

SPECIAL RATE AND CHARGE SCHEME POLICY

Report Author: Executive Officer - Design and Delivery
Responsible Officer: Director Built Environment & Infrastructure
Ward(s) affected: (All Wards);

The author(s) of this report and the Responsible Officer consider that the report complies with the overarching governance principles and supporting principles set out in the Local Government Act 2020.

CONFIDENTIALITY

This item is to be considered at a Council meeting that is open to the public.

SUMMARY

Yarra Ranges Council manages a large road network which is valued at \$389M in replacement value.

The extent of the unsealed network, along with community expectations of Council's service levels and approach to sealing, requires an overarching management plan.

This report outlines updates to Council's Special Rate and Charge Scheme Policy based on the following amendments:

- Seal roads under a proactive program and petition basis.
- Re – introduction of the landowner ceiling for road construction projects.

The contributions to road construction projects funded by the Special Charge Scheme proactive sealing program initiative are proposed to be considered with a landowner ceiling for projects at \$20,000 per development unit. Petition based programs are proposed to be considered based on landowner's contributing 80% of the funds and the Council contribution a standard 20% of the funding in accordance with the Policy.

The overall funding and approval of the Special Charge Schemes are to be subject to the annual budget process and Capital Funding allocations based on funding sources such as Roads to Recovery (R2R) program.

The policy document has undergone a review by the Council's legal representatives. It has been modernized and rewritten as a formal policy document, now accompanied by separate guidelines.

RECOMMENDATION

That Council

- 1. Endorse the Yarra Ranges Council Special Rate and Charge Scheme Policy 2025.***
- 2. Note the proposed approach to funding road sealing based on additional funding received from the Federal Road to Recovery (R2R) Grant 2024 to 2029.***

RELATED COUNCIL DECISIONS

Councillors provided feedback on key concerns and/or considerations to inform the development of an unsealed road management plan at Forum on 21 November 2023 and 17 August 2024.

DISCUSSION

Purpose

The purpose of this report is to seek proposed Council endorsement for the updated Special Rate and Charge Scheme Policy, based on the following amendments:

- Seal roads under a proactive program and petition basis.
- Re - introduction of the landowner ceiling for road construction projects.

The funding and approval of the Special Charge Schemes are to be subject to the annual budget process and Capital Funding allocations based on funding sources such as Roads to Recovery (R2R) program.

The proposed funding model for each project is subject to Council approval, with the opportunity to utilise Road to Recovery as part of the annual Capital Works Expenditure process.

Background

Yarra Ranges Council manages a large road network which is valued at \$389M in replacement value. The network consists of unsealed roads.

The extent of the unsealed network, along with community expectations of Council's service levels and approach to sealing, requires an overarching management plan.

Experience has indicated that most landowners and road users prefer the sealed surfacing, however cost of construction and funding mechanisms remains the issue.

Special Charge Scheme Policy (Special Rate and Special Charge Policy):

Council's Special Charge Scheme Policy has been re-titled Special Rate and Special Charge Policy to better reflect the legislative terminology within the Local Government Act 1989 ('the Act')

The Local Government Act 1989 ('the Act') enables councils to levy a special rate, a special charge, or a combination of these, to help pay for any council service or activity that specifically benefits a particular group of property owners.

Special Rate and Special Charge Policy recognises the need to achieve the best value of funds allocated by Council towards infrastructure improvement works. The Policy has a focus of ensuring that a fair, reasonable, and consistent approach is maintained in the process of engaging landowners and landowner groups in contributing funds towards infrastructure improvement works through the implementation by Council of a scheme in accordance with the *Local Government Act 1989* (the Act).

Currently, Council and landowners form a partnership to fund construction of unsealed roads utilising the Special Charge provisions of the Act.

Ministerial Guidelines associated with the Act require a Council contribution towards a Special Charge Scheme where the works or services will provide tangible and direct benefits to the broader community, other than those landowners determined as being liable for the special rate or charge.

