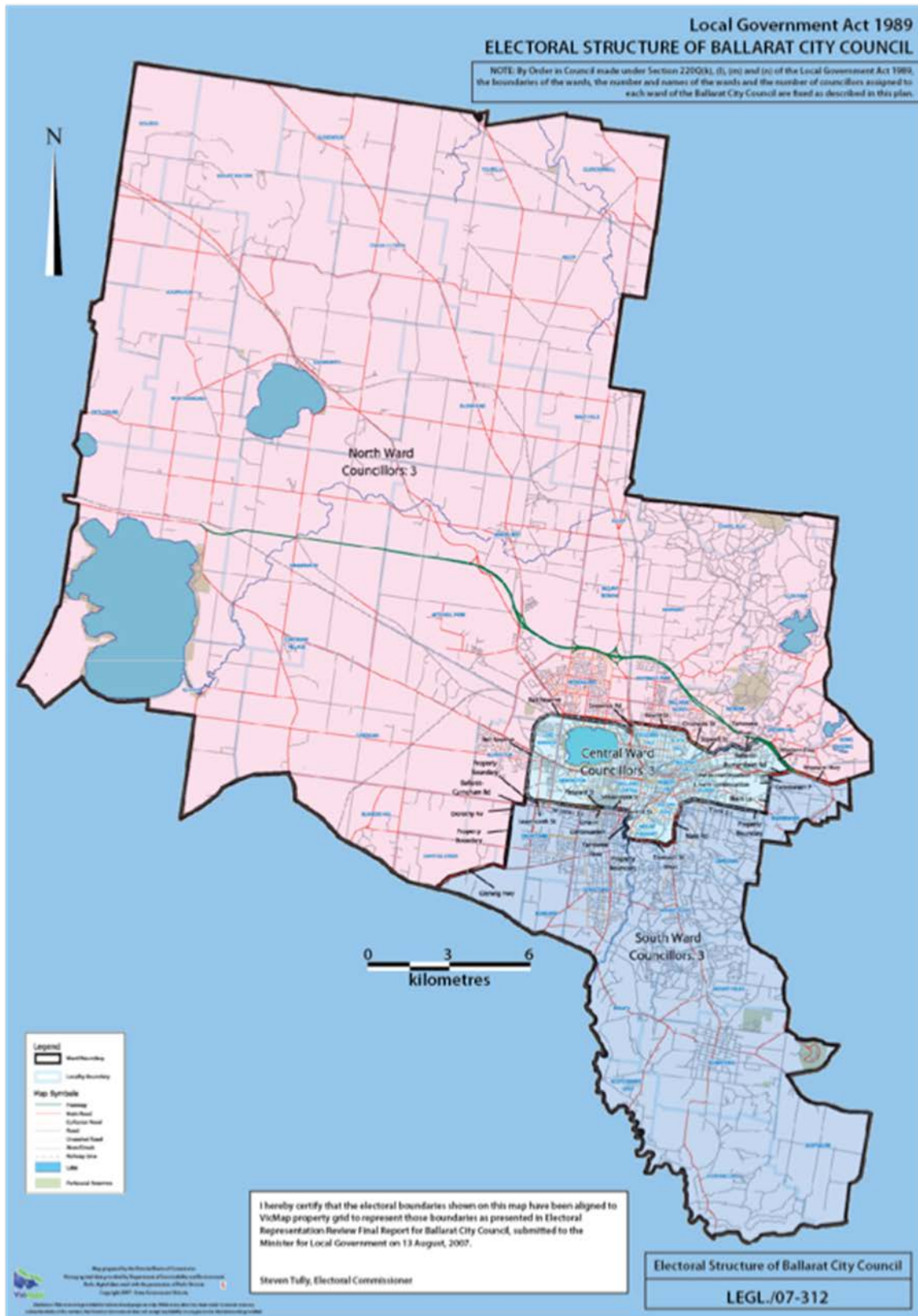
WARDS

From 1996 to 2008 the municipality was divided into nine electoral wards, each represented by a single councillor.

During the 2006-07 financial year the Victorian Electoral Commission conducted a review of the electoral structure of the City of Ballarat and recommended, in the interests of fair and equitable representation, that the municipality be restructured into a three-ward electorate (North, Central and South wards), each represented by three councillors. The Minister for Local Government accepted the commission's recommendation and the transition to this new electoral structure occurred at the general election held on Saturday 29 November 2008. The second general election held under this structure occurred on Saturday 26 October 2012.

LOCATION

The City of Ballarat adjoins the municipalities of Moorabool Shire (to the east) which separates Ballarat from the outer suburbs of Melbourne; Hepburn Shire (to the north); Pyrenees Shire (to the west); and Golden Plains Shire (to the south) which separates Ballarat from Geelong.



Our Profile

Ballarat is the regional capital of Western Victoria and one of Australia's fastest growing inland regional cities.

Local government is the third level of democratically-elected government in Australia and operates under the *Local Government Act 1989*, which specifies Council powers, duties and functions.

Ballarat City Council is elected by the community to set the strategic direction and policy of the municipality including the Council Plan, Annual Budget and Annual Report.

Key focus areas include health, planning and building control, business and economic development, waste and environmental management, and human and community services.

The City of Ballarat delivers Council's direction and policy, and is managed by a Chief Executive Officer who is appointed by Council.

The organisation is one of Ballarat's largest employers, with more than 1000 people delivering more than 100 services to the community.

The City of Ballarat is responsible for advising Council; providing resources; complying with statutory and regulatory responsibilities; delivering projects, services, events and other initiatives required under legislation or other levels of government; and implementing Council decisions.

LOCAL HISTORY

The City of Ballarat's total land area is just under 740 square kilometres and is part of an area of land under the traditional custodianship of the Wathaurong tribe. It is generally accepted that the origin of the name Ballarat came from two aboriginal words signifying a camping or resting place – "balla" meaning "elbow" or "reclining on the elbow" and "arat" meaning "place". Over many centuries the Wathaurong people lived in an area that stretched from Ballarat to Victoria's southern coastal area near Lorne, to the Werribee River. Today approximately 1,200 indigenous descendants live in the Ballarat area.

LIVEABILITY

Ballarat offers a compelling combination of lifestyle and location as well as world-class health and educational facilities. It is one of Australia's largest inland cities, offering the distinct advantage of having the infrastructure of a capital city with the lower cost base of a regional centre. Ballarat boasts all the artistic and cultural wealth that comes with its spectacular rise from a humble mining settlement to a world famous city with elegant architecture, broad tree-lined streetscapes and unique lifestyle. A vibrant café precinct and boutique retail add to the city's unique liveability. It is for these reasons that so many people are choosing to relocate to Ballarat.

POPULATION AND GROWTH

As population growth puts an increasing strain on capital cities, well-planned and resourced regional cities such as Ballarat provide a perfect alternative to increased urban sprawl and decreased housing affordability. Ballarat is currently the fastest growing Victorian regional centre with an annual growth rate of 1.95%. According to the 2011 Census, Ballarat's population is 95,007 and close to 2,000 new residents are choosing to move to the city each year as we rapidly approach 100,000 people. Conservative future estimates indicate that the city will increase by an additional third by 2026.

This significant annual growth rate figure, similar to that being experienced in Melbourne, is driving Council’s planning. Council will continue to focus on the implications of growth and planning for how growth can be focussed in the optimal way to ensure the strengths of the Ballarat community are maintained from both an economic and social perspective. This will see Ballarat remain as an attractive and affordable alternative, providing all the services and facilities expected from a capital city but with a more relaxed lifestyle.

The Ballarat West Urban Growth Zone has been identified as the area that contains the key growth precincts for Ballarat that will cater for primarily residential growth and provide services and infrastructure for new communities. The zone comprises 1,717 hectares of vacant land located to the west of Alfredton, Delacombe and Sebastopol. It will provide around 18,000 new houses at full development to accommodate Ballarat’s projected expanding population. It will also have the roads, schools, parks and community centres needed by the new communities.

