

**OFFICERS REPORTS****4 SPECIAL RATE VARIATION COMMUNITY ENGAGEMENT PROGRAM UPDATE****FILE NO:** C-114-7**REPORT BY:** GENERAL MANAGER

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**Summary:**

- It is our intention to apply to IPART for Special Rate Variations in early 2014 ready to commence in the 2014-15 financial year.
- We are currently undertaking a program of community engagement to involve our community in determining the level and timing of Special Rate Variations they are willing to support.
- Over the past four months we have worked with a randomly selected representative sample of the Canterbury community (a deliberative group, called the Community Working Group) to determine the preferred mix of rate increases and service reductions.
- This report outlines the deliberative group process, and the option preferred by the Community Working Group.
- The report recommends adoption of a position on the mix of rate increases and service reductions for the purpose of further engagement with the wider Canterbury community, and amendment of the Community Strategic Plan, Council Delivery Program Strategic Asset Management Plan, and Long Term Financial Plan, all adopted on 27 June 2013.

**Council Delivery Program and Budget Implications:**

This report recommends adoption of a position on the mix of rate increases and service reductions for the purpose of further community engagement prior to an application to the Independent Pricing and Regulatory Tribunal (IPART) for Special Rate Variations to commence in the 2014-15 financial year. It supports our long term goals of Healthy Finances, Engaged Community and Effective Governance.

**Report:**

Following extensive community consultation, it is proposed to apply to IPART for Special Rate Variations in early 2014 ready to commence in the 2014-15 financial year. To be successful in our application we must have completed the review of our Integrated Plans and undertaken a program of engagement to involve our community in determining the level of Special Rate Variations they are willing to support. We must advise IPART of our intention to apply, and specify the size and timing of the rate variation proposed, by 13 December 2013. We must submit our application to IPART by 24 February 2013.

A workshop for Councillors covering the planned community engagement program and the need for Special Rate Variations as indicated by our Long Term Financial Plan was held on 8 May 2013. Councillors who attended the workshop expressed general support for the long term financial direction and the community engagement program explained at the workshop.

**SPECIAL RATE VARIATION COMMUNITY ENGAGEMENT PROGRAM UPDATE (CONT.)**

At the subsequent Council meeting on 23 May 2013, a program of community engagement was endorsed and included:

1. A Project Steering Group, advising on how best to engage our diverse community.
2. A deliberative group (the Community Working Group), a randomly selected representative sample of the Canterbury community, with which a series of conversations would be conducted about the challenges facing council and the ways in which they could be resolved.
3. Engagement of the broader community whereby the conversations with the deliberative group can be made as publicly available as possible, and feedback can be gathered.
4. Council and organisation support.

This report provides an update on the progress of this engagement program, and presents the Community Working Group's preferred option.

**Project Steering Group**

The Project Steering Group (PSG) has provided advice on the process of engagement. The group was selected through a call for expressions of interest distributed to a range of community organisations. The PSG has provided useful insight and advice on the formation and operation of the Community Working Group, and the activities and approach needed to ensure the broader engagement is effective. The PSG will meet again several times over the next four months continuing to further advise on the engagement with the wider community.

**Engagement with the wider community**

We continue to invite contributions to the Rates and Services Review via the website: <http://haveyoursaycanterbury.com.au>. Posters, flyers and feedback forms have also been distributed to Libraries, Childrens Centres, Senior Citizens Centres and to our community networks. Language assistance is also available via our Customer Service Centre for those who need it.

We are also continuing with other broader community engagement activities, including using our newsletter, council column, social media such as Facebook and Twitter feed, council app, and posters and flyers distributed across the city to promote this website and invite people to participate in the review. Advertisements have also been placed in local English and community language newspapers.

We are planning face to face engagement, including visits and presentations to community groups; and a series of community forums around Canterbury in December 2013 – January 2014.

**Community Working Group**

Recruitment of the Community Working Group was undertaken by an independent market research company, IRIS research. They utilised random survey methodology to recruit 36 community members with an appropriate gender, age, and geographical distribution. 24 of these agreed to participate. A demographic profile of the group was obtained at the first meeting, and has previously been distributed to councillors. It shows the group is representative of the Canterbury community.

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**SPECIAL RATE VARIATION COMMUNITY ENGAGEMENT PROGRAM UPDATE (CONT.)**

Over a period of four months the Community Working Group has met six times, each time for several hours, working through series of structured conversations to gain a better understanding about what council does and how much it costs, what the challenge is and how it might be solved, and to work together towards a solution that the whole group could support.

- **Meeting 1 – 1 August 2013:**

The group was introduced to each other, to the rates and services review program, and to the issue. They developed a list of questions about council rates and services. Council staff prepared answers to these questions for discussion at the second meeting.