To ensure that the broader community benefits from road improvement works, the Council uses a specific ratio to determine contributions based on the comparison of local traffic use to through traffic use of the road. The following guidelines apply:

Contribution Ratios:

Through Traffic < 20%:

- Council contributes 20% of the cost.
- Local traffic contributes 80% of the cost.

Through Traffic > 20%:

- For every 3% increase in through traffic volume above 20%, the Council's contribution increases by 2%.

Traffic Assumptions:

- Each Development Unit is assumed to generate six trips per day on the road.
- For community or commercial facilities, a study will be conducted to establish the actual number of trips per day.

Special Charge Scheme Funding Cap (Contribution Ceiling)

Prior to the Roads for Community Initiative (Federal Funded subsidised program) the 2018 Special Charge Scheme Policy, landowner contributions towards road construction projects were capped at \$15,500 per Development Unit.

In 2016, the cap was fixed at \$15,500 per Development Unit after 16 years of indexation from a base of \$10,000 in 2000.

In bushland and rural areas landowners may be disadvantaged by the longer road lengths to be constructed and the smaller number of larger blocks, limiting the ability to share the cost of the works. This results in higher contributions for landowners in these areas. Therefore, to make the participation in a scheme more affordable and desirable, a ceiling amount has been applied to the apportioned costs.

Council Guidelines may include when and how the ceiling will apply and how it will be applied to offset existing Council or Landowner contributions, noting there is no legal obligation to apply the cap in every relevant Scheme, this is still at Councils discretion.

Council's future funding of Special Charge Schemes should consider the option of incentivising sealing roads that are identified and ranked as candidate roads for sealing. It is proposed based on Consumer Price Index (CPI) (approx. 16% *over 6 years) and increases in construction cost measured by Producer Price Index for Road Construction (approx. 22%**over 6 years) that a ceiling be re-introduced at \$20,000 from \$15,500.

In addition to the two indices that outline cost increases, Council's Tendering process has seen increased pricing project to project from an average of \$1,100 per lineal metres in 2019 for an urban construction to between \$1,350 to \$1,900 per lineal metres in 2024. An increase between 23%-73% in costs over a 5-year period.

Council's policy of placing a ceiling on landowner contributions for road improvement Special Charge Schemes, is based on a systematic and strategic approach to seal roads within Council's unsealed road network.

Generally, the maximum ceiling amount for projects undertaken is \$20,000 per Development Unit, reviewed annually as part of Council's budget process. In cases where this general maximum of \$20,000 might be exceeded, Council may consider the overall contribution to the Scheme, ensuring that its total contribution does not exceed 40% of the combined Landowner and Council contributions to the Scheme.

Having regard to the limited resources available for road improvement projects, it is proposed that Council's contribution to Petitions should be limited to existing policy guidelines of 80% Landowner and 20% Council Contribution, as subsidising the level of landowner contributions to these projects is not sustainable.

The funding mix should also consider scenarios whereby landowners can elect to pay the full amount of the scheme (i.e. 100%), with delivery by Council to the appropriate standards.

Pro-active Program - Candidate roads for upgrade to sealed.

Following the removal of the RCI Federal Funding discussions were held on how to continue to offer and progress sealing of roads via the Special Charge Scheme process.

Roads for the establishment of a pro-active program are proposed to be assessed based on the following criteria:

