



Proposed Special Rate Variation and Minimum Rate Increase Application

Prepared September 2018

In applying for a special rate variation and minimum rate increase, NSW councils are expected to seek feedback their community on the proposal. Applications must have demonstrable links to the Council's Integrated Planning and Reporting Framework, provide meaningful opportunities for stakeholders to understand the need for an increase and provision for a cross section of the community to provide well informed feedback on the proposal including willingness to pay.

1. Introduction

The purpose of this Community Engagement Strategy is to outline the ways stakeholders can be involved in the decision making process. Opportunities will be provided across a range of 'levels of engagement'.

1.1 Council's Community Engagement Protocol

This strategy has been prepared in accordance with Council's *Community Engagement Protocol*. The Protocol is used to determine the level of impact applicable to this proposal. This proposal has been determined as:

LEVEL OF IMPACT	LEVEL OF ENGAGEMENT
High - LGA Wide	Inform, Consult

Council used the framework shown below in Table 1.1 to select the most appropriate levels of engagement for this proposal.

LEVEL	DESCRIPTION
Inform	Providing balanced and objective information to help the community understand problems, alternatives, opportunities and/or solutions
Consult	Obtain public feedback on alternatives and/or decisions
Involve	Work directly with the community throughout the process to ensure that public concerns and aspirations are consistently understood and considered
Collaborate	Partner with the public in each aspect of the decision including the development of alternatives and identification of the preferred solution

Table 1.1 Derived from the IAP2 Public Participation Spectrum

2. Background

2.1 What is a special rate variation?

Each year the State Government sets a maximum percentage amount that councils can increase their rates by (known as 'rate pegging'). Councils can then assess whether that rate peg increase is sufficient to maintain services and infrastructure or they can request a rise above the rate pegging limit (known as a 'special rate variation' or SRV).

Section 508A of the *Local Government Act 1993* allows a council to increase its general income by an amount that is greater than the general variation each year, up to a maximum of seven years. Councils must identify the amount of additional income it requires over the period of the proposed variation, calculated as a percentage. It then determines the annual percentage increases it requires over the rating period to match this amount. These percentages, which will include the rate peg for each year, may be different from year to year.

On 11 September 2018, IPART set the 2019/20 rate peg at 2.7% (2.3% in 2018/19 and 1.7% in 2017/18). On 8 October 2018, OLG issued Circular No. 17-35 advising that councils should assume the 2019/20 rate peg for 2020/21 and 2.5% in future years. Council's long-term financial modelling is impacted by these decisions and the plans adopted in June 2018 require amendment in response.

The proposed amendments to Council's Resourcing Strategy and Delivery Program will be reported to Council at its October 2018 meeting, together with the request to resolve its 'intent to apply' for a SRV and minimum rate effective from 1 July 2019, recommending their public exhibition coincide with the community engagement regarding the proposed SRV and minimum rate increase.

2.2 What is a minimum rate increase?

North Sydney Council has a residential and a business rate, which are subject to a minimum rate. For properties with a land value of approximately \$605,000.00 or less, the minimum rate amount is applicable. For properties above this land value, the rates are calculated on the applicable NSW Valuer General's land value and a cent in the dollar allocation. The majority of Strata Title units are subject to the minimum rate calculation.

Section 548 of the *Local Government Act 1993* allows a council to specify a minimum amount of a rate to be levied on each parcel of land. A council must obtain approval on every occasion that it wishes to increase the minimum amount on special rates above the statutory limit. Importantly, this applies even if the increase is by the rate peg percentage or if the council is seeking a SRV increase.

Pending the outcome of the consultation and the final decision of the elected Council, North Sydney Council will make a combined SRV and minimum rate application, addressing both criteria. Combined applications are due 11 February 2019.

