

Professional Management and Leadership

Report No. PM18/2013

Strategy and Sustainability



SUBJECT: *SPECIAL RATE VARIATION*

AUTHOR: *Integrated Planning & Strategic Property Manager - Bronwyn Rumbel*

SUMMARY

This report proposes that Council apply for a further special rate variation of 6.05% under Section 508(2) of the Local Government Act for the 2013-14 financial year. The focus of the special rate variation application would be to continue to fund additional renewal of Council's road network with an emphasis on resealing and heavy patching of regional roads and collector roads. Feedback from Council's community research indicated broad support for the special rate variation, while the recent community consultation was not as supportive of continuing the special rate variation.

RECOMMENDATION

1. That Council note the community feedback on the special rate variation options proposed for 2013-14.
2. That Council proceed with preparation of an application to the Independent Pricing & Regulatory Tribunal (IPART) under Section 508(2) of the Local Government Act for a special rate variation of 6.05% for one year to continue to fund additional renewal of Council's road network.

BACKGROUND

The existing Section 508(2) special rate variation of 6.05% granted in 2011-12 for two years expires at the end of the current financial year. If discontinued, this will reduce the annual rate revenue by \$1.635 million from 2013-14 onwards.

On 6 February 2013, Council considered a report outlining the statutory requirements for making an application to the Independent Pricing & Regulatory Tribunal (IPART) for an extension of the current special rate variation. At that meeting, it was resolved:

1. That Council proceed with the preparation of an application to seek a one-year extension to the existing special rate variation under Section 508(2) of the Local Government Act to be submitted to IPART by 11 March 2013.
2. That Council endorse the community consultation strategy outlined in this report together with further direct consultation of the community.
3. That Council receive a further report detailing the results of the community consultation on the proposed special rate variation.

REPORT

The community consultation on the special rate variation options comprised a number of elements.

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In July 2012, Council engaged Micromex to undertake community research with a representative sample of 400 residents to, among other things, assess support for the continuation of the special rate variation to retain the current level of sealed road renewal. (Refer **Enclosure 1**).

The community research found a moderate level of community support for the continuation of the special rate levy on sealed road renewal.

56% of residents indicated that they were very supportive/supportive of this levy remaining. With 76% of residents indicating that they were at least somewhat supportive/supportive/very supportive of this levy remaining in place.

	Count	Column %
Very supportive	103	26%
Supportive	121	30%
Somewhat supportive	81	20%
Not very supportive	43	11%
Not at all supportive	52	13%
Total	400	100%

	18-29	30-44	45-59	60+	Male	Female	Overall
Level of support	3.56	3.35	3.64	3.31	3.52	3.38	3.45

Mean ratings: 1 = very dissatisfied, 5 = very satisfied

Residents who were 'supportive' to 'very supportive' of the continuation of the special rate variation felt it was necessary as 'the roads require further work' (35%).

86% of residents indicated that it is at least somewhat important that Cessnock City Council is allowed to continue the special rates levy for roads.

	Count	Column %
Very important	105	26%
Important	156	39%
Somewhat important	84	21%
Not very important	19	5%
Not at all important	35	9%
Total	400	100%

	18-29	30-44	45-59	60+	Male	Female	Overall
Importance mean ratings	3.64	3.64	3.82	3.67	3.77	3.61	3.69

Mean ratings: 1 = not at all important, 5 = very important

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This community research also found that road maintenance was seen by the community as being the highest priority issue for their town or village (57%) as well as for the local government area as a whole (50%).

More recent community consultation included a half page advertisement in the Cessnock Advertiser on 13 February 2013; along with a media release that was issued to all media outlets resulting in the following media coverage:

- Maitland Mercury ("*Further \$1.5m needed for roads*" on page 4) – 6 February 2013
- Newcastle Herald ("*No to supermarket soapbox*" on page 19) – 8 February 2013
- Maitland Mercury ("*Community meetings to sell road repairs*" – page 4) – 12 February 2013
- ABC News ("*Cessnock roads still in need of special rate*" – online) – 12 February 2013
- Radio news coverage in various news bulletins on KO-FM, 2HD, 2NUR-FM and 1233 ABC Newcastle – 11 February, 12 February and 19 February 2013

In addition, a Cessnock Council staff information session and four community information sessions about the special rate variation were held. At these sessions, Council officers provided information about the special rate variation process, the current condition of Council's roads, the need for the proposed extension to the special rate variation, and the impact of the various special rate variation options.

