

Ordinary Council Meeting

Minute Number:
19/02/2014

Council Meeting Date:
Report Number: FC340017

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ITEM: <#> **ORD3**

SUBJECT:

FC340017 - Funding Strategy for Infrastructure Asset Renewal - Proposed Special Rate Variation Application

DIVISION REQUIRED: No

FILE NUMBER: F13/1507

BLACKTOWN CITY 2030 Vision

Strategy: A growing city supported by infrastructure

SUMMARY OF REPORT:

1. Council resolved at its Extraordinary Meeting of 6 November 2013 (EXORD4 - AD33010) to increase funding for Infrastructure Asset Renewal through a funding strategy including a combination of operational savings, reallocation of new capital works funding from the Infrastructure Sinking Fund (ISF) and a possible Special Rate Variation (SRV) application.
2. In accordance with the Council resolution, a community engagement Program was implemented during November 2013 to February 2014, in accordance with the Division of Local Government (DLG) and Independent Pricing and Regulatory Tribunal (IPART) SRV Guidelines and Council's Community Engagement Strategy.
3. This report presents for Council's consideration the results of the community consultation. Together with other feedback which is noted in this report, a total of 157 written submissions were received.
4. This report recommends that an SRV application to IPART be submitted for the purpose of enhanced Infrastructure Asset Renewal on the basis of the information contained in this report.

5. This report is structured as follows:

- Section 1 - Background and Funding Strategy
- Section 2 - Special Rate Variation (SRV) Proposal
- Section 3 - Special Rate Variation (SRV) Guidelines and IPART Requirements
- Section 4 - Community Engagement and Consultation Results
- Section 5 - Impact of Proposed SRV on Council's Rating Structure
- Section 6 - Summary of Council's Proposed Special Rate Variation (SRV) Application
- Section 7 - Conclusion and IPART Application Recommendation

6. Attachments to this report are:

- Attachment 1** – Council Resolution on Funding Strategy – Infrastructure Asset Renewal (EXORD4 - AD33010) – Extraordinary Meeting of 6 November 2013
- Attachment 2** – Community Survey 2013 – Results Relating to Infrastructure Renewal and Possible Special Rate Variation
- Attachment 3** – Copy of Consultation Materials Provided to the Community
- Attachment 4** – Submissions Received on the Funding Proposal including Special Rate Increase
- Attachment 5** – Proposed Business Sub-Category Rating Maps
- Attachment 6** – Hardship Policy
- Attachment 7** – Proposed Revised Long Term Financial Plan 2013-2023 (SEPARATELY BOUND)
- Attachment 8** – Proposed Revisions to Delivery Program 2013-2017 (SEPARATELY BOUND)

REPORT:

1. Background and funding strategy

- a. The introduction of the Integrated Planning and Reporting (IP&R) requirements for NSW Local Government in 2009 increased the focus on addressing the challenge of asset management on behalf of the community. Under the IP&R Guidelines, it is a requirement that long term strategic planning by councils for community needs must be supported by a Resourcing Strategy that includes integrated financial, asset and workforce plans.
- b. Council adopted its revised Integrated Planning and Reporting (IP&R) framework on 26 June 2013. This included the revised Community Strategic Plan, *Blacktown City 2030*, the Delivery Program 2013-2017, Operational Plan 2013/2014 and the Resourcing Strategy for *Blacktown City 2030* which comprises the Long Term Financial Plan (LTFP) 2013-2023, Asset Management Strategy 2013-2023 and Workforce Management Plan 2013-2017.
- c. *Blacktown City 2030* includes a “Trigger Project” titled “Asset Management and Renewal”, which focuses on the maintenance and renewal of existing infrastructure through long term financial planning based on asset renewal modelling.
- d. Council's adopted Operational Plan 2013/2014 contains the following 2 action items to assist with achieving the objectives of the Asset Management and Renewal

Trigger Project:

- “A Growing City Supported by Infrastructure”, Focus Area 8, Goal 8.1, Action 8.1.1 – *Investigate available long term funding options to address Council’s Infrastructure Asset Renewal requirements.*
 - “A Leading City” strategy, Focus Area 4, Goal 4.1, Action 4.1.3 – *Investigate and report back to Council alternative funding options to help address Council’s future asset management requirements.*
- e. In accordance with these Operational Plan actions, Report FC330210 was presented to Council’s Policy and Strategy Committee meeting of 23 October 2013, containing an overview of the City’s current and future asset renewal funding requirements, and providing for Council’s consideration alternative funding options to meet the objectives of the Asset Management and Renewal Trigger Project.
- f. Report FC330210 advised of the need to increase the amount of funding allocated to the maintenance and renewal of existing infrastructure is a major challenge for the NSW Local Government sector. A number of studies have stressed that unless NSW councils significantly increase funding for these works, the infrastructure renewal backlog will continue to increase to a point which, in the future, it may become too great to address without serious ramifications on service delivery.
- g. These studies have included the 2006 Local Government and Shires Association’s Independent Inquiry into the Financial Sustainability of NSW Local Government and more recently the 2013 report released by NSW Treasury Corporation (TCorp) in regard to financial sustainability of all NSW councils. The TCorp review identified an infrastructure renewal backlog of \$7.2 billion for all NSW councils.
- h. These findings are reinforced by the final report of the NSW Independent Local Government Review Panel (released in January 2014), which comments:
- “The infrastructure backlog has yet to be addressed. Achieving an annual breakeven operating position would provide councils with adequate funds to meet future requirements for maintenance of assets and services, but this would not be sufficient to address the cumulative infrastructure backlog of \$7.2b reported in 2012, nor any additional maintenance funding gaps that may be identified as data improves... tackling local government’s annual asset maintenance gap and the cumulative infrastructure backlog warrants the highest priority.”
- i. For Council, the infrastructure renewal backlog as at 30 June 2013 was estimated to be \$68 million. Council is custodian of infrastructure, property, plant and equipment that have a value of approximately \$2.8 billion. Without adequate funding, effective long term maintenance and renewal of these assets to maximise their potential life cannot be achieved.
- j. Council’s adopted Resourcing Strategy, which includes the Asset Management Strategy 2013-2023, provides detailed information in regard to the renewal requirements for Council’s infrastructure assets. The Asset Management Strategy is supported by individual Asset Management Plans for each key asset class, which were adopted by Council at its Extraordinary Meeting of 6 November 2013 (EXORD2 - AD330103).

