

**OFFICERS REPORTS****1 APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL FOR A SPECIAL RATE VARIATION****FILE NO: R-4-24 PT6****REPORT BY: GENERAL MANAGER**

---

**Summary:**

- Over the past year we have undertaken a program of community engagement to involve our community in developing a strategy to strengthen the financial sustainability of the City of Canterbury, including determining the level of a Special Rate Variation the community would be willing to accept.
- At the meeting on 28 November 2013, Council adopted a strategy combining increases to user fees, some reductions in services, a program of borrowing and an increase in property rates for the purpose of further broader community engagement, and for the purpose of advising the Independent Pricing and Regulatory Tribunal (IPART) of the intention to apply for a Special Rate Variation to commence in the 2014-15 financial year.
- Further community engagement took place via a range of activities during mid-December 2013 to early February 2014. It included exhibition of an amended Community Strategic Plan, Council Delivery Program, Strategic Asset Management Plan and Long Term Financial Plan.
- This report outlines the engagement activities and presents the feedback received, recommends adoption of the strategy, submission of an application to IPART for a Special Rate Variation; and adoption of the amended Community Strategic Plan, Council Delivery Program Strategic Asset Management Plan and Long Term Financial Plan.

**Council Delivery Program and Budget Implications:**

This report recommends adoption of a strategy to strengthen the future financial sustainability of the City of Canterbury combining increases to user fees, some reductions in services, a program of borrowing and an application to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation to commence in the 2014-15 financial year. It supports our long term goals of Healthy Finances, Engaged Community and Effective Governance.

**Report:**

Over the past year we have undertaken a program of community engagement to involve our community in developing a strategy to strengthen the future financial sustainability of the City of Canterbury, including determining the level of a Special Rate Variation the community would be willing to accept. A report to the Council meeting on 28 November 2013 provided an update on the progress of the engagement program, and presented the community's preferred approach. At this meeting Council adopted the preferred approach, which combined increases to user fees, some reductions in services, a program of borrowing, and an increase in property rates for the purpose of further broader community engagement; and for the purpose

---

---

APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL FOR A SPECIAL RATE VARIATION (CONT.)

of advising the Independent Pricing and Regulatory Tribunal (IPART) of the intention to apply for a Special Rate Variation to commence in the 2014-15 financial year.

### **Notification to IPART**

IPART was notified of the intention to apply prior to their deadline of 13 December 2013.

### **Broad Community Engagement**

The further community engagement took place via a range of activities during mid-December 2013 to early February 2014. It included exhibition from 10 January to 7 February 2014 of the Community Strategic Plan, Council Delivery Program, Strategic Asset Management Plan and Long Term Financial Plan, all amended to incorporate the proposed strategy.

### **Engagement Activities**

The community engagement comprised the following activities:

- **Haveyoursaycanterbury website**  
Details of the proposed strategy and the documents on exhibition were made available on the haveyoursaycanterbury website. Over the period of the Rates and Services Review the website has been visited by over 7,800 people, and explored by almost 5,000. Contributions to the forums on the website were received from 21 people.
- **Letterbox drop**  
A letter box drop of an information sheet (A4 double sided) outlining the engagement process to date and the proposed strategy including details of the proposed rate increase took place in the week commencing 30 December 2013. A total of 65,000 copies were distributed to all residential and business properties (not just ratepayers) in the City of Canterbury.
- **Mailout to non-resident ratepayers**  
Distribution of the information sheet by addressed mail to all non-resident ratepayers. A total of 6,400 copies were distributed in this manner. This took place in the week commencing 13 January 2014.
- **Information stalls**  
Information stalls were held in eight town centres and at the Australia Day Festival, where our staff distributed the information sheet and answered questions from passersby. These stalls, which took place over the period 14 January – 30 January 2014, were held for four hours in larger town centres (Belmore, Campsie, Earlwood, Lakemba and Punchbowl), and for two hours in smaller town centres (Belfield, Croydon Park and Hurlstone Park). Around 2,500 copies of the information sheet were distributed in this way, numerous questions answered, and a small amount of feedback was received. A list of the information stall locations, dates and times, is provided in Table 1.
- **Information Sessions**  
Ten information sessions were held at community centres and senior citizens centres across the City, with a mix of morning, afternoon and evening sessions. A presentation outlining the proposed strategy was made, questions answered and

## APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL FOR A SPECIAL RATE VARIATION (CONT.)

feedback received. A list of the information session locations, dates and times, and the number of attendees, is provided in Table 2.

**Table 1:** Information Stall Locations, Dates and Times

<b>Location</b>	<b>Date and Time</b>
Belmore Town Centre Tobruk Reserve, Burwood Road	14 January 2014 12pm – 4pm
Lakemba Town Centre The Boulevard Reserve, corner of The Boulevard and Haldon Street	16 January 2014 1pm - 5pm
Punchbowl Town Centre On The Boulevard, at traffic lights opposite Arthur Street	21 January 2014 10am - 2pm
Belfield Town Centre Outside 7 Burwood Road	23 January 2014 10am - 12pm
Hurlstone Park Town Centre Near Information Sign, Floss Street Car Park	24 January 2014 10am - 12pm
Croydon Park Town Centre Outside Subway, corner of Dunmore Street and Georges River Road	24 January 2014 2pm - 4pm
Australia Day Festival Tasker Park, Phillip Street	26 January 2014 10am – 3pm
Campsie Town Centre Anzac Mall	28 January 2014 1pm - 5pm
Earlwood Town Centre Outside 5 Clarke Street	30 January 2014 1pm - 5pm

**Table 2:** Information Stall Locations, Dates and Times, and Number of Attendees

<b>Location</b>	<b>Date and Time</b>	<b>Attendees</b>
Lakemba Lakemba Senior Citizens Centre	13 December 2013 10am - 12pm	10
Riverwood Riverwood Community Centre	13 December 2013 2pm - 4pm	1
Punchbowl Punchbowl Community Centre	15 January 2014 10am - 12pm	None
Earlwood Earlwood Senior Citizens Centre	16 January 2014 10am - 12pm	1
Ashbury Ashbury Senior Citizens Centre	21 January 2014 2pm - 4pm	2
Belmore Belmore Senior Citizens Centre	22 January 2014 10am - 12pm	None
Lakemba Canterbury City Community Centre	22 January 2014 2pm - 4pm	None
Riverwood Riverwood Senior Citizens Centre	29 January 2014 10am - 12pm	None
Campsie Function Room, Council Administration Centre	29 January 2014 6pm - 8pm	None
Punchbowl Punchbowl Community Centre	30 January 2014 6pm - 8pm	None

---

APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL FOR A SPECIAL RATE VARIATION (CONT.)

- **Advertising**

The engagement activities were supported by advertising in the council column and email newsletter, posters in libraries and community centres across the city, posters on information signs in Campsie and Hurlstone Park, and advertising in four other language newspapers (Chinese, Arabic, Vietnamese, and Greek).

**Issues raised or suggestions made**

Twenty written submissions were received in response to the proposal, via email, letter and one contribution to the relevant [haveyoursaycanterbury](http://haveyoursaycanterbury) website forum. The issues raised and suggestions made, and comments on each, are outlined below. None of them indicate that the proposed strategy should be modified.

- **Proposed approach seemed reasonable (8 mentions)**

Across the whole range of broader engagement activities, after the approach had been explained, and people's questions had been answered, the greater number of people agreed that the proposed approach sounded reasonable.

- **Provide a lift at Punchbowl Station (6 mentions)**

During the information stall at Punchbowl a number of people requested a lift be installed at Punchbowl Station. Although this is a State Government responsibility, Council could write to the relevant department to advocate for this.