Situated nearby the growth area, the Ballarat West Employment Zone (BWEZ) is an ideal site for future industry and employment activity. Through careful and responsive planning, BWEZ will create jobs, improve transport connections, generate investment and further enhance Ballarat as a growing and thriving regional centre. At full development BWEZ will accommodate up to 9,000 jobs and inject \$5 billion annually into the Ballarat economy.

	2006	2011	2016	2026	2031	2038	Ave Growth PA
VIF PLANNING BASELINE 1.4%	88,440	95,490	102,400	118,133	122,400	127,830	1.4%
MODERATE GROWTH SCENARIO 1.7%	88,440	96,930	105,210	121,490	128,720	135,340	1.7%
STRONG GROWTH SCENARIO 2.1%	88,440	98,720	108,720	128,190	136,810	144,730	2%

INDUSTRY

Ballarat has traditionally been a city that prospered on mineral and agricultural based resources, however this has changed over time with healthcare and social assistance (17.7%), retail trade (13.7%) and education and training (10.6%), all now key employment sectors in our city. These industries, along with professional, scientific and technical services are strengthening Ballarat’s role as a regional service hub.

Ballarat continues to positively contribute to Victoria’s strong growth in the information, communication and technology sector. Information technology is emerging as a significant industry within the region with strategic partnerships developing between the local ICT sector, tertiary institutions and industry partners, increasing Ballarat’s importance as a knowledge centre within Victoria. The rollout of the National Broadband Network provides a significant economic growth opportunity to business within our region and will improve connectivity and engagement with disadvantaged sections within our community.

Industry Sector	Jobs	%
Health Care & Social Assistance	6,849	17.70%
Retail Trade	5,299	13.70%
Manufacturing	4,646	12.00%
Education & Training	4,101	10.60%

EDUCATION AND HEALTH

Education is valued by the community and Ballarat offers an extensive range of quality public and private education options. There are good choices at all educational levels, including two universities and

several other centres that provide learning opportunities for adults. Lifelong learning is also encouraged through a network of community-based learning organisations as well as the library services. Ballarat families have access to a large range of childcare options and aged residential care choices. Two major hospitals with more than 1,000 public and private hospital beds, nursing and hostel beds, a day procedure complex and more than 100 general medical practitioners are located in Ballarat to cater for the health needs of the community.

TOURISM

Ballarat is a major international and domestic tourist destination, attracting nearly two million visitors each year who boost the economy by over \$409 million per annum and support more than 2,000 jobs. It is one of regional Victoria's most diverse tourism destinations where the beauty of the central highlands, the rich goldfields heritage and vibrant community events come to life. It is also a gateway to the many attractions of western Victoria.

ARTS, CULTURE AND HISTORY

Arts, culture and history continue to be important to Ballarat and its sense of identity. It has a rich history and heritage with deep roots and connections across Australian society. Ballarat is home to the spirit of Eureka and the birthplace of Australian democracy. This legacy of an independent spirit remains strong. The gold rush transformed Ballarat and today that heritage is still evident in the striking streetscapes that are the envy of the rest of the country.

SPORT AND RECREATION

Sport and recreational facilities are plentiful in the municipality. Ballarat residents can choose to relax or exercise at one of the five aquatic facilities, 147 neighbourhood parks, 45 sportsgrounds, 35km of walking trails and cycling paths, or nine golf courses in the region.

OUR COUNCIL

Ballarat City Council is a public statutory body constituted under the Local Government Act 1989. The Act determines the purposes and objectives of Council and defines a number of functions and powers which Council is required to undertake in order to provide leadership and good governance for the municipal district and the local community. It is also responsible for determining the organisation's direction and overseeing its performance on behalf of the Ballarat community.

CURRENT MUNICIPALITY

The municipality of the City of Ballarat is divided into three municipal electorate wards, each represented by three councillors. Councillors are elected for a four-year term unless as the result of a by-election.

CURRENT COUNCILLORS

On 7 November 2016, nine Ballarat City Councillors were sworn into office to serve a four year term.

THE BALLARAT CITY COUNCIL 2016 - 2020 IS:

CENTRAL WARD: Belinda Coates, Mark Harris, Samantha McIntosh

NORTH WARD: Amy Johnson, Daniel Moloney, Grant Tillett

SOUTH WARD: Des Hudson, Jim Rinaldi, Ben Taylor

Cr Samantha McIntosh was elected as Mayor of Ballarat and Cr Mark Harris elected as Deputy Mayor for the 2016-2017 term.

City of Ballarat Councillors



Significant Influences

The preparation of the 2017/18 budget required consideration of a number of significant influences being:

- Rate capping imposed by the Victoria State Government.
- The Enterprise Bargaining Agreement
- Significant increases in utility costs.
- Provision for future calls for funding relating to the Defined Benefits Superannuation.
- Future growth of the municipality.
- Introduction of the Ballarat West Developers Contributions Scheme
- Ageing infrastructure.

Budget Principles

In response to influences, guidelines were prepared and distributed to all Council officers with budget responsibilities. The guidelines set out the key budget principles upon which the officers were to prepare their Business Plans and Budget.

The process of determining the 4 year recurrent budget has been a significant undertaking across the organisation. All budgets have been developed in conjunction with detailed business plans that capture every activity associated with providing services. This process was undertaken within the scope of the Long Term Financial Strategy (LTFS) and links directly to the financial objectives of the Council.

The key budget principles upon which the organisation prepared the 2017/18 budget included:

- Identification of Community Plan Priorities and Strategies, Council Plans and Strategies that drive the delivery of the activity
- Analysis of the rationale for providing the activity. This particularly examines the community need that each service fulfils, links to legislative requirements to provide services and whether the service can be provided by another organisation or mode of delivery.
- Analysis of resources required over the next five years, this includes staff, equipment etc.
- Existing fees and charges to be set at the medium range for the state and/or increased at 2.0%
- Council to borrow funds to predominately deal with the funding shortfall of the Ballarat West Developers Contribution Scheme.
- Total of Employee Costs and Materials & Contracts to be capped at 2%.
- Rate increases have been assumed to be capped at 2%

Key Performance Indicators

As part of Council’s guiding principles in determining a budget for 2017/18 is to consolidate the financial position of the City of Ballarat. The key financial performance indicators are essential for the Council in adopting a budget which achieves this objective.

Risk indicators:

