

Our Ref: 117/42 (992913)

Phone Enquiries: [REDACTED]  
Leah Flint

12 December 2013

Mr Hugo Harmstorf  
Chief Executive Officer  
Independent Regulatory & Pricing Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Dear Mr Harmstorf

Re: Notification of Council's intention to apply for a Section 508A Special Rate Variation

Maitland City Council, at its meeting held on 10 December 2013, resolved unanimously, to notify the Independent Pricing and Regulatory Tribunal (IPART) of its intention to lodge an application for a multi-year variation for seven years under Section 508A of the *NSW Local Government Act*, commencing in the 2014–2015 financial year.

Council's full resolution on this matter includes that:

1. The Independent Pricing and Regulatory Tribunal (IPART) be advised of Council's intention to apply for an up to 8.35% increase to total rates revenue each year for seven years, as permitted under Section 508(A) of the *Local Government Act 1993*, by 13<sup>th</sup> December 2013;
2. Community consultation on the proposal is continued, focused on the release of a revised Delivery Program 2013-17 and Operational Plan 2014/15, incorporating fees and charges (including rating);
3. Work is commenced on the development of an application to IPART and required supporting documents, noting the deadline for submission of 24<sup>th</sup> February 2014;
4. Further consideration is given to mitigating the impact of the variation proposal on farmland ratepayers, prior to making a formal application;
5. Council continues to pursue organisational efficiencies through the continued implementation of its service sustainability program and regular service reviews;
6. A review of Council's existing 'Debt Recovery and Hardship Policy' is undertaken, and a revised policy/policies returned to Council for consideration;
7. Council considers methods to improve community awareness of the services provided by Council, the costs associated with service delivery and costs imposed by other levels of government.

A copy of the Council report is enclosed.

Council's decision follows eight months of community engagement in relation to the financial future of the Council and its ability to maintain and enhance services. Consequently, the purpose of this special rate variation is to secure the financial sustainability of Council, to maintain existing services and to enhance services in areas of community priority in one of the fast growing local government areas in New South Wales. Without a variation, our long term financial model forecasts a \$92 million deficit at the end of ten years in order to simply to maintain services.

Council is aware that a seven year variation is the maximum allowed under legislation. However, extensive consultation with the community has found strong support for ensuring financial sustainability, and support for the services that Council will provide into the future.

It should be noted that as Council's variation is being sought on the basis of securing financial sustainability, seven years is considered the most appropriate period in which to achieve this. The fundamental drivers of the financial sustainability challenge will not materially change over the next few years, and every year delayed exacerbates the problem.

We look forward to completing the application and providing the necessary support documentation.

Should you have any queries or require additional information, please do not hesitate contact Ms Leah Flint, Executive Manager Corporate Planning and Engagement on [REDACTED]  
[REDACTED]

Yours sincerely

[REDACTED]  
David Evans  
General Manager

Encl.

**9.1 SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL****File No:** 117/41/3**Attachments:**

1. Funding our future - seven year rating proposal online survey report
2. Funding our future - seven year rating proposal submissions
3. Funding our future - seven year rating proposal independent telephone survey report
4. Funding Our future - seven year rating proposal Western Research Institute report

**Responsible Officer:** David Evans - General Manager**Author:** Leah Flint - Executive Manager Corporate Planning and Engagement**Maitland +10** Outcome 19. A Council for now and future generations**Council Objective:** 19.1.1 To ensure the principles of sustainability underpin Council's financial, economic, social and environmental decision-making

---

**EXECUTIVE SUMMARY**

*The third stage of the most significant engagement process ever undertaken between Council and the residents and ratepayers of Maitland concluded on the 29<sup>th</sup> November 2013.*

*As reported to Council in October 2013, the engagement for this phase was designed to ensure resident awareness and seek input into a proposal to increase rates to maintain and enhance key services to our growing City over a seven year period – effectively ensuring the future financial sustainability of Council.*

*The development of the proposal followed earlier extensive engagement efforts informing residents of the financial challenge facing Council, and consulting on preferred options. Over 620 residents contributing to this discussion via surveys, on-line or face-to-face discussions, with the results indicating the majority of residents would like to see Council's services maintained, and some particular areas enhanced, moving forward. These results, examined in concert with the adopted strategies of Council, led to the development of a refined proposal for the future.*

*Examining the revenue required to deliver services as maintained, and key services enhanced, additional revenue of \$117 million would be required over the next ten years. Thus, in seeking to achieve this amount, the proposal presented an 8.35% (including the previously anticipated annual rate peg of 3.2%) increase to total rates revenue each year for over seven years. The proposal also incorporated a redistribution of rating across the four rating categories (residential, business, mining and farmland) to address comparatively high levels of rating for business and farmland ratepayers. This redistribution results in varying average percentage increases for average ratepayers within each category over the period of the*

---

SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

*variation.*

*Approximately 835 residents contributed to the third phase of consultation, through the on-line survey, face-to-face information sessions, on-line forums, social media and telephone survey. It should be noted that some of these residents may have contributed their thoughts through multiple means.*

*This report presents the results of the consultation and responses to key issues raised. It should be noted that this most recent consultation was part of an ongoing process initiated in early 2013.*

*Whilst acknowledging most residents do not wish to pay more for services from any level of government, support exists for the maintenance of Council's services, as well as enhancements in some areas. This has been demonstrated not only over recent months, but consistently over recent years in engagement processes for a range of community, social, land use and infrastructure strategies and plans, as well as via annual community satisfaction surveys.*

*A key element of this phase of consultation was the staging of a randomly selected telephone survey by Micromex Research. This survey, presented as an accurate and robust measure of the entire Maitland community's attitudes, found 91% of residents believe it is important to very important that Council continues to improve and enhance services. It found 74% of residents were somewhat to very supportive of Council proceeding with the proposed special rate variation, and 82% consider the introduction of the special rate variation as at least somewhat to very important.*

*Given consideration of the range of contributing factors and examination of issues (including community feedback, efficiency, comparative rating, rate revenue per capita and affordability), it is suggested that Council moves forward with an application to the Independent Pricing and Regulatory Tribunal (IPART) to increase rates above the standard rate peg. It is suggested this should be up to the amount proposed, being 8.35% each year for seven years.*

