

**EXTRACT FROM MINUTES OF ORDINARY MEETING – 27 JANUARY 2016**  
**STAFF REPORTS**

**3 SPECIAL RATE VARIATION APPLICATION (S1433)**

**Report Author: Laura Black Executive Leader Corporate Support**  
**Authorised: Ron Posselt General Manager**

**SUMMARY**

Special rate variations (SRV) provide councils with an opportunity to vary general income by an amount greater than the annual rate peg. They are an important means of providing additional funding to councils in delivering services and infrastructure that the community expects and which the council is unable to fund within existing revenue.

Greater Taree City Council commenced consideration of the potential for special rate variation to increase expenditure on infrastructure in June 2014 when it adopted a Long Term Financial Plan scenario that included a 5% SRV to commence in 2016/2017. With adoption of the LTFP in June 2015, this was revised to 6%, over two years in one scenario and over 6 years in another. In June 2015, the latter formed the basis of the Council endorsed submission of its 'Fit for the Future' proposal, to the NSW State Government.

*Council's draft 2015/2016 budget proposes a Long Term Financial Plan scenario 3 that indicates a rate variation of 6% in addition to the IPART rate peg for 6 years, with the additional rating income to remain in the budget following this period. By 2022/2023, this increase would realise an approximately \$10M in additional rating income per annum all of which it is proposed be quarantined for expenditure on infrastructure maintenance and renewal. The aim of this being to decelerate deterioration of the road and bridge infrastructure.*

Fit for the Future Submission endorsed by Council – June 17 2015.

Since June 2014, a significant amount of work has been done to quantify the infrastructure related work that would be completed under an SRV, and this has now been communicated through extensive measures to our community.

Feedback received through consultation gave rise to a reduction in the quantum of the SRV from 8.4% to 6.9% (inclusive of the annual rate peg) and inclusion of an additional rebate for eligible pensioners.

This report details the SRV proposal including increased income, the impact on ratepayers and the infrastructure maintenance and renewal deliverables, the community consultation undertaken and the feedback received. It also seeks the

consideration of council to submit an SRV application to IPART by the due date of 15 February 2016.

## RECOMMENDATION

That a Special Rate Variation application under s508 of the Local Government Act 1993 be made to IPART by the due date of 15 February 2016 indicating:

- (i) a 6.9% rate increase each year, for 6 years that will remain permanently in the rate base;
- (ii) the special rate variation commence in 2016/2017;
- (iii) that the purpose of the special rate variation is infrastructure maintenance and renewal;
- (iv) the consultation and communication approach that has been applied to preparation of this special rate variation;
- (v) that community support for the special rate variation, gauged through an independent statistically representative random study, outweighs opposition 49% to 32%; and
- (vi) that the General Manager be council's contact for the application.

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## BACKGROUND

At the Ordinary meeting of Council 17 June 2015, Council adopted both the ten year 2015/2016 Long Term Financial Plan:

**114 2015/2016 DRAFT OPERATIONAL PLAN, BUDGET, FEES AND CHARGES, LONG TERM FINANCIAL PLAN AND CAPITAL WORKS PROGRAM (S1324)**

***MOVED*** Cr West/Keegan

That the 2015/2016 Draft Long Term Financial Plan be adopted.

**CARRIED**

For: Bell, Epov, West, Keegan, Tickle, Jenkins & Hogan.

And the Fit for the Future submission:

**19 FIT FOR THE FUTURE SUBMISSION (S1089)**

***MOVED*** Cr Tickle/West (*as per recommendation*)

That the content of the 'Fit for the Future' proposal attached to this report be

submitted in accordance with the requirements of IPART, prior to 30 June 2015.

**CARRIED**

For: Bell, Epov, West, Keegan, Tickle, Jenkins & Hogan.

Specifically, these resolutions led to preparation of a community engagement plan and a report to Council's 15 October 2015 Ordinary meeting, at which it was resolved:

**1 SPECIAL RATE VARIATION CONSULTATION (S1433)**

**MOVED** Cr Hogan/West

- (i) That a community consultation process occur in accordance with the engagement plan attached to, and outlined in, this report based on a special rate variation proposal of a 6% increase in general rates above the normal cost of living increase, each year for the next 6 years to be restricted to infrastructure maintenance and renewal.
- (ii) That during the consultation period, community feedback also be sought about increasing the proposed SRV a further 1% to 7%, with the extra 1% being restricted to improved maintenance of community facilities.
- (iii) That a budget variation of \$40,000 to facilitate the consultation process be endorsed.
- (iv) That following the period of consultation and collation of the feedback received, a report be submitted to Council in January 2016, to inform a decision about a special rate variation.