- **Meeting 2 – 20 August 2013:**

The answers to the questions from the first meeting were reviewed and discussed. There was then a discussion around three scenarios for service reductions and rate increases. A number of things emerged as common values when considering the impact of reducing the services council provides. This then led to a discussion and development of a shared definition of the challenge facing council. The group expressed the challenge facing council:

“How can council maintain the services needed to improve the high quality of life in Canterbury, keep costs down and find alternative sources of income so that rates can be kept as low as possible, and clearly demonstrate the need for any increase in rates?”

- **Meeting 3 – 11 September 2013:**

The group were provided with profiles for sixteen different service areas and asked to consider how important each service area was. They brainstormed possible strategies to solve the challenge, thinking specifically about the service areas and their income, service levels, and costs, coming up with over 50 different ideas. Between meeting 3 and meeting 5, Council staff reviewed these to see which ones had already been implemented, which ones were feasible, and how much benefit they might provide.

- **Meeting 4 – 9 October 2013:**

The group discussed the future they wanted for the City of Canterbury and the services needed to achieve this desired future. They developed a list of key features of a good solution to the challenge which formed evaluation criteria.

- **Meeting 5 – 23 October 2013:**

The group discussed the feasibility of the ideas that were generated at the third meeting. They then generated and evaluated options. The initial evaluation resulted in considerable discussion about the application of the criteria, and it was agreed that no clear preferred option(s) had emerged. It was also agreed that the evaluation needed to be repeated at the next meeting in a way that included a way of interpreting the criteria and weightings for the criteria.

- **Meeting 6 – 7 November 2013:**

The group refined the criteria, generated new options, and evaluated them. Again no clear preferred option emerged. The group then discussed the features common to all options and came up with a new option that they all could support.

## SPECIAL RATE VARIATION COMMUNITY ENGAGEMENT PROGRAM UPDATE (CONT.)

**The preferred option**

In 2014-15 our forecast annual deficit is \$12.5 million. The Community Working Group created an option to meet this deficit that combined 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 they could all support. The ideas for these different components were generated by the Community Working Group and assessed for feasibility and potential benefit by council staff.

The characteristics of this option that meant it could be supported were:

- Maintain as many services as possible, especially libraries and pools, and considering the projected future population increases;
- Combine a bit of all the components, including additional income, fee increases, service reductions, borrowing, and rate increases;
- Accept as little infrastructure deterioration as possible;
- Find as much efficiency in council operations as possible;
- Have a rate increase that was ‘middle of the road’
- Accept borrowing because the current generation should not have to pay for the consequences of inadequate infrastructure maintenance in the past, this should be shared with future generations.

The option preferred by the Community Working Group is as follows:

<b>Option preferred by Community Working Group</b>	
<b>Initiative</b>	<b>Benefit</b>
<b>Increase income through commercial activities or user fees</b> - Increase charges to users of sporting fields and community facilities. - Lease areas of aquatic centres and parks for income generating activities. - Undertake commercial operations eg. garage that earn income.	\$0.2 million
<b>Service reductions</b> - Close outdoor pools alternately during winter, but leave indoor pools open. - Reduce the frequency of street cleaning and focus on most important areas. - Have just one large festival per year. - Reduce free nature strip mowing.	\$0.5 million
<b>Achieve further efficiencies in council operations</b> - Review excess for public liability insurance. - Outsource management of the aquatic centres. - 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. - Pay staff fortnightly, use electronic payslips. - In partnership with community groups provide more legal walls for graffiti to reduce cost of removal in other areas. - Achieve savings through implementing the dumped rubbish minimisation strategy, changes to structure of regulatory services, and outsourcing	\$1 million

## SPECIAL RATE VARIATION COMMUNITY ENGAGEMENT PROGRAM UPDATE (CONT.)

<b>Option preferred by Community Working Group</b>	
<b>Initiative</b>	<b>Benefit</b>
Information Technology where appropriate. - Provide Women's Rest Centres services through partnership with community organisations.	
<b>Infrastructure deterioration</b> - Accept some deterioration in roads, footpaths, parks and buildings	\$1.5 million
<b>Borrowing</b> - 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. - Repayments are \$2.65 million per year, so the net benefit per year in the first ten years is \$1 million. - 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%.	\$1 million
<b>Rate increase</b> - <b>4.6%</b> per year for 3 years above the rate cap - Average residential rate in 2016 <b>\$1,297</b> - Increase above the rate cap by 2016 <b>\$157</b>	\$8.3 million
<b>Total</b>	<b>\$12.5 million</b>

**Alternative options**

Whilst the group discussed many different options as they worked towards a preferred one, there are two that provide a useful comparison in understanding implications of the challenge facing council. These are no rate increase, or no service reductions, and are detailed below.