- k. Council's Asset Management Strategy is underpinned by extensive long term modelling on Council's infrastructure network. This modelling underlined the need for increased funding for asset renewal and maintenance of Council's infrastructure asset base, in order to maximise its service life.
- l. Reports FC330210 and CA330074, considered at Council's Policy and Strategy Committee meeting of 23 October 2013, advised that additional Asset Renewal funding of approximately \$10 million per annum is required to sustainably manage Council's assets over the next 10 years and prevent an escalation of the present backlog.
- m. Following consideration of these reports at Council's Policy and Strategy Committee meeting of 23 October 2013, this matter was further considered at Council's Extraordinary Meeting of 6 November 2013. Council resolved, in part as follows:
 - Savings of \$1 million in Council's operating budget be identified, with this amount to be allocated to asset renewal works.
 - The allocation from Council's Infrastructure Sinking Fund (ISF) of \$2 million annually towards asset renewal works.
 - Council increase rates, by way of a Special Rate Variation staged over 2 years, with the additional increase allocated towards asset renewal works.
- n. A full copy of Council's resolution is provided in **Attachment 1** to this report.
- o. Council also resolved to hold a further workshop to consider the information presented in the relevant reports along with additional information on Asset Management and details of possible funding options and the status of Council's reserves. A Councillor Workshop was subsequently held on 4 December 2013. This Workshop received presentations on Council's Asset Management systems and practices, funding options for Asset Renewal, the status of Council's financial reserves, including the Infrastructure Sinking Fund (ISF), along with information about proposed changes to Council's rating structure.

2. Special Rate Variation (SRV) proposal

- a. Council, at its Extraordinary Meeting on 6 November 2013, resolved to notify IPART of its intention to consult with the community in regard to submitting an SRV Application under Section 508(A) of the Act to increase rates permanently above the rate pegging limit for 2014/2015 and 2015/2016.
- b. The approved rate variation limit for 2014/2015 is 2.3%. The anticipated rate variation limit for 2015/2016 has been assumed to be 3%.
- c. It is proposed that the rates for the residential, farmland and the business - general rating sub-categories will be increased by 5.3% (that is 3% Special Rate Variation plus 2.3% rate pegging limit) in 2014/2015 only.
- d. The rates for the new business sub-categories (discussed later in this report) will be increased by 12.3% in 2014/2015 and 13% in 2015/2016 (10% Special Rate Variation plus the rate pegging limit).
- e. Applying the above increase means Council's total rate income would increase by a further 4.4% over the rate pegging limit for 2014/2015, and a further 2.11% over the rate pegging limit in 2015/2016.

- f. The following table provides a summary of the estimated additional funding to be allocated to asset renewal in accordance with the above resolution.

Source of Funding	2014/2015	2015/2016
3% additional rate increase for residential and farmland rates	\$2,774,000	\$2,857,000 (assumes rate peg increase of 3%)
10% additional rate increase for business - sub-categories (over 2 years)	\$2,498,000	\$5,303,000
3% additional rate increase for business (general)	\$286,000	\$295,000 (assumes rate peg increase of 3%)
Total Additional Rates	\$5,558,000	\$8,455,000
Efficiency savings	\$1,000,000	\$1,000,000
Funding from Infrastructure Sinking Fund	\$2,000,000	\$2,000,000
Total Additional Funding allocated to Asset Renewal Works	\$8,558,000	\$11,455,000

3. Special Rate Variation (SRV) guidelines and IPART requirements

- a. All NSW councils are limited to increasing their overall rates income by the applicable rate variation limit (commonly called the 'Rate Pegging' limit), as determined by the NSW State Government. Since the introduction of rate pegging in 1977. Council has not exceeded, in cumulative terms, the rate variation limit determined by the NSW State Government.
- b. NSW councils can apply to increase their overall rates income above the rate pegging limit, through a process termed a Special Rate Variation (SRV) application. The Independent Pricing and Regulatory Tribunal (IPART) has responsibility for assessing and determining SRV applications.
- c. Councils undertaking SRV applications must submit them to IPART for review. The council must show how its intention to apply for a SRV is in keeping with its overall Integrated Planning and Reporting Framework. That is, Council must show how the purpose for which additional rates income is sought is in keeping with the overall strategic direction identified in its IP&R framework. The deadline for applications for special rates increases commencing in 2014/2015 is 24 February 2014.
- d. If a council's application is approved, IPART will determine the percentage by which the council may increase its general income. IPART may approve a percentage increase different from that which council had applied for, as IPART retains the discretion to grant all or part of the increase sought, and to grant either a permanent increase or limit any increase to a fixed period.