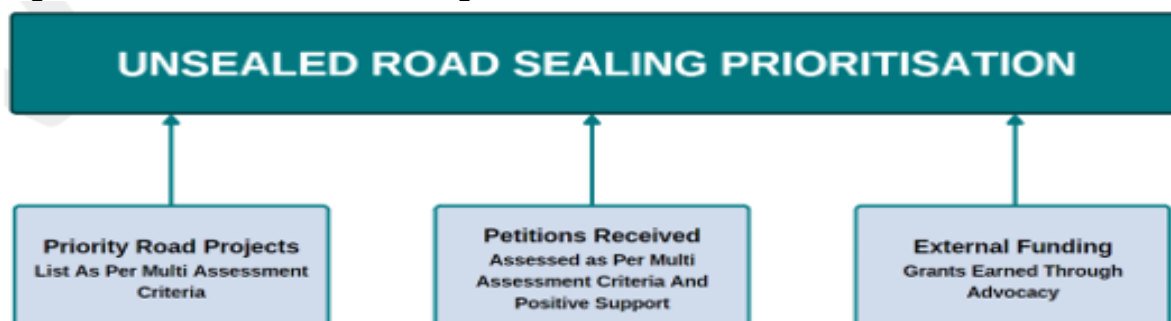
Table 2

Category	Description	Weighting (%)
Properties	Abuttal density. Properties that will receive a benefit and can share the cost of works	30
Community & Social factors	Including landowner support from questionnaires or petitions and completed designs from the RCI (Roads for the Community Initiative) program	20
Socio Economic Factors	Roads within industrial or commercial businesses area and/ or will complete a strategic link or local network.	10
Maintenance Costs/Requests	Including drainage issues that impact the road condition	25
Traffic Hierarchy & Volumes	Average and peak numbers of vehicles	5
Road Access	Accessibility with consideration to other access routes and dead-end roads.	5
Environmental / Planning Overlays	Bushfire Management Overlay (BM) – bushfire risk Erosion Management Overlay (EMO) – landslip risk Land Subject to Inundation (LSIO) – flooding risk Special Building Overlay (SBO) – flooding risk	5
Total		100

In addition to discussing the assessment criteria and assigning weightings, the standard of road construction and the determination of when each standard is appropriate are considered within the Special Charge Scheme process.

The establishment of a pro-active roads program is one approach to sealing roads, Officers understand that Petitions will still be received, and Council will continue to Advocate for road sealing programs.

Figure 1: Unsealed Road Sealing Prioritisation



Petition Based Schemes

Currently there are a total of 24 Petitions covering 34 roads registered to be considered for Schemes. Several of these petitions have been received recently

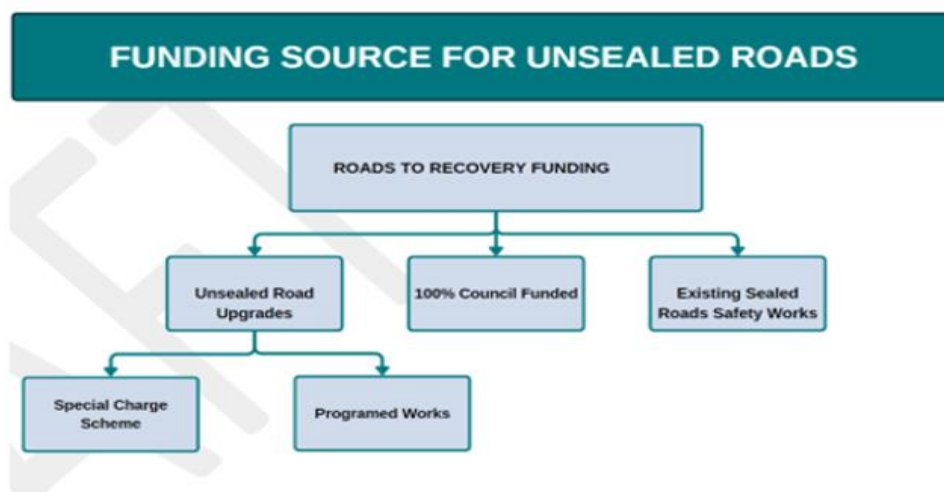
where landowners of a number of roads have sought to have their road constructed through a Special Charge Scheme following the cessation of the Roads for Community Initiative (RCI).

It is proposed that Council develop a basic standard of works and cost estimate for the roads. A survey of landowners would be carried out. If support is received from landowners, the project would then be referred to the Capital Expenditure Program for consideration of funding in a future year, based on the Special Charge Scheme process.

FINANCIAL ANALYSIS

The Capital Expenditure funding for the sealing of roads is proposed to come from the Roads to Recovery (R2R) Budget 2024 to 2029 allocation which has recently been increased from an approximate budget figure of \$10.7 M to \$18.88 M per annum for the next 5 years. It is proposed that the \$8M (\$1.6 M per annum) from the uplift in budget be allocated to road sealing projects.