Risk Profile		Indicators						
Year	Rate %	Underlying Result %	Liquidity	Self Financing	Indebtedness	Investment Gap	Debt Levels	
94/95	0.0%	Low	Low	High	Medium	High	High	
95/96	-20.0%	Low	Low	Medium	Medium	High	High	
96/97	1.4%	Medium	Medium	Medium	High	High	High	
97/98	2.9%	Medium	Medium	Medium	Low	High	High	
98/99	7.5%	Medium	Low	Medium	Low	High	High	
99/00	7.0%	Medium	Low	Medium	Low	High	High	
00/01	6.5%	Medium	Medium	Low	Low	Medium	High	
01/02	3.0%	Medium	Low	Low	Low	Medium	High	
02/03	6.0%	High	Medium	Low	Low	Medium	High	
03/04	6.5%	Medium	Low	Low	Low	Low	Medium	
04/05	3.0%	Medium	Low	Low	Low	Low	Medium	
05/06	5.5%	High	Low	Low	Low	Medium	Medium	
06/07	7.5%	Low	Low	Low	Low	Medium	Low	
07/08	7.5%	Low	Low	Low	Low	Low	Low	
08/09	5.5%	Low	Low	Low	Low	Medium	Low	
09/10	4.0%	Low	Low	Low	Low	Low	Low	
10/11	4.0%	Medium	Medium	Low	Low	Low	Low	
11/12	3.5%	Medium	Medium	Low	Low	Low	Low	
12/13	4.0%	Low	Low	Low	Low	Low	Low	
13/14	7.5%	Medium	Low	Low	Low	Low	Medium	
14/15	5.5%	Low	Low	Low	Low	Low	Low	
15/16	5.5%	Medium	Medium	Low	Low	Low	Medium	
16/17	2.0%	Low	Medium	Low	Low	Low	Medium	
17/18	2.0%	Low	Medium	Low	Low	Low	Medium	
18/19	2.0%	Low	Medium	Low	Low	Low	Medium	
19/20	2.0%	Low	Medium	Low	Low	Low	Medium	
20/21	2.0%	Low	High	Low	Low	Low	Medium	
21/22	2.0%	Low	Medium	Low	Low	Low	Medium	
22/23	2.0%	Low	Medium	Low	Low	Low	Medium	
23/24	2.0%	Low	High	Low	Low	Low	Medium	
24/25	2.0%	Low	Medium	Low	Low	Low	Medium	
25/26	2.0%	Low	High	Low	Low	Low	Medium	
26/27	2.0%	Low	Medium	Low	Low	Medium	Medium	
27/28	2.0%	Low	Medium	Low	Low	Medium	Low	
28/29	2.0%	Low	Medium	Low	Low	Low	Low	
29/30	2.0%	Low	Medium	Low	Low	Medium	Low	
30/31	2.0%	Low	Low	Low	Low	Medium	Low	
31/32	2.0%	Low	Low	Low	Low	Medium	Low	
32/33	2.0%	Low	Low	Low	Low	Medium	Low	
33/34	2.0%	Low	Low	Low	Low	Medium	Low	
34/35	2.0%	Low	Low	Low	Low	Low	Low	
35/36	2.0%	Low	High	High	Low	Medium	Low	

Underlying Result:

Measures the ability of the organisation to record a surplus ignoring non cash revenue.

Liquidity:

This measures the ability to pay existing liabilities in the next 12 months. A ratio of one or more means there is more cash or liquid assets than short term liabilities

Self Financing:

Measures the ability to replace assets using cash generated by their operations. The higher the percentage the more effectively this can be done.

Indebtedness:

The higher the percentage, the less able to cover non-current liabilities from the revenues they generate themselves.

Investment Gap:

Comparison of the rate of spending on infrastructure with its depreciation. Ratios higher than 1:1 indicates that spending is faster than the depreciating rate.

Link to Council Plan

Section 127 of the Local Government Act (1989) requires Councils to identify Key Strategic Activities for the financial year and performance targets and measures in relation to each key strategic activity. Councils must also describe the activities and initiatives to be funded in the budget.

This section describes how the Annual Budget links to the achievement of the Council Plan within an overall planning and reporting framework. This framework guides the Council in identifying community needs and aspirations through the Council Plan and Annual Budget, and then holding itself accountable via the Annual Report.

Planning and Accountability Framework

The Annual Budget has been developed within an overall planning framework, which guides the Council in identifying community needs and aspirations over the long term (Ballarat Strategy), medium term (Council Plan) short term (Annual Budget) and then holding itself accountable (Audited Statements).

The Strategic Resource Plan, which is created alongside the Budget summarises the financial and non-financial impacts of the objectives and strategies and determines the sustainability of these objectives and strategies. The Annual Budget is then framed within the Strategic Resource Plan, taking into account the objectives and initiatives included in the Annual Budget which contribute to achieving the strategic objectives specified in the Council Plan. The diagram below depicts the strategic planning framework of the City of Ballarat.

The timing of each component of the planning framework is critical to the successful achievement of the planned outcomes. The Council Plan, including the Strategic Resource Plan, is required to be completed by 30 June following a general election and is reviewed each year in advance of the commencement of the Annual Budget process.

The Council Plan is underpinned by the Ballarat Strategy, which is a plan for our city until 2040 that outlines the community's vision of a greener, more vibrant and connected Ballarat.

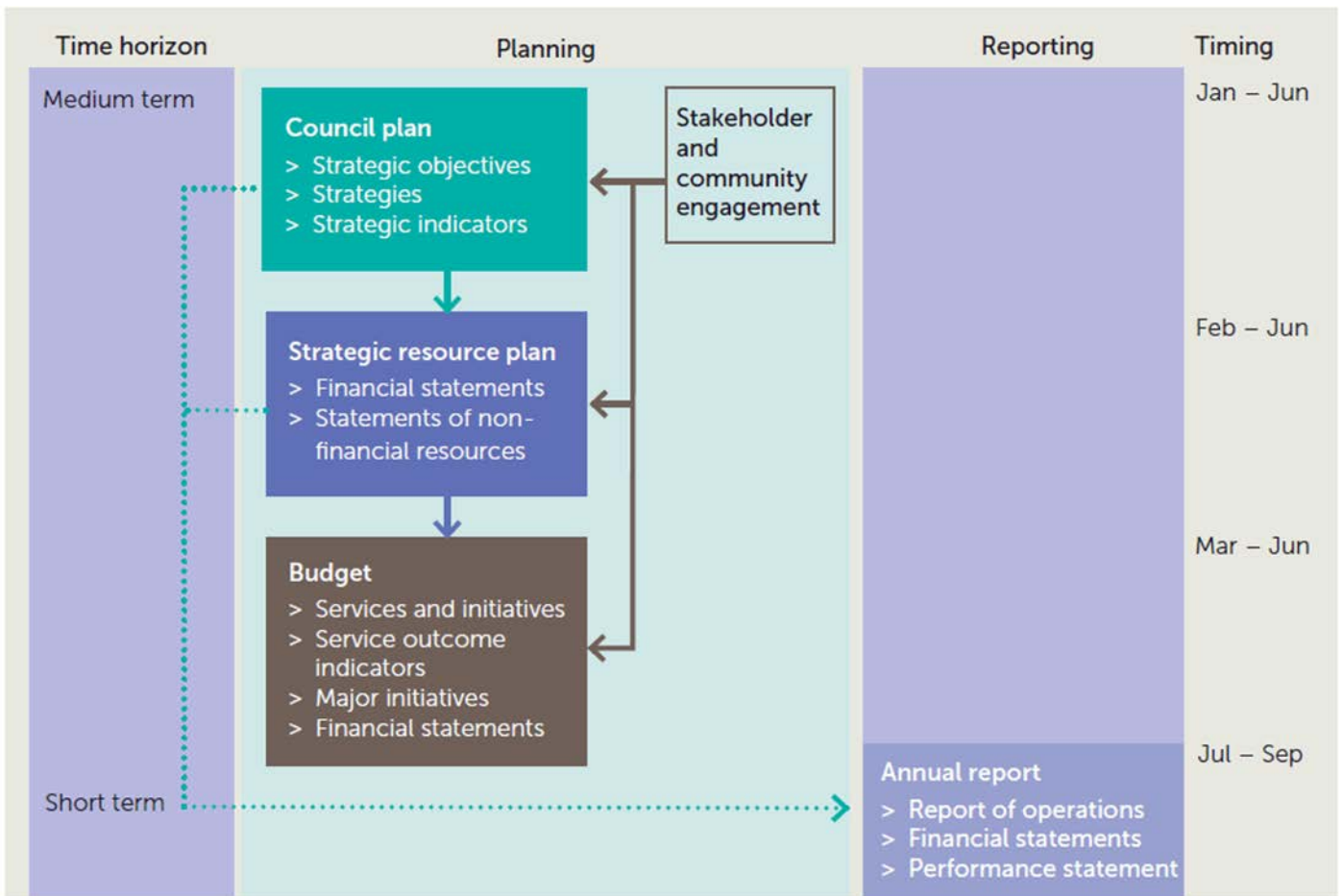
The Council Plan is an important document that drives everything the City of Ballarat does over a four-year period.