The venues for the community information sessions were:

- Cessnock Performing Arts Centre - 19 February 2013
- Branxton RSL Sub-Branch Community Hall - 21 February 2013
- Kurri Kurri Community Centre - 21 February 2013
- Wollombi Community Hall – 26 February 2013

A total of twenty-eight community members attended the four community sessions; and fourteen employees attended the staff session. While the numbers were low, there were many questions asked and a high level of feedback provided by the participants (refer to summary of issues below).

The information provided at the community presentations was also placed on Council's website. Documentation on the website comprised:

- Background on Special Rate Variations - A fact sheet about special rate variations explaining what has happened with previous variations and the justification for the current special rate variation application.
- Council Services and Community Perceptions - A fact sheet about the range of services provided by Council and results from the 2012 community research showing the level of community satisfaction with the roads in the local government area.

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- Special Rate Variation Options - A fact sheet explaining the options for the special rate variation that are being considered by Council and the expected impacts on the community of each option.
- A fact sheet about the current condition of Council's roads.
- Asset Maintenance, Renewal and Upgrade – A fact sheet describing the differences between road maintenance, road renewal and road upgrades and Council's approach to asset management.
- A fact sheet providing examples of various road pavement conditions.
- A rates calculator so that ratepayers could work out their indicative rate payment for 2013-14 under each option.
- Roads and Rates Feedback – A Community Feedback survey to gauge ratepayer opinions about the continuation of the special rate.

The supplementary Community Feedback Survey was quite short and, while not statistically representative like the community research undertaken last year, it provided a further opportunity for members of the community to indicate their preferences about the special rate variation options. It was available in a number of forms and at various locations including:

- On-line on Council's website
- Hard copy distribution at the Council Administration Centre, Cessnock and Kurri Kurri Libraries, Cessnock, Kurri Kurri and Branxton Swimming Pools, Cessnock Performing Arts Centre and Wollombi General Store.
- In the Cessnock Advertiser on 13 February 2013 accompanying the advertising about the special rate variation options.
- Distribution at community information sessions.
- Distribution at Cessnock City Council staff information session.
- Direct distribution to members of the community in Vincent Street, Cessnock.
- Distribution at other community events, including Community Litter Grants Workshops, Home Power Saving Workshops, and the Noxious Weeds Information Stand at Cessnock Show.

A total of 61 supplementary community surveys were completed and the results are summarised below:

Do you believe the roads in the Cessnock Local Government Area need substantial improvement?

SURVEY	YES	NO	No Response
Hard Copy	34	1	1
Online	24	1	
Total	58	2	1

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Do you support a continuation of the increased spending on roads in the Cessnock Local Government Area?

SURVEY	YES	NO	No Response
Hard Copy	28	8	
Online	14	11	
Total	42	19	

Are you prepared to pay additional rates to continue to improve the roads?

SURVEY	YES	NO	No Response
Hard Copy	16	20	
Online	4	21	
Total	20	41	

Which special rate variation option for 2013-14 would you support?

SURVEY	OPTION 1 Discontinue	OPTION 2 Continue	No Response
Hard Copy	12	17	7
Online	19	6	
Total	31	23	7

After excluding the nil responses to each question, the supplementary survey results indicate that 97% of the respondents believed the roads in the Cessnock area need substantial improvement while 69% supported a continuation of increased spending on these roads.

In response to the question on preparedness to pay increased rates 67% of respondents to the supplementary survey said "no" and 33% said "yes".

When asked specifically about whether to continue with the existing special rate variation – 57% of respondents opted for Option 1 to discontinue the special rate variation and reduce rates accordingly, while 43% of respondents opted for Option 2 to retain the existing level of special rate variation.