Figure 2: Funding Source for Unsealed Roads



The Financial commentary within this report is consistent with Council's Asset Management Plan and Long-Term Financial Plan. It assumes current funding and service levels are satisfactory.

The allocation of the proposed funding uplift of \$8M over 5 years to seal roads, is subject to annual budget process and agreement. There are a number of scenarios to be considered as part of the future Pro-active and Petition approach.

A Pro-active approach is to work through a catalogue road in a systematic order, or alternatively consider a balance approach by Ward, Urban Growth Area and / or Proximity (<800 m) to Township Centres Proposed Works Program (2024 to 2029 – 5-year Scenario).

The landowner/Council funding mix for future Special Charge Scheme Road construction projects will be reviewed to achieve a balanced approach to deliver and justifiably fund projects across the entire municipality.

APPLICABLE PLANS AND POLICIES

The Unsealed Road Management Framework guides management of existing assets and identifies strategic opportunities for future projects.

This Unsealed Road Management Framework aligns with Council's 'Quality Infrastructure and Liveable Places' and 'Protected and Enhances Natural Environment' Strategic Objectives, Yarra Ranges Planning Scheme, Yarra Ranges Council's Asset Management Plan, and outlines Yarra Ranges Council stance on facilitating high quality sustainable development.

Over the past four years Council's focus has been on delivering the Roads for the Community Initiative (RCI) which provided the opportunity to seal a significant number of unsealed roads within the municipality.

Under the RCI program - the Federal Government was set to provide \$150M in funds, but this has since been reduced to \$47.7M. The reduction in funding has resulted in many roads being removed from the program which now contains 32km of road, or just 4% of the unsealed network.

The reduction in the 9-year RCI program means that, unless advocacy efforts are successful, Council will need to provide service to the community through these unsealed road assets for the foreseeable future.

The Special Rates and Charge Scheme Policy has been comprehensively reviewed and updated by Council's legal representatives to ensure its content is accurate and current. Over time, the original policy had evolved to include guideline-style content, resulting in a document that was a blend of both policy and guidelines. To address this, the policy has now been reworked to clearly reflect a policy-based approach, focusing on high-level principles and Council's strategic intent.

In addition, the supporting guidelines have been rewritten and separated from the policy document. This ensures that the policy and guidelines are now distinct, with the policy outlining the mandatory requirements and the guidelines providing practical advice and operational detail. This modernised structure enhances clarity, governance, and usability for both Council and the community.

RELEVANT LAW

Council, as a road authority, explains how it manages the roads for which it has a duty to maintain through a Road Management Plan, which specifically talks about road inspections, maintenance, and repair.

During the review of the Road Management Plan (RMP), the need for a strategic condition assessment of unsealed roads was identified. This assessment has been

adopted and incorporated into the inspection regime with other assets to be delivered this year and then every 3 years ongoing.

Council also provides a register of roads within the municipality, as required by the Act. This register lists roads that have been identified within the municipality, providing a road classification, and listing the authority responsible for the roadway, including when the responsible authority is a private entity rather than a local government or state Government entity. Council is responsible to maintain the roads listed on this register as public roads and required for public use.

The Road Management Plan responds to the requirements of the Road Management Act 2004 and conveys Council's commitment to the community in relation to the inspection, repair and maintenance of road and road related infrastructure.

The Unsealed Road Management Plan was developed to outline the specific maintenance objectives and is complimentary to the existing RMP 2021.

SUSTAINABILITY IMPLICATIONS

The presence of unsealed roads results in various economic, social and environmental impacts, the significance of which varies for each individual road.

Economic Implications

The identification of strategic unsealed roads with a higher priority for upgrade works may result in the need for Council to allocate a greater proportion of funds to the construction of these roads above the standard rates. This could be offset by roads which are not identified as a higher priority receiving less funding.

