



DISCUSSION PAPER

APPLICATION FOR
A SPECIAL

GENERAL RATES
INCREASE

by 8% in 2013 - 14



Proposal

Shoalhaven City Council is intending to apply to the Independent Pricing & Regulatory Tribunal (IPART) for permission to increase General Rates by a total of 8% in 2013/14 (*which is 4.6% above the rate-pegging limit of 3.4% set by IPART*).

The additional revenue raised by this increase (*estimated to be approximately \$2.3 million in 2013/14*) will be wholly allocated to road renewal (\$1.8 million and pathways \$.5 million).

Background

Shoalhaven City Council is responsible to maintain an infrastructure asset base valued at over \$2.8 billion. As at 30th June 2012, it was estimated that an amount of \$37.2 million would be required to bring these infrastructure assets up to a satisfactory standard. It was also estimated that the amount of maintenance required on this asset base should be \$23.7 million per annum. Council currently allocates an amount of \$18.4 million per annum, so there is a yearly shortfall of \$5.3 million. (*Source: Special Schedule 7 Shoalhaven City Council Annual Financial Statements*)

Council’s Resourcing Strategy outlines four Core Sustainability Principles:

- Program sustainability
- Rate Predictability
- Inter-generational equity
- Meeting growth needs

To begin addressing these shortfalls, Council has attempted to increase the amount of funding being allocated to asset renewal in its annual budgets. As part of its Resourcing Strategy, Council has prepared a Long Term Financial Plan (LTFP) which projects its revenue & expenditure estimates for a period of 10 years. This LTFP has projected an accumulated deficit of \$55 million accruing over the next 10 years due mainly to Council not being able to finance the increased expenditures projected to be allocated to its infrastructure assets. This LTFP had assumed that:

1. Council’s rate revenue would increase each year by the rate-pegging limit.
2. Council’s current level of services would continue for the 10 year period.
3. Council’s current workforce would not increase in size.
4. Additional funding would be directed to road renewal over the 10 year period.

Survey results and analysis

In response to a telephone survey in 2009, 51% of residents agreed or strongly agreed that “I am prepared to pay more each year in rates for better facilities and services”. A total of 19.4% of people disagreed or strongly disagreed with this statement.

Community engagement for the 2012 review of the Community Strategic Plan has identified strong support for the maintenance and renewal of existing Council assets as a priority over building new ones. A specific survey was undertaken to establish the views of the community about maintenance and renewal of Council’s infrastructure, seeking feedback on satisfaction, priorities and ‘level of service’ expectations regarding key infrastructure types.

The survey results and interim analysis are based on 180 written and on-line responses.

The graphs shown on the opposite page summarise the results of the survey and **Figure 1** provides an overview of some of the key elements with ‘citywide’ importance and dissatisfaction plotted. (**Graphs 1 and 2** show separate results for ‘importance and level of satisfaction’).

About 50% of respondents were dissatisfied with the condition of infrastructure types of Roads and Paths. Similarly, over 50% considered these to be very important infrastructure, with Roads being cited by 92% of respondents. Although there was not much difference between ‘citywide’ and local’ views for Roads and Paths, only 45% of respondents thought that their ‘local’ Car Parks were important but 56% thought Car Parks were important on a ‘citywide’ basis.

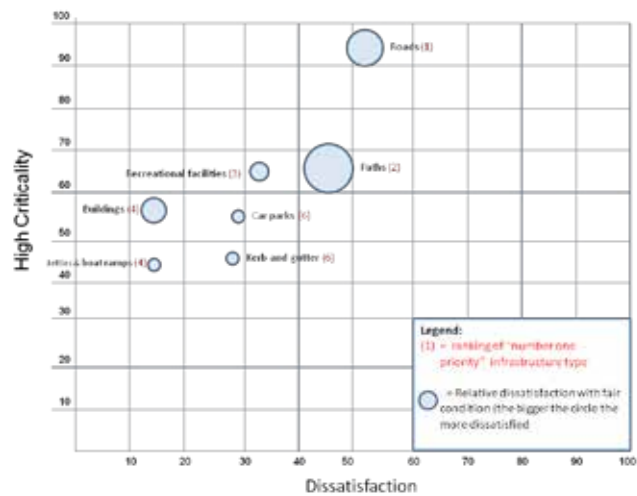
When asked which single infrastructure type had the highest priority for maintenance and renewal, Roads had the highest ranking with 65% of all respondents stating it was their Number 1 priority - see **Graph 3**. Paths were ranked second with 12% of responses. The survey proposed some ‘level of service’ comparisons by using images of infrastructure in ‘fair’ and ‘good’ condition. The size of the circles in **Figure 1** represents the relative dissatisfaction with ‘fair’ condition of the respective infrastructure types, when asked if it was ‘good enough’. **Graph 4** shows 92% responded that Paths were not ‘good enough’ and 62% considered that Roads in fair condition were not ‘good enough’.