- e. IPART assesses SRV applications from councils based on criteria which include the following key considerations:
- The need for and purpose of the SRV is clearly articulated and identified through the council's IP&R documents, including the Delivery Program and Long Term Financial Plan (including a 'baseline' financial scenario and special variation scenario).
 - Evidence of engagement of the community on the need for and extent of a rate rise, and demonstration of an appropriate variety of engagement methods to ensure opportunity for community awareness and input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council's consideration of the community's capacity and willingness to pay.
 - The relevant IP&R documents must be approved and adopted by the council before the IPART application.
 - The impact on affected ratepayers must be reasonable and affordable, having regard to the current rate levels, existing ratepayer base, capacity to pay and the proposed purpose of the variation.
 - An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period must be included in the application.
- f. Over the past decade many NSW councils have applied for a rate increase to increase funding allocated to asset maintenance and renewal. The following table shows the approved SRV applications for WSROC councils since 2007/2008.

Council	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Auburn					3.20%	2.40%	2.60%
Bankstown							
Blacktown							
Blue Mountains				4.40%			4.40%
Fairfield							
Hawkesbury	6.10%						
Holroyd	6.50%						
Liverpool	2.13%		9.00%				
Parramatta				4.90%	1.50%	0.70%	5.80%
Penrith					3.00%	1.90%	1.60%

- g. The following table is a summary of the WSROC councils that have notified IPART of their intention to submit an SRV Application to increase rates above the rate pegging limit from 2014/2015.

Council	2014/15	2015/16	2016/17	2017/18	2018/19
Auburn					
Bankstown					
Blacktown	4.40%	2.11%			
Blue Mountains					
Fairfield	7.70%				
Hawkesbury					
Holroyd	6.70%	6.00%	6.00%	6.00%	5.00%
Liverpool	9.70%				
Parramatta					
Penrith	2.70%				

- h. In summary, a number of steps have already been undertaken to satisfy the SRV guidelines. Should Council resolve to submit an application to IPART, this is required to be submitted by 24 February 2014.

4. Community engagement and consultation results

- a. As the consultation period, due to the necessary IPART timetable, was over the summer period including the holiday season, submissions have continued to be accepted after the advertised closing date of 3 February 2014. All submissions received up to 13 February 2014 are noted in this report.
- b. In accordance with Council's resolution on this matter, a community engagement program was carried out in the period November 2013 – early February 2014. This plan sought to comprehensively address the requirement for community awareness of the proposed funding strategy and rate increase and provide adequate opportunity for ratepayers to comment on the proposal.
- c. It is noted that the SRV Guidelines and IPART criteria places a heavy emphasis on community awareness and consultation, but do not mandate specific practices or standards. The community engagement program plan therefore developed to be consistent with, and equal to, those of other councils making SRV applications in the present year and in recent years.
- d. Written submissions on the proposal were encouraged through all the methods noted below. Information on the submissions received is summarised further below and further details of these submissions provided in **Attachment 4**.
- e. Council currently has approximately 107,000 rateable properties. Overall, 157 written submissions were received. Of these, 152 submissions (97%) indicated that they were opposed to the rate proposal. Of the total 157 submissions, 67 (43%) were from residential ratepayers and 87 (55%) from business sub-category ratepayers, with 3 (2%) from business ratepayers with properties in both the general and new sub-categories.

f. Community telephone survey

- i. A section relating to the infrastructure renewal issue and possible rate increase was included in Council's Community Satisfaction Survey, which was conducted by the consultants Micromex Research from 12 – 18 November 2013. The questionnaire for this section of the survey and the results reported by Micromex are provided as **Attachment 2**. Councillors are advised that a full report regarding this survey will be submitted to Council's Policy meeting on 19 March 2014.
- ii. This telephone survey involved a random sample of 600 residents aged 18 years and over from all areas of the City. The sample size allowed the survey to be statistically valid for a City-wide response. It is noted that in keeping with standard practice for such a survey, the sample of respondents was drawn from all residents of the Local Government Area (i.e. not only of ratepayers) in order to reflect the City's demographic profile.
- iii. The survey sought the views of residents on three options relating to Infrastructure Asset Renewal funding. In broad terms, the options were:
 - Option 1 – Increase funding to Infrastructure Renewal by reducing other services.
 - Option 2 – Allow the condition of Infrastructure to deteriorate over time.
 - Option 3 – Maintain other services and increase funding to Infrastructure Renewal through a special rate rise of 3%.
- iv. In summary, the survey results indicate that Option 1 (reducing other services to increase funding to infrastructure asset renewal) and Option 3 (the option including a possible additional rate increase of 3%) were quite close in terms of the levels of community support. There was relatively little support for Option 2 (the concept of allowing the condition of infrastructure to deteriorate).
- v. Option 3 (the rate rise option) was the 1st preference of 48% of respondents compared to 39% for Option 1 (reducing other services). However, a higher level of opposition was also recorded for Option 3 (with 34% of respondents ranking it as their least preferred option) compared to Option 1 (22%). The rate rise option therefore tended to be favoured or opposed by most respondents, with less neutral responses.
- vi. The results from a statistically-valid survey using a similar methodology are frequently included in the community engagement information which is assembled for an IPART application.