An evaluation of the benefits of constructing specific unsealed roads will be undertaken to establish whether the desired benefits (e.g. reduced maintenance, improved access) are achieved after a designated time period. This could feed into future reviews of the criteria for the strategy.

Social Implications

Special Charge Schemes for road construction require sizeable contributions from abutting landowners. These contributions can lead to social and economic impacts for affected landowners. Council's Policy notes that those landowners with a demonstrated financial hardship may apply for assistance in accordance with Council's Rate Recovery and Financial Hardship Policy.

Environmental Implications

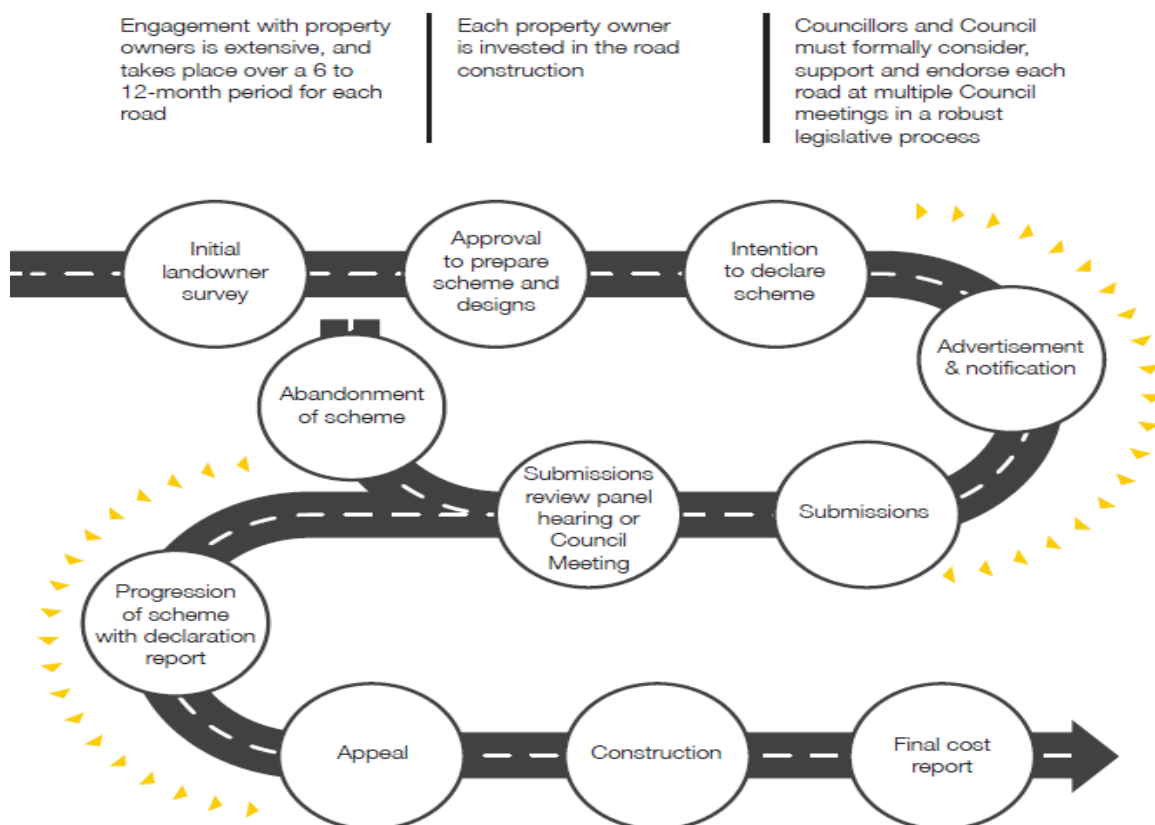
The content of this report does not lead to Environmental Impacts, however projects that may be delivered into the future as an outcome of this policy discussion will be considered in the context of how they integrate with the local environment.

COMMUNITY ENGAGEMENT

Internal consultation has occurred across the Infrastructure Services Department, including staff involved in daily local area traffic management, road design and construction and road maintenance of the Yarra Ranges Road network.

