

16.1 SPECIAL RATE VARIATION COMMUNITY CONSULTATION

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Attachments:

1. Organisation Sustainability Improvement Plan
2. Revised Delivery Plan 2022-2026
3. Long-Term Financial Plan 2023-2034 (as exhibited), including Capacity to Pay Report
4. Community Awareness and Engagement Strategy Outcomes Report, November 2023

Link to Community Strategic Plan:	25. Our Civic Leadership CL1 Effect resourceful and respectful leadership and attentive representation of the community.
Cost to Council:	Nil
Use of Reserve Funds:	Not Applicable

RECOMMENDATION

That

1. The report on the Special Rate Variation (SRV) Community Consultation be noted.
2. Council notes the feedback received through submissions received during the community engagement process relating to the updated Long Term Financial Plan (LTFP) and the proposed SRV.
3. The revised Delivery Plan 2022-2026 be adopted.
4. Having considered the issues raised in the community engagement process, Council make application(s) to the Independent Pricing and Regulatory Tribunal (IPART):
 - (i) Under section 508A of the Local Government Act 1993 for increases to the ordinary rate income of 22.50% in 2024/25 (including the rate peg), 16.0% in 2025/26 (including the rate peg), 6.4% in 2026/27 (including the rate peg) representing a total cumulative increase of 51.2% over the three-year period, with that increase to be a permanent increase retained within the rate base.
 - (ii) Minimum ordinary rate for business categories to be set as follows:
 - 2024/25 \$722.00 an increase of 22.5% (including the rate peg)
 - 2025/26 \$837.00 an increase of 16.0% (including the rate peg)
 - 2026/27 \$890.00 an increase of 6.4% (rate peg not applicable)
5. The submissions received during the community engagement process relating to the proposed SRV referred to in Item 2 above be included as part of the application(s) to IPART referred to in Item 4 above.
6. That a final revised version of the LTFP incorporating the SRV option 4, detailed in the report below, recommendation 4 above, and the final audited results for 2023/23 be endorsed and submitted to the December 2023 Council Meeting for adoption.

BACKGROUND

At its meeting on 19 September 2023, Council resolved the following:

That

1. *Council endorse the revised 2023-34 Long Term Financial Plan for public exhibition and community consultation until 3 November 2023.*
2. *Council endorse the revised Delivery Plan for public exhibition and community consultation until 3 November 2023*
3. *Council endorse the undertaking of community consultation on a potential application to the Independent Pricing and Regulatory Tribunal (IPART) for a proposed permanent SRV of either a one year SRV of 43.5% in 2024-25 (including the forecasted rate peg of 3.5 per cent) or a two year SRV of 25.5% in 2024-25 (including the forecasted rate peg of 3.5 per cent) and 20.5 per cent in 2025-26 (including the forecasted rate peg of 2.5 per cent), representing a cumulative SRV of 51.2 per cent over two years. These proposed increases would apply to the minimum rates in Council's rating structure.*
4. *Receive a further report at its meeting on 21 November 2023 regarding community consultation undertaken to determine any final application to be made to IPART for a SRV.*
5. *Council notify IPART of its intention to invite community feedback on two SRV options and its intention to apply for an SRV.*

The purpose of this report is to present Council with the feedback received during the community engagement process relating to the updated LTFP 2024/34 and the proposed SRV, and to proceed with an application for a section 508A (permanent) SRV and application for increase in minimum rate commencing in the 2024/25 financial year.

REPORT

Council has supported a steadily growing population and maintained its infrastructure and services within the scope of its revenue growth in line with the rate peg increases set by the State Government. However, in recent years this has become increasingly difficult.

The recent COVID pandemic, impacts on infrastructure of recent weather events, historic low interest rates returning low returns on investments, and the current highly volatile inflationary environment have increased Council's costs faster than its revenue growth. These issues have continued to put pressure on Council's budget.

Council has implemented several cost optimising and revenue enhancement initiatives that have resulted in net benefits. With costs continuing to out-strip revenue, resulting in operating deficits, Council has identified and incorporated into the revised LTFP some \$1.4 million savings that will be implemented over the next 3 years, refer **Annexure one**.

Further, Council needs to undertake renewal and maintenance of its infrastructure, which places impacts on achieving a balanced budget. In some areas, Council has been able to utilise State and Federal Grants, as well as loans, to fund infrastructure renewal and operations. However, these sources of funds are unreliable and unsustainable. Servicing and paying back loans is also becoming more costly. Council must now consider increasing rates revenue to adequately fund its current services and infrastructure needs.

In its 2022-26 Delivery Program, now revised (**Annexure two**), Council identified the need to consider an SRV for rates to ensure its ongoing financial sustainability. Since then, further analysis has been undertaken in relation to Council's long-term financial position and has established that an SRV is required to achieve Council's financial sustainability and maintain service levels and fit-for-purpose infrastructure. Accordingly, Council's 2022-26 Resourcing Strategy and LTFP was developed and included in part a review of this document with the need to undertake further analysis and potential SRV options for Council consideration.

The draft 2023-34 LTFP (**Annexure three**) has been prepared in accordance with the *Integrated Planning and Reporting Guidelines* issued by the Office of Local Government and prescribed under the Act and includes three (3) financial modelling scenarios. In addition to a Base Case scenario, the LTFP models two (2) SRV scenarios to address Council's ongoing financial sustainability. The two SRV option that were designed to ensure Council can successfully:

- Generate an operating surplus, before capital income,
- Fully fund all required asset renewals and maintenance,
- Return to and maintain a positive unrestricted cash position, and
- Deliver all improvement program initiatives.