g. Direct mail to ratepayers

- i. An information brochure on the proposed funding strategy and rate increase was mailed to all ratepayers in December 2013.
- ii. In the case of ratepayers with registered agents (eg. owners of properties which are leased), the agents were supplied with brochures on behalf of their clients with the request that these be passed on to the ratepayers. Separate brochures with relevant information were provided to residential, business general and business sub-category ratepayers. Copies of these brochures are included in **Attachment 3** for the information of Councillors.

- iii. As noted previously, Council has over 107,000 rateable properties. As there are many property owners with multiple properties, the actual number of information brochures mailed to ratepayers, as shown below, is lower than this amount:
 - Residential ratepayers - 90,351
 - Business general ratepayers - 1,580
 - Business sub-category ratepayers - 3,296
- iv. A further letter was sent to all business property owners in the proposed business sub-category in January 2014, reminding these ratepayers of the proposal and encouraging their submissions by the closing date of 3 February 2014. Submissions have continued to be accepted and recorded after that date.

h. Consultation website

- i. A special website www.yoursay.blacktown.nsw.gov.au with the title “Building A Stronger Future” was established as a comprehensive source of information and documents on the proposed funding strategy and rate increase, and to encourage public awareness and comment. This website was hosted and moderated for Council by a specialist firm considered to be one of the leading providers in Australia of online consultation facilities. The information provided on the site was the responsibility of Council.
- ii. Key information and links to the consultation website were also provided on Council’s main website.
- iii. The primary purpose of the consultation website was to be a comprehensive and easy-to-use source of all information and documents on the proposed funding strategy and rate increase, to which all advertising and enquiries could be directed.
- iv. The website also allowed users to register in order to give their views on the proposal through an online discussion forum and through a “Quick Poll” which allowed “voting” for or against the rates proposal (on an informal basis). As registration could be anonymous, views recorded are not treated as formal submissions.
- v. Usage statistics recorded by the website indicate that it was a useful and convenient means for a significant number of community members to access information, and for a smaller number to give their views and discuss issues. In summary, in the period 12 December 2013 – 3 February 2014, usage of the website was as follows:
 - Registered active users – 80
 - Non-registered users (any usage of website) – 2,926
 - Hits on information pages / document downloads – 1,413
 - Comments on the discussion forum and votes in the “Quick Poll” – 88
- vi. Of the 88 comments on the online discussion forum and votes in the informal “Quick Poll” the majority were opposed to the rate increase proposal.

i. Newspaper advertising and media promotion

- i. Information on the proposed funding strategy and rate increase and the opportunities for public comment was advertised in all local newspapers on two

occasions, in December 2013 and January 2014. A copy of the advertisement is included in **Attachment 3**.

- ii. Media releases and Council's social media facilities were also utilised to promote the proposal and opportunities for public involvement and comment.

j. Community information sessions

- i. A Community Information Session was held in each Ward of the City in January 2014. The information sessions were promoted through the various media noted above, including the direct mail information brochures and newspaper advertisements (provided in **Attachment 3**), the consultation website and Council's main website, and social media.
- ii. As was stated in all promotion of the information sessions, these sessions were not public meetings, but rather an opportunity for ratepayers to speak one-on-one with Council officers about the rate rise proposal, raise particular issues and receive answers directly. A general presentation on the funding strategy and rates proposal was available at the information sessions and discussed with interested ratepayers as individuals or small groups.
- iii. Overall, the 5 information sessions were attended by approximately 50 attendees. The sessions were considered useful in providing information to and discussing issues raised directly with those ratepayers.
- iv. Details of the Community Information Sessions and their attendances are provided in the table below

Date	Venue	Attendees
4pm - 8pm Tuesday, 14 January	Mount Druitt Hub	12
10am - 2pm Thursday, 16 January	Riverstone Neighbourhood Centre	13
4pm - 8pm Thursday, 16 January	Max Webber Library, Blacktown	18
10am - 2pm Saturday, 18 January	Jim Southee Community Centre, Kings Langley	5
10am - 2pm Monday, 20 January	Emerton Leisure Centre	2
	Total	50

- v. These information sessions did not require attendees to formally express a view on the rate increase proposal, and attendees were encouraged to make a written submission to Council following the opportunity to discuss issues directly with officers.
- vi. A summary of issues raised and discussed with attendees at the sessions was recorded. Overall, the majority of attendees expressed either opposition or significant concerns with the rates proposal, among a range of issues which were discussed. In some cases, the initial concerns of attendees were mitigated following discussion with officers. The most common issue raised at the information sessions was concern over Council's Pension Rate Rebate policy. On that matter, many attendees were not aware that the Voluntary Rebate was still available, and several attendees were not previously aware that they were

eligible for a rebate.