Council's process for initiating a Special Charge Scheme includes extensive consultation with landowners. It is proposed that Council's normal approach in liaising with landowner groups will occur in developing proposed Special Charge Schemes where consultation will occur with abutting owners to ensure that there is majority support for their involvement in the project prior to the statutory process being implemented to levy a Special Charge.

Process of IMPLEMENTATION



COLLABORATION, INNOVATION AND CONTINUOUS IMPROVEMENT

The update of the Special Rate and Charge Scheme Policy would inform and maximise Council's investment and address the need for strategic direction across this area.

RISK ASSESSMENT

Construction of roads under a Special Rate and Charge Scheme approach would provide the following benefits/risk reduction to landowners:

- Continued and safer vehicular access to and from properties abutting the road.
- Improved stormwater drainage runoff control directed towards the road from abutting properties, and protection of low side properties from stormwater runoff from the road.
- Enhanced physical and environmental amenity for abutting properties.

If the proposed construction of a road does not proceed, reports to Council identify whether an unacceptable or unmanageable risk would be experienced by Council.

KEY UPDATES AND AMENDMENTS TO POLICY

The revised Special Rate and Charge Scheme (SCS) Policy 2025 document includes several key changes and updates:

Nature of the Document:

- The document is now more in the nature of a "Policy" document.
- It covers all schemes, not just infrastructure schemes, although infrastructure schemes remain the majority focus.
- The Policy title has been amended from Special Charge Scheme Policy to Special Rate and Charge Scheme (SCS) Policy 2025.

Flexibility:

- The revised policy gives back flexibility by removing extra tests that the previous policy imposed regarding the percentage required in the "vote" to support a scheme.
- It makes provisions for non-binding Council "Guidelines".

Ceiling Increase:

- The ceiling for the special charge and rate scheme for roads has been proposed to increase from \$15,500 (in 2018) to \$20,000.

Minimum Response Requirement:

- Clarification on what constitutes a significant majority for a scheme to progress. For example, in a scheme with 10 properties, the minimum response and majority needed are specified.

Level of Support:

- The Act requires notice to property owners affected and if more than 50% of all properties that are affected object the Scheme cannot proceed.
- The Council Policy has (as policy) additional considerations in relation to landowner support. These Council measures are not mandatory, rather they assist consideration.
- Road and Footpath Improvement Schemes there is a preference for a support level of greater than 50% of affected landowners, in order for the project to be referred for consideration of inclusion within Council's Capital Works Expenditure Program.

Drainage Apportionment:

- The community expects the Council to cover 100% of drainage costs, but the policy clarifies that property owners who receive a 'special benefit' from specific infrastructure works or services may be charged.

Small Second Dwellings:

- The concept of "Small second dwellings" has been added, with a suggested contribution percentage of 0.3, similar to the 0.2 for B&B rooms.

Federal Funding Reference – Roads for Community Initiative (RCI) :

- The reference to Federal funding has been removed from the policy document but reference retained with the Guidelines document. The Guidelines outline that if, this or similar funding is obtained in the future, similar modified Schemes, with a greater Council contribution may be considered.

Cost of Works:

- Clarification on how the reduced cost of works should be apportioned, ensuring that individual payments do not increase if properties are removed.

Process for Establishing a Special Charge Scheme:

- Detailed steps for initiating, surveying, reporting, and resolving objections to a special charge scheme are outlined

Policy Review:

- The Policy has a review period of every 2 years with the added recommendation for review within 12 months following the appointment of a new Council.

Guidelines for Infrastructure Special Rates and Charge Schemes:

- The Guidelines for Infrastructure Special Rates and Charge Schemes are developed as a separate, internally approved operational document to provide practical direction and support the consistent application of the Policy.

CONFLICTS OF INTEREST

No officers and/or delegates acting on behalf of the Council through the Instrument of Delegation and involved in the preparation and/or authorisation of this report have any general or material conflict of interest as defined within the *Local Government Act 2020*.

ATTACHMENTS TO THE REPORT

1. Special Rate and Charge Scheme Policy 2025