In the IPART Determination on Council's previous special rate variation application, it was noted that as the results of the supplementary community survey were not drawn from a random sample they are subject to self-selection bias. Therefore, more weight needs to be given to the results from the representative sample of 400 residents that were surveyed in mid-2012.

Both the community research and the community feedback survey reinforced the message (from previous surveys) that the maintenance and management of roads is a high priority for the local government area. The existing special rate variation, and its application to additional road renewal works, along with a change in asset management practices, has been Council's response to date to this community feedback.

As noted above, the community research found that 86% of residents indicated that it is at least somewhat important that Cessnock City Council is allowed to continue the special rates levy for roads.

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During the 2013-14 financial year Council will consider the community's aspirations from the revised community strategic plan, *Cessnock 2023*, and the organisation will also have reached a level of maturity in its asset management across all asset classes that will enable it to go back to the community to determine their desired levels of service, willingness to pay and future rating path.

Monies raised from the special rate variation over the next twelve months will be spent solely on additional asset renewal works (focusing on resealing and heavy patching) on regional roads and collector roads across the Council area.

In addition the following issues were raised in comments at the community information sessions and handwritten on surveys:

- the road network needs substantial improvement
- existing Council road maintenance/construction practices/materials are considered ineffective
- consider the use of contractors for future road works

A full summary of the comments from the community is included at ***Enclosure 2***.

Documentation to support the special rate variation application must be submitted to IPART by 11 March 2013. The previous report to Council on 6 February 2013 regarding the special rate variation proposal outlined in detail the criteria for the application.

The proposed 6.05% special rate variation for twelve months continues the level of the existing special rate variation. As a result, there is not expected to be any significant financial impact on ratepayers from the proposal.

CONSULTATION

Leadership Group
Financial Services Manager
Strategic Asset Planning Manager
Communications Coordinator

STRATEGIC LINKS

This report is consistent with the community's desired outcome of Civic Leadership & Effective Governance – in particular, the objective of encouraging more community participation in decision making.

STATUTORY IMPLICATIONS

a. Policy and Procedural Implications

N/A

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b. Financial Implications

If Council does not apply for, or is unsuccessful, with the special rate variation application, it will lose the additional rate income it has been receiving for the past two years (currently \$1.635 million).

This will result in a reduction in spending on the renewal of Council's road network or alternatively Council may consider decreasing service levels for other Council activities such as parks maintenance, aquatic facilities, library services, youth facilities and services, community and cultural services or public toilet and community buildings maintenance so as to continue the higher level of roads funding.

c. Legislative Implications

Councils that want to increase their rates above the statutory limit in order to fund the service levels required by their communities have to make an application for a special rate variation under Section 508A or 508(2) of the Local Government Act.

Under a Section 508A variation, a Council is able to phase in a potentially significant rate increase over a number of years, rather than have a substantial increase in rates in one year.

Section 508(2) applications enable a single percentage increase for a specific year that is greater than the rate cap for that year. The increase is only applied for a single year but can be retained on an ongoing basis or for a specified time period within the Council's rate base.

d. Risk Implications

The special rate variation application could be rejected by IPART leading to a reduction in the current funds being available for road renewal works across the local government area.

The completion of the documentation required to support the special rate variation application and the support of the majority of respondents (86%) from the representative survey confirming the importance of continuing with the special rates levy for roads are expected to reduce the chances of Council not being successful in its application.

e. Other Implications

N/A

OPTIONS

Council could choose not to apply for a special rate variation. This will result in the cessation of the expanded works programs currently funded by the existing Section 508(2) variation.

If Council decides to proceed with the special rate variation, Council could choose to vary the percentage increase and/or the term for the increase recommended in this report however, this would be inconsistent with Council's previous resolution and the information disseminated during the recent community consultation process.

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CONCLUSION

In order to continue to allocate additional funds to road renewal works without diverting funds from other operational areas, Council needs to make application under Section 508(2) for a special rate variation of 6.05% for a further twelve months.

ENCLOSURES

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| 1 | Enclosure 1 - Cessnock City Council Community Research July 2012 - Section D - Special Rate Variation | 5 Pages |
| 2 | Enclosure 2 - Summary of Feedback - Special Rate Variation | 1 Page |