

ADDITIONAL ITEM

13 February 2013

To the Ordinary Council Meeting

Councillor

1.5 Mayoral Minute - Proposed Special Rate Variation

TRIM REFERENCE: F2013/00023 - D03264350

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BACKGROUND INFORMATION:

Since May last year Council has been consulting with the community on the services they value, the standard they would like to see Council maintain into the future and the possibility of a special rate rise on the ordinary rates.

Following consultation in November / December 2012 where Council asked the community for their feedback on three possible rating scenarios:

Option 1: Reduce Services – Maintain Rates (average 3% increase)

- No additional rate increase above the amount approved by IPART (around 3%, 13/14 is 3.4%).
- Under this scenario assets would continue to deteriorate as there would not be enough money to spend on them - leading to cuts in capital expenditure, staff numbers and services.

Option 2: Maintain Assets - Increase Rates (9.5% increase)

- A rate increase of 9.5% (including the rate cap) each year for the next seven years.
- Under this scenario asset conditions would improve significantly and would lead to substantial savings in infrastructure maintenance costs. This would provide little scope for new works.

Option 3: New Assets – Increase Rates (12.5% increase)

- A rate increase of 12.5% each year for the next seven years.
- This means assets would be maintained but would provide a significant boost - \$5 million a year to be spent on new assets.

Feedback from the community on this round of consultation was mixed, although very few supported Option 3, a 12.5% rate increase. As a result, Council decided to take this option off the table.

A large number of respondents felt that they didn't have enough information to make such an important decision. However, attendees at the workshops said they felt more confident about making a decision once they had attended the workshop and been given more detailed information. The main information the community wanted to know was:

- What services would be reduced in Option 1
- If rates were raised, through Option 2, what would the money be spent on
- Why these three options were chosen and how the different rates were calculated
- What had already been done to save money at Council.

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Consequently, in December Council resolved to go back out to the community to provide the information they requested, remove Option 3 from discussion and focus on the willingness of the community to pay. Council also advised the NSW Independent Pricing and Regulatory Tribunal (IPART) that they may apply for a special rate variation up to 9.5%.

Consultation on this final stage is focused on Option 1 and 2, as well as an alternate, if residents understood the issues faced but couldn't afford the full 9.5% and were willing to pay less than 9.5%. This consultation commenced in January 2013 and will close on 15 February 2013. Feedback from the consultation period so far seems to have support for some form of a rate rise, below 9.5%.

Based on this feedback and the timing required to prepare the relevant documentation for Council's decision after the closure of the consultation period, I am recommending that staff prepare a lesser amount, 6.9%. At 6.9% we will be able to spend an extra \$15m annually to close the asset gap. This means that by 30 June 2020 (end of the special rate increase) we will have reduced our asset gap from \$130m to \$25m. Council staff can look at developing further strategies to increase productivity, realise cost savings and generate alternative revenue streams to close the rest of the gap.

The figures below demonstrate the impact on residents with the existing rate peg amount, 6.9% increase and 9.5% increase.

Analysis of Average Ordinary Rate Increase – 6.9%							
	Year 1 – 2013/14				Year 7 – 2019/20		
	Rate Peg	6.9%	Increase		Rate Peg	6.9%	Increase
Annual	\$897.51	\$927.89	\$30.38	Annual	\$1,071.68	\$1,348.73	\$313.05
Weekly	\$17.26	\$17.84	\$0.58	Weekly	\$20.61	\$26.63	\$6.02
Daily	\$2.47	\$2.55	\$0.08	Daily	\$2.94	\$3.80	\$0.86

Analysis of Average Ordinary Rate Increase – 9.5%							
	Year 1 – 2013/14				Year 7 – 2019/20		
	Rate Peg	9.5%	Increase		Rate Peg	9.5%	Increase
Annual	\$897.51	\$950.46	\$52.95	Annual	\$1,071.68	\$1,638.39	\$566.72
Weekly	\$17.26	\$18.28	\$1.02	Weekly	\$20.61	\$31.51	\$10.90
Daily	\$2.47	\$2.61	\$0.15	Daily	\$2.94	\$4.50	\$1.56

Council has recognised the importance of the capacity and willingness to pay of our residents, which resulted in the 12.5% option being removed and the alternate of willing to pay less than 9.5%. So far, the community is telling us that less than 9.5% is needed.

It is recognised that with a lesser amount of 9.5% Council will still need to reduce its levels of service and staff will need to create further efficiencies and improvements to reduce our costs.

By creating an alternate option that is between the rate peg amount and the 9.5% it provides Councillors another option on 27 February 2013 to decide if a special rate variation submission will be made and at what percentage.

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Providing this early direction to staff is crucial to meeting the IPART timeframes, which includes the drafting of the 2013-2017 Strategic Plan.

I formally move:

- 1 That Council direct the General Manager to prepare a further option for the proposed Special Rate Variation of 6.9% (including the rate cap) each year for seven years for Council's consideration.**
- 2 That this be reported to Council on 27 February 2013 along with the results of the community consultation on the existing options of 3.4% (rate peg only) and 9.5% (including the rate peg).**

ATTACHMENTS

Nil.