Graph 5 shows the percentage of respondents who would agree with increasing rates to improve infrastructure from ‘fair’ to ‘good’ condition. Paths (58%), Roads (47%) and Buildings (31%) were the infrastructure types most supported for an increase in rates.

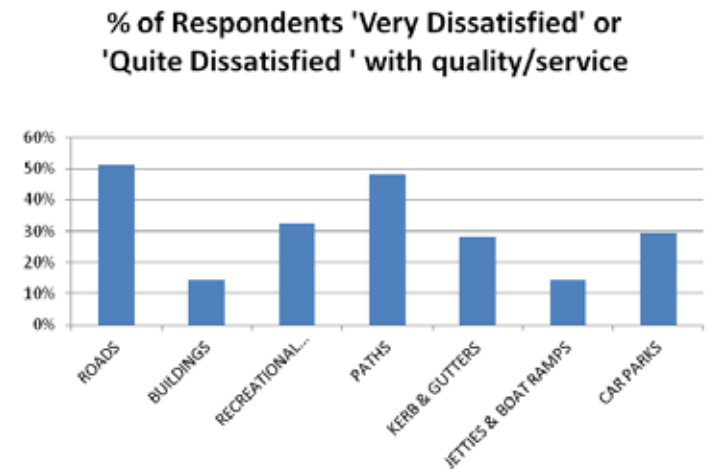
Survey Conclusions

The survey demonstrated that Roads and Paths maintenance and renewal are the highest priorities. Respondents also showed a willingness to pay to improve the condition of these infrastructure types i.e. for Roads (47%) and for Paths (58%).