k. Exhibition of IP&R documents

- i. A revision of Council's Long Term Financial Plan (LTFP) 2013-2017 and a revision of certain information in the Delivery Program 2013-2017 were placed on public exhibition from 18 December 2013 to 3 February 2014.
- ii. The revised LTFP identifies the nature, purpose and need for the SRV (including a 'baseline' financial scenario and special variation scenario, as required by the Guidelines). This document is provided as **Attachment 7** and is recommended for adoption to replace the existing LTFP.
- iii. Council's adopted Delivery Program 2013-2017 requires only minor amendments to reflect the proposed increased funding for Asset Renewal and potentially increased revenue from rates arising from the funding strategy. The relevant sections of the Delivery Program, including the appropriate revised information, were exhibited as the document provided as **Attachment 8**. If adopted by Council, this information would be incorporated in an update of the existing Delivery Program.

l. Telephone enquiries

- i. Telephone enquiries received by Council on the rates proposal were mainly dealt with by Council's Rates section staff, as the majority of calls included discussion of the specific impact of the proposed rate increase on ratepayers' properties. Council staff responded as required to other issues which were raised by callers.
- ii. In the period 10 December 2013 – 13 February 2014, there was no significant increase in the overall volume of telephone enquiries relating to rates issues. Council recorded approximately 100 telephone calls relating, in whole or in part, to the rates proposal. The majority of these calls requested details of the impact of the proposal on individual ratepayers or properties, which were directly answered as noted above.
- iii. Of those calls where the view of the caller on the rates proposal was expressed (approximately 70 calls), all but a few callers were opposed to the proposed increase. Of the callers clearly opposed to the proposed rate increase, approximately 45 were residential ratepayers and 25 were business sub-category ratepayers.

m. Written submissions

- i. As noted previously, over 95,000 information brochures were mailed to rate payers. In response to the notification and promotion of the funding strategy and rate increase proposal, a total of 157 written submissions from individuals and businesses were received up to 13 February 2014. No submissions were received from community or business groups, however a petition established by the group Blacktown Residents Voice is noted below.
- ii. Any late submissions received prior Council's Ordinary Meeting of 19 February 2014 will be advised to Councillors by way of memo.
- iii. A summary of the written submissions is provided in the tables below. Details of the submissions received are provided in **Attachment 4**. Councillors are advised

that copies of all submissions will be available for viewing, if required, at the Ordinary Meeting on 19 February 2014.

Rating Category	Opposed	Support
Residential	62	5
Business - sub-categories	87	0
Business - general and sub-categories (<i>i.e. ratepayers with properties in both categories</i>)	3	0
Total	152	5

- iv. The two most common categories of submissions were residential ratepayers opposing the rates proposal and business sub-category ratepayers opposing the rates proposal. In these submissions, the most common concerns and views noted were as follows:
- Residential ratepayers opposing the rates proposal
 - Impact on Pensioners – in many instances, citing the reduction of the Pensioner Rate Rebate by the amendment to Council's policy from 1 July 2013.
 - Council should live within its means or make other reductions to find the necessary funding.
 - Dissatisfaction expressed with various specific Council services, including existing maintenance standards.
 - Business sub-category ratepayers opposing the rates proposal
 - Unduly large size of the proposed increase imposing an unfair burden on businesses / business property owners.
 - Rate proposal unduly targeting one section of the community.
 - Difficult economic climate meaning that this additional cost increase would be unsustainable for business.
- v. In regard to the the amendment made last year to Council's pensioner rebate policy, this change was notified to all recipients of the rebate prior to the exhibition of the proposed 2013/2014 Operational Plan and Budget. As previously reported to Council, prior to this change, the total cost of the additional rebate was increasing by around 13% per annum, whereas Council's revenue was increasing by 3% per annum. As a result, prior to the charge, the annual cost of the additional rebate represented approximately 50% of the increased rates income Council received due to the annual rate pegging limit. If no change had been made to Council's Rebate Scheme, this proportion would have increased to 60% in 5 years' time, and in 70% in 10 years' time. In other words, the annual increase in rates income which is to cover increases in all of Council's costs would have progressively been almost fully consumed by the cost of the additional pensioner rebate. This would have meant Council would have needed to have made significant cuts to services.

n. Information provided in response to submissions

- i. All written submissions received on the proposed funding strategy and rate increase were answered by an individual letter from the General Manager. In addition to providing information relating to the main comments of the submission on the rates proposal, these letters also provided a response to any other issues,

including operational matters which were raised in the submission.

o. Petitions

- i. In addition to the written submissions noted above, Council received notification by email of an online petition organised by the group Blacktown Residents Voice, which opposes the proposed rate increase. There were 83 listed supporters of this petition up to 13 February 2014.
- ii. A written petition was also received by Councillor Bali and registered by Council during the Community Information Sessions, which had 24 signatures. It is noted that this petition addresses Council's Pensioner Rate Rebate policy and Child Care services and does not mention the rates proposal.