*Simply, the primary contributing factors to Council's ongoing financial sustainability challenge are not expected to change over upcoming years, and nor is non-Council controlled revenue expected to materially increase. Whilst no doubt bold and controversial, Council has the opportunity to pursue and potentially secure an own-source stream of revenue to underpin the sustainable provision of services to the City over time.*

*It should be noted that residents will have further opportunities for comment on Council's services, as well as fees and charges (including rating), following the release of a draft Delivery Program 2013-17 (Revised) and Operational Plan 2014/15, which will be based on the assumption of an 8.35% increase. This will be returned to Council for adoption in February 2014, and will support Council's application to IPART.*

**OFFICER'S RECOMMENDATION****THAT**

1. The Independent Pricing and Regulatory Tribunal (IPART) be advised of Council's intention to apply for an up to 8.35% increase to total rates revenue each year for seven years, as permitted under Section 508(A) of the *Local Government Act 1993*, by 13<sup>th</sup> December 2013;
2. Community consultation on the proposal is continued, focused on the release of a revised Delivery Program 2013-17 and Operational Plan 2014/15, incorporating fees and charges (including rating);
3. Work is commenced on the development of an application to IPART and required supporting documents, noting the deadline for submission of 24<sup>th</sup> February 2014;
4. Further consideration is given to mitigating the impact of the variation proposal on farmland ratepayers, prior to making a formal application;
5. Council continues to pursue organisational efficiencies through the continued implementation of its service sustainability program and regular service reviews;
6. A review of Council's existing 'Debt Recovery and Hardship Policy' is undertaken, and a revised policy/policies returned to Council for consideration;
7. Council considers methods to improve community awareness of the services provided by Council, the costs associated with service delivery and costs imposed by other levels of government.

**REPORT**

Council has recently concluded the third phase of engagement on the future financial sustainability of Council, and the provision of services to our expanding community.

During this phase, the community was informed of the package of services to be delivered by Council under a proposed seven (7) year rating proposal.

**Service package**

Under the proposal, the following services would be provided by Council. It should be noted that this list by no means covers all activities undertaken by the organisation, but rather presents services in a way that has meaning to the broader community.

SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

Table 1 – Services to be provided by Council

<b>SUSTAINING COUNCIL SERVICES</b>	<b>DESCRIPTION</b>
<b>Asphalt resurfacing of roads*</b>	Annual resurfacing programs are enhanced through an additional \$3.85 million over seven years to enhance quality and amenity.
<b>Bus shelters*</b>	Council's program to address accessibility issues and improve bus stops, footpaths and kerbsides is enhanced through an additional \$350,000.
<b>Business support</b>	Council's business support services, including finance, information technology, governance, information management, risk and insurances, human resources and corporate planning are maintained and enable frontline operations.
<b>Cemeteries</b>	Management of Council's cemeteries continues as programmed at East Maitland, Morpeth and Rutherford for burials, with maintenance of Glebe, Oakhampton, Hiland Crescent, Louth Park and Campbell's Hill cemeteries. No additional funding will be directed to this area, meaning implementation of Council's Cemetery Strategy will be staged over time, with no immediate changes to interment options.
<b>Central Maitland revitalisation</b>	The Levee is constructed, featuring new street furniture, lighting, parking and café facilities, as well as a building connecting High Street to the River Bank. An upgrade of the Maitland Railway Station precinct and Athel D'Ombra Drive is completed, supported by new residential housing.
<b>City pride (litter collection, street sweeping, dumping, graffiti and gardens)</b>	Litter collection, street sweeping and graffiti removal is maintained at current levels. Litter collection is focused on high visibility locations, and response times to reports of dumping and graffiti remain at current levels. Graffiti removal is also undertaken in partnership with local service clubs.
<b>Community buildings, public toilets and amenities *</b>	Enhancing currently programmed works, additional maintenance, renovations, extensions and construction will be undertaken through an additional \$2.5 million over seven years.
<b>Community events</b>	Community events will continue to be delivered as programmed, including- Aroma, New Year's Eve. Steamfest, Taste, and Riverlights in Central Maitland, Australia Day in Maitland Park and Bitter and Twisted at Maitland Gaol.

## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

<b>Community services</b>	Planning and support for specific community groups continues, with Council working in partnership with a range of groups across the City.
<b>Customer service delivery - transactions, requests, applications and permits and community engagement</b>	Processes for lodging customer service requests, development applications and permits and other advice from Council staff remain at current levels. Community engagement is focused on key projects.
<b>Cultural Services/MRAG</b>	Maitland Regional Art Gallery (MRAG) continues operations as currently programmed, being open Tues-Sun from 10.00am-5.00pm. Exhibitions are regularly refreshed, with a range of programs for children and adults. An on-site café and gift shop also operate.
<b>Emergency management and response</b>	Contributions to NSW Fire Brigade, State Emergency Service and Rural Fire Service are maintained. Council maintains SES buildings, contributes to planning processes and is geared to assist in times of emergency.
<b>Environmental and sustainability programs</b>	A range of community and school education programs continues to be delivered across the city. This includes seedling giveaways, weed removal, roadside vegetation management and native vegetation establishment, energy and water saving reduction programs.
<b>Footpaths*</b>	Expanding Council's current annual program of works, the construction of footpaths in older suburbs supported via an additional \$2.1 million over seven years.
<b>Health and safety</b>	Council's community health and safety initiatives are maintained at current levels, including food surveillance, health inspections and immunisation programs.
<b>Heritage</b>	Heritage programs including publications, restoration grants are maintained at sustained at current levels.
<b>Library services</b>	Services and programs for children and adults are maintained at East Maitland Library, Thornton Library, Rutherford Library and Maitland (Central) Library.
<b>Line marking and delineation*</b>	An expansion of Council's line marking and delineation (including reflective markers and signage) is possible through an additional \$700,000.
<b>Major road reconstruction*</b>	An additional \$7 million allocated to major projects on urban and rural roads over seven years, extending Council's current four year program.
<b>Place activation *</b>	An additional \$1 million over seven years is directed to activating key spaces in the City, focused on attracting people to the CBD, as well as increased activities on the

## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

	river walk and river bank.
<b>Planning and development</b>	Council's development assessments and building controls are maintained at current levels, supporting the city's growth.
<b>Pools/aquatic services</b>	East Maitland Pool season extends from Sept- April. Additional indoor heated 25m pool constructed at Maitland Pool, allowing year round use.
<b>Recreational cycleways, trails and shared pathways *</b>	Development of recreational cycleways is enhanced through an additional \$2 million over seven years, focused on establishing connected off road networks.
<b>River access *</b>	Improved access to the Hunter River from Council owned lands is possible, through the allocation of an additional \$1 million over seven years.
<b>Sporting facilities, parks, playgrounds and picnic facilities *</b>	Maintenance of sporting facilities, parks and playgrounds is sustained at current levels, plus an additional \$2.5 million over seven years allows for new park furniture, exercise stations, improved access and parking across the city.
<b>Suburban town centres</b>	Maintenance and renewal programs of local suburban town centres occurs in line with current programs.
<b>Tourism, visitor services and economic development</b>	Tourism and visitor services are maintained, with Maitland Visitor Information Centre and Maitland Gaol operating at seven days per week, offering a range of programs and experiences. Economic development programs continue at current levels.
<b>Urban growth</b>	Long term land use and infrastructure strategic planning is maintained, ensuring sustainable development across the LGA.
<b>Waste management and recycling</b>	Collection and disposal of waste and recycling continues, with service levels to be enhanced over time. However, it should be noted that this service area is subject to a separate waste management charge (as listed on rates notices), and is not a component of the special rate variation package.
<b>Youth spaces (skate parks) and programs *</b>	Maintenance of existing youth spaces continues at current levels, while development of new youth facilities will result from an additional \$2 million over seven years. Possible facilities developed at Green Hills, Thornton and Central Maitland.

*\* Service level enhanced. Remaining services sustained at current levels to an increased population over time.*



## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

**Impact on rating**

The proposal put forward for consultation was to see total rates revenue increased by 8.35% each year for seven years.

As this increase to total rates income is made, the proportion of rates paid by each rating category would be adjusted over the period of the proposed variation to better reflect the overall value of land held by these ratepayers, ensure equitability and support economic development.

This would be achieved by the financial adjustments outlined in the table below.

Table 2 – Adjustments to apportionment of rating, 2014/15-2020/21, as presented

	Increase (Decrease) Rates 2014/15	Increase (Decrease) Rates 2015/16	Increase (Decrease) Rates 2016/17	Increase (Decrease) Rates 2017/18	Increase (Decrease) Rates 2018/19	Increase (Decrease) Rates 2019/20	Increase (Decrease) Rates 2020/21	Total Increase (Decrease) Rates
<b>Residential urban</b>	191,716	191,714	191,714	191,714	191,714	191,714	191,714	1,342,002
<b>Residential non urban</b>	0	0	0	0	0	0	0	0
<b>Farmland high intensity</b>	(33,858)	(33,857)	(33,857)	(33,857)	(33,857)	(33,857)	(33,857)	(237,001)
<b>Farmland low intensity</b>	(7,858)	(7,857)	(7,857)	(7,857)	(7,857)	(7,857)	(7,857)	(55,001)
<b>Business ordinary</b>	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(1,050,000)
<b>Mining</b>	0	0	0	0	0	0	0	0
<b>Total</b>	0	0	0	0	0	0	0	0

The implications of the 8.35% increase on total rate revenue each year, combined with the adjustments across the categories as outlined above, would result in percentage increases on the average property in each category as shown below.

Table 3 –Percentage increase for average properties in rating category, as presented

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Average Increase
<b>Residential urban</b>	9.13%	9.06%	8.99%	8.93%	8.87%	8.82%	8.77%	8.94%
<b>Residential non urban</b>	8.33%	8.31%	8.36%	8.35%	8.33%	8.35%	8.36%	8.34%
<b>Farmland high intensity</b>	6.15%	6.28%	6.42%	6.51%	6.67%	6.77%	6.87%	6.52%
<b>Farmland low intensity</b>	5.77%	6.06%	6.00%	6.20%	6.35%	6.68%	6.49%	6.22%
<b>Business ordinary</b>	6.76%	6.85%	6.95%	7.04%	7.13%	7.21%	7.28%	7.03%
<b>Mining</b>	8.55%	8.48%	8.10%	8.27%	8.35%	8.37%	8.33%	8.35%

## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

The following table illustrates the percentage increases in dollar terms on average land values within each rating category.

Table 4 – Annual financial impact for average properties within each category, as presented

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	
	Average Land Value	Actual Rates 13/14	Estimated Rates 14/15	Estimated Rates 15/16	Estimated Rates 16/17	Estimated Rates 17/18	Estimated Rates 18/19	Estimated Rates 19/20	Estimated Rates 20/21	Ave Rates Increase
<b>Residential urban</b>	\$148,000	\$986.54	\$1,076.61	\$1,174.15	\$1,279.70	\$1,393.98	\$1,517.63	\$1,651.48	\$1,796.32	\$115.68
<b>Residential non urban</b>	\$296,500	\$1,662.67	\$1,801.17	\$1,950.84	\$2,113.93	\$2,290.45	\$2,481.24	\$2,688.42	\$2,913.18	\$178.64
<b>Farmland high intensity</b>	\$686,000	\$2,954.46	\$3,136.16	\$3,333.11	\$3,547.09	\$3,778.01	\$4,030.00	\$4,302.83	\$4,598.44	\$234.85
<b>Farmland low intensity</b>	\$445,000	\$2,167.36	\$2,292.41	\$2,431.33	\$2,577.21	\$2,737.00	\$2,910.80	\$3,105.24	\$3,306.77	\$162.77
<b>Business ordinary</b>	\$303,500	\$5,260.57	\$5,616.18	\$6,000.89	\$6,417.95	\$6,869.77	\$7,359.59	\$7,890.21	\$8,464.62	\$457.72
<b>Mining</b>	\$1,039,000	\$151,903.88	\$164,891.66	\$178,874.47	\$193,363.30	\$209,354.45	\$226,835.55	\$245,821.68	\$266,298.63	\$16,342.11

Examining this as an average increase each year for the seven years is shown below.