<b>No Rate Increase</b>	
<b>Initiative</b>	<b>Benefit</b>
<b>Increase income through commercial activities or user fees</b> As for the preferred option plus: - Introduce pay for parking in car parks and town centres	\$0.5 million
<b>Service reductions</b> - As for the preferred option plus: - Close branch libraries - Close one aquatic centre, either at Canterbury or Roselands	\$4 million
<b>Achieve further efficiencies in council operations</b> As for the preferred option.	\$1 million
<b>Infrastructure deterioration</b> (\$7 million) - Accept serious deterioration in roads, footpaths, parks and buildings, resulting in major failures and extreme repair costs at some future time.	\$7 million
<b>No borrowing</b>	nil
<b>No rate increase</b>	nil
<b>Total</b>	<b>\$12.5 million</b>

## SPECIAL RATE VARIATION COMMUNITY ENGAGEMENT PROGRAM UPDATE (CONT.)

<b>No Service Reductions</b>	
<b>Initiative</b>	<b>Benefit</b>
<b>No increases in user fees</b>	nil
<b>No service reductions</b>	nil
<b>Achieve further efficiencies in council operations</b> As for the preferred option.	\$1 million
<b>No infrastructure deterioration</b>	nil
<b>No borrowing</b>	nil
<b>Rate increase</b> - 6.3% per year for 3 years above the rate cap - Average residential rate in 2016 <b>\$1,351</b> - Increase above the rate cap by 2016 <b>\$221</b>	\$11.5 million
<b>Total</b>	<b>\$12.5 million</b>

It is important to note that the Community Working Group, representative of the Canterbury community, were not able to support the following aspects of these options:

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

### Next Steps

The date for submission of applications for Special Rate Variations has now been set by the Independent Pricing and Regulatory Tribunal (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. IPART also requires evidence that the wider community is aware of any proposed rate increase.

A position on the mix of rate increases and service reductions is to be included in these documents, for the purpose of further engagement with the wider Canterbury community, must now be determined in order to provide sufficient time to generate community awareness.

We are planning to continue the activities already outlined, as well as face to face engagement including visits and presentations to community groups eg. parents and friends, chambers of commerce, and others that are conducted in council community centres; and a series of community forums around Canterbury in December 2013 – January 2014.

As the due date for applications is before the first meeting of council in 2014 (likely to be 27 February 2014), it is proposed to convene an Extraordinary Meeting of Council in early February 2014. Further details of this meeting will be supplied later. At this meeting any feedback arising from this further engagement with the wider community will be reported, and Council will be asked to resolve that an application to IPART should be made, and confirm the nature of that application.

## SPECIAL RATE VARIATION COMMUNITY ENGAGEMENT PROGRAM UPDATE (CONT.)

**RECOMMENDATION:**

## THAT

1. A position on the mix of rate increases and service reductions be adopted for the purpose of further engagement with the wider Canterbury community, and for the purpose of providing advice to IPART on 13 December 2013 of the nature of the intended application for a Special Rate Variation;
2. The Community Strategic Plan, Council Delivery Plan, Strategic Asset Management Plan, and Long Term Financial Plan, all adopted on 27 June 2013, be amended to include this adopted position.

**COUNCIL MEETING**  
**RESOLUTION - 28 NOVEMBER 2013**

**4**     **SPECIAL RATE VARIATION COMMUNITY ENGAGEMENT PROGRAM UPDATE**

FILE NO:     C-114-7

**Min. No. 421**   **RESOLVED** (Councillors Azzi/Hawatt)

## THAT

1. For the purpose of submitting an application for a Special Rate Variation (SRV), to the Independent Pricing and Regulatory Tribunal (IPART) in 2014, the Community Working Group's preferred option, set out below, be adopted:

<b>Option preferred by Community Working Group</b>	
<b>Initiative</b>	<b>Benefit</b>
<b>Increase income through commercial activities or user fees</b> - Increase charges to users of sporting fields and community facilities. - Lease areas of aquatic centres and parks for income generating activities. - Undertake commercial operations eg. garage that earn income.	\$0.2 million
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## SPECIAL RATE VARIATION COMMUNITY ENGAGEMENT PROGRAM UPDATE (CONT.)

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<b>Borrowing</b> - 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. - Repayments are \$2.65 million per year, so the net benefit per year in the first ten years is \$1 million. - 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%.	\$1 million
<b>Rate increase</b> - <b>4.6%</b> per year for 3 years above the rate cap - Average residential rate in 2016 <b>\$1,297</b> - Increase above the rate cap by 2016 <b>\$157</b>	\$8.3 million
<b>Total</b>	<b>\$12.5 million</b>

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.
5. Subject to Clause 2 above Council's strategic planning documents be updated to reflect the Community Working Group's preferred option.
6. A formal vote of thanks be given to all the community representatives who took time out to deliberate on such an important issue for our City.