



Camden Council
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13 December 2012

Local Government Team
The Independent Pricing and Regulatory Tribunal
Level 8
1 Market Street
Sydney NSW 2000

Attention: Tony Camenzuli

Camden Council Notice of Intent to Continue its Special Rate Variation

Dear Tony,

Council, at its meeting of 11 December 2012, resolved to notify IPART of its intent to continue a special rate variation to partly fund an extension of the existing Community Infrastructure Renewal Program (CIRP). A full copy of the report to Council and the resolution passed by Council is attached.

Application will be made to IPART under Section 508(2) of the Local Government Act, 1993.

The current 3 year CIRP is due to expire 30 June 2013.

A \$6 million program of works over 6 years has been developed as follows:

Infrastructure Category	Funds Required
Road reconstruction & reseal program	\$3,185,000
Parks and reserves renewal program	\$1,310,000
Buildings and surrounds renewal program	\$536,000
Bridge renewal program	\$431,000
Kerb and gutter renewal program	\$364,000
Footpath and cycleway renewal program	\$174,000
Total Community Infrastructure Renewal Program	\$6,000,000

The program of works will be funded from the following sources:

Funding Source	Amount	
Special Rate Variation	\$2,500,000	one-off increase of 1.10% for 6 years
Loan Infrastructure Renewal Scheme – Round 2	\$2,000,000	
Internal Reserves	\$1,500,000	
Total Funding	\$6,000,000	



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Importantly, Council will not be seeking to continue the existing 4.50% special rate variation but rather **only by 1.10% from 1 July 2013**. Over 6 years, this 1.10% rate increase will yield approximately \$2.5m or 41.7% of the total \$6 million program of works. The other 58.3% will be sourced from external loan borrowings (via the State Government's Local Infrastructure Renewal Scheme – Round 2) and internal reserves.

In total, Council will be seeking a 4.50% increase in rates as shown in the following table:

2013/14 Approved Rate Peg	3.40%
2013/14 Proposed SRV application	1.10%
Total Special Rate Variation	4.50%

Council will be undertaking community consultation during late January / early February 2013 with a view to making application to IPART in March 2013.

Council notes the deadline date of 11 March 2013 and respectfully requests that a small extension (1 week) be granted to enable the community feedback to be reported back to council at its scheduled meeting of 12 March 2013.

If you have any questions regarding this notice of intent, could you please contact me on 4645 5122 at your earliest convenience.

Yours Sincerely

STEVE KLUDASS
Director - Governance

ORDINARY COUNCIL

ORD10

SUBJECT: NOTICE OF INTENTION TO IPART - 2013/14 SPECIAL RATE VARIATION

FROM: Director Governance

BINDER: 2013/14 Special Rate Variation

PURPOSE OF REPORT

To seek Council's approval to:

- Notify IPART of its intention to apply for a special rate variation under 508(2) of the Local Government Act.
- Undertake community consultation outlining the Community Infrastructure Renewal Program (CIRP) and proposed method of funding.

BACKGROUND

In 2009, Council prepared an application to increase rates within the Camden Local Government Area (LGA) by 4.50% over the capped rate increase to fund an asset renewal program in perpetuity (without an expiry date), to address a backlog of infrastructure renewal works estimated, at that time, to be in excess of \$12 million.

The Minister for Local Government approved a one off special rate increase of 4.50% for 3 years only, with an expiry date of 30 June 2013. The 3 year program was designed as a schedule of works to enable Council to begin urgent renewal works (roads, bridges, storm-water drainage, parks, sporting facilities and buildings).

The total budget for the current 3 year CIRP is \$3.68 million. To date, more than \$2.8 million has been completed with the balance to be spent before 30 June 2013. Importantly, there is still much more to do following the completion of the current CIRP.

MAIN REPORT

The Camden Local Government Area (LGA) is experiencing rapid population growth, with the current population of 59,000 people estimated to increase to more than 250,000 over the next 25 years. Camden Council has an active role in the planning and delivery of this growth which requires the organisation to apply effective long term strategic thinking.

Camden Council is facing significant financial challenges, the costs to Council of delivering services and facilities have increased at a far greater rate than income over the past 20 years.

These costs include responsibility for an increasing number of infrastructure assets, an ageing infrastructure asset base and an increasing number of statutory obligations and charges required by the State Government. Add to this the additional services and functions that were previously carried out by other levels of government, together with the necessary preoccupation with planning our population growth, and Council finds itself in a situation that compromises its long term financial sustainability.