**CARRIED**

For: Jennison, West, Keegan, Jenkins, Christensen & Hogan.

Against: Bell & Epov.

Community consultation then commenced, in accordance with the agreed community engagement plan, in early November with:

- Media releases, social media alerts informing community the SRV proposal.
- Presentation to groups in response to invitation, informing of the SRV proposal.
- Content on the GTCC website informing the community of the proposed terms of the SRV, with opportunity to complete a survey, resulting in 503 responses.
- A pop-up shop in Manning Street Taree from 10-6pm Monday 16 November through Friday 20 November with an estimated 500 people accessing the facility.
- An independent, statistically representative survey (sample 400) conducted by Jetty Research during the week 23 – 27 November.

During this period Council's senior staff responded to approximately 12 email and letter submissions and a number of verbal queries from ratepayers.

These activities were supported by extensive media through TV, radio and print and are documented in the attached (i) 'Community Engagement in Practice' document, which is proposed to form part of the SRV submission.

In the absence of the final report, a summary of the findings of the independent survey by Jetty Research, conducted during the week of 23 – 27 November were discussed at the Councillor workshop held 2 December:

- Over 80% of people surveyed are dissatisfied with the state of local roads;
- Of those surveyed, 40% supported the SRV application and 38% opposed it, while 22% were neutral or unsure;
- 55% of people surveyed believe Council should be spending more of its existing rate income on roads; and
- 47% of people surveyed are prepared to pay for better local roads to some degree while 42% are happy with the current rate level.

It should be noted that the survey sample of 400 is statistically representative. The sampling error of this survey is +/- 4.9% at 95% confidence level, which means that if a broader cross section of the community was polled there is a high level of confidence that the results would vary less than +/- 4.9%.

The results of the online survey found on Council's website were also discussed. This survey does not have the same statistical significance as the independent survey due to the self-selecting nature of this sample. Therefore, the results cannot be extrapolated to the wider community: This survey found:

- 86% of people surveyed are dissatisfied with the state of local roads;
- of the people surveyed 25% support the SRV application, 63% oppose and 11% are neutral or unsure; and
- 66% of people surveyed think Council should be spending more of its existing rate income on roads.

Observations from the interactions at the shop front by senior staff and Councillors, were:

- there was a strong face to face message that people on pensions supported fixing the roads, but could not afford it;

- some people were confused by the SRV and Rate Peg percentages despite it being very clear at the shop front and on the website;
- many people questioned Council's competence to address the problem;
- there was an overwhelming acceptance of the problem ie the poor condition of roads in the area; and
- there is no appetite for considering a larger increase for other infrastructure.

Based on the feedback from the survey, face to face, and via other mechanisms such as social media and correspondence, a revised SRV proposal was discussed at the 2 December Councillor workshop and considered at the 9 December Ordinary meeting of Council.

The revised SRV proposal sought to reduce the overall burden over the six year period from the previously proposed 62% compounding impact to a total increase of 42%, and to further reduce the burden for eligible pensioners to 27%, through implementation of an SRV rebate.

In addition, Council will proceed with its ongoing commitment to the community to seek efficiencies across its operations to ensure the achievement of the road renewal and maintenance outcomes identified during the consultation process:

The revised proposal, as discussed at the December Councillor workshop and the December Ordinary Meeting, forms the basis of Council's advice to IPART regarding the intention to lodge a 2016/2017 SRV application. Key points of that advice are as follows:

- a 6.9% Special Rate Variation (including any rate peg) each year for six years amounting to a total increase of 42%; and
- as part of that SRV, Council increase the pensioner rebate to cover 35% of the increase over the 6 year period resulting in an overall increase of 27%.