It sets the vision, priorities and outcomes for Council's term and it lists how progress will be measured.

The plan guides Council's annual budget, which determines the projects, services events and other initiatives that will be funded and delivered in the upcoming financial year.

Each year, the community has opportunities to have its say on Council's proposed funding. Council is held accountable for its progress on the Council Plan's outcomes through the City of Ballarat's Annual Report.

Council's delivery of the Council Plan ultimately contributes to the community's vision highlighted in the Ballarat Strategy.



Our Vision:

A proud city, that is bold, vibrant and thriving.

WHAT THIS MEANS

Proud: Our feeling of achievement, gratification and self-respect; and in turn self-worth.

City: Our place, our community and our people.

Bold: We are a brave, courageous, confident, innovative, imaginative and forward thinking city.

Vibrant: Our city feels energetic, dynamic, and pulsating with life and activity. We are passionate about our place.

Thriving: Our city is flourishing, prosperous, progressive, robust, growing and developing.

OUR MISSION

Working together we create a better future for our city.

WHAT THIS MEANS

Work together – We are a conduit and are acting collaboratively to build strong relationships and alliances with those who support our belief.

Create – We bring into existence, generate, produce, initiate, develop and shape our city.

Better – We are continually improving and becoming more desirable.
We are smart, one step ahead and exceeding as a city.

Future – We achieve our vision with a long-term perspective.

City – Our place, our community and our people.

OUR PURPOSE

We believe in making Ballarat a better place for all.

WHAT THIS MEANS

Believe – Our fundamental cause, our reason for being and what matters most.

Making – We are actively involved; in turn creating a positive and lasting difference for our city.

Ballarat – Our city, our villages, our townships, our community and our people.

Better – We are continually improving and becoming more desirable. We are smart, one step ahead and exceeding as a regional city

Place – We are proud of our city's beauty, identity, lifestyle and the fact it is a preferred regional destination.

For all – We are inclusive of everyone who lives, works, invests, studies and visits our city.

For more information relating to the goals of Council please refer to the 2017/21 Council Plan.

Rating Strategy

1. Background

The rating framework is set down in the Local Government Act 1989 and determines a council's ability to develop a rating system. The framework provides considerable flexibility to suit requirements within the context of public finance methodology which includes principles of equity, benefit, efficiency and community resource allocation.

Council acknowledges that the existing taxation of property (wealth tax) value method is imperfect; however the application of an alternate rating model (e.g. income tax) is not available within the current constraints of the existing legislation.

However, Council can through a process of consultation and determination, modify certain aspects of the rating system in accordance with the legislation, to assist sections of the community. Such assistance must be in the context of having wide acceptance in respect to social and equity principles while minimising any penalty, via a shift in rate burden, to other ratepayers.

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

The purpose of this Rating Strategy is to consider what rating options are available to Council under the Local Government Act 1989, and how Council's choices in applying these options contribute towards meeting an equitable rating strategy.

It is important to note at the outset that the focus of this Rating Strategy is very different to that which is discussed in the Long Term Financial Strategy/Annual Budget. In these latter documents the key concern is the quantum of rates required to be raised for Council to deliver the services and capital expenditure required. In this Rating Strategy, the focus instead is on how this quantum will be equitably distributed amongst Council's ratepayers.

2. Executive Summary and Recommendations

The selection of rating philosophies and the choice between the limited rating options available under the Local Government Act 1989 is a difficult one for all Councils and it is most likely that a perfect approach is almost impossible to achieve in any local government environment.

Under the guidance of the Ministerial Guidelines for Differential Rates, Council will continue to apply differential rating against various property classes to ensure that they contribute to the equitable and efficient carrying out of Council functions.

This Rating Strategy recommends that Council adopt the following:

Section	Strategy Recommendations
Determining which valuation base to use	That Ballarat City Council continues to apply the Capital Improved Valuation methodology to levy Council rates.
Determining the Rating System- Uniform or	That Ballarat City Council continues to apply differential rating as its rating system.
What differential rates should be applied?	That Council continues to apply the Differential Rating categories as currently exist. That Council does not believe there needs to be a differential rate for Retirement Villages.
Impact of Council Revaluations	That Council reviews the impact of Council revaluations and assesses differential rates applied to achieve an outcome that is considered equitable by Council.
Special Rates & Charges	That Council continues to use special rates and charges to raise funds requested by, and for, the Bridge Mall Traders Association.
Municipal Charge	That Council does not apply a Municipal Charge.
Service Rates and Charges	That Council continues to apply a Waste Management Service Charge.

The Rating Strategy is similar in part to a discussion paper in that it canvasses the limited range of rating options available to Council under the Local Government Act 1989 including the following:

- a) The choice of which valuation base to be utilised (of the three available choices under the Act);
- b) The consideration of uniform rating versus the application of differential rates for various classes of property;
- c) What is the most equitable level of differential rating across the property classes?
- d) Consideration of the application of fixed service charges for the areas of waste collection and municipal administration;
- e) The application of special rates and charges;
- f) Rates collections;
- g) Rates Assistance.

3. What is a Rating Strategy and why have one?

The purpose of this Rating Strategy is to outline Council's approach towards rating its' community and to meet the requirements of Part 8 the Local Government Act 1989 – Rates and Charges on Rateable Land.

What is a rating strategy?

A rating strategy is the method by which Council systematically considers factors of importance that informs its decisions about the rating system. The rating system determines how Council will raise money from properties within the municipality. It does not influence the total amount of money to be raised, only the share of revenue contributed by each property. The rating system comprises the valuation base for each property and the actual rating instruments allowed under the Local Government Act 1989 to calculate property owners' liability for rates.

The importance of a rating strategy

Ballarat City Council currently receives around 50% of its Total Revenue by way of property-based rates and waste management charges. The development of strategies in respect of the rating base is therefore of critical importance to both Council and its citizens.

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 those other objectives which Council believes are relevant.

Council believes that overall policy must be underpinned by sound principles, which are well understood, communicated to ratepayers and compliant with current legislation. Equity and impact issues are best dealt with in application of all facets of rating policy, including valuation, budgetary requirements, differential rating, government taxation and concessions, collection and hardship considerations.

Council aspires to balance service levels in accordance with the needs and expectations of its community and sets rating levels to adequately resource its roles and responsibilities.

In setting rates, Council gives primary consideration to its strategic directions, budget considerations, the current economic climate, other external factors and likely impacts upon the community.

4. Rating Framework

The purpose of this section is to outline the legislative framework in which Council has to operate in constructing its rating system and the various issues that Council must consider in making its decisions on its rating objectives.

Legislative Framework

Section 3C of the Local Government Act 1989 stipulates the primary objective of Council is to endeavor to achieve the best outcomes for the local community having regard to the long term and cumulative effects of its decision. In seeking to achieve its primary objective, a Council must have regard to facilitating the following objectives-

- a) Promote the social, economic and environmental viability and sustainability of the municipal district;
- b) Ensure resources are used efficiently and effectively;
- c) Improve the overall quality of life of the people in the local community;
- d) Promote appropriate business and employment opportunities;
- e) Ensure services and facilities provided are accessible and equitable
- f) Ensure the equitable imposition of rates and charges;
- g) Ensure transparency and accountability in Council decision making.

User Charges versus Rates

Council pricing policy centres on decisions about how much of the cost of specific services are to be funded by users/consumers and how much is to be funded generally by ratepayers.

There are some major practical considerations that will influence what type of services will attract fees and charges. Most important is whether the services being considered are either entirely or partially “public goods”.

Public goods are services that provide a broad and often unquantifiable benefit to the community rather than a particular benefit to individuals, businesses, specific groups or individual properties. The characteristics of “public goods” include:

- i. The use of or enjoyment by one person does not diminish their availability to, or enjoyment by, others (that is, they are non-rival); and;
- ii. It is not practical to exclude access to them (that is, they are non-excludable).¹

Examples include roads and parks and public toilets.