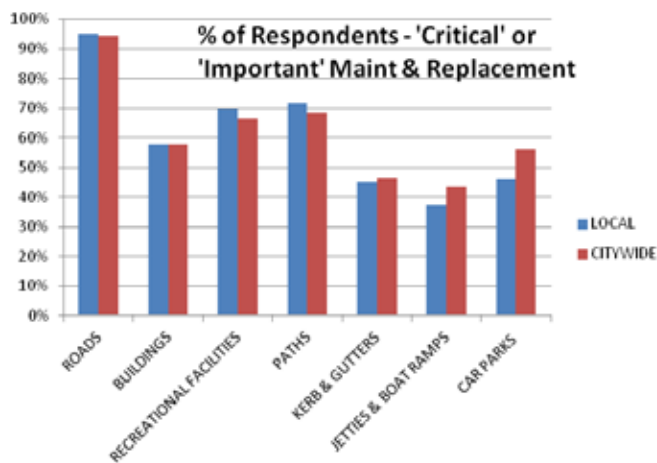
Figure 1



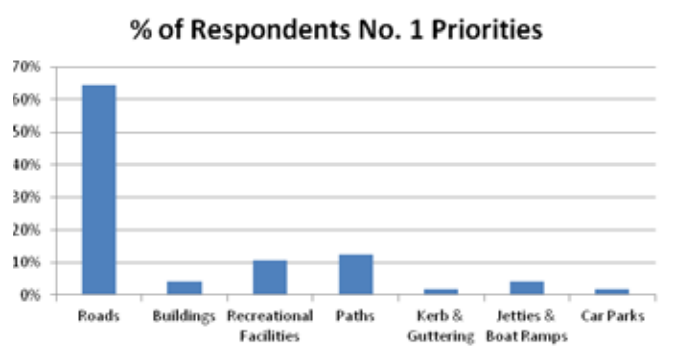
Graph 1



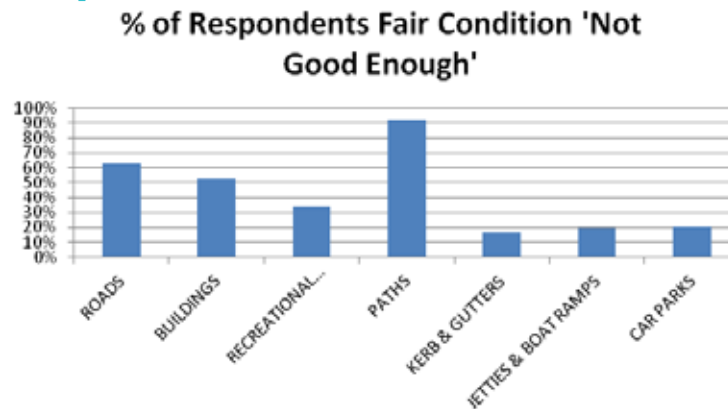
Graph 2



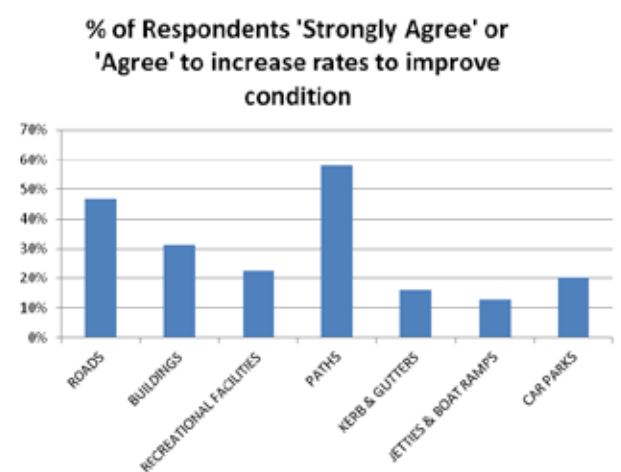
Graph 3



Graph 4



Graph 5



Are there any other options to provide more funding for roads and paths?

If Council chose not to proceed with its application for a Special Variation, it would need to significantly reduce expenditure on other works & services and redirect this funding to renewal of infrastructure to achieve an increase in resources being allocated for this purpose.

As part of its 2012/13 Budget consultations, Council asked for feedback from the community on what works & services could be reduced to enable greater funding to be allocated to infrastructure assets. It is always difficult to reduce levels of service that are currently enjoyed by the community, and there was no real indication provided as part of the consultative process on any particular area where expenditure could be reduced. In fact, there were further calls for increases in expenditure and service levels in a number of key areas such as paths, roads & parks.

As part of its Long Term Financial Plan, Council has set itself targets to decrease operating expenditure by \$1 million per annum by 2014/15. To achieve these targets, some changes are being made to Council's structure and staffing levels. Further, a comprehensive examination of all works & services provided by Council is being undertaken in an effort to identify areas where resources could be re-allocated to provide more funding for roads, paths & other infrastructure.

If Council was successful in receiving the Special Variation what specifically would the additional money be spent on?

An additional \$1.8 million would allow the renewal (rehabilitation) of about an additional 3km of rural roads each year. Projects to this value would be brought forward from the Roads Rehabilitation Strategy priority list to supplement projects already proposed for 2013/2014. These projects would include the rehabilitation of additional sections of Jindy Andy Lane (Numbaa) and Currarong Road as well as other projects progressively.

The increased allocation for paths could be used to continue support for existing and planned community projects. For instance, the 'Woolly Way' path, along Woollamia Road, could be completed and a path along Pine Forest Road in Tomerong could be commenced. The funding could also be used to rebuild the path in Berry Street, from Emporium Lane to Worrigea Street, if not allocated to community projects. There are many other priority path projects which could be considered, including the commencement of the Orion Beach section of the Bay foreshore route; the extension of the path in Beinda Street, Bomaderry; the completion of the path in Croobyar Road, Milton; projects from the Pedestrian Access and Mobility Plan; and the Community Consultative Bodies' priority projects. Some repairs of existing paths could also be funded so that these important community assets continue to serve users into the future.

How can I have my say about this issue?

Council is inviting the community to comment on this proposal before a final decision is made on whether to make an application to IPART. Council needs to submit its application for this Special Variation by Monday 11th March 2013, so it needs to make a final decision in early March 2013 on whether to proceed.

If you would like to make comment on this proposal, you can do this by:

Writing to Council;
PO Box 42, Nowra, NSW 2541

Faxing Council 4422 1816

Email council@shoalhaven.nsw.gov.au

Making a submission direct on Council's website
www.shoalhaven.nsw.gov.au

It would be appreciated if any submission regarding this issue could be received by Council by 1st March 2013 to allow a report regarding the issue to be properly considered by Council prior to the closing date for applications.