- **Concern regarding condition of infrastructure (4 mentions)**

Some people were concerned about the current condition of infrastructure either in their street or neighbourhood. These included playgrounds, footpaths, kerb and gutter, and roads. These issues have been noted and are the subjects of further planning (eg. we are currently preparing a Playground Strategy), have been incorporated into our future Works Programs (footpath, kerb and gutter repairs), or are a State Government Responsibility (eg. condition of Bexley Road).

- **Increase efficiency (4 mentions)**

A number of people suggested improved productivity and efficiency as an alternative to the proposed rate increase. Significant savings have already been achieved in the last five years from our Service Review Program and these were documented extensively in the 'Answers to Questions from the Community Working Group' and made publicly available. The Service Review Program has resulted in staff numbers being reduced from over 700 to 530, and savings in employee expenses of over \$5 million per year alone. Reductions in other expenses have also been achieved. Further efficiencies of \$1 million per year have been incorporated into the proposed approach in order to keep the rate increase as low as possible.

- **Consider alternatives to rate increase (4 mentions)**

There were a number of suggested alternatives to the proposed rate increase, including the sale of non-productive assets, increasing user pays, reducing non-essential services and increasing grants from other levels of government. All of these alternatives were considered by the Community Working Group, and have been incorporated into the proposed approach in order to keep the rate increase as low as possible.

- **Perceived inequity in rates due to higher property values in the East of the City (4 mentions)**

A number of people were concerned that they were paying much higher rates than the average and perceived this to be inequitable. Some people also thought that because property values were increasing, the rates received by council must also be increasing.

The way in which the City of Canterbury can levy property rates, however, is regulated by the NSW Government. Any increase in the total rate income which council is able to obtain from all ratepayers (business and residential) is limited to a percentage that is set by the Independent Pricing and Regulatory Tribunal (IPART). This is known as the rate cap. In 2014-15 this percentage is 2.3%.

The amount paid by each ratepayer, however, is calculated multiplying a 'rate in the dollar' by the land value of that property. If the result is below a minimum amount, then a minimum rate applies. The rateable land value of properties is determined regularly by the Valuer General. The 'rate in the dollar' (also known as the ad valorem rate) is calculated by dividing the total rate income which council is permitted to obtain from all rate payers by the total value of all the rateable properties.

If for example a particular ratepayer pays double the average rate, this means that the rateable land value of their property is double the average value across the whole of the City of Canterbury. This does not mean Council obtains more income, simply that this ratepayer's contribution to the total income that council is permitted to receive is more than the average. Elsewhere in the City, where ratepayers have properties that are valued at less than the average, they will pay less than the average rate.

This system of allocating rates using property values has been established and is regulated by the NSW Government. Council does not have the ability to change it. The only decision available to Council is whether or not to increase its total rate income each year by the maximum permitted by IPART, or to apply for a Special Variation above the rate cap.

- **Impact on pensioners (3 mentions)**

It is acknowledged that the proposed rate increase will impact on pensioners and others on limited and fixed incomes such as self-funded retirees. This was one of the views that were heard strongly from the Community Working Group, which was representative of the broader Canterbury community, and was able to voice the different perspectives from across this community.

The existing pensioner rebate is provided by the NSW Government and has not changed significantly for many years. Further ways in which pensioners can be assisted could be considered.

- **Concern about borrowing (3 mentions)**

Some concern was expressed about the size of the borrowing program proposed because of the risk of future increases in interest rates. Borrowing is being considered as a means of keeping the proposed rate increase as low as possible, and is targeted directly at the infrastructure backlog. Council's policy is firmly against borrowing for operational purposes as distinct from capital expenditure.

- **Achieve savings from different waste collection approaches (3 mentions)**  
There were a number of suggestions for achieving savings from different waste collection systems including user pays for rubbish collection to support recycling, having households contract directly for waste collection, returning to the old clean up approach of four set dates per year, having a combined food and garden waste collection system, and more education to reduce dumping. Some of these suggestions are being considered as part of our future waste strategy.