Private goods are those goods which are both rival in consumption (that is, one person’s use diminishes its availability or enjoyment by others) and excludable.²

Examples include childcare centres, leisure centres and use of community halls.

Generally, Council should fund “Private Goods” through user charges and fund “Public Goods” through rates. However it is often difficult to define local government services as either purely public goods or purely private goods, and most will lie somewhere on the spectrum between the two. This inevitably results in a large number of Council services, although having income from user fees, being subsidised by rates.

Taxation Principles

In addition to the objectives above, public finance theory sets three major criteria for successful taxation policy: equity, efficiency, and simplicity.

Equity

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

- Horizontal equity - ratepayers in similar situations should pay similar amounts;
- Vertical equity – those who are better off should pay more than those worse off (the rationale applies for the use of progressive and proportional income taxation). It implies a “relativity” dimension to the fairness of the tax burden.³

In the case of property rates, it may be considered equitable for one type of property to have 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 1989 (e.g. differential rates).

The Benefit Principle

This principle refers to the fact that some groups have more access to, make more use of, and benefit from more, specific council services.

It is arguable that there should be a nexus between consumption/benefit and the rate burden; however application of the benefit principle is difficult in practice due to the complexity and, in some cases, impossibility, of measuring the relative levels of access and consumption across the full range of council services. It is also common that the group of people who require less services of certain type (e.g. child care) may indeed require more frequent service of another type (e.g. aged care). It is the level of benefit across the full gamut of rates-funded services that is important in determining the amount of rates that should be paid.

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 PAYE 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, etc) across the nation. Local Government is not different to this outcome 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 a choice of Council to what degree it wishes to pursue 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 later in this strategy paper.

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?

¹ Differential Rates Discussion Paper, January 2013, DPCD.

² Differential Rates Discussion Paper, January 2013, DPCD.

Incentive Principle

The incentive principle aims to affect the behaviour of certain ratepayers, usually in a way deemed to be consistent with a council's broader goals.

Councils commonly use this principle to seek objectives relating to the environment or economic development, including:

- Discouraging the holding of vacant land;
- The preservation of agricultural land or land of high environmental significance;
- Eradication and maintenance of land free from weeds and pests;

Efficiency

In a technical sense the tax should not unduly interfere with the efficient operation of the economy. For Local Government the tax should be consistent with the major policy objectives of Council.

For services where users are price sensitive, direct charging can influence demand patterns and thus lead to greater allocation efficiency. Conversely, the funding of services through rates (or via subsidies from other services) may result in an inflated demand for services and additional costs for councils to meet this demand.

The efficiency criterion is also directly related to the cost of administering the rates system. Administration costs include the issuing of assessments, collection of rates, including maintaining and improving collection systems, monitoring outcomes, educating and informing ratepayers, and enforcement and debt recovery.

Simplicity

This refers to both administrative ease (and therefore lower cost) and to ensure that the tax is understood by taxpayers. The latter ensures that the tax system is transparent and capable of being questioned and challenged by ratepayers.

Simultaneously applying all of the above principles may not always be feasible; there are likely to be trade-offs among them. The challenge of a preferred rating strategy is one of appropriately balancing competing considerations. It is important that the decision making process is clear and coherent.

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 rating options in relation to municipal charges, service rates and charges and special rates and charges are discussed later in this document.

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. They are Site Value, Capital Improved Value and Net Annual Value. The advantages and disadvantages of the respective valuation basis are discussed in Section 6 of this strategy.

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 31 August the following for that year:

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

5 Understanding the current rating framework at Ballarat City Council

Strategic Directions

Council has determined that its annual rate setting objectives should be developed within a framework which integrates planning from a strategic direction level through to service delivery.

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

Council Plan 2013-2017

This document includes strategic objectives, performance indicators and the Strategic Resource Plan.

Council Budget 2015-2016

Annual funding allocations (action plan) for activities and initiatives, with linkage to the Council Plan; together with key financial performance targets and measures.

Budget Considerations

Council prepares and publishes its annual budget as a separate document in compliance with the Local Government Act 1989, which includes a comprehensive submissions and approval process.

As part of the financial planning and budget process, the rate revenue required to meet expenditure needs is calculated taking into account other sources of revenue.

Other revenue sources include statutory fees for building and planning through to user pays fees assessed annually in accordance with movements in CPI, wages and market factors. Council relies on Federal and State funding mainly via the Grants Commission allocations. Specific purpose grants for new services and capital works are also received.

Each year Council establishes the maintenance needs of its assets and infrastructure and the community services and facilities that will be provided in the next financial year.

After considering these other revenue sources, Council then determines the amount required to be collected in rates to meet the financial responsibilities.

The structure of the rating system is then determined, considering how rates are levied between and within the various categories of ratepayers by setting differential tariffs i.e. the Rating Strategy.

Generally, Council seeks to have a balanced budget, i.e. that revenue is equal to expenses. Any surplus or deficit result should be minor in context of the overall budget.

External Influences

Council is subject to numerous economic factors. Since Councils major expenditure item is salaries and wages, any price index and EBA adjustments will have a significant impact on costs and subsequent rating decisions.

Council is also subject to significant movements in funding from State and Federal sources. Cost shifting back to Council has been a major concern for all Councils and has been subject to a Federal Government Inquiry which found that “the extent and effects of cost shifting as detailed are the major problems facing Local Government’s deteriorating infrastructure”.

Regulatory and compliance changes affect Councils operations and changes to population and demographics will influence change particularly in the medium to long term.

Ballarat’s 2017/18 Rating Structure

Rate in Dollar Calculation						
			2016/17		2017/18	
	No Assess.	CIV	Rate in \$	Calculation	Rate in \$	Re-Calc
Residential	46,042	14,240,242,085	0.004280	60,948,236	0.004365	62,158,657
Commercial	2,227	1,678,115,682	0.010948	18,372,010	0.011166	18,737,840
Industrial	1,518	735,677,580	0.011494	8,455,878	0.011723	8,624,348
Farm	787	569,195,000	0.002892	1,646,112	0.002949	1,678,556
Recreational 1	63	62,236,830	0.003160	196,668	0.003223	200,589
Recreational 2	6	18,018,670	0.011460	206,494	0.011689	210,620
Rural Residential	616	280,955,875	0.003890	1,092,918	0.003967	1,114,552
	51,259	17,584,441,722	0	90,918,317		92,725,162
		Base Rate		1,774		1,809
		Increase in Base Rate			2.0%	

Council currently levies a service charge to recover the cost of collection and removal of waste, recycling, and green waste from residential properties and applies a special rate for properties in the Bridge Mall for the purposes of employing a Manager, promotion and security.

Council currently does not apply any municipal charge for the purpose of defraying administration costs of Council.

6 Determining which valuation base to use

As outlined, under the Local Government Act 1989, Council has three options as to the valuation base it elects to use. They are:

- Capital Improved Valuation (CIV) – the total market value of the property including all land and improvements (buildings, etc.).
- Site Valuation (SV) – the value of the land without any improvements.
- Net Annual Value (NAV) – the estimated annual rental of the property, except for residential and farm properties where legislation requires the NAV to be 5% of the CIV. (complete definitions are contained within the Valuation of Land Act 1960)

Capital Improved Value (CIV)

Capital Improved Valuation is the most commonly used valuation base by Victorian Local Government with more than 70 Councils 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 equates to the market value of the property.

The key driver of using CIV is the ability to apply differential rates.

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 Capital Improved Valuation, 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 better meets the equity criteria than Site Value and NAV.
- With the current frequency of Municipal re-valuations (every two years), the market values are more predictable which has an impact on the number 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 Council to apply differential rates which greatly adds to Council’s ability to equitably distribute the rate burden. CIV allows Council to apply higher rating differentials to the commercial and industrial sector that 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.

