



# 2013 Rates and Services Review

**Outputs from the  
Community Working Group  
Meeting 5  
23 October 2013**

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## Introduction

The **fifth** meeting of the group was held on Wednesday 23 October 2013 in the Level 2 Function Room, Administration Centre, 137 Beamish Street Campsie. Fifteen members of the Canterbury Community participated.

The meeting comprised:

- A recap and review of meetings to date, and comments from the group on the criteria for a good solution that were generated at the fourth meeting;
- Feedback on perspectives of renters collected by one of the group members;
- Discussion of the Basic Feasibility Assessment of the ideas that were generated at the third meeting;
- Generation of options to meet the deficit comprising a mix of fee increases, service reductions, efficiencies, borrowing, and rate increases;
- Initial evaluation of these options against the criteria for a good solution.

The outputs from these activities are presented in this document.

**It was agreed that there was no clear preferred option(s) emerging from the evaluation.**

It was also agreed that the evaluation needed to be repeated at the next meeting in a way that includes an agreed way of interpreting the criteria, and weightings for the criteria.

## Next Meeting

The next meeting of the group will be held on **Thursday 7<sup>th</sup> November 2013**. The purpose of this meeting will be:

- **Finding the best option(s)** – Continuing the evaluation and refinement of the options to find the one that best meets the criteria, and that the group is prepared to support.

## Future Meeting Dates

The date for the submission of applications for Special Rate Variations has now been set by the Independent Pricing and Regulatory Tribunal. This date is 24 February 2014, which is one month earlier than originally anticipated. This means there is a need to complete the Rates and Services Review earlier than originally planned, and to bring forward the dates for the next two Community Working Group meetings.

The Community Working Group is also invited to attend and present the results of their work to councillors at a workshop. Details of this workshop will be discussed at Meeting 6.

The meeting dates are:

- Meeting 6 – finding the best option(s) - **Thursday 7 November**
- Presentation of the best option(s) to councillors – **Wednesday 13 November**

## Renters Perspectives

Several group members volunteered to seek views from people who are renters that they know. Specific questions for feedback were distributed to Community Working Group members with the outputs from the fourth meeting. These questions and responses are presented below:

### 1. What council services do you think are most important in achieving community priorities?

The responses were:

- better roads, and safer roads, with less traffic,
- rubbish collection is good and important and needs to be kept,
- parks need to be retained, and well-maintained, and
- more events and activities are needed in parks and reserves for people with children.

### 2. What are the most important features of a good solution?

The responses were:

- Long term tenants are likely to be less impacted by rate increases as landlords tend not to pass on the increases to them via rents as quickly as for short term tenants
- User-pays for services is OK
- It is important to demonstrate why rates need to be increased, or why services need to be reduced.

## Generation and Evaluation of Options

### Approach to Generation of Options

The challenge (including the dollar value of the deficit) was re-stated for the group. Each table group then worked to generate a solution to meet the deficit having a combination of rate increases, service reductions, borrowing, fee increases and efficiencies. Each participant was provided with a set of 'option components' and asked to select the mix of components they wanted in their solution. The option components are attached. The table group then discussed and agreed on the mix of the components of their solution, and noted the group's reasons for choosing this mix. The group then named their solution. Questions for further investigation were also noted.

### Approach to Evaluation of Options

Table groups were asked to evaluate the options against the criteria from the fourth meeting, but they did not evaluate their own option. The options summary sheets were collected and distributed to different table groups. Table groups discussed the option and noted whether it meets, partially meets, or does not meet each of the criteria, and then gave a corresponding score for the option. They also noted comments for the criteria.

### Criteria for a good solution

At the fourth meeting, the group determined that a good solution is one that:

- Includes increased user pays as well as rate increases;
- Includes reductions to services as well as rate increases;
- Includes achieving efficiencies in council operations as well as rate increases;
- Maintains those services that most contribute to achieving the desired future;
- Ensures council can continue to meet its legislative obligations;
- Involves the community more through increased partnerships;
- Does not require council to spend more;
- Limits rate increases to just that required to meet the need;
- Is able to demonstrate value for money;
- Is equitable, ensuring that no specific group is disadvantaged;
- Can be measured to demonstrate efficiency;
- Is well publicised to and easily understood by the wider community.