5. Impact of proposed SRV on Council's rating structure

- a. Section 529 of the Local Government Act (1993) (the Act) allows a council to determine a rating sub-category or sub-categories. The use of rating sub-categories is intended to facilitate a fairer and more equitable distribution of the rate levied by a council. Below is a summary of the sub-categories that can be established for each rating category:

Rating Category	Permissible Sub-Category
Residential	<ul style="list-style-type: none"> ● Rural residential land ● Within a centre of population
Farmland	<ul style="list-style-type: none"> ● Intensity of land use ● The irrigability of the land ● Economic factors affecting the land
Mining	<ul style="list-style-type: none"> ● According to the kind of mining involved
Business	<ul style="list-style-type: none"> ● According to a 'centre of activity'

- b. With regard to the business rating category, the Act notes that a 'centre of activity' might comprise a business centre, an industrial estate or some other concentration of like activities.

c. Existing business rating sub-categories – "Commercial" and "Industrial"

- i. In 1994, Council adopted its current two business rating sub-categories "Commercial" and "Industrial". These two rating sub-categories were established to provide a degree of equity between the two types of land, in light of fluctuations that can occur in land values, by ensuring that the total rating yield from each sub-category was consistent with prior years. Since the establishment of these two sub-categories, over the past 20 years progressive changes in land valuations has resulted in the intended differentiation in rates levied for these two sub-categories being gradually reduced.
- ii. As part of researching the requirements IPART apply when assessing a council's SRV application, Council officers reviewed each of Council's rating sub-categories against the relevant criteria. With regard to the existing two business rating sub-categories, it was determined that they do not fully comply with the relevant legislative requirement. That is, Business rating sub-categories can only be made on the basis of 'centre of activity' not the 'type' of business

activity.

- iii. Accordingly, Council officers sought legal advice which confirmed that Council's current business sub-categories do not fully accord with the requirements of the Act.
- iv. As IPART is unlikely to approve an SRV application if the rating structure is not deemed fully compliant it is proposed that Council replace the current business rating sub-categories "Industrial" and "Commercial" with the following seven new business sub-categories:
 - Business – Blacktown North
 - Business – M4 Corridor
 - Business – Marsden Park
 - Business – Mount Druitt
 - Business – Riverstone
 - Business – Rooty Hill and Glendenning
 - Business - Seven Hills
- d. Consistent with the information presented at the workshop held on 4 December 2013, **Attachments 5a to 5g** to this report include maps of the above proposed business sub-categories. These sub-categories have been identified based on their "centre of activity" having regard to their current use as well as the potential use of the land in the future. They are generally composed of clusters of primarily industrial properties, which are predominantly occupied by larger businesses. The establishment of the new business sub-categories means that regardless of the size of the property, each business categorised property located within one of the new business sub-categories will be rated based on the minimum rate and ad valorem rate in the dollar applicable to that business sub-category.
- e. The establishment of the proposed new business sub-categories would allow Council to levy a different ad-valorem rate for those properties within these business sub-categories. It is noted that the majority of Western Sydney councils already have business rating sub-categories consistent with this approach.
- f. In terms of making comparisons regarding the business rates levied for individual properties by different councils, such comparisons should consider a number of factors such as the type and variety of business properties, their land area and value within each council. When comparing the rates levied for business properties of a similar land value between different councils, the rates levied by Blacktown are generally lower.

- g. The proposed increase for the new business rating sub-categories above (i.e. two increases of 10% each in 2014/2015 and 2015/2016) will result in a greater proportion of Council's rates income being levied on business categorised properties. As shown in the table below the proportion of rates income related to the business rating category will increase from 27% to 29%, with a commensurate decrease for the residential sub-category.

Category	2013/2014 Rates	2014/2015 Rates	2015/2016 Rates
Residential	72%	71%	70%
Business - General	7%	7%	7%
Business - Sub	20%	21%	22%
Farmland	1%	1%	1%
Total	100%	100%	100%

- h. For comparative purposes the following table lists the proportion of rating income attributable to the different rating categories for surrounding WSROC councils.

Percentage of income by rating category - WSROC councils 2012/2013						
	Bankstown	Blacktown	Fairfield	Liverpool	Parramatta	Penrith
Residential	69%	72%	60%	75%	51%	76%
Business	31%	27%	37%	24%	49%	23%
Farmland	0%	1%	3%	1%	0%	1%
Total	100%	100%	100%	100%	100%	100%

- i. Should Council proceed to increase its rates for business properties in accordance with its resolution noted previously, the proportion of rating income attributable to the business category will remain comparable with other councils as shown above.
- j. If Council's proposed rate increase for business is approved by IPART, it is expected that Council's business rate will continue to be comparable with the business rate for these neighbouring councils for properties with a similar land value.

k. Impact of proposed increase on residential rates

- i. The table below demonstrates the impact of increasing residential rates by 3% above the approved rate variation limit of 2.3% in 2014/2015.

	Minimum Rate	Average Rate
2013/2014 Residential Rates	\$830	\$866
2014/2015 Rate Peg (2.30%)	\$19	\$20
2014/2015 Special Rate Variation (3%)	\$25	\$26
2014/2015 Rates	\$874	\$912
Weekly Increase	\$0.85	\$0.88

- ii. For Council, 73% of residential ratepayers are currently paying the minimum rate of \$830.00. This means that for 73% of residential ratepayers, an increase of 3% above the rate variation limit of 2.3% in the 2014/2015 financial year would equate to an annual increase of \$44 in their rates or an additional \$0.85 per week in rates.
- iii. The average residential rate in 2013/2014 is \$866. This means that an increase of 3% above the rate variation limit of 2.3% in the 2014/2015 financial year will increase the average residential rate by \$46 or \$0.88 per week in 2014/2015.