Site Value (SV)

Although the Act provides for Councils to use Site Value as the basis of valuation, very few Councils have done so due to the very limited ability to apply differential rates.

Advantages of Site Value

- There is a perception that under site valuation, a uniform rate would promote development of land.
- Scope for possible concessions for urban farm land and residential use land.

Disadvantages in using Site Value

- SV does not consider the value of improvements. It shifts more of the burden to property owners that have larger areas of land. Typically, flats, units and townhouses will pay lower rates compared to stand alone houses on a suburban block of land, as the underlying land area is smaller.
- 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;

In very many ways, it is difficult to see an equity argument being served by the implementation of Site Valuation in Ballarat City Council, therefore this method is not recommended.

Net Annual Value (NAV)

The NAV is the estimated annual value (rental) of a property, except for Residential and Farm properties where the Valuation of Land Act requires that the NAV be set at 5 per cent of CIV. In contrast to the treatment of residential properties, Net Annual Value for commercial and industrial properties is assessed with regard to actual market rental. This differing treatment of commercial versus residential 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 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 is harder to understand.

In choosing a valuation base, Councils must decide on whether they wish 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.

7 Determining the Rating System - Uniform or Differential?

As highlighted in Section 4, Council may apply a uniform rate or differential rates to address the needs of the Council. They are quite different in application and have different administrative and appeal mechanisms that need to be taken into account.

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.

A Uniform rate does not provide Ballarat City Council with enough flexibility to distribute the rate burden in a fair and equitable manner and therefore does not apply this method for raising rates.

Differential Rates

Ballarat City Council has adopted differential rating as it considers that differential rating contributes to the equitable distribution of the rate burden. Differential rating allows particular classes of properties to be assessed rates at different levels. 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 provided it uses Capital Improved Valuation (CIV) 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 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 in relation to those types or classes of land.
 - 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 Council's district) and planning scheme zoning of the land and the types of buildings situated on it and any other criteria relevant to the rate.
 - iii. If there has been a change in the valuation system, any provision for relief from a rate for certain land to ease the transition for that land.
 - b) Specify the characteristics of the land, which are the criteria for declaring the differential rate.

In addition to the above, new requirements relating to differential rates were introduced as part of the Local Government Legislation Amendment (Miscellaneous) Act 2012. These provide that (section 161):

- (2A) Council must have regard to any Ministerial Guidelines before declaring a differential rate for any land.
- (2B) The Minister may make guidelines for or with respect to the objectives of differential rating, suitable uses of differential rating powers and the types of classes of land that are appropriate for differential rating
 - (4) On recommendation of the Minister, the Governor in Council may by Order in Council prohibit any council from making a declaration of a differential rate in respect of a type or class of land, if the Minister considers that the declaration would be inconsistent with any guidelines made under subsection (2B).
 - (5) The highest differential rate in a municipal district must be no more than 4 times the lowest differential rate in the municipal district.

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; this is however limited by the new requirements introduced under section 161 (2A) and (2B) of the Act.
- 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.

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 in understanding the system. Some rating categories may feel they are unfavorably 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 requiring Council to update its records. Ensuring the accuracy/integrity of Council's database 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 uncertain as to whether the differential rate achieves those objectives.

8 What differential rates should be applied?

Rates to be levied

Each differential rate will be determined by multiplying the Capital Improved Value of rateable land (categorised by the characteristics described below) by the relevant percentages indicated above.

Council believes each differential rate will contribute to the equitable and efficient carrying out of council functions. 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.

The existing rating structure comprises 5 differential rates (residential, commercial, industrial, rural residential, and farm) and a rate concession for recreational land 1.

Residential Rate

Classification

Rateable property which is used for private residential purposes, including but not limited to houses, dwellings, flats, units and private boatsheds, together with vacant unoccupied land, not covered by another differential, BUT excluding motels, caravan parks, supported accommodation, accommodation houses, boarding houses and the like.

Reasons for the Use and Level of Rate

The rate reflects the level of service provided and ensures that reasonable rate relativity is maintained between residential property and other classes of property.

Commercial

COMMERCIAL

Classification

1. Rateable property used or adapted to be used for business and/or administrative purposes, including but not limited to properties used for:
 - (a) the sale or hire of goods by retail or trade sales, eg shops, auction rooms, hardware stores;
 - (b) the manufacture of goods where the goods are sold on the property;
 - (c) the provision of entertainment, eg theatres, cinemas, amusement parlours, nightclubs;
 - (d) media/broadcasting/communication establishments, eg television stations, newspaper offices, radio stations and associated facilities;
 - (e) the provision of accommodation other than private residential, eg motels, caravan parks, camping grounds, camps, supported accommodation, accommodation houses, hostels, boarding houses;
 - (f) the provision of hospitality, eg hotels, bottle shops, restaurants, cafes, takeaway food establishments, tearooms;
 - (g) tourist and leisure industry, eg flora and fauna parks, gymnasiums, indoor sports stadiums, gaming establishments (other than those classified under Recreational 2);
 - (h) art galleries, museums;
 - (i) showrooms, eg display of goods;
 - (j) brothels;
 - (k) Commercial storage (mini storage units, wholesale distributors).
 - (l) religious purposes;
 - (m) public offices;
 - (n) halls for commercial hire;
 - (o) Mixed businesses/milkbars (those operating in residential type zones under the Ballarat Planning Scheme and non conforming residential/milkbar properties within industrial zones under the Ballarat Planning Scheme, with attached residences, occupied as the principal place of residence of the person(s) operating the mixed business/milkbar component of the rateable property, will have the residential portion rated as Residential).
2. Properties used for the provision of health services, including but not limited to properties used for hospitals, nursing homes, rehabilitation, medical practices and dental practices.

3. Properties used primarily as offices or for administration purposes including but not limited to properties used for legal practices, real estate agents, veterinary surgeons, accounting firms, insurance agencies or any other organisation, group, business, association or representative body.
4. Rateable properties which are vacant unoccupied land and zoned or intended to be used for commercial purposes.

Reasons for the Use and Level of Rate

The rate reflects the level of service provided and ensures that reasonable rate relativity is maintained between commercial and other classes of land. The differential is higher than for other classes of land for a number of reasons, including:

- Business rates are tax deductible;
- Rates tend to be a lower order factor in business investment decisions.

Industrial

Classification

1. Rateable properties which are used primarily for manufacturing processes, including, but not limited to the following:
 - (a) the manufacture of goods, equipment, plant, machinery, food or beverage which are generally not sold or consumed on site;
 - (b) warehouse/bulk storage of goods;
 - (c) the storage of plant and machinery;
 - (d) the production of raw materials in the extractive and timber industries;
 - (e) the treatment and storage of industrial waste materials.
2. Rateable properties which are vacant unoccupied land and zoned or intended to be used for industrial purposes.

Reasons for the Use and Level of Rate

The rate reflects the level of service provided and ensures that reasonable rate relativity is maintained between industrial and other classes of land. The differential is higher than for other classes of land for a number of reasons, including:

- Business rates are tax deductible
- Rates tend to be a lower order factor in business investment decisions;

Farm Land

Classification

Farm Land means any rateable land -

- (a) that is not less than 2 hectares in area; and
- (b) is used for carrying on a business of primary production as determined by the Australian Taxation Office; and
- (c) that is used primarily for grazing (including agistment), dairying, pig farming, poultry farming, fish farming, tree farming, bee keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities; and
- (d) that is used by a business -
 - (i) that has a significant and substantial commercial purpose or character; and
 - (ii) that seeks to make a profit on a continuous or repetitive basis from its activities on the land; and
 - (iii) that is making profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way that it is operating.

In consideration, the Council will take into account:

- Whatever activity is being conducted on a property, it must be a business of primary production as opposed to a hobby or recreational activity.