The tables on the following pages present the four options generated and their corresponding evaluations, **exactly as they were recorded on the Worksheets.**

## Detail of Options and Evaluation

### No name option

<b>Option Name:</b>	<b>No name</b>	
<b>Component</b>	<b>Comment</b>	<b>Value (million)</b>
Fee increases	Adopt all	\$0.5
Service reductions	Adopt all the service reductions	\$0.5
	Accept infrastructure reductions	
	- roads	\$2.5
	- parks and sporting fields	\$2.5
	- buildings	\$1
Efficiencies	Adopt all	\$1
Borrowing	Use the borrowing option	\$1
Rate increase	2.1% for three years	\$3.75
	Average rate in 2016 \$1,199	
	\$69 above the rate cap by 2016	
<b>TOTAL</b>		<b>\$12.75</b>
Reasons why this is a good solution	No reasons were provided by this group	
Questions for further investigation	<p><b>Why outsource IT? Why is the potential saving such a small proportion of the budget?</b></p> <p>RESPONSE (from Basic Feasibility of Ideas) This would result in the loss of control of flexibility to modify processes along with back end infrastructure, there would be Issues with double handling and purchase of new software, and possible decrease in speed. The saving would only be about \$30,000 as we would still need existing staff to service equipment and to help users with applications. May save on hardware costs but offset by contract costs and communication links.</p> <p><b>Sell surplus land to Asian buyers</b></p> <p>RESPONSE (from Basic Feasibility of Ideas) We are currently undertaking a review of all surplus land, but much of it is still required for either operational or community purposes. Canterbury does not have sufficient open space in many parts of the City, and much of the proceeds from the sale of surplus land is earmarked for purchase of other land to provide this open space.</p>	

<b>Option Name:</b>	<b>No name</b>	
<b>Criteria</b>	<b>Rating (Score)</b> - meets (2) - partially meets (1) - does not meet (0)	<b>Comment</b>
Includes increased user pays as well as rate increases	2	
Includes reductions to services as well as rate increases	2	
Includes achieving efficiencies in council operations as well as rate increases	2	
Maintains those services that most contribute to achieving the desired future	0	
Ensures council can continue to meet its legislative obligations	2	
Involves the community more through increased partnerships	0	Cuts may target only a small proportion of the community
Does not require council to spend more	2	\$6.5 million saving
Limits rate increases to just that required to meet the need	2	
Is able to demonstrate value for money	0	Short term savings for long term potential pain
Is equitable, ensuring that no specific group is disadvantaged	0	Sporting groups and some community groups disadvantaged
Can be measured to demonstrate efficiency	0	Inefficient and results in long term costs
Is well publicised to and easily understood by the wider community.	1	Easy to sell 2.1% increase but hard to sell significant cuts in infrastructure related reductions
<b>TOTAL SCORE</b>	<b>13</b>	

## Lamington Plan Option

<b>Option Name:</b>	<b>Lamington Plan</b>	
<b>Component</b>	<b>Comment</b>	<b>Value (million)</b>
Fee increases	Include parking, use garage to earn income from commercial operations, lease areas of aquatic centres for income generating activities	\$0.37
Service reductions	Adopt all the service reductions, but not infrastructure	\$0.5
Efficiencies	Adopt all	\$1
Borrowing	Use the borrowing option	\$1
Rate increase	4.1% for three years Average rate in 2016 \$1,271 \$141 above the rate cap by 2016	\$7.5
<b>TOTAL</b>		<b>\$10.37</b>
Reasons why this is a good solution	Relatively easy option to pursue Festivals need to be more closely considered.	
Questions for further investigation	<p><b>Self-sufficiency for Festivals and Parks</b></p> <p>RESPONSE (from Basic Feasibility of Ideas) Fees to sporting clubs are increased by CPI each year. A report to Council a few years ago seeking further increases to fees was not supported by Councillors. A 10% increase would yield \$15,000 but even an increase of this magnitude is considered difficult to implement.</p> <p>We could increase festival stall holder fees but this will result in less local business participation. A 10% increase would give \$4,000 more.</p> <p><b>More Exotic Investment – Subway</b></p> <p>RESPONSE (from Answers to Questions) Commercial enterprises of this nature are not permitted by the Division of Local Government.</p>	



Option Name: <b>Lamington Plan</b>		
Criteria	<b>Rating (Score)</b> - meets (2) - partially meets (1) - does not meet (0)	Comment
Includes increased user pays as well as rate increases	1	Yes it's an absolute but didn't achieve the goal
Includes reductions to services as well as rate increases	1	Yes but service reductions as a proportion are not that good
Includes achieving efficiencies in council operations as well as rate increases	1	Yes but efficiencies as a proportion of rate increase are low.
Maintains those services that most contribute to achieving the desired future	2	Yes
Ensures council can continue to meet its legislative obligations	2	Yes because it's a given no matter what level of service
Involves the community more through increased partnerships	0	
Does not require council to spend more	2	
Limits rate increases to just that required to meet the need	1	
Is able to demonstrate value for money	1	Yes
Is equitable, ensuring that no specific group is disadvantaged	2	Yes, well spread, not many cuts on big items
Can be measured to demonstrate efficiency	1	Yes
Is well publicised to and easily understood by the wider community.	1	Yes
<b>TOTAL SCORE</b>	<b>15</b>	