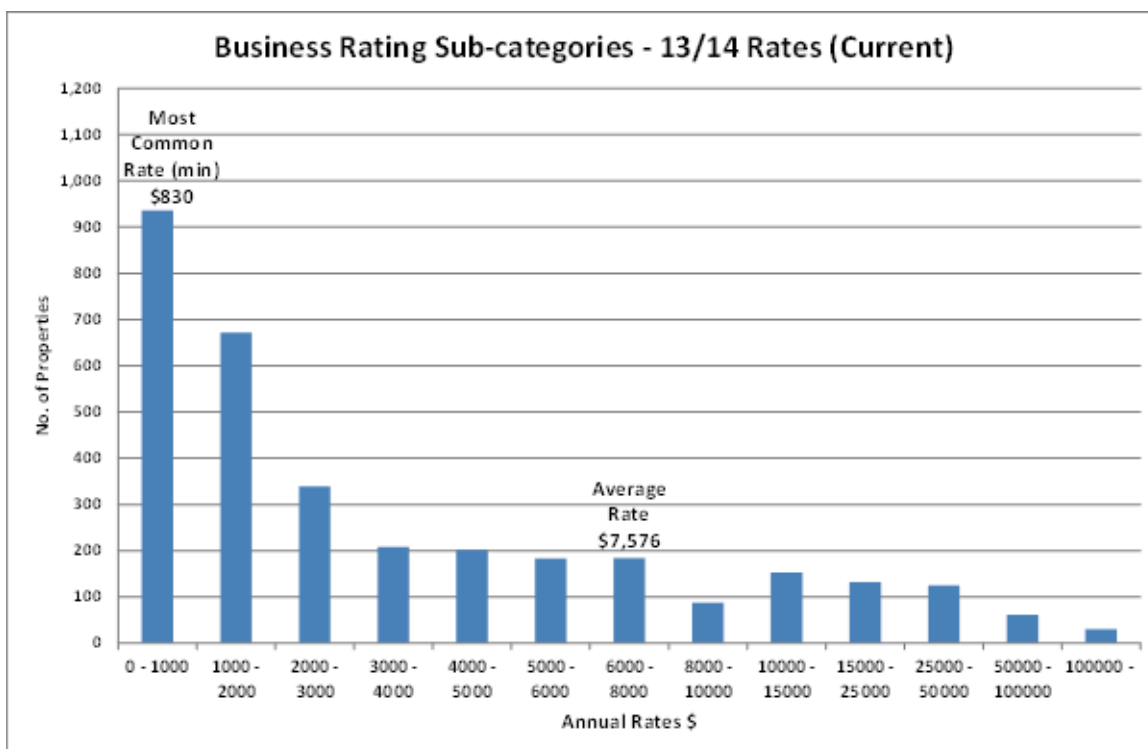
l. Impact of an increase in business rates (general):

- i. The average rate for business properties in the general business rate category is currently \$6,007. The table below demonstrates the impact of increasing the average General Business Rate of \$6,007 (2013/2014) by 3% above the approved rate variation limit of 2.3% in 2014/2015.

2013/2014 Business - General Rates	\$6,007
	2014/2015
Rate Peg (2014/2015 = 2.30%)	\$138
2014/2015 Special Rate Variation (3%)	\$180
Total Rate Increase	\$318
Total Average General Business Rate	\$6,325
Average Weekly Increase	\$6

m. Proposed business rating sub-categories

The following graph provides a summary of the current range of rates for business properties in the proposed new seven business rating sub-categories. As shown in this graph the most common rate is \$830, that is the current minimum rate. The average rate is \$7,576.



- n. Based on the average rate of \$7,576 for all business properties in the proposed new seven business rate sub-categories the table below demonstrates the impact of the proposed rate increase.

2013/2014 Business - Sub-Category Rates	\$7,576	
	2014/2015	2015/2016
Rate Peg (14/15 = 2.30%, 15/16 = 3% assumed)	\$174	\$255
2014/2015 Special Rate Variation (10% x 2 years)	\$758	\$851
Total Rate Increase	\$932	\$1,106
Total Average Business Rate	\$8,508	\$9,614
Average Weekly Increase	\$18	\$21

- o. It is noted that **Attachments 5a to 5g** provides further information about the impact of the proposed rate increase for each of the business sub-categories.

p. Hardship provisions

- i. One of the aspects considered by IPART as part of its assessment of a council's SRV application is what relief a council can provide to ratepayers who experience financial hardship, and whether the council proposes to introduce any measures to limit the impact of the proposed special variation on various groups.
- ii. Council has had for many years a range of policies regarding financial hardship of ratepayers. A copy of these policies is provided at **Attachment 6** to this report.

- iii. In summary, these policies allow Council rating staff to assist ratepayers who can demonstrate financial hardship to enter into a mutually agreeable financial arrangement aimed at minimising their rate arrears. These can include flexible payment arrangements and in some instances the abandoning of interest charges providing the ratepayer continues to comply with the agreed payment arrangement.
- iv. It is considered that as the existing policies are appropriate and do not need revision. This is because they are consistent with the relevant legislation. Further, Council has had several years lower than average rate arrears, which is attributable to the flexibility provided by these policies to assist ratepayers minimise their rate arrears. As such, it is intended, subject to Council's ultimate resolution, to include these existing policies as part of its SRV application to IPART.