Council's financial situation and its long term capacity to meet the requirements of current and future residents are continually reviewed. Council will continue to pursue supplementary funding from all tiers of government, particularly given the growth rate that is facing the area now and into the future. The proposal to continue the existing CIRP is one measure towards addressing current and future community infrastructure backlogs. Council will continue to work proactively to secure other necessary solutions to its funding constraints.

In 2012, Council again undertook a survey of residents for the purposes of understanding how satisfied the community is with Council's performance and to identify those areas of Council's performance that require priority attention. The recent survey identifies that infrastructure assets is still the number one concern for residents in relation to Council's performance, particularly maintenance and the condition of local roads, footpaths, kerbing and sporting fields.

The Infrastructure Renewal Concern

An inquiry commissioned by the Local Government and Shires Association in 2005 revealed most Councils in NSW are financially unsustainable. The infrastructure backlog across NSW was estimated to be \$6 billion in 2005, and was expected to increase to over \$20 billion by 2020.

Generally, Councils in NSW do not have the financial capacity to renew essential community infrastructure assets with their current funding models. As a result, the vast majority of special rate variations approved over the past 7 years have been for urgent infrastructure renewal works.

In November 2012, Council identified an asset renewal backlog of \$12.6 million which is expected to increase each year until such time as additional funds are available for reducing the backlog. If renewal work is not undertaken, over time there will be a decrease in the standard of community infrastructure across the Camden LGA with a range of impacts including safety of roads, wear and tear on vehicles, amenity in the area, low utilisation of facilities and the cost of renewing assets will become unsustainable.

In order to address the community's concerns about infrastructure assets and continue to deliver the existing range of services and facilities, it is recommended that Council consider continuing the current CIRP in one form or another. A \$6 million program of renewal works has been developed for council's consideration.

Infrastructure Category	Funds Required
Road reconstruction & reseal	\$3,185,000
Parks and reserves renewal program	\$1,310,000
Buildings and surrounds renewal program	\$536,000
Bridge renewal program	\$431,000
Kerb and gutter renewal program	\$364,000
Footpath and cycleway renewal program	\$174,000
Total CIRP	\$6,000,000

A detailed works program, **as attached at the end of this report**, identifies the location, nature and cost estimate of all works to be undertaken. The program of works will be reviewed and reprioritised on an annual basis and placed on public exhibition as part of Council's annual review of the Delivery Program and Operational Plan.

Funding options available to Council

As part of preparing the funding options available to Council, the following has been considered:

- Growth estimates (rateable properties) and its impact on forecast income,
- An assumption that Council will adopt the Ministers 3.40% allowable limit (rate peg) and its impact on forecast income,
- Additional discretionary funding as a result of the Ministers 3.40% allowable limit being 0.50% higher than the 2.90% originally estimated in Council's Long Term Financial Plan,
- The potential for a reduction or elimination of the 4.50% special rate variation in 2013/14,
- The use of internal reserves to fund part of the asset renewal program (refer to option 2),
- The amount of funds currently in the Central Administration Building Reserve and the short term commitments on those funds (primarily the design element of the New Central Administration Building),
- The borrowings required to fund the construction element of the New Central Administration Building,
- Capital funding of \$2 million from the Loan Infrastructure Renewal Scheme – Round 2 and the operational savings realised through a lower interest rate (a 3.00% subsidy) available through this scheme (refer to option 2),
- Council's capacity to fund debt now and into the future including the impact on Council's debt service ratio,
- A \$6 million asset renewal program of works over 6 years (refer to option 2),
- That Council's number one capital funding priority in its Long Term Financial Plan is the New Central Administration Building,
- Council's capacity to complete the program of works in the required time period,
- The total impact of all options on ratepayers.

Option 1

Option 1 is to continue the Special Rate Variation (4.50%) for 4 more years. This option will generate an additional \$6 million and the necessary funding for the program of works. This option completes the program of works in 4 years.

Option 2

Option 2 is a combination of internal reserves, a reduced Special Rate Variation and loan borrowings via the Loan Infrastructure Renewal Scheme – Round 2. This option completes the program of works over 6 years.

Funding Source	Amount	
Loan Infrastructure Renewal	\$2,000,000	Repayment over 10 years
Special Rate Variation	\$2,500,000	one-off increase of 1.10% for 6 years
Admin Building Reserve	\$1,000,000	
Capital Works Reserve	\$500,000	
Total Funding	\$6,000,000	

Note - this option is dependent on Council's application for a \$2 million Infrastructure Renewal Scheme loan being successful and IPART approving a continuation of the Special Rate Variation (SRV) at 1.10%.

Option 3

Option 3 is to discontinue the Community Infrastructure Renewal Program. The ramifications of not addressing Council's asset renewal backlog have been explained earlier in this report.