Reasons for the Use and Level of Rate

The farm rate is lower than for other classes of land because farming operations involve large properties which have significant value and which are often operated as family concerns. Agricultural producers are unable to pass on increases in costs like other businesses. Farm profitability is affected by the vagaries of weather and international markets. In this sense farms are seen to be more susceptible or fragile than other commercial and industrial operations.

Recreational

Classification

Rateable property which is used primarily for cultural, recreational or club purposes.

Recreation 1

Recreational land is defined as follows:

- (a) lands which are -
 - (i) vested in or occupied by anybody corporate or unincorporated which exists for the purpose of providing or promoting cultural or sporting recreational or similar facilities or objectives and which applies its profits in promoting its objects and prohibits the payment of any dividend or amount to its members; and
 - (ii) used for sporting recreational or cultural purposes or similar activities; or
- (b) lands which are used primarily as agricultural show grounds; or
- (c) lands, not otherwise classified by another differential, used primarily by a not-for-profit club* and:-
 - (i) is not used for the purpose of running a business on a full time commercial basis; and/or,
 - (ii) the club does not pay any employees, contractors or members to perform duties associated with the operations of the club; and/or
 - (iii) is not a licensed premises.

*For the purposes of this rating classification the following applies: -

-“Club” includes an association, society, fraternity, guild, lodge or circle; and,

-A club is “Not-for-Profit” if:

- (i) It does not, either while it is operating or upon winding up, carry on its activities for the purposes of profit or gain to particular persons, including its owners or members; and
- (ii) It does not distribute its profits or assets to particular persons, including its owners or members, either while it is operating or upon winding up.

Recreation 2

Recreational land as defined in Recreation 1 where the recreational land or part thereof is used for gaming.

Rural Residential

Classification

Rural residential Land means any rateable land -

(a) that is not less than 2 hectares in area; and

(b) the land is resided on; and

(c) is located within the Farm or Rural Conservation planning zone that does not satisfy the criteria for farmland.

Excludes:

(d) Vacant land greater than 2 HA.

Reasons for the Use and Level of Rate

The rural residential rate is lower than for other classes of land because the land is prima-facie farm land; however, with the inclusion of a residence primary purpose of the property is shifted towards residential use.

The Rural Residential Rate is lower than the Residential Rate in order to recognise location issues and other restrictions applicable to such properties in either a Farm Zone or a Rural Conservation Zone

Consideration Given to Retirement Villages

The Ministerial Guidelines for Differential Rating (April 2013), states that "Council must give consideration to reducing the rate burden through use of a reduced differential rate include (but are not limited to):

- Farm land (as defined by the Valuation of Land Act 1960); and
- Retirement village land (as defined by the Retirement Villages Act 1986)."

Council has considered whether or not a separate differential rate is required for Retirement Villages to address perceived issues of fairness and equity. Council acknowledges that many Retirement Villages provide their own infrastructure and facilities within their boundaries for the exclusive use of residents and that those residents contribute to the maintenance and replacement of the facilities and infrastructure through the payment of a levy.

Council believes that the perceived issues of fairness and equity are adequately addressed under the current rating structure. Normal market factors, including the fact that additional annual fees are payable, are reflected in the valuation of a property. The additional fees payable generally result in a lower valuation for retirement village properties compared to like non-retirement village properties. The lower valuation means lower rates and therefore addresses any considered need for a lower differential.

Rates are also a property tax, not a user pays system. Residents of Retirement Villages still utilize services and infrastructure provided by Council and they are not excluded from using any such services or infrastructure. Providing Retirement Village with a lower differential rate would create issues of inequity for any residents who have their own private facilities (e.g.; pools, tennis courts, etc) and/or choose not to use Council provided facilities.

9 Understanding the impacts of Council Revaluations

Every two years Council has a statutory requirement under the Valuation of Land Act 1960 Section 13DC (5), to conduct a review of property values based on market movements and recent sales trends. A valuation is an assessment of the market value of a property, at a specific date. For the 2015-16 rating year valuations will be based on values returned as at 1 January 2014.

Why are valuations important?

For a property owner, a general valuation (or revaluation) is important for two reasons:

1. it provides a new market value for your property. These property valuations are now far more relevant and useful as they more closely reflect current market values.
2. there are new market relativities. This is important because market changes help determine individual property rates and charges.

The valuation process

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

Data obtained for each property includes things such as:

- land area
- building size
- building condition
- construction material
- age
- available services
- topography code
- land classification code (usage) and zoning etc.

Data is compiled on each property over time, through inspection, building and planning permits and other public sources.

The valuer builds a profile of value levels for each different area/property type by analysis of recent sales and leaseings. This information is then applied to individual properties, taking into account the different characteristics of each property.

Supplementary valuations

In certain circumstances, valuations must be performed between general valuations. These are known as supplementary valuations. They are required when properties are physically changed eg. when buildings are altered, erected or demolished, amalgamated, subdivided, portions sold off, rezoned or are affected by road construction. Supplementary valuations are usually carried out by the valuer on a monthly or quarterly basis.

No Windfall Gain - Revaluation

There is a common misconception that if a property's valuation rises then Council receives a "windfall gain" with additional income. This is not so as the revaluation process results in a redistribution of the rate burden across all properties in the municipality. Any increase to total valuations of the municipality is offset by a reduction in the rate in the dollar (ad valorem rate) used to calculate the rate for each property. Total rate income is set each year as part of the budget process. Council increases the total rate revenue required to deliver its services.

Objections to Property Valuation

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

Objections must be dealt with in accordance with the Valuation of Land Act 1960 – Division 3 Sections 16-21.

Property owners also have the ability to object to the site valuations on receipt of their Land Tax Assessment from the State Revenue Office. Property owners can appeal their land valuation within 60 days of receipt of Council Rate Notice (via Council) or within 60 days of receipt of their Land Tax Assessment (via State Revenue Office).

Council needs to be mindful of the impacts of revaluations on the various property types in implementing the differential rating options 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.

It is recommended that differential rates need to be viewed in conjunction with the impacts created by Council revaluations and, where required, differential rates be amended to lessen the impact of rating 'shock' on various rating types.

10 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 of the Council, if Council considers that the performance of the function or the exercise of the power is or will be of special benefit to the persons required to pay the special rate or special charge”.

There are detailed procedural requirements that Council needs to follow 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 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. It can set the rate or charge completely aside if it is satisfied that certain criteria are met.

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.

Ballarat City Council currently applies a special rate for properties in the Bridge Mall for the purposes of employing a Manager, for promotion and security of the Bridge Mall and surrounds. The Special Rate Scheme has existed for more than 20 years and is done at the request of the Bridge Mall Traders Association. The current Special Rate was declared in 2013 and remains in force for a period of 5 years, expiring on 30 June 2018.

11. Municipal Charge

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

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 sole use of the CIV valuation method.

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 Councils 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 would result in lower valued properties paying higher overall rates and charges than they do at present. The equity objective in levying rates against property values is lost in a municipal charge as it is levied uniformly across all assessments.

Council does not currently have a Municipal Charge.

12. Service Rates and 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:

- (1) the provision of a water supply;
- (2) the collection and disposal of refuse;
- (3) the provision of sewerage services;
- (4) any other prescribed service.

Council levies a Waste Management Service Charge for the collection and disposal of household refuse and recyclables. The service consists of the weekly collection of one garbage bin and the fortnightly collection of one recycling bin. The service is provided to Residential properties.

In 2016/17 Council introduced a Service Charge for the collection of green waste materials. This service consists of the fortnightly collection of one green waste bin. This service is provided to Residential properties.

The level of a service rate or charge should have some correlation to the level of service provided and therefore the funds raised should equate to the cost of the service provided.