3. Community Engagement Strategy

3.1 Who are our stakeholders?

The Community Engagement Strategy identifies the following groups to engage with in the local community:

- Residents - rate payers and non-ratepayers (including Precinct Committees)
- Businesses - rate payers and non-ratepayers (including Chambers of Commerce)
- Community groups and organisations including peak bodies, interest groups and support groups

3.2 Key Communication Messages

3.2.1 Who benefits from the provision of Council services and facilities?

Council's facilities and services are used by both residents and non-residents including workers, students and visitors. The following 2016 data from the Australian Bureau of Statistics (ABS) gives an indication of the volume of people that the North Sydney LGA services:

- North Sydney local government area (LGA) is home to an estimated resident population of 72,036 people (an increase of 7.2% since 2011) and is expected to increase to 84,422 people by 2036.
- An additional 3,000 dwellings are expected by 2021 as per the expected growth outlined in the *North District Plan* (2018).
- North Sydney is also home to one of the largest business districts in Australia¹ as well as several smaller commercial centres known as "village centres". More than 45,000 businesses operate from North Sydney.
- Over 77,000 people work in North Sydney LGA with 86% of workers travelling into the North Sydney LGA.
- Over 85% of secondary students and over 30% of primary students who attend schools in the North Sydney LGA live outside the area.

3.2.2 Why does Council need a special variation of rates?

Council's long-term financial planning shows that by 2020/21 Council's income won't meet its costs. At the same time, in the consultation for the *North Sydney Community Strategic Plan 2018-2028*, the community has requested a number of improvements to our existing facilities.

Several alternative options were considered prior to considering a SRV. Rates and annual charges comprise approximately 45% of Council's total revenue. Council has for many years had an emphasis on user pays fees and charges and continually explores new opportunities for additional user pays fees.

The key purpose of the proposed SRV under the preferred option (Scenario 3) in the *North Sydney Council Resourcing Strategy 2018/19-2027/28* is:

- to maintain existing services;
- enhance financial sustainability;
- infrastructure renewal expenditure to address deteriorating infrastructure asset condition; and
- deliver a number of high priority public domain and public recreation projects including to Bradfield Park South and St Leonards Park.

¹ North Sydney CBD is currently ranked 3rd in NSW behind City of Sydney and Macquarie Park and is currently ranked 9th in Australia. Source: <http://research.propertycouncil.com.au/data-room/office> (26 September 2018)

The need for a SRV was initially foreshadowed in Council's previous Resourcing Strategy (2013), in which the long term financial modelling under the then 'preferred' scenario forecast the net surplus gradually falling over the remaining life of the plan (ending 2022/23), and deficits before capital grants and contributions following cessation of the previous approved SRV, which expired on 30 June 2018.

In adopting the *North Sydney Council Resourcing Strategy 2018/19-2027/28* and the *North Sydney Council Delivery Program 2018/19-2020/21* on 25 June 2018, the Council resolved to adopt Scenario 3 as the preferred financial scenario which requires a special variation. In considering its preferred funding option, Council noted that Scenario 1 would require substantial service reductions in addition to cost containment and efficiency savings. In contrast, the two SRV options (Scenarios 2 and 3) do not require a reduction in service levels and provide additional revenue to provide funds for asset renewal and high priority capital projects.

The purpose of this community engagement is to seek feedback from the community as to their referred scenario and willingness to pay. In summary the three scenarios are:

- Scenario 1 (no SRV) would result in Council being required to address the funding shortfall of \$6.7 million over five (5) years. This would result in a reduction in service levels and present Council for applying additional funding to address to increasing amount of public infrastructure categorised at condition 5 (very poor condition requiring significant renewal - very high risk).
- Scenario 2 (5.5% per annum SRV for 5 years inclusive of the annual rate peg) would enable maintenance of existing services, increase asset renewals by an additional \$9.3 million over the life of the SRV and allocate an additional \$5.8 million to complete high priority projects as specified in the amended Delivery Program.
- Scenario 3 (7% per annum SRV for 5 years inclusive of the annual rate peg) would enable maintenance of existing services, increase asset renewals by an additional \$14.3 million over the life of the SRV and allocate an additional \$16.5 million to complete high priority projects as specified in the amended Delivery Program. It is for this reason that this is the 'preferred' funding option.

The engagement materials to be produced (and the report to the Council meeting of 29 October 2018) will detail the totals and amounts per annum that Council will need to reduce its expenditure by under Scenario 1 to achieve a balance budget, and the additional funds to be made available by a SRV under Scenarios 2 and 3 and how these will be allocated.

3.2.3 Why is Council proposing to increase the minimum rate?

At present ratepayers that pay the minimum ordinary rate account for 76% of total residential assessments and 33% of total business assessments in 2018/19. In order to maintain the same relative distribution of the rating burden between minimum and other ratepayers, any percentage increase associated with a special variation should be consistently applied to all rateable properties. Council services and facilities are made available to all ratepayers and as such the funding burden increase should be equitably distributed.