6. Summary of Council's proposed SRV application

- a. Based on Council's previous resolution at the Extraordinary Meeting of 6 November 2013, and subject to its deliberations regarding this report, it is intended to submit an SRV application to IPART by Monday, 24 February 2014 to increase rates permanently above the applicable rate pegging limit for 2014/2015 and 2015/2016 on the following basis:
- Total 2014/2015 rates income to increase by 6.7%, comprising a rate pegging limit of 2.3% plus a Special Rate Variation of 4.4% and be applied to Council's rating categories and sub-categories as shown in the table below.
 - Total 2015/2016 rates income to increase by 5.11%, comprising an assumed rate pegging limit of 3% plus a Special Rate Variation of 2.11% and be applied to Council's rating categories and sub-categories as shown in the table below.
- b. These increases are to be applied to the Council's rating categories and sub-categories as follows:

2014/2015				
	Residential (including Scheduled Lands)	Farmland	Business - General	Business - new sub-categories
Rate Pegging Limit	2.3%	2.3%	2.3%	2.3%
Special Rate Variation	3%	3%	3%	10%
Total	5.3%	5.3%	5.3%	12.3%

2015/2016				
	Residential (including Scheduled Lands)	Farmland	Business - General	Business - new sub-categories
Rate Pegging Limit	3%	3%	3%	3%
Special Rate Variation	0%	0%	0%	10%
Total	3%	3%	3%	13%

7. Conclusion

- a. Council is faced with a significant challenge of addressing the current and future asset renewal funding requirements. The detailed asset management modelling of the renewal profile for Council's infrastructure assets is forecasting a significant expenditure renewal profile over the next 10 to 20 years. Based on this modelling it is considered appropriate that Council's asset renewal funding allocation be increased by \$10 million pa from 2014/2015.
- b. As outlined above, Council has identified this challenge in its key IP&R documents and has developed and consulted the community on a proposed funding strategy for increased Infrastructure Asset Renewal which includes a special rate increase. The information in this report and attachments is provided for Council's consideration of whether a Special Rate Variation application to IPART should now proceed.
- c. It is considered that the requirements of the SRV Guidelines for the planning, communication and consultation preparatory to an application have been fulfilled.
- d. This report details the extensive program of community engagement on this matter which has been undertaken and the outcomes of this consultation in terms of the submissions, survey results and other evidence of community views.
- e. On balance, it is not considered that the results of the community consultation are such as to prevent Council proceeding with an application to IPART which could be the central measure in resolving the Asset Management and Renewal priority identified in Council's Community Strategic Plan, *Blacktown City 2030*.
- f. Should Council determine not to make an application to IPART, further discussion will be held with Council on the most practicable means of addressing the Asset Renewal challenge into the future. This will require a combination of measures involving significant cuts to services.
- g. As noted above, should Council determine to make an SRV application, IPART retains the discretion to grant all or part of the increase applied for and to grant either a permanent increase or limit any increase to a fixed period. As notification from IPART of its determination would not be received until June 2014, it would be necessary to proceed with the preparation of Council's 2014/2015 Operational Plan and Budget giving due regard to these contingencies.

RECOMMENDATION:

1. That having regard for the information contained in this report, Council submit an application to IPART by 24 February 2014 for a Special Rate Variation under s508(A) of the Local Government Act, to increase rates above the rate pegging limit in 2014/2015 and 2015/2016 for the purpose of increased Infrastructure Asset Renewal, as per paragraphs 6a to 6b of this report.
2. That as part of Council's annual budget process for 2014/2015 regarding the determination of Council's rating structure, that the proposed changes as detailed in Section 5 of this report be implemented.
3. That the revised Long Term Financial Plan 2013-2023 (provided as Attachment 7 to this report) and the revisions to the Delivery Program 2013-2017 (provided as Attachment 8 to this report) be adopted.
4. That all persons and businesses who made a submission regarding the funding strategy including proposed rate increase be advised of Council's determination of the matter.

ATTACHMENTS:

Attachment 1 – Council Resolution on Funding Strategy – Infrastructure Asset Renewal (EXORD4 - AD33010) – Extraordinary Meeting of 6 November 2013



Attachment 1 - FC340017.pdf

Attachment 2 – Community Survey 2013 – Results Relating to Infrastructure Renewal and Possible Special Rate Variation



Attachment 2 - FC340017.pdf

Attachment 3 – Copy of Consultation Materials Provided to the Community



Attachment 3 - FC340017.pdf

Attachment 4 – Submissions Received on the Funding Proposal including Special Rate Increase



Attachment 4 - FC340017.pdf

Attachment 5 – Proposed Business Sub-Category Rating Maps



Attachment 5 - FC340017.pdf

Attachment 6 – Hardship Policy



Attachment 6 - FC340017.pdf

Attachment 7 – Proposed Revised Long Term Financial Plan 2013-2023



Attachment 7 - FC340017.pdf



Attachment 8 – Proposed Revisions to Delivery Program 2013-2017 Attachment 8 - FC340017.pdf

COUNCIL RESOLUTION:

[Create Action](#)