## Combined Strategy Option

<b>Option Name:</b>	<b>Combined Strategy</b>	
<b>Component</b>	<b>Comment</b>	<b>Value (million)</b>
Fee increases	Lease aquatic centre areas for income generating activity	\$0.05
Service reductions	Have just one large festival per year rather than two	\$0.1
Efficiencies	Outsource operation of the aquatic centres Implement dumped rubbish minimisation strategy Implement changes to structure of regulatory services Review insurance excess for PL Cheaper payment options, pay fortnightly, electronic rates notices	\$0.95
Borrowing	Use the borrowing option	\$1
Rate increase	5.8% for three years Average rate in 2016 \$1,331 \$201 above the rate cap by 2016	\$10.5
<b>TOTAL</b>		<b>\$12.5</b>
Reasons why this is a good solution	Is a mix Some hard decisions to make to realise efficiencies Maintains services	
Questions for further investigation	<b>Review provision of the Women's Rest Centre</b> This requires further investigation.	

Option Name: <b>Combined Strategy</b>		
Criteria	Rating (Score) - meets (2) - partially meets (1) - does not meet (0)	Comment
Includes increased user pays as well as rate increases	0	Increases rates, doesn't use much of the fees increase component
Includes reductions to services as well as rate increases	0	Rate increase is excessive compared to the reduction in services
Includes achieving efficiencies in council operations as well as rate increases	2	Uses all but one of the available components.
Maintains those services that most contribute to achieving the desired future	2	Not making large service reductions
Ensures council can continue to meet its legislative obligations	2	Yes because it's a given no matter what level of service
Involves the community more through increased partnerships	0	
Does not require council to spend more	2	
Limits rate increases to just that required to meet the need	0	Rate increase is not limited to meet the need.
Is able to demonstrate value for money	1	Average ratepayer pays extra \$200 per year for \$10 million in services
Is equitable, ensuring that no specific group is disadvantaged	2	Yes, well spread, not many cuts on big items
Can be measured to demonstrate efficiency	1	Selected operational efficiencies
Is well publicised to and easily understood by the wider community.	0	Hard to sell the rate increase
<b>TOTAL SCORE</b>	<b>12</b>	

## Scrap Libraries and Parks Option

<b>Option Name:</b>	<b>Scrap Libraries and Parks</b>	
<b>Component</b>	<b>Comment</b>	<b>Value (million)</b>
Fee increases	Use garage for commercial operations Lease areas of aquatic centres to generate income Increase contributions from sporting clubs Lease space in parks Increase charges for hall hire	\$0.1
Service reductions	Close pools in winter Review and rationalise street cleaning Have one festival rather than two	\$0.35
	Close 3 libraries Reduce maintenance of parks and sporting fields	\$5
Efficiencies	All except provision of Women's Rest Centre and outsourcing of IT	\$0.87
Borrowing	Use the borrowing option	\$1
Rate increase	2.8% for three years Average rate in 2016 \$1,223 \$93 above the rate cap by 2016	\$5
<b>TOTAL</b>		<b>\$12.32</b>
Reasons why this is a good solution	<p>\$5 million rate increase will have little effect on people purchasing properties, and is affordable, acceptable.</p> <p>Parks and libraries – we won't lose the service completely, we will just reduce the quality. We believe the sporting clubs may take on the maintenance of the fields.</p>	
Questions for further investigation	<p><b>Do we need all the community buildings? Why can't we sell them off?</b> For further investigation.</p> <p><b>Could we use CCTV to keep parks safe and clean?</b> For further investigation.</p> <p><b>Can we issue 10 year bonds instead of borrowing at the bank?</b> For further investigation.</p>	