It should be noted that a fourth option of funding the entire \$6 million program from loan borrowings has been considered. The modelling indicated there were better funding options available which resulted in less impact on ratepayers and Council's long term loan capacity.

Average Impact on 2013/14 Rates (percentage)

Option 1

The 4.50% Special Rate Variation (SRV) is already factored into residents' rates and has been since 2010/11. While the continuation of this program will not see a further increase as a result of the continuation of this program there will be an increase of 3.40% upon adoption by Council of the Minister's allowable limit.

Option 2

This option would see no percentage increase in the average residential rate in 2013/14. Please refer to the funding table below:

2013/14 Ministers allowable limit	3.40%
2013/14 Proposed SRV application	1.10%
Total Variation	4.50%
Less:	
Current SRV Program	(4.50%)
Actual 2013/14 Variation	0.00%

Option 3

This option would see a discontinuation of the current 4.50% SRV and a reduction in the average rate of 1.10%, after allowing for the increase of the 3.40% Minister's allowable limit. This option would also compromise Council's ability to fund a \$6 million asset renewal program.

Average Impact on 2013/14 Rates (monetary terms)

Option	Residential		Business	
	Annual Increase/ (decrease)	Weekly Increase/ (decrease)	Annual Increase/ (decrease)	Weekly Increase/ (decrease)
1	\$45.53	\$0.88	\$178.08	\$3.42
2	\$0.00	\$0.00	\$0.00	\$0.00
3	(\$9.27)	(\$0.18)	(\$26.94)	(\$0.52)

The Minister's allowable limit of 3.40% has been factored into each of these options.

Please note: the figures provided above are averages which means some ratepayers may receive a different movement in rates depending on the value and classification of their land.

This report provides estimates at a point in time. Although growth has been factored into all options, they are estimates and can change as a result of external factors before the adoption of the budget in June 2013.

Domestic Waste (a separate charge)

It should also be noted that Domestic Waste charges are not included in the rates above as the Domestic Waste charge is a separate charge. It is expected that as a result of rising waste disposal costs and the introduction of a carbon tax that the waste charge will increase in 2013/14. Further information on the Domestic Waste charge and the justification for any increase will be provided to Council early next year as part of the 2013/14 budget process.

Notice of Intent and Community Consultation

If Council was to pursue a Special Rate Variation for 2013/14 (Option 1 or Option 2), IPART must be advised of Council's intent by 14 December 2012. Following this notice of intent, Council would embark upon a community consultation process commencing late January / early February 2013.

Community consultation will include media releases, advertising, open house sessions for the community to participate in, a phone survey and information on council's website, including templates for community response.

Following community consultation, a workshop will be held with Council outlining the feedback received. A report will then be prepared for Council and a formal application made to IPART if approved by Council. The final application must be forwarded to IPART by 11 March 2013.

CONCLUSION

The existing Community Infrastructure Renewal Program expires 30 June 2013. This Program has been an important step in the right direction in terms of addressing Council's network of ageing infrastructure. The continuation of this Program will greatly assist Council in terms of its long term financial sustainability and aid in improving road safety, local amenity and utilisation of the community's local infrastructure assets.

RECOMMENDED

That Council:

- i. determine the appropriate option to fund Council's ongoing Community Infrastructure Renewal Program,**
- ii. in the event that Option 1 or Option 2 is determined, notify IPART of Council's intention to apply for a Special Rate Variation for 2013/14 under Section 508(2) of the Local Government Act, and**

- iii. in the event that Option 1 or Option 2 is determined, approve that public exhibition and community consultation of the proposed Community Infrastructure Renewal Program commence as soon as practicable.
- iv. be presented with a workshop providing feedback on the outcome of the community consultation before the final application is submitted to IPART via a report to Council.

ATTACHMENTS

- 1. Community Infrastructure Renewal Program

Ordinary Council Resolution

Resolution: Moved Councillor Sidgreaves, Seconded Councillor Fischer that Council:

- i. pursue Option 2 to fund Council's ongoing Community Infrastructure Renewal Program,
- ii. in the event that Option 1 or Option 2 is determined, notify IPART of Council's intention to apply for a Special Rate Variation for 2013/14 under Section 508(2) of the Local Government Act, and
- iii. in the event that Option 1 or Option 2 is determined, approve that public exhibition and community consultation of the proposed Community Infrastructure Renewal Program commence as soon as practicable.
- iv. be presented with a workshop providing feedback on the outcome of the community consultation before the final application is submitted to IPART via a report to Council.

ORD317/12 THE MOTION ON BEING PUT WAS CARRIED