Changes to the waste collection system will not, however, improve the deficit. This is because under State Government legislation, Council must levy an Annual Charge for waste collection services, and the revenue so gained must only be used for waste collection services. Any savings in waste collection costs must be used to reduce the Annual Charge, and cannot be used to fund other services.

Council's current waste collection and disposal contract costs are, however, comparatively low. The major contributing factor to increases in the Annual Charge for Domestic Waste is the NSW Government's Waste Levy – a tax on waste going to landfill. This charge has increased by an average of 25% per year for the past five years, and currently costs the people of the City of Canterbury around \$2.75 million per year.

- **Community Working Group not representative (2 mentions)**  
Some people thought that the Community Working Group was comprised of community leaders with vested interests in preserving services that benefited them. On the contrary the Community Working Group was comprised of everyday people from across the City recruited by an independent market research company to represent the range of different perspectives typical of the Canterbury community. This group was representative in terms of gender, age, location, cultural background, renters and owners, users of council services, ratepayers, residents and business owners, and people having lived a long or short time in the City.
- **Unable to use haveyoursaycanterbury website (2 mentions)**  
Some people experienced difficulty in using the **haveyoursaycanterbury** website. This website is designed to work in a modern browser, and people with an older browser would not have been able to use the full functionality of the website. We offered information stalls, information sessions, and written, phone and email contact as an alternative to the website to obtain information. Many people were able to utilise these.

Also, in order to contribute to the forums on the website people were asked to register a screen name and provide their suburb. This was to manage contributions and determine which ones were from people living or working in the City of Canterbury. Where people chose not to register, they were unable to contribute using the website and had to use other means.

---

APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL FOR A SPECIAL RATE VARIATION (CONT.)

- **Obtain additional income from new development (2 mentions)**

It was suggested that more high density development could provide additional income and avoid the need for a rate increase. It was also suggested that rates for new unit dwellings could be increased and charges to developers could be increased to fund additional services.

More dense development does accommodate an increase in population into the limited area of the City of Canterbury. Because of the limits on the way in which council is allowed to levy property rates under the Local Government Act, however, the additional income from rates on more dense development does not necessarily cover the costs of the additional demand for services generated by the additional population. An analysis using ABS data of average number of people per household indicates that the average rate per head of population actually decreases when a parcel of land is subdivided into smaller strata lots.

Increases in the number of dwellings results in Council receiving contributions under S94 of the Environmental Planning and Assessment Act 1979. These contributions are quarantined and must only be used for specific projects such as the acquisition, development and improvement of public facilities. These funds cannot be used to fund Council's day-to-day operations or fund asset renewal. The amount that can be levied is also capped by State Government legislation.

### **Strategy for Financial Sustainability**

In 2014-15 our forecast annual deficit is \$12.5 million. With our community we developed a strategy for financial sustainability to meet this deficit that combines increases in user fees, ways to generate additional income, reductions in services and standards of infrastructure, efficiencies in council operations, borrowing and rate increases that the community could accept. Further engagement to gain broad community awareness of this strategy has indicated general support and limited opposition to the proposed strategy.

The features of the strategy for financial sustainability are:

- Maintain as many services as possible, including libraries and aquatic centres, and especially considering future population increases;
- Combine a range of strategies, including additional income, fee increases, service reductions, borrowing and rate increases;
- Accept as little infrastructure deterioration as possible;
- Achieve efficiencies in council operations;
- Have a 'middle of the road' rate increase;
- Borrow so that infrastructure maintenance is shared with future generations.

The components of this strategy are outlined in Table 3.

It is important to note that the community did not generally support the following:

- A rate increase of more than 4.6%.
- Pay for parking in either car parks or on-street.
- Serious deterioration in infrastructure.
- Closure of libraries or aquatic centres.

## APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL FOR A SPECIAL RATE VARIATION (CONT.)

**Table 3:** Strategy for Financial Sustainability

<b>Initiative</b>	<b>Benefit</b>
<b>Increase income through commercial activities or user fees</b> <ul style="list-style-type: none"> <li>- Increase charges to users of sporting fields and community facilities.</li> <li>- Lease areas of aquatic centres and parks for income generating activities.</li> <li>- Undertake commercial operations.</li> </ul>	\$0.2 million
<b>Service reductions</b> <ul style="list-style-type: none"> <li>- Close outdoor pools alternately during winter, but leave indoor pools open.</li> <li>- Reduce the frequency of street cleaning and focus on most important areas.</li> <li>- Have just one large festival per year.</li> <li>- Reduce free nature strip mowing.</li> </ul>	\$0.5 million
<b>Achieve further efficiencies in council operations</b> <ul style="list-style-type: none"> <li>- Review excess for public liability insurance.</li> <li>- Review management of the aquatic centres.</li> <li>- Discontinue more expensive payment channels, encourage more direct debit payments and charge for credit card payments, and issue rates notices by email to reduce postage costs.</li> <li>- Pay staff fortnightly, using electronic payslips.</li> <li>- In partnership with community groups provide more legal walls for graffiti to reduce cost of removal in other areas.</li> <li>- Achieve savings through implementing the dumped rubbish minimisation strategy, changes to structure of regulatory services, and outsourcing Information Technology where appropriate.</li> <li>- Provide Women's Rest Centres services through partnership with community organisations.</li> </ul>	\$1 million
<b>Infrastructure deterioration</b> <ul style="list-style-type: none"> <li>- Accept some deterioration in roads, footpaths, parks and buildings</li> </ul>	\$1.5 million
<b>Borrowing</b> <ul style="list-style-type: none"> <li>- Borrow \$36.5 million for infrastructure backlog rather than spend \$3.65 million per year for 10 years, and repay over 30 years. This spreads the burden of backlog over a longer period, and reduces the impact on current ratepayers.</li> <li>- Repayments are \$2.65 million per year, so the net benefit per year in the first ten years is \$1 million.</li> <li>- Over the thirty year period total interest paid is \$43 million, an extra \$1.43 million per year, and the debt service ratio would increase from 1.6% to 4.3%.</li> </ul>	\$1 million
<b>Rate increase</b> <ul style="list-style-type: none"> <li>- <b>7.5%</b> per year for 3 years including the rate cap (ie. a rate increase of 4.6% above the rate cap per year for three years, and assuming the rate cap for the next three years is estimated to be 2.9% per year).</li> </ul>	\$8.3 million
<b>Total</b>	<b>\$12.5 million</b>



---

**APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL FOR A SPECIAL RATE VARIATION (CONT.)**

At its meeting on 28 November 2013, Council also resolved the following:

2. Should the application to IPART be successful, the following suggestions by the Community Working Group be the subject of further detailed examination and report to Council in early 2014.
  - Close outdoor pools at Canterbury and Roselands aquatic centres alternately during winter but leave indoor pools open.
  - Consider a variety of management options for the aquatic centres at Canterbury and Roselands.
  - Conduct one large street festival per year.
3. In relation to the Community Working Group's suggestions relating to the aquatic centres, the United Services Union (USU) be invited to participate in discussions around the issue of employment protection for permanent staff employed at the aquatic centres.
4. The Aquatic Centres Advisory Committee also participate in the decision making relating to the aquatic centres.

These considerations now form part of the proposed strategy.

**Next Steps**

The date for submission of applications for Special Rate Variations that are to commence in the 2014-15 financial year has been set by IPART as 24 February 2014.

IPART requires the proposed rate increase be included in council's Integrated Planning and Reporting (IP&R) documents, in particular the Community Strategic Plan, Council Delivery Program, Strategic Asset Management Plan and Long Term Financial Plan. These documents must be adopted prior to the submission of the application to IPART.

