



2013 Rates and Services Review

**Outputs from the
Community Working Group
Meeting 6
7 November 2013**

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Introduction

The **sixth** meeting of the group was held on Thursday 7 November 2013 in the Level 2 Function Room, Administration Centre, 137 Beamish Street Campsie. Twelve members of the Canterbury Community participated. Apologies were received from seven members of the Community Working Group who were unable to attend.

The meeting comprised:

- Weighting of the criteria, refinement of list to just four or five which really determine the best option, and discussion leading to a shared understanding of what these criteria mean, and how to apply them in evaluating options;
- Generation of new options to meet the deficit that combined fee increases, service reductions, efficiencies, borrowing, rate increases, and acceptance of deterioration in infrastructure condition;
- Evaluation of these options;
- Discussion and development of an option that could be supported by all present.

The outputs from these activities are presented in this document.

A preferred option that can be supported by all the members of the Community Working Group that attended was found. This is also outlined in detail in this document.

Presentation to council

All interested members of the Community Working Group are invited to attend a presentation of the group's work to councillors at a workshop on **Wednesday 13th November 2013**.

Refinement of the criteria

At the fifth meeting of the Community Working Group 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.

Refinement of the criteria first involved individual reflection by the participants on the importance of each one in finding a good solution, and consideration of what they mean and how they can be applied. Table groups then discussed these reflections and worked towards a short list of the five most important criteria. Table groups then shared their five most important criteria with the larger group. Finally the group discussed and agreed on the way in which the criteria should be applied in evaluating options.

There was a strong consensus on the most important criteria across the groups. There were four criteria that all table groups considered to be most important (and in the same order), one criteria that two table groups considered most important, and one criteria that one group considered important. The group agreed to use these six criteria to evaluate options:

1. Maintains those services that most contribute to achieving the desired future
2. Includes achieving efficiencies in council operations as well as rate increases
3. Is able to demonstrate value for money
4. Limits rate increases to just that required to meet the need
5. Is equitable, ensuring that no specific group is disadvantaged
6. Does not require council to spend more

The weighting and agreed approach to applying these criteria is outlined in the table on the following page.

Criteria	Weight -ing	Application	Meets	Partially meets	Does not meet
Maintains those services that most contribute to achieving the desired future	3	Assess as how many reductions to services or infrastructure include any of those considered important to achieving the desired future (that is any service area with a green dot).	None	One or two	More than two
Includes achieving efficiencies in council operations as well as rate increases	3	Assess as how much of the total value of the available components for efficiencies is included in the option.	90% or more	50% - 90%	Less than 50%
Is able to demonstrate value for money	3	Assess this by comparing the rate increase to the loss of services. Does it seem reasonable to you? Do you think it would seem reasonable to the broader community? If it seems reasonable, the option meets the criteria. If it doesn't seem reasonable then the option does not meet the criteria.	Reasonable rate increase compared to the loss of services.	Somewhere in between these two.	Not a reasonable rate increase compared to the loss of services.
Limits rate increases to just that required to meet the need	3	Assess this by ranking the options from highest rate increase to lowest increase. The lowest increase meets this criteria, the highest increase does not meet, and the one in between partially meets the criteria.	Lowest rate increase	Middle rate increase	Highest rate increase
Is equitable, ensuring that no specific group is disadvantaged	2	Assess this as the impact on users of services from fee increases and service reductions compared to the impact on ratepayers. If this impact seems to be balanced then the option meets the criteria. If is slightly out of balance the option partially meets the criteria. If it is way out of balance then the option doesn't meet the criteria.	Balanced	Slightly out of balance	Way out of balance
Does not require council to spend more	1	Only the borrowing component requires council to spend more. If this component is not used the option will meet this criterion.	Borrowing not used	Not applicable	Borrowing used

Generation and Evaluation of Options

Approach to Generation of Options

Table groups were mixed up randomly between refinement of the criteria and 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 fee increases, service reductions, efficiencies, borrowing, rate increases, and acceptance of deterioration in infrastructure condition. Each table group was provided with a set of 'option components' and asked to select the mix of components they wanted in their solution. Table groups discussed and agreed on the mix of the components of their solution, and then named their solution.

The option components used for Meeting 6 are provided in the Generate Options Worksheet which is attached. The differences between these components and those used at Meeting 5 are as follows:

- Reductions in infrastructure relating to libraries and aquatic centres were included in the Service reductions list.
- Components that have more community involvement through partnerships were explicitly highlighted
- A new type of component – accept infrastructure deterioration – was introduced as a balancing component. If table groups could not reach the target through the other options, they could use this to make up the difference, and nominate the class of infrastructure where they thought this would be most acceptable.