Table 5 – Average percentage and dollar increases for average properties, as presented

	Average rates increase % per year	Average annual rates increase \$ per year
<b>Residential urban</b>	8.94%	\$115.68
<b>Residential non urban</b>	8.34%	\$178.64
<b>Farmland high intensity</b>	6.52%	\$234.85
<b>Farmland low intensity</b>	6.22%	\$162.77
<b>Business ordinary</b>	7.03%	\$457.72
<b>Mining</b>	8.35%	\$16,342.11
<b>TOTAL RATE REVENUE</b>	<b>8.35%</b>	<b>\$10.4 MILLION</b>

There has been some feedback during consultation on cumulative increases, and whether this should be expressed as summed or compounded totals, as well as with or without the expected standard rate peg. Consultation materials have consistently expressed the financial impact on ratepayers over each of the variation. In order to

## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

avoid confusion and misconception, percentage increases have been subsequently expressed as either summed or compounded totals.

The table below illustrates the compounded effect of the variation. As can be seen, the SRV proposal adds approximately an additional 50% over 7 years to what would have been paid by average ratepayers under a rate peg only scenario.

Table 6 – Compounded increase, including rate peg of 3.2%

	Average Land Value	2013/14 \$	Compounded % increase over 7 years Standard rate peg only	Compounded % over 7 years - SRV component	Compounded % over 7 years total (rate peg + SRV)	Average rate increase per annum \$	Estimated rate 2020/21 \$
<b>Residential urban</b>	\$148,000	\$986.54	30.41%	51.67%	82.08%	\$115.68	\$1,796.32
<b>Residential non urban</b>	\$296,500	\$1,662.67	24.74%	50.47%	75.21%	\$178.64	\$2,913.18
<b>Farmland high intensity</b>	\$686,000	\$2,954.46	7.96%	47.68%	55.64%	\$234.85	\$4,598.44
<b>Farmland low intensity</b>	\$445,000	\$2,167.36	4.82%	47.75%	52.57%	\$162.77	\$3,306.77
<b>Business ordinary</b>	\$303,500	\$5,260.57	12.36%	48.55%	60.91%	\$457.72	\$8,464.62
<b>Mining</b>	\$1,039,000	\$151,903.88	24.67%	50.64%	75.31%	\$16,342.11	\$266,298.63

### Consultation activities

Building on past consultation efforts, the following table outlines the activities undertaken to promote the consultation period, the opportunities provided for residents to share their thoughts on the seven year rating proposal and a summary of the results.

Table 7 – Consultation activities

Method	Description	Participation
Methods promoting consultation		
'Funding our Future'	DL brochure distributed to residential households across the LGA via Australia Post	DL brochure distributed to 27, 858 households.
Press advertising	Advertisements in the Herald, Post and Mercury, outlining the options and workshop dates	7 advertisements throughout the engagement period, 1 in the Herald, 3 in the Post and 3 in the Mercury. There was an average of one

## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

		advertisement run each week.
Information on the October 2013 rate notice	Information regarding Councils proposal to increase rates above the rate peg was included on the information slip attached to the rates notice. This included details on the community information sessions.	25,513 rate assessments were distributed in October with this information included.
Static displays and information	Posters, publications and information at Council sites and facilities	Customers able to see and take printed information or complete surveys online
Media releases issued, stories in press, stories in radio/TV	Two Council issued media releases were distributed, one at the commencement of the seven year rating proposal and one further promoting the community information sessions.	The Mercury printed eight articles over the engagement period, The Herald four, and The Post one. The proposal was discussed on 5 local radio stations.
Direct mailout to community and business leaders	Distribution to approximately 230 community organisations as outlined on our community directory and the Business Chamber network	One letter received outlining concerns on affordability. The letter has been included with the other submissions as an attachment to this report.
Databases of those that responded in Phase 2	Email distribution to approximately 213 participants who completed the survey in Phase 2 on the options available to Council. This email outlined the results from Phase 2 and the seven year rating proposal.	Nil direct response back from this email but over 250 people visited Maitland Your Say within two days of this email was distributed.
Database of Maitland Your Say registered members	Email distribution to approximately 364 registered members of Maitland Your Say outlining the consultation period and the ways in which they could participate.	Nil direct response back from this email but over 250 people visited Maitland Your Say within two days of this email was distributed.

## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

Methods providing feedback and comment		
Maitland Your Say – project hub	Project hub established on Maitland Your Say engagement site, featuring information sheets and rating calculator	698 visits to the site by 415 people during the consultation period of which 61 became registered members. There were 101 document downloads which included the package of services, DL brochure, Funding Our Future publication and rates proposal.
Maitland Your Say - on-line survey	An online survey on Maitland Your Say which is similar to the telephone survey.	167 people completed the survey. A summary of the results is included as Attachment 1.
Maitland Your Say - forum	Three forums on Maitland Your Say seeking thoughts on the service package under the proposal, the seven year rating package itself and community awareness of the proposal's contribution if it was approved to go ahead.	22 comments over the three forums, with the majority of comments on the topic asking residents what they thoughts of the seven year rating proposal. These comments primarily opposed the proposal and were looking for Council to 'live within its means'. 217 visitors to the site viewed these forum comments.
Maitland Your Say – quick poll	Quick poll asking visitors to the site whether they support the services under the seven year rating proposal.	35 of those that visited the site took the quick poll with 14.3% supportive of the services Council is proposing under the seven year rating proposal and 85.7% not supportive of the services.
Maitland Your Say - submissions	Formal email or letter responses to either Maitland Your Say or addressed to the General Manager or Mayor	26 submissions were received via email and post outlining issues of affordability and the need for Council to 'live within its means'. All submissions have been included as Attachment 2.

## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

Telephone survey	Randomly selected survey undertaken by independent consultant Micromex Research. The survey asked participant how important it was that Council introduces a special rate variation and how supportive they were with proceeding with an application.	The telephone survey had a sample size of 400 residents. 28% of participants were somewhat supportive and 45% were supportive or very supportive of Council proceeding with an application for a special rate variation. 57% of participants thought it was important or very important that Council be allowed to introduce a special rate variation and 25% thought it was somewhat important. The report outlining these results in detail is included in attachment 3.
Facebook	Posts on Maitland Your Say facebook page providing information on the consultation, seven year rates proposal and ways residents could share their thoughts.	16 posts were provided with an average reach of 540 per post. Of all the posts uploaded there was an average of 30 clicks per post and 6 comments, likes or shares per post. 67 people visited Maitland Your Say as a result of these posts. Comments received were generally opposed to the proposal stating concerns of affordability and Councils need to live within its means.
Community information sessions	Two open discussions and presentations by senior staff	A total of 58 people attended the information session, 23 to the morning session and 35 to the evening session. Those that attended were generally not supportive of the proposal stating concerns of affordability and that Council needs to live within its means
Staff information session	One presentation with open discussion by senior staff	Over 20 people attended the session.
Hotline	Calls received through the Maitland Your Say hotline set up for the project	Approximately 20 calls were made to the hotline number outlining concerns of

---

SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND  
REGULATORY TRIBUNAL (Cont.)

		affordability.
--	--	----------------

**Consultation results**Telephone survey

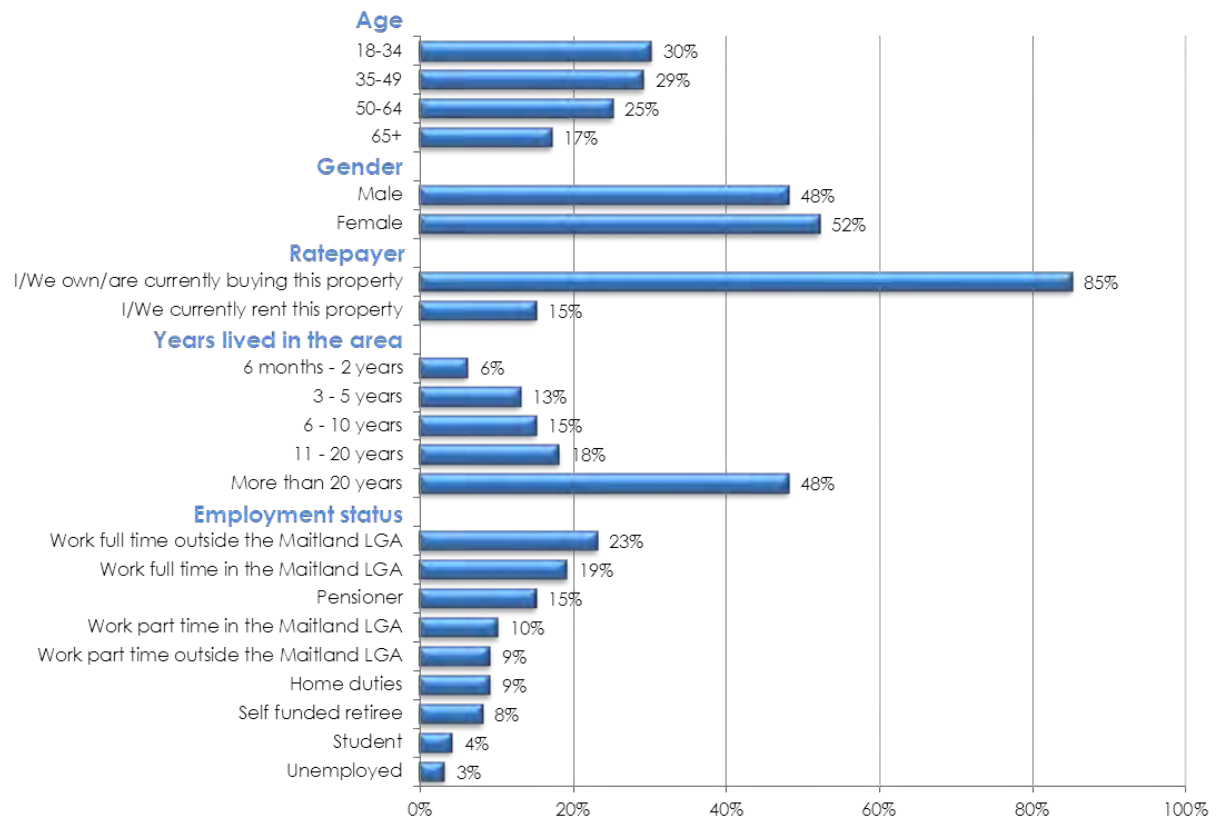
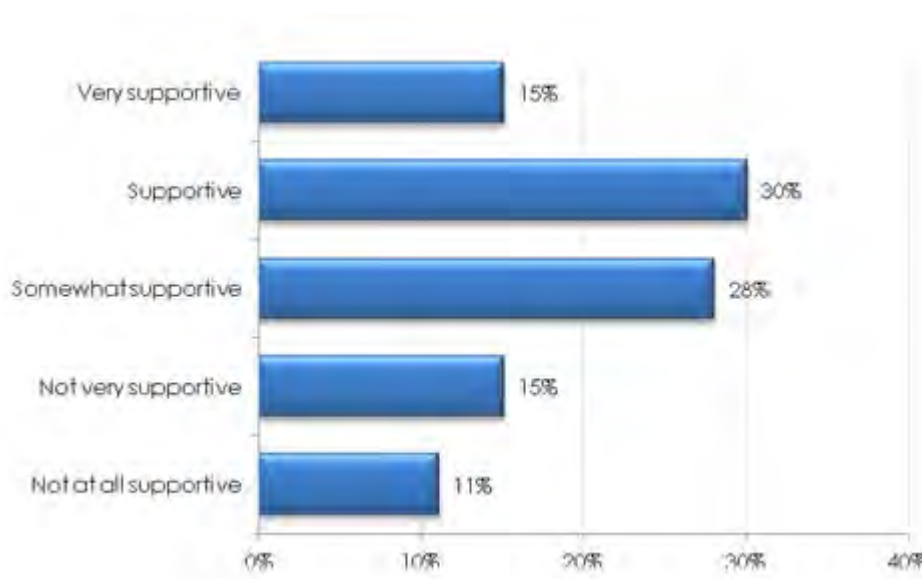
Council commissioned Micromex Research to conduct an independent telephone survey on the proposal. This involved contact with randomly selected residents, between 18th and 21st November 2013. A random community sample size of 400 (as analysed in the survey) provides a maximum sampling error of plus or minus 4.9% at 95% confidence. This means that if the survey was replicated with a new sample of Maitland residents, that 19 times out of 20 we would expect to see the same results.

To quote Micromex “the research findings documented in this report should be interpreted by Maitland Council and IPART as not just the opinions of 400 residents, but as an accurate and robust measure of the entire Maitland community’s attitudes.”