The advantages of the Waste Management Service Charge and Green 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 Management Service Charge and Green Waste Charge, is similar to the municipal charge in that it is regressive in nature. A fixed charge to a property with a low value comprises a far greater proportion of the overall rates than it does to a property with a higher value.

13. Payment of Rates, Rebates and Waivers

Liability to Pay Rates

LGA Section 156 makes the owner of the land liable to pay the rates and charges on that land. In certain cases, the occupier, mortgagee or licensee holder is liable to pay the rates. The LGA Section 156(6) declares the rate or charge, unpaid interest or costs to be a first charge upon the land.

Electronic Notices

Council encourages the electronic distribution of rate notices and promotes the BPay View service. Ratepayers can elect to receive either their Annual Rate Notice or Quarterly Rate Notice electronically which is received through online banking arrangements.

Payment Dates for Rates

LGA Section 167 requires that councils “must allow” payment in four instalments and “may allow” payment in one lump sum. The Minister fixes the dates of instalments and lump sum by notice published in the Government Gazette.

Council offers ratepayers the option to pay rates by four instalments due on 30 September, 30 November, 28 February and 31 May each year

Ratepayers may pay in a single lump sum payment due by 15 February each year. There is currently no intention to withdraw the lump sum payment option.

Payment options

Council offers a range of payment methods including Australia Post, BPay, Direct Debit (instalments only), eServices, by mail or in person at The Phoenix. The majority of rate payments are received via Australia Post and BPay.

Incentives for Prompt Payment

The LGA Section 168 provides that incentives for prompt payment may be offered. Discount for early payment should be based on cash flow benefit to Council. Council has determined that no incentives for prompt payment will be offered for the year 2015-2016.

Late Payment of Rates

Interest is charged on all overdue rates in accordance with LGA Section 172. The interest rate to apply is fixed under Section 2 of the Penalty Interest Rates Act 1983, which is determined by the Minister and published by notice in the Government Gazette.

Debt Recovery - Collection of Overdue Rates

Council utilizes a Debt Recovery Agency to collect overdue rates and charges. Ratepayers are issued with a Final Notice and are given the opportunity to make an arrangement to pay off their overdue rates. Council may take legal action to recover any overdue amount. All fees and court costs are recoverable from the ratepayer.

If an amount payable by way of rates in respect to land has been in arrears for three years or more, Council may sell the land in accordance with the Local Government Act – Section 181.

Rebates – LGA Section 169

A rebate is a mechanism through which a targeted group receives a discount or concession to achieve certain objectives. Essentially rebates are funded through the general rate pool. More specifically, the amount required to fund the rebate is calculated and is incorporated into the total rates and charges requirement. For transparency the amount of any rebate or concession funded by ratepayers should be declared on an annual basis.

Council may grant rebates or concessions in accordance with the LGA to assist the proper development of the municipal district, to preserve, maintain and restore historical, environmental, architectural or scientific buildings or places of interest important within and to the municipality, to or to generally assist the proper development of all or part of the municipal district.

Council provides a 100% rebate for properties rated as Recreational 1. The properties that qualify as Recreational 1 are generally sporting clubs or other not for profit recreational or cultural groups. The objective of this waiver is to provide financial assistance to those sporting and recreational clubs that are required to pay rates.

Charitable Housing

All housing provided by Registered Agencies, Housing Associations, charitable or government organisations is rateable.

During 2009 the Local Government Act was amended to include section 169 1 (D) which allows that Council may grant a rebate or concession in relation to any rate or charge, to support the provision of affordable housing, to a registered agency.

Council does not provide a rate rebate to support the provision of affordable housing by registered agencies. Assistance for low income households is already provided through the State Government pension rebate and the means tested rent provided by the Department of Housing and the Housing Associations.

Pensioner Rebates

Holders of a Centrelink or Veterans Affairs Pension Concession card, or a Veteran Affairs Gold card which stipulates TPI or War Widow (excludes Health Care and DVA all conditions, POW, EDA and dependant cards) may claim a rebate on their sole or principle place of residence.

Upon initial application, an ongoing eligibility is maintained unless rejected by Centrelink or Department of Veteran Affairs during verification procedures. Upon acceptance of pensioner status, the concession or rebate is deducted from the rate account before payment by the ratepayer.

Applications for the concession must be lodged by 30 June in each year.

Council funded Waiver

In recent years Council has provided a waiver of rates for eligible Pensioners who live alone in their own home and are solely responsible for the payment of rates and charges on that property. This waiver was initiated by Council to assist single pensioners who have to bear the full rate liability of their property without the support of anyone else. For 2017/18, the amount of the waiver is \$90.00.

Financial Hardship

Council recognises that ratepayers may, at times, experience difficulty in paying their rates and charges and therefore is committed to providing mechanisms to support and guide those people to satisfy their obligations.

Council will provide understanding and assistance to ratepayers who are genuinely experiencing financial hardship and are having difficulty paying their rates and charges. In simple terms, financial hardship exists if “a ratepayer wants to pay but cannot”.

A person must be able to demonstrate to Council that they are experiencing financial hardship and/or that the payment of the overdue rates and charges will cause them to suffer financial hardship. Council can request the applicant to provide further information, either financial or otherwise, to support their application or verify particulars of their application.

Taxation information for past 3 years may be requested by Council as verification of circumstances. Council may also refer the applicant to a Financial Counsellor or other external resources before considering financial hardship assistance.

Any ratepayer experiencing difficulty paying their rates and charges should initially negotiate a suitable payment arrangement with Council.

Financial hardship assistance will only be considered for individuals that have overdue rates and charges with Council in regard to their principle place of residence and who are unable to, or cannot, negotiate an acceptable payment arrangement with Council.

The Local Government Act 1989 (the Act) provides Council with the ability to waive or defer the payment of any rate or charge or interest, either in part or in full, on the grounds of financial hardship. Hardship assistance options:-

- Payment Plan
- Interest waiver and deferral
- Deferral of rates
- Waiver of rates

The ability to approve the waiver or deferral of penalty interest will be dealt with under delegated authority. Any decision to waive or defer the payment of any rate or charge will be a decision of Council after considering a confidential report.

Ratepayers who receive assistance on the grounds of financial hardship will have their circumstances reviewed periodically (at least 6 monthly).

Exemptions from Rating

The LGA Section 154 declares that all land is rateable with a number of exceptions including Crown land occupied for municipal purposes, land used exclusively for charitable purposes, the residence of a practising Minister of Religion, certain land used for mining purposes, Returned Services League and related associations as defined. Generally land is not used exclusively for public municipal or charitable purposes if it is a residence, is used for the retail sale of goods or the carrying on a business for profit.

Application for exemption from rating may be made at any time during the financial year and will be assessed based on the usage of the property. Council does not generally allow for any retrospective claims.

Rating Statistics

Rate Type	No Assess.	CIV	Average Valuation	% Total Valuation
Residential	46,042	14,240,242,085	309,288	81.0%
Commercial	2,227	1,678,115,682	753,532	9.5%
Industrial	1,518	735,677,580	484,636	4.2%
Farm	787	569,195,000	723,247	3.2%
Recreational 1	63	62,236,830	987,886	0.4%
Recreational 2	6	18,018,670	3,003,112	0.1%
Rural Residential	616	280,955,875	456,097	1.6%
	51,259	17,584,441,722	343,051	100.0%

Rate Type	No Assess.	2017/18 Rates	% Total Rates	2017/18 Average Rates
Residential	46,042	62,158,657	67.0%	1,350
Commercial	2,227	18,737,840	20.2%	8,414
Industrial	1,518	8,624,348	9.3%	5,681
Farm	787	1,678,556	1.8%	2,133
Recreational 1	63	200,589	0.2%	3,184
Recreational 2	6	210,620	0.2%	35,103
Rural Residential	616	1,114,552	1.2%	1,809
	51,259	92,725,162	100.0%	1,809