Approach to Evaluation of Options

Table groups were mixed up randomly between generation and evaluation of options.

Table groups were asked to evaluate the options against the refined criteria. Each table group evaluated each option. At least one representatives from each group that generated the option was present in the evaluation group to describe the key features of the option. The table groups discussed all three options and noted whether they met, partially met, or did not meet each the six criteria, and then calculated a corresponding weighted score for each option.

Table groups then summarised and discussed their results, reviewing and refining their evaluation to ensure it made sense.

Options Detail

Option Name:	The Three Threes	
Component	Comment	Value (million)
Fee increases	All but increases for hall hire	\$0.495
Service reductions	All including closing branch libraries and one aquatic centre	\$4.0
Efficiencies	All but outsourcing IT	\$0.97
Borrowing	Borrowing	\$1.0
Rate increase	3.3% for three years Average rate in 2016 \$1,243 \$113 above the rate cap by 2016	\$6.035
Infrastructure deterioration	Not acceptable	\$ -
TOTAL		\$12.5


Option Name:	48 Hours	
Component	Comment	Value (million)
Fee increases	All except pay for parking	\$0.2
Service reductions	All except for closing branch libraries and aquatic centres	\$0.5
Efficiencies	All	\$1.0
Borrowing	No borrowing	\$ -
Rate increase	4.1% for three years Average rate in 2016 \$1,271 \$141 above the rate cap by 2016	\$7.5
Infrastructure deterioration	Accept \$3.7 primarily in parks and sporting fields (this represents 42% of the parks and reserves budget)	\$3.7
TOTAL		\$12.5


Option Name:	Happy People	
Component	Comment	Value (million)
Fee increases	All but reduced subsidies for use of community facilities, increased charges for hall hire, and pay for parking	\$0.195
Service reductions	All but closing branch libraries and aquatic centres	\$0.5
Efficiencies	All but providing Women's Rest Centre Services through partnership with community organisations	\$0.9
Borrowing	Borrowing	\$1.0
Rate increase	5.5% for three years Average rate in 2016 \$1,321 \$191 above the rate cap by 2016	\$10.0
Infrastructure deterioration	Not acceptable	\$ -
TOTAL		\$12.595


Options Summary

Value (million)	Option Name		
Component:	The Three Threes	48 Hours	Happy People
Fee increases	\$0.495	\$0.2	\$0.195
Service reductions	\$4.0	\$0.5	\$0.5
Efficiencies	\$0.97	\$1	\$0.90
Borrowing	\$1	\$ -	\$1
Rate increase	\$6.035	\$7.5	\$10.0
(per year for 3 years)	3.3%	4.1%	5.5%
Infrastructure deterioration	\$ -	\$3.7	\$ -
TOTAL VALUE	\$12.5	\$12.5	\$12.595




Options Evaluation Details

Evaluated by			
Evaluation Score	Option Name		
Criteria	The Three Threes	48 Hours	Happy People
Maintains services for desired future	3	3	6
Includes achieving efficiencies	6	6	6
Demonstrates value for money	3	3	3
Rate increases limited to the need	6	3	0
No specific group is disadvantaged	0	2	2
Does not require council to spend more	0	2	0
TOTAL SCORE	18	19	17

Evaluated by			
Evaluation Score	Option Name		
Criteria	The Three Threes	48 Hours	Happy People
Maintains services for desired future	3	0	6
Includes achieving efficiencies	6	6	3
Demonstrates value for money	0	3	6
Rate increases limited to the need	6	3	0
No specific group is disadvantaged	0	0	4
Does not require council to spend more	0	2	0
TOTAL SCORE	15	14	19

Evaluated by			
Evaluation Score	Option Name		
Criteria	The Three Threes	48 Hours	Happy People
Maintains services for desired future	0	0	3
Includes achieving efficiencies	6	6	6
Demonstrates value for money	3	3	3
Rate increases limited to the need	6	3	0
No specific group is disadvantaged	0	2	4
Does not require council to spend more	0	2	0
TOTAL SCORE	15	16	16

Options Evaluation Summary

Evaluation Score	Option Name		
Evaluated by	The Three Threes	48 Hours	Happy People
	18	19	17
	15	14	19
	15	16	16
TOTAL SCORE	48	49	52

At the end of this evaluation it was agreed that there was no clearly preferred option, as not all members of the Community Working Group could support all aspects of any one.

Finding a Preferred Option

At this point table groups were asked to look for the common elements and best features of the options that they could support. The best features that were identified were:

- Maintain as many services as possible, especially libraries and pools, and considering the projected future population increases
- Combine a bit of everything, fee increases, service reductions, borrowing
- As little infrastructure deterioration as possible
- Pick up as much efficiency as possible
- Middle of the road rate increase
- Borrowing is acceptable because the current generation does not think it is reasonable that they should have to pay the consequences of poor decisions of the past, but that that these should also be shared with future generations

One table group suggested a balanced approach that combined the middle ground of all three options. After discussion one combination was found that all members of the Community Working Group could support.