As demonstrated in the following tables, a majority of respondents (74%) were somewhat through to very supportive of Council proceeding with the application, with 26% being not very or not at all supportive.

In terms of the importance of the proposal, the vast majority (82%) of respondents thought it was somewhat through to very important, while 18% thought it was not very or not at all important.

## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

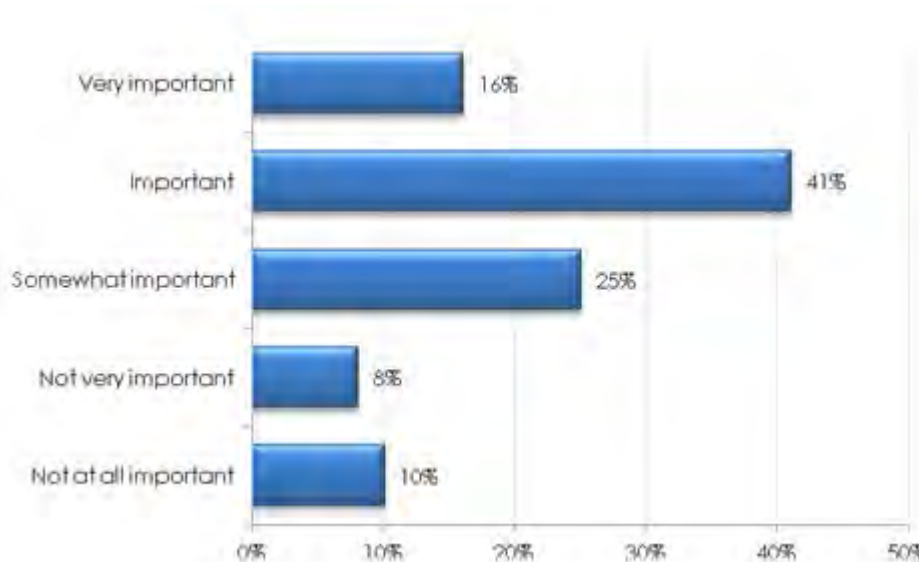
Table 8 - Micromex survey profile (weighted to reflect 2011 ABS community profile)Table 9 – Micromex survey – support for SRV*How supportive are you of Council proceeding with this application?*



## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

Table 10 – Micromex survey – importance of SRV

*Based on what you have been told, how important do you believe it is that Maitland Council is allowed to introduce this special rate variation?*



Micromex states “residents had moderately high levels of satisfaction with the current levels of servicing provided by Council. 95% of residents believe it is important that Council continues to improve and enhance services. 74% of residents were at least somewhat supportive of Council proceeding with the proposed Special Rate Variation. 82% of residents found it was at least somewhat important for Council to be allowed to introduce the Special Rate Variation.”

Micromex has concluded “there is clear community support for Council to receive permission from IPART for a rate increase.”

The full report can be seen as Attachment 3.

Comparison to past telephone survey results

Council may recall that earlier in the engagement process, a detailed question on Council services and a potential rate increase was incorporated into the annual community survey. This was designed to test community views on services and rating increases.

This research found, as a first choice, 32% of respondents would prefer to maintain services through an increase in rates, whilst 54% elected an even greater increase to rates to enhance services would be their first choice. Just 14% of respondents selected cuts to services or deficit budgets as their first preference.

The full annual community satisfaction research report is included Agenda Item 13.1.

As can be seen, whilst the percentage of respondents that are not supportive of a rating increase has risen slightly from the first survey, the majority are supportive of Council's efforts to maintain and enhance key services over time.

## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

Online survey

The survey used in the telephone research was also available online through Maitland Your Say. 167 residents voluntarily completed the survey online. Similarly to the randomly selected survey, the majority of residents were at least somewhat supportive of the level of service Council currently provides and believe it is important for Council to provide currently programmed and enhanced services to our growing population. The majority of respondents (92%) thought it was somewhat important, important or very important for Council to be financially sustainable (i.e. not in deficit) into the future.

Irrespective of these responses, those that completed the voluntary online survey were less supportive of Council proceeding with an application for a special rate variation (76%) and did not think it was important that Council was allowed to introduce a special rate variation (70%). The complete results of the survey can be seen as Attachment 1.

Consultation themes

Common themes to emerge during the consultation are highlighted in the following table.

Table 11 – Issues to emerge during consultation

Issue	Details and response
Affordability	Council has commissioned independent research into the affordability of the proposal. Whilst acknowledging that some individual ratepayers may find it challenging to adjust household budgets to accommodate the increase, Council is of the view that a capacity to pay exists within the broader community (as outlined later in this report). Council also has a Debt Recovery and Hardship Policy in place, and tailors individual arrangements as permissible under the <i>Local Government Act</i> to provide appropriate assistance to any ratepayers experiencing hardship.
Ceasing projects that are programmed	Comments were received suggesting that significant capital works such as The Levee and indoor pool at Maitland Aquatic Centre should not be pursued, as they contribute to the deficit position. As Council is aware, however, the construction of the pool has identified funding from Developer Contributions, whilst construction of 'The Levee' is using reserves, revenue from asset sales and loan borrowings. These sources are not suitable for funding ongoing operations.
Community awareness of the proposal – representativeness	Council has made all reasonable efforts to ensure community awareness of the proposal, as highlighted in this and previous reports. The independent telephone survey found 52% of respondents were aware of the proposal, primarily via 'Funding our Future' publications in their letterbox (62%),

## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

of views on services	<p>followed by newspaper ads (40%), media coverage (36%), word-of-mouth (27%), Council website Maitland Your Say (13%), Facebook (4%) and other (6%).</p> <p>Regardless, Council can be confident that from this and past consultations staged over recent years, the services to be funded under the proposal are aligned to community priorities.</p>
Cuts to services	<p>A range of disparate service areas were put forward by individual participants to prevent or mitigate a rates increase. There was, however, no consistency in the areas suggested. The suggestions ranged from ceasing workforce growth, to stopping construction of cycleways or introducing fees for libraries and MRAG.</p>
Developers paying more	<p>A number of submissions suggested that developers should pay more toward infrastructure and services. This is not an option available to Council within current legislation.</p>
Efficiency of Council	<p>Council has undertaken a series of efficiency reviews, and all available data (such as employee numbers per capita, processing times for development applications) supports Council's position as a lean and efficient organisation. Regardless, even a 10% annual efficiency gain would not deliver the revenue required to sustain services.</p>
Exploration of alternative sources of revenue	<p>Council's long term financial model explores alternatives for revenue and savings and incorporates a range of non-rating revenue sources (including asset sales, increased fees and charges and grants). These alternatives are not sufficient to address the increasing gap between revenue and expenditure.</p>
Fairness	<p>A number of residents raised the issue of the 'fairness' of the proposal, while residents were also facing increases in other household expenses such as electricity, gas, food, insurances etc. Council acknowledges that these are cost imposts on households, however without cuts to services (which would also have a detrimental impact and may be seen as 'unfair'), there is no real alternative to the increase. It is worthwhile noting that the majority of household expense increases are undertaken without community consultation, unlike the process Council has undertaken to ensure services are aligned to community expectations and developed a funding proposal to deliver on them.</p>
Grants	<p>It was suggested that Council could be more active in seeking grants. Considering Council has received more than \$22 million in grants over the past 12 months alone, it is clear that all relevant opportunities for funding are actively pursued.</p>

## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

Live within your means	Whilst some residents suggested Council should 'live within its means', there was no consistent view as to how this should be achieved through reduced expenditure – effectively being cuts to services.
Percentage increases	Council has made every effort to present the financial impacts of the proposal, enabling every ratepayer to calculate this via an online rates calculator and presenting average dollar impacts to all households via the DL brochure. Council has acknowledged debate on the presentation of percentage increases, and adjusted presentation materials to incorporate a summed and compounded percentage total.
Role of revaluations	Rating calculations are complex, with a range of contributing factors contributing to individual rate calculations. There was concern expressed by some residents that should property revaluations occur during the course of the variation, rates would increase even more than proposed. Council's total rate revenue would only be increased by 8.35% per annum, and the total amount of revenue applied to all rated properties, subject to the value of their property. The impact of the increase would vary according to the increase or decrease in property values in comparison to other properties within the LGA. This means that a resident could in fact pay less rates, if their property value did not increase as much as other properties within the LGA.

Formal submissions received during the consultation can be seen in Attachment 2.

### **Impact of potential rates increase – independent review**

Council commissioned Western Research Institute (WRI) to undertake an assessment of the impact of the implementation of the proposed rates increase.

WRI used a number of criteria in undertaking this assessment. Their report states “under the SRV, the proposed rate increases will be going some way to catch up with price increases for households and input cost increases for businesses in some price/cost categories. The rates increase proposed under the SRV will have insignificant impacts on Maitland community and non-farm businesses in terms of ability to pay rates and financial bottom line.”

The report does, however, highlight that farm-based businesses may be more substantially impacted by the variation. This is an issue that will require further future consideration by Council, as part of a strategic approach to agriculture in the LGA.

Examining rates as a proportion of total household expenditure, WRI found that under the proposal, for all households the cost of residential rates will be 1.10% of total household expenditure in 2020/21.

## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

For all categories of government support recipients, the expenditure ratio will range from 1.75% to 2.52%, and on average will be 2.14% in 2020/21.

As illustrated in the table below, these percentages are slightly lower than today. The methodology behind this calculation is complex, and can be seen in the WRI Report (Attachment 4). WRI used data from the Australian Bureau of Statistics on household expenditure, CPI growth and expected growth in disposable incomes to develop this model, which considers levels of income for both wage and salary earners, as well as pensioners.

**Table 12 – Rates as a proportion of household expenditure 13/14 vs 20/21**

Table 3.1 presents the proportion of residential rates under the proposed SRV in the overall expenditure of Maitland households.

**Table 3.1 Maitland City Council rates as a proportion of total expenditure (% in 2020/21)**

*a). Level of income*

	Lowest quintile	Second quintile	Third quintile	Fourth quintile	Highest quintile	All households	Second and third deciles
Initial (2013/14)	2.15	1.50	1.13	0.92	0.74	1.14	1.81
After 7 years (2020/21)	2.04	1.44	1.09	0.88	0.71	1.10	1.73
Change (2013/14-2020/21)	-0.11	-0.06	-0.04	-0.04	-0.02	-0.04	-0.08

*b). Sources of income*

	Wages and salaries	Own unincorporated business income	Other income	All households
Initial (2013/14)	0.96	0.94	1.02	1.14
After 7 years (2020/21)	0.92	0.89	0.98	1.10
Change (2013/14-2020/21)	-0.03	-0.04	-0.04	-0.04

*c). Sources of government transfers*

	Receives age Pensions	Receives disability and carer payments	Receives unemployment and study payments	Receives family support payments	Receives other payments
Initial (2013/14)	2.64	2.13	2.09	1.87	2.60
After 7 years (2020/21)	2.52	2.03	1.95	1.75	2.46
Change (2013/14-2020/21)	-0.13	-0.10	-0.14	-0.12	-0.14

Note. Changes are calculated as rates/household expenditure ratio in 2020/21 minus rates/household expenditure ratio in 2013/14.

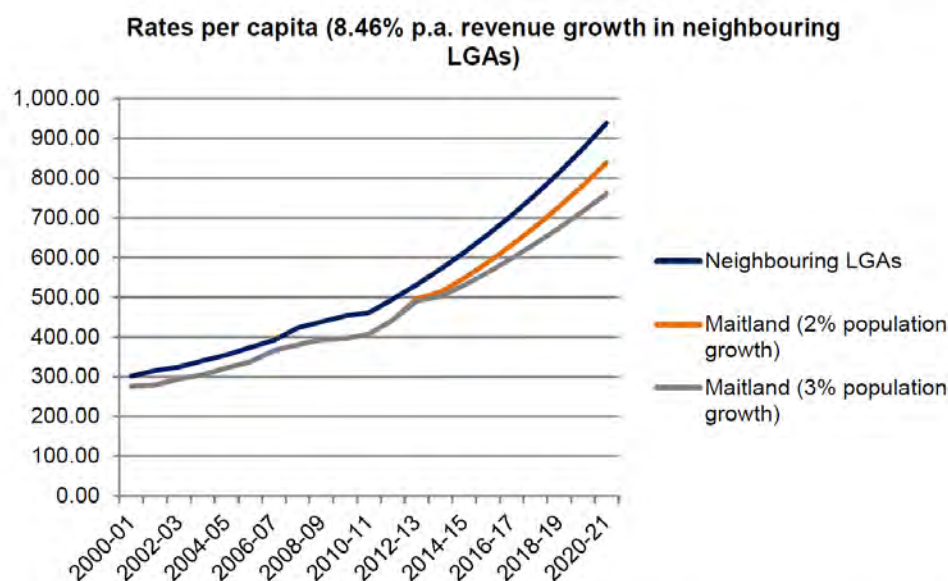
In interpreting the table above, it should be noted that a 'quintile' represents 20% of a given population.