I would like to express my appreciation of the work of the Corporate Services Team and Mr David Coleman in particular for the outstanding work in conducting this consultation process.

**RECOMMENDATION:****THAT**

1. The Strategy for Financial Sustainability as outlined in the report be adopted.
2. The Community Strategic Plan, Council Delivery Plan, Strategic Asset Management Plan, and Long Term Financial Plan, amended to incorporate the proposed strategy, and exhibited from 10 January to 7 February 2014, be adopted.
3. An application be submitted to the Independent Pricing and Regulatory Tribunal for a Special Rate Variation commencing 1 July 2014 of 7.5% per year (including the notional rate cap of approximately 3%) each year for three years.

**EXTRAORDINARY COUNCIL  
RESOLUTION - 13 FEBRUARY 2014**

**1     APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL FOR A SPECIAL RATE VARIATION**

FILE NO:     R-4-24 PT6

**MOTION** (Councillors Hawatt/Eisler)

THAT

1.     The Strategy for Financial Sustainability as outlined in the report be adopted.
2.     The Community Strategic Plan, Council Delivery Plan, Strategic Asset Management Plan, and Long Term Financial Plan, amended to incorporate the proposed strategy, and exhibited from 10 January to 7 February 2014, be adopted.
3.     An application be submitted to the Independent Pricing and Regulatory Tribunal for a Special Rate Variation commencing 1 July 2014 of 7.5% per year (including the notional rate cap of approximately 3%) each year for three years.

During discussion of the above item, the following **AMENDMENTS** were moved.

**AMENDMENT** (Councillors Adler/Paschalidis-Chilas)

THAT

1.     The Strategy for Financial Sustainability as outlined in the report be adopted.
2.     The Community Strategic Plan, Council Delivery Plan, Strategic Asset Management Plan, and Long Term Financial Plan, amended to incorporate the proposed strategy, and exhibited from 10 January to 7 February 2014, be adopted.
3.     An application be submitted to the Independent Pricing and Regulatory Tribunal for a Special Rate Variation commencing 1 July 2014 of 7.5% per year (including the notional rate cap of approximately 3%) each year for three years.
4.     Should Council's IPART submission be endorsed by IPART, Council will only implement the special rate rise over the cap as a last resort and after a further process involving extensive community consultation.

The **AMENDMENT** on being put to the meeting was declared **LOST**.

**ADJOURNMENT**

At 9.13 p.m. the meeting was adjourned on the motion of Councillors Hawatt and Kebbe.

At 9.25 p.m. the meeting resumed.

APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL FOR A SPECIAL RATE VARIATION (CONT.)

**AMENDMENT** (Councillors Adler/Paschalidis-Chilas)

THAT Council believes in the principle that day labour should be used for all Council work and resolves that no outsourcing or privatisation of services will be introduced as a result of the special rate variation should it go ahead.

The **AMENDMENT** on being put to the meeting was declared **LOST**.

During discussion of the above item the following **ADDENDUM** was proposed to the original motion and accepted by the mover and seconder of the original motion:

**ADDENDUM** (Councillor Adler)

4. The result of the IPART submission be reported to Council to allow further discussion and extensive community consultation in conjunction with the 2014/15 budget process.

**Min. No. 18 RESOLVED** (Councillors Hawatt/Eisler)

THAT

1. The Strategy for Financial Sustainability as outlined in the report be adopted.
2. The Community Strategic Plan, Council Delivery Plan, Strategic Asset Management Plan, and Long Term Financial Plan, amended to incorporate the proposed strategy, and exhibited from 10 January to 7 February 2014, be adopted.
3. An application be submitted to the Independent Pricing and Regulatory Tribunal for a Special Rate Variation commencing 1 July 2014 of 7.5% per year (including the notional rate cap of approximately 3%) each year for three years.
4. The result of the IPART submission be reported to Council to allow further discussion and extensive community consultation in conjunction with the 2014/15 budget process.