3.3 Timetable

Community engagement will occur over a 2.5-month period during which Council will widely inform and consult to ensure the community, and in particular ratepayers, including non-residential (including international ratepayers) are aware of the need for and extent of the proposed rate rise. The key project development phases are outlined in the following table:

<i>Phase</i>	<i>Timing</i>
1. Engagement Preparation	August to mid-October 2018
2. Consultation	1 November 2018 to 16 January 2019
3. Report to Council	Late January 2019

3.3.1 Phase 1 - Engagement Preparation

This phase involves development of engagement materials to inform the community, in particular ratepayers of the need for and extent of the proposed SRV and minimum rate increase, including willingness to pay as well as how the community can provide feedback to Council (and IPART), including willingness to pay. The following table² details the ‘inform level’ engagement materials to be produced/implemented, not listed in any priority order:

<i>Method</i>	<i>Target Stakeholders</i>	<i>Engagement Level</i>	<i>Purpose</i>
Council Website (and Engagement HQ)	All	Inform	Communicate proposed special variation options including impact on ratepayers, inclusive of cumulative impact and the projects/service to the funded under each Scenario.
Media Release	Local Media	Inform	
e-Newsletters - various subscriptions	Residents/businesses	Inform	
Social media	All	Inform	
Advertisement in local papers	Residents/businesses	Inform	
Precinct Committees	All active Committees	Inform	
Community Noticeboards	All	Inform	
Direct Letters	Residents/business ratepayers	Inform	
Information Sheet	All	Inform	

3.3.2 Phase 2 - Consultation

From 1 November 2018 to 16 January 2019, Council will offer various methods for the community to participate in Phase 2, including face-to-face and online, thus allowing the community to participate at times that best suit their needs and commitments. The purpose of the consultation is to explore community attitudes towards the proposed special variation, including willingness to pay. The following table details the ‘consult level’ engagement materials to be produced, not listed in any priority order:

² Note: In accordance with Council’s Community Engagement Protocol described on page 1, the ‘level of engagement’ per engagement method is indicated in all tables.

<i>Method</i>	<i>Target Stakeholders</i>	<i>Engagement Level</i>	<i>Purpose</i>
Information Sessions - held in each Ward (3)	Residents/Businesses	Inform/Consult	<ul style="list-style-type: none"> Communicate proposed special variation options (as per the 'inform level') Provide opportunity to provide feedback and ask questions of Council staff Invite submissions
Drop-in Sessions - various locations	All	Inform/Consult	
Random Phone Survey - conducted by an independent consultant	Sample of 400 residents and 200 businesses	Consult	
Submissions - online, email or hard copy	All	Consult	

It is noted that the timing of the engagement/exhibition period is not ideal because it runs into the Christmas period and school holidays, however this is largely dictated by the application deadlines set by IPART and the release of the application Guidelines by OLG. The Guidelines include specific information on future years' rate peg assumptions to be utilised in financial modelling. This in turn has resulted in the IPR documents needing to be updated accordingly prior to commencing engagement, including updating Asset Management Plans. Further detail has also been added to the (amended) IPR documents to demonstrate where additional funding will be allocated.

3.3.2 Phase 3 - Report to Council

This Phase involves analysing the feedback received and reporting the findings (via a Community Engagement Outcomes Summary) to the elected Council, with a recommendation whether or not to proceed with submitting a combine SRV and minimum rate increase application to IPART (due 11 February 2019). The report will go to the first Council meeting of 2019 (dates not yet determined) and will be available from Council's website from 5pm on Thursday prior to the meeting date. If an application is submitted, IPART will announce its determinations (successful and unsuccessful applications) on 14 May 2019.

4. Opportunity Cost/Rationale

Engaging the community in this proposal may entail financial costs to Council to achieve a high quality engagement process. If the process is robust, community ownership of the decisions made will ensure efficient outcomes. Insufficient or poor quality engagement can result in poor long-term decisions requiring further resources to rectify. The aim of a high quality community engagement process is to make sustainable decisions. The engagement process will help Council staff and/or Councillors to understand the related recommendations rationale.

5. Further Information

For further information, contact Council's Manager Integrated Planning and Special Projects,

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