WRI also examined the rating increase in comparison to likely rate increases in neighbouring Councils, as well as similar (Local Government Comparative Group 5) Councils. This analysis found that Maitland residential rates will be in line with Group 5 LGA levels in 2020/21, and above neighbouring LGA levels by 8.5%.

However, due to the unique growth trajectory of Maitland, WRI also examined rates per capita over the period of the variation (noting that rates per capita in the Maitland LGA has historically been below that of neighbouring Councils). This analysis found that rates per capita will continue to be below that of neighbouring LGA levels, under either a 2% or 3% population forecast.

## SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

Table 13 – Rates per capita comparison to neighbouring LGAs



WRI notes that over the 2001-11 period, rates per capita in Maitland LGA were below that of the neighbouring LGAs. Under the scenario of 8.46% revenue growth rates in neighbouring LGAs, Maitland rates per capita will continue to be below neighbouring LGAs levels in 2021.

## Alternatives

As mentioned previously, the suggested period of the variation of seven years is the maximum permissible under Section 508(A) of the Local Government Act. Whilst this takes the variation beyond the current term of Council, the rationale for this approach is very sound.

Firstly, it allows for a lesser percentage increase in rates than over a shorter period – noting that Council has projected the revenue required in its well-tested financial model.

Secondly, extending the variation for seven years gives medium term certainty to ratepayers.

Thirdly, the drivers of the need for an increase in revenue will not change in three or four years, nor will a material increase in revenue from other sources be realised, based on what has been suggested by State and Federal Governments and via the Local Government Independent Review Panel.

Fourthly, the realisation of this variation would secure the financial sustainability of Council, delivering options to the next Council and the community (as is their right) to shift priorities within a sustainable framework.

However, there are a range of alternatives. Council could seek to achieve the required revenue over a shorter period of time, through a higher annual percentage increase. It is suggested that the resulting increases in average rates, over a three to four year period, would be unpalatable to the community. Council could also examine an option of a 7.25% annual increase to total rates revenue (which would enable delivery of services as programmed, and no enhancements), but this would

SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

only nominally reduce average rates in dollar terms from the current 8.35% annual increase to total rates revenue as proposed.

### **2014/15 Rate Peg – lower than projected during consultation**

On 2<sup>nd</sup> December 2013, IPART announced the rate peg for 2014/15. This has been set at 2.3%, slightly lower than inflation. There is no doubt that this amount, being considerably lower than past years, was surprising. In making its determination, IPART considered the Local Government Cost Index (LGCI) rise of 2.8%, and deducted a 0.2% productivity figure and 0.3% for the carbon price advance provided in 2012/13.

It should be noted that Council's consultation materials were developed on an assumed rate peg of 3.2%.

In making the announcement, IPART noted that the LGCI does not measure some factors, including the effects of population growing; local price impacts; and council or community desires to increase the quality of existing services or provide new services. Instead, the LGCI reflects the average spending pattern across all NSW councils.

Council will now work to adjust scenarios in the long term financial plan based on this latest advice. It should be noted that the rate peg does not influence the percentage increase sought by Council under a special rate variation, as this has been developed based in the revenue required over seven years to maintain and enhance key services.

### **Suggested increase**

Following the consultation period and consideration of all factors, it is suggested that Council signal its intent to apply for an up to 8.35% increase to total rates revenue each year for 7 years, incorporating an adjustment to the proportion of rating within categories.

It is suggested that prior to finalising the adjustments of apportionment between rating categories and making formal application in February 2014, consideration is given to applying a significantly lower percentage increase to the 2.2% of farmland ratepayers in the City. This will go some way to mitigating the impacts on farmland ratepayers, as outlined in the WRI Report. This will see a reduction in revenue over the seven year period, but would not impact on the average percentage increases within other rate categories.

Council is pursuing a seven year variation to provide certainty to ratepayers. The fact that this establishes a path for a future Council is acknowledged, however, the contributing factors will not be affected by a change of Council, and the services to be provided by Council are aligned to medium term community priorities as identified in 'Maitland +10' and other adopted strategies of Council.



SIGNAL OF INTENT - SPECIAL RATE VARIATION APPLICATION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (Cont.)

## **CONCLUSION**

There is no doubt that pursuing a rate increase of this magnitude is challenging. Council is faced with the unenviable task of addressing an increasing gap between revenue and expenditure. However, with no flexibility in the current standardised rate peg system (for example, acknowledging and accommodating unique localised challenges such as high levels of residential growth), the only option available is to pursue a special rate variation.

Clearly, should any other alternative be available no Council and its community would choose this path. Unfortunately, however, there is no alternative to achieving a lasting, secure and meaningful increase in revenue.

The results of an application will not be determined by IPART until June 2014. Council should be aware that Maitland's proposal is likely to be one of the highest increases sought. Given that Council's proposal is well-founded in long term financial, asset, community and workforce strategies, this should be viewed as a realistic approach to attaining financial sustainability and ensuring Council's ability to foster Maitland as a fantastic place to live, work and visit.

## **FINANCIAL IMPLICATIONS**

The development of an application has no direct financial impact upon Council's adopted budget or forward estimates.

A revised Delivery Program 2013-17 and Operational Plan 2014/15 will outline impacts of the proposal on Council's bottom line.

Should a variation not be achieved, it is anticipated Council's 2014/15 budget would be in deficit, and the time used to determine an appropriate course of action to address this and future deficit positions. It is likely this would involve broad and deep cuts to services, in consultation with the community.

## **POLICY IMPLICATIONS**

This matter has no specific policy implications for Council.

## **STATUTORY IMPLICATIONS**

There are no statutory implications under the Local Government Act 1993 with this matter.