Option Name: <b>Scrap Parks and Libraries Option</b>		
Criteria	Rating (Score) - meets (2) - partially meets (1) - does not meet (0)	Comment
Includes increased user pays as well as rate increases	1	\$100,000 utilised out of a possible \$500,000
Includes reductions to services as well as rate increases	2	Significant reduction in services
Includes achieving efficiencies in council operations as well as rate increases	2	\$700,000 utilised out of a possible \$1 million
Maintains those services that most contribute to achieving the desired future	0	Essential services to deliver the desired future are not being supported
Ensures council can continue to meet its legislative obligations	2	No actions specifically aimed at this
Involves the community more through increased partnerships	0	Nothing aimed at increasing partnerships
Does not require council to spend more	0	Loan increases council's costs
Limits rate increases to just that required to meet the need	2	Rate increase is a balancing amount.
Is able to demonstrate value for money	0	Because of the dramatic decrease in services and community engagement plus fee increases.
Is equitable, ensuring that no specific group is disadvantaged	0	Users of libraries in certain areas and users of parks.
Can be measured to demonstrate efficiency	1	\$770,000 out of \$12.5 million solution.
Is well publicised to and easily understood by the wider community.	1	Difficult to explain the impact of cutting services.
<b>TOTAL SCORE</b>	<b>11</b>	

## Summary of Options and Evaluation

The tables below summarise the detailed information in the previous tables.

Value (million)	Option Name			
Component:	No name	Lamington Plan	Combined Strategy	Scrap Libraries and Parks
Fee increases	\$0.5	\$0.37	\$0.05	\$0.1
Service reductions	\$6.5	\$0.5	\$0.1	\$5.35
Efficiencies	\$1	\$1	\$0.95	\$0.87
Borrowing	\$1	\$1	\$1	\$1
Rate increase	\$3.75	\$7.5	\$10.5	\$5
(per year for 3 years)	2.1%	4.1%	5.8%	2.8%
<b>TOTAL VALUE</b>	<b>\$12.75</b>	<b>\$10.37</b>	<b>\$12.5</b>	<b>\$12.32</b>

Evaluation Score	Option Name			
Criteria	No name	Lamington Plan	Combined Strategy	Scrap Libraries and Parks
Includes increased user pays	2	1	0	1
Includes reductions to services	2	1	0	2
Includes achieving efficiencies	2	1	2	2
Maintains services for desired future	0	2	2	0
Can meet legislative obligations	2	2	2	2
Involves the community more	0	0	0	0
Does not require council to spend more	2	2	2	0
Rate increases limited to the need	2	1	0	2
Demonstrates value for money	0	1	1	0
No specific group is disadvantaged	0	2	2	0
Demonstrate efficiency	0	1	1	1
Easily understood by wider community.	1	1	0	1
<b>TOTAL SCORE</b>	<b>13</b>	<b>15</b>	<b>12</b>	<b>11</b>

## Discussion Regarding Evaluation

During the presentation of the results of the evaluation several issues arose:

1. Not all of the options achieved the target of \$12.5 million. A way for the evaluation to include this needs to be provided.
2. Some participants thought that the rating process was subjective, and that there was room for different interpretations in the application of the criteria.

As an example, some table groups rated the criteria 'involves the community more through increased partnerships' in opposite ways. One table group thought that reducing services would lead to increased community involvement through partnerships as groups such as sporting clubs moved to fill the gap in field maintenance. They disagreed with the table group that considered the reduction in services would not lead to much more community involvement through partnerships.

During the large group discussion it was agreed that none of the 'option components' provided explicitly included increased community involvement through partnerships. The lead facilitator acknowledged that this was a gap and undertook to ensure that this was rectified by the next meeting.

As another example, the Lamington Plan was assessed as only partially meeting the criteria 'includes achieving efficiencies' although it took up almost all of the available efficiency components because the group evaluating it thought that the value of these efficiencies was only small in relation to the total deficit. All other options took up about the same value of efficiency components, but were assessed by their groups as meeting the criteria.

3. One group recognised that taking up the option component of borrowing did require council to spend more, and included this in their evaluation. Other groups did not treat borrowing in this way.

As all options included borrowing, for the purpose of this initial evaluation all options should score a 'does not meet' for this criteria.

4. Some of the criteria are more important than others. A way for the evaluation to weight the criteria is needed.

The table below provides an amended evaluation score for the options with the above factors taken in to consideration.

Amended Evaluation Score Criteria	Option Name			
	No name	Lamington Plan	Combined Strategy	Scrap Libraries and Parks
Meets the target of \$12.5 million	2	0	2	2
Includes increased user pays	2	1	0	1
Includes reductions to services	2	1	0	2
Includes achieving efficiencies	2	2	2	2
Maintains services for desired future	0	2	2	0
Can meet legislative obligations	2	2	2	2
Involves the community more	0	0	0	0
Does not require council to spend more	0	0	0	0
Rate increases limited to the need	2	1	0	2
Demonstrates value for money	0	1	1	0
No specific group is disadvantaged	0	2	2	0
Demonstrate efficiency	0	1	1	1
Easily understood by wider community.	1	1	0	1
<b>TOTAL SCORE</b>	<b>13</b>	<b>14</b>	<b>12</b>	<b>13</b>

**It was agreed that there was no clear preferred option(s) emerging from the evaluation.**

It was also agreed that the evaluation needed to be repeated at the next meeting in a way that includes an agreed way of interpreting the criteria, and weightings for the criteria.