The Preferred Option

Summary

Option Name:	The preferred option	
Component	Comment	Value (million)
Fee increases	All except pay for parking	\$0.2
Efficiencies	All of the proposed efficiencies	\$1.0
Borrowing	Borrowing	\$1.0
Rate increase	4.6% for three years above the rate cap Average rate in 2016 \$1,287 \$157 above the rate cap by 2016	\$8.3
Service reductions	All except closing branch libraries and one aquatic centre	\$0.5
Infrastructure deterioration	Accept some deterioration across all asset classes	\$1.5
TOTAL		\$12.5

Details

The following Initiatives are recommended by the Community Working Group as part of the preferred option.

Increases in fees and charges to users of facilities (\$0.2 million)

Initiative	Difficulty	Timeframe	Extra income
Use the garage for commercial operations to earn income.	Easy	1-2 years	\$20,000
Lease areas of the aquatic centres for income generating activities.	Moderate	1-2 years	\$50,000
Build stronger partnerships with community groups to reduce subsidies for use of community facilities.	Hard	1-2 years	\$100,000
Seek greater involvement of sporting clubs in contributing to the cost of operations and maintenance of sporting fields.	Hard	1-2 years	\$15,000
Lease space in parks to cafes and food businesses to generate income.	Hard	1-2 years	\$10,000
Increase charges for hall hire.	Hard	1-2 years	\$5,000
Total			\$200,000

Reductions in services (\$0.5 million)

Initiative	Difficulty	Timeframe	Savings
Close pools during quieter periods such as winter, staggering the closures, and closing outdoor pools leaving the indoor pools open.	Moderate	1-2 years	\$100,000
Reduce the frequency of street cleaning and focus on the most important areas.	Moderate	1-2 years	\$150,000
Have just one large festival per year rather than two	Hard	1-2 years	\$100,000
Reduce free sideline mowing	Hard	3-5 years	\$150,000
Total			\$500,000

Operational efficiencies (\$1 million)

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

Borrowing (\$1 million)

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. Council would be required to spend an extra \$1.43 million per year on interest. Our debt service ratio would increase from 1.6% to 4.3%.

Accept Infrastructure Deterioration (\$1.5 million)

Roads are not maintained or improved at the level needed.

Footpaths and bike paths are not maintained or improved at the level needed.

Parks and sporting fields are not maintained or improved at the level needed. A few sporting fields may ultimately be closed and converted into open space. Some sporting clubs may be affected.

Buildings 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.

Generate Option Worksheet

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Worksheet 2 - Generate Option

Summary

Option Name:	
Group (circle one)	1 2 3 4 5

Component	Component Value	Cumulative Total
Fee Increases		
Service Reductions		
Efficiencies		
Borrowing		
Rate Increase		
Accept Infrastructure Deterioration		
TOTAL	\$12.5 million	

Comments:

Fee increases

Tick to include	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	Build stronger partnerships with community groups to reduce subsidies for use of community facilities.	Hard	1-2 years
	\$15,000	Seek greater involvement of sporting clubs in contributing to the cost of operations and maintenance of sporting 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 \$500,000 or **\$0.5 million**.

Shaded rows indicate components with increased community involvement.

Service Reductions

Tick to include	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
	\$2,000,000	Close the three branch libraries at Earlwood, Lakemba and Riverwood, leaving just the central library at Campsie open.	Very Hard	3-5 years
	\$1,500,000	Close one aquatic centre (either Canterbury or Roselands).	Very Hard	3-5 years

The total savings from all of these ideas is \$4,000,000 or **\$4.0 million**.

Operational Efficiencies

Tick to include	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, use electronic payslips.	Moderate	1-2 years
	\$20,000	In partnership with community groups 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	Provide Women's Rest Centres services through partnership with community organisations.	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**.

Shaded rows indicate components with increased community involvement.

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. Council would be required to spend an extra \$1.43 million per year on interest. Our debt service ratio would increase from 1.6% to 4.3%.

Rate increases

Tick the one chosen	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

Accept Infrastructure Deterioration

If after considering all the other available components the target has not been reached, accepting the deterioration of public infrastructure could be considered.

Tick the types of infrastructure for which this deterioration would be acceptable.

	Roads are not maintained or improved at the level needed.
	Footpaths and bike paths are not maintained or improved at the level needed.
	Parks and sporting fields 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.
	Buildings 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.