The proposed SRV increases in each of the two (2) scenarios are largely similar; the key difference is the number of years required to implement the full extent of the rate increase.

Table 1, below, summarises the two (2) SRV scenarios:

Table 1: Special Rate Variation options for community engagement			
SRV Options	2024-25	2025-26	Cumulative increase over SRV implementation period
Base Case	3.5%	2.5%	6.1%
Sustainability Scenario – One-year SRV	43.5%	-	43.50%
Sustainability Scenario – Two-year SRV	25.5%	20.5%	52.1%

IPART has very recently released the revised rate page methodology, while it is welcomed and should have a positive impact, it will not impact Councils proposed SRV application. Regardless of the rate peg increase, it will not resolve Councils financial sustainability challenges.

On 19 September 2023, Council endorse the undertaking of community consultation on a potential application to the IPART for a proposed permanent SRV of either a one year SRV of 43.5% in 2024-25 (including the forecasted rate peg of 3.5 per cent) or a two year SRV of 25.5% in 2024-25 (including the forecasted rate peg of 3.5 per cent) and 20.5 per cent in 2025-26 (including the forecasted rate peg of 2.5 per cent), representing a cumulative SRV of 51.2 per cent over two years.

If secured, a SRV would assist Council in maintaining surpluses, meeting operating expenditure, and ensuring sufficient investment in infrastructure.

OUTCOMES OF COMMUNITY ENGAGEMENT

Consistent with Council's resolution at its Ordinary Meeting held 19 September 2023, a comprehensive engagement and communications program was delivered to raise awareness of the need for an SRV and the SRV option.

During the engagement period, Council facilitated eleven (11) community information drop-in sessions held across the Goulburn Mulwaree Local Government Area attracting 455 attendees. Council also received submissions facilitated via Council's website.

Over the course of the engagement period, various materials, and resources in relation to the proposed SRV were made available from Council's website including:

- Community Engagement Plan and timeline.
- Community Drop-in Schedule
- Community Newsletter
- Frequently asked questions (FAQ) and responses to those FAQ,
- Financial Sustainability & Rate Variation Assessment Audio Presentation
- SRV Background paper,
- Revised Long Term Financial Plan and Capacity to Pay report, and
- Organisation Sustainability Improvement Plan.

Council also undertook print and radio advertisements, Letter from the Mayor, Facebook posts, Media interviews and releases.

Central to the engagement program was an online submission, which allowed members of the community to provide feedback on the proposed SRV. In total, 1855 submissions were received. Key results of the submissions include:

- Approximately 30.9 per cent of respondents raised affordability and hardship as an issue, indicating that the proposed SRV scenarios are unaffordable.
- Approximately 26.2 per cent of respondents cited current cost of living pressures, including rising inflation and interest rates, as a reason for their opposition to a proposed SRV
- Some 29.3 per cent of respondents suggested that Council needs to achieve further operational efficiencies, productivity improvements and cost savings prior to seeking an SRV.
- The extent of the proposed SRV was cited as an issue by approximately 12.0 per cent of respondents. Some respondents understood the need for an SRV, but believed the extent proposed was too significant. Some respondents questioned the timing of the SRV, suggesting that it was not appropriate to pursue an SRV in the current 2023/2024 year.
- 7.8 per cent of respondents expressed concerns around the perceived social and economic impact of the proposed SRV. Some respondents suggested that homeowners may need to sell their homes and some residents may need to relocate from the Goulburn Mulwaree region, which in turn would impact local businesses.
- 92.5 per cent identified the Base Case (No SRV) as their preferred option.

The Community Awareness and Engagement Outcomes Report, appended at **Annexure four**, provides an overview of the engagement program delivered and communications activities undertaken to promote the engagement program, as well as the engagement findings and key issues raised.

FEEDBACK ON AND CHANGES TO THE 2023 -34 LONG TERM FINANCIAL PLAN (LTFP)

Councillors consider the initial community engagement feedback at a workshop on 8th November 2023 and where mindful of the affordability impact and the capacity to pay issues, raised in the community submissions, particular the shorter SRV periods. Key aspects of the feedback from the community engagement were concerns regarding affordability, cost of living, social and economic impacts and the extent of the SRV over a short period.

Subsequently Council has developed a proposed Option 4 a three-year SRV as their preferred option, should Council resolve to proceed with an SRV application. This three-year option does not exceed the cumulative two- year SRV option that was placed on public exhibition. The publicly exhibited and additional SRV options are detailed in the following table.

Table 2, below, summarises the three (3) SRV scenarios:

Table 2: Revised Special Rate Variation options for Council determination				
SRV Options	2024-25	2025-26	2026-27	Cumulative increase over SRV implementation period
Base Case	3.5%	2.5%	2.5%	8.7%
Sustainability Scenario – One-year SRV	43.5%	-	-	43.50%
Sustainability Scenario – Two-year SRV	25.5%	20.5%	-	52.1%
Sustainability Scenario – Three-year SRV	22.5%	16.0%	6.4%	52.1%

The final LTFP will need to be endorsed with the inclusion of final SRV decision of Council and will be submitted to the December 2023 Council meeting for adoption.

ASSET MANAGEMENT STRATEGY AND PLANS

Council has updated its Asset Management Strategy and Plans, which forms part of Council's Resourcing Strategy to ensure it aligns with both the timeframe and expenditure projections in the LTFP. The review and updating of the asset management documents occurred concurrently with the revised LTFP. Currently the documents are in a final draft and will be submitted for adoption at the December 2023 Council meeting.

ANNEXURES:

1. Organisation Sustainability Improvement Plan
2. Revised Delivery Plan 2022-2026
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4. Community Awareness and Engagement Strategy Outcomes Report, November 2023