## Option Components

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## Fee increases

Extra income	Idea	Difficulty	Timeframe
\$20,000	Use the garage for commercial operations to earn income.	Easy	1-2 years
\$50,000	Lease areas of the aquatic centres for income generating activities.	Moderate	1-2 years
\$100,000	Eliminate subsidies to community groups for use of community facilities	Hard	1-2 years
\$15,000	Increase contributions from sporting clubs to cover the cost of operations and maintenance of the fields.	Hard	1-2 years
\$10,000	Lease space in parks to cafes and food businesses to generate income.	Hard	1-2 years
\$5,000	Increase charges for hall hire.	Hard	1-2 years
\$300,000	Charge fees for parking on streets, especially in main streets, and in council car parks.	Hard	3-5 years

The total extra income from all these ideas is **\$0.5 million**.

## Service Reductions

Savings	Idea	Difficulty	Timeframe
\$100,000	Close pools during quieter periods such as winter, staggering the closures, and closing outdoor pools leaving the indoor pools open.	Moderate	1-2 years
\$150,000	Reduce and refocus street cleaning schedule.	Moderate	1-2 years
\$100,000	Have just one large festival per year rather than two	Hard	1-2 years
\$150,000	Reduce free sideline mowing	Hard	3-5 years

The total savings from all of these ideas is **\$0.5 million**.

Other much more difficult infrastructure related service reductions that could be considered are:

Savings	Idea
\$2.5 million	<b>Roads</b> are not maintained or improved at the level needed.
\$2.5 million	Our three branch <b>libraries</b> at Earlwood, Lakemba and Riverwood are closed, leaving just the central library at Campsie open.
\$2.5 million	<b>Parks and sporting fields</b> are not maintained or improved at the level needed. Some sporting fields are ultimately closed and converted into open space. Some cricket, soccer, rugby and AFL clubs are affected.
\$1 million	<b>Buildings</b> are not maintained or improved at the level needed. Some buildings are ultimately closed or cannot be fully utilised due to damage or public liability risks.

## Operational Efficiencies

Savings	Idea	Difficulty	Timeframe
\$100,000	Review insurance excess for Public Liability	Easy	1-2 years
\$400,000	Outsource the management of the aquatic centres.	Moderate	1-2 years
\$10,000	Discontinue more expensive payment channels, encourage more direct debit payments and charge for credit card payments.	Moderate	1-2 years
\$20,000	Pay staff fortnightly or monthly, and use electronic payslips.	Moderate	1-2 years
\$20,000	Provide more legal walls for graffiti to reduce cost of removal in other areas.	Moderate	1-2 years
\$150,000	Implement dumped rubbish minimisation strategy	Moderate	1-2 years
\$150,000	Implement changes to structure of regulatory services	Moderate	3-5 years
\$100,000	Review provision of the Women's Rest Centres	Moderate	3-5 years
\$20,000	Issue rates notices by email to reduce postage costs.	Hard	3-5 years
\$30,000	Outsource Information Technology.	Hard	3-5 years

The total saving from all of these ideas is **\$1 million**.

## Borrowing

Rather than spending \$36.5 million over ten years on our infrastructure backlog (ie. \$3.65 million each year), we borrow \$36.5 million to do the work in one year, and pay this amount back over 30 years. This spreads the burden of backlog over a longer period, and reduces the impact on current ratepayers.

Repayments on this loan are \$2.65 million per year (at 6% interest), and thus the net benefit per year in the first ten years is **\$1 million**.

Over the thirty year period the total amount of interest paid is \$43 million. Our debt service ratio would increase from 1.6% to 4.3%.

## Rate increases

Extra annual income (\$ million)	Rate increase per year for 3 years	Average rate in 2016 (now \$1,034)	Total increase above rate cap by 2016
0	0	\$1,130	\$0
2.5	1.4%	\$1,176	\$46
5	2.8%	\$1,223	\$93
7.5	4.1%	\$1,271	\$141
8	4.4%	\$1,281	\$151
8.5	4.7%	\$1,291	\$161
9	5.0%	\$1,301	\$171
9.5	5.2%	\$1,311	\$181
10	5.5%	\$1,321	\$191
10.5	5.8%	\$1,331	\$201
11	6.1%	\$1,341	\$211
11.5	6.3%	\$1,351	\$221
12	6.6%	\$1,361	\$231
12.5	6.9%	\$1,372	\$242