Implicit in a revised SRV proposal, and identified in the December report to Council, was the need to consult further with the community. To that end, Jetty Research were engaged to undertake a further study of the 400 people surveyed previously to gauge their views on the amended proposal. That survey took place in mid December and secured response from 327 of the original 400. The sampling error of this survey is +/- 5.4% at 95% confidence level, which means that if a broader cross section of the community was polled there is 95% confidence that result would vary by less than +/- 5.4%. The survey results remain statistically relevant.

GTCC website content was updated to reflect the amended proposal and a short online self-selecting survey was conducted. Those who had subscribed to the GTCC website for SRV updates were informed of the updated proposal electronically. Media

releases and social media alerts were issued and the new proposal was advertised in the Manning News section of MRT.

Again, these activities were supported by extensive media through TV, radio and print and are documented in attachment (i) 'Community Engagement in Practice' which is proposed to form part of the SRV submission.

## DISCUSSION

### SRV application process

At the time of writing this report, IPART has advised that the 2015/2016 'Guidelines for the preparation of an application for a special rate variation to general income', released October 2014, should be followed as no change is anticipated. The application form, however, is not yet available for completion.

The criteria for submitting an SRV, and the way in which GTCC will demonstrate it meets the criteria, is as follows:

| Criteria  | GTCC demonstration of criteria  |
|---|---|
| Identification of the need for an SRV through the IP&R processes  | <ul style="list-style-type: none"> <li>• Community Plan – Strategy 33. Pursue adequate resources for implementation of the plan: In the early years of implementation pursue an application for a special rate variation to provide a boost to resources for essential maintenance of infrastructure.</li> <li>• Delivery Program 2013/2017 – Key Focus Area Asset Management.</li> <li>• Operational Plan 2015/2016 – Asset management focus is renewal of existing assets.</li> <li>• Long Term Financial Plan – identifies implementation in two separate scenarios as a means of addressing GTCC's significant backlog. Scenario 2 – 6% SRV over two years and Scenario 3 – 6% over 6 years in another. Added to each scenario is an assumed rate peg of 2.4%.</li> </ul> |
| Assessment of community capacity and willingness to pay the rates | <ul style="list-style-type: none"> <li>• See the section of this report titled Revised proposal consultation, for detail. The consultation undertaken in relation to an 8.4% SRV (see Background section) resulted in a revised proposal of 6.9%.</li> <li>• See attached (i) document titled 'Community</li> </ul>   |

| Criteria  | GTCC demonstration of criteria  |
|---|---|
|   | <p>Engagement in Practice’.</p> <ul style="list-style-type: none"> <li>An independent survey with statistical relevance indicates community support for implementation of the 6.9% SRV proposal outweighs opposition 49% to 37%.</li> <li>See attached (ii) independent survey report prepared by Jetty Research.</li> </ul>  |
| Evidence of need for SRV and GTCCs limited resources to address the critical issue of failing infrastructure without an SRV | <ul style="list-style-type: none"> <li>See NSW Treasury Corporation Financial Assessment and Benchmarking Report (3 October 2012), attached (iii).</li> <li>See John Comrie’s ‘Review of TCorp’s Report ‘Financial Sustainability of the NSW Local Government Sector’ (3 October 2014), attached (iv).</li> <li>See regional comparative data attached (vi).</li> </ul> |
| Evidence of GTCCs efforts in productivity improvements and efficiency gains   | <ul style="list-style-type: none"> <li>See Annual Report 2015 Financial Statement, attached (vii).</li> </ul>   |
| Evidence of SRV reporting mechanisms  | <ul style="list-style-type: none"> <li>See section of this report titled Reporting of the SRV expenditure.</li> </ul>   |

### SRV outcomes

Rebuilding 1,725kms of road network would cost close to \$1.7 billion. With current rates income of \$27.7 million, this task is impossible even though 40% of the rates income is currently spent directly on infrastructure. An affordable solution lies in a mixture of renewal activities and increased maintenance activities to provide a safer network for users.

*Renewal* – The amended SRV proposal provides for the following renewal activities to the value of \$7.95M:

| Renewal activity | Additional expenditure | Level of service   |
|------------------|------------------------|--|
| Heavy patching   | \$3.6M                 | 225,000m <sup>2</sup> of heavy patching per annum, 5 times the current level of service. |
| Surface reseal   | \$1.4M                 | 40kms of road reseal per annum, 5 times the current level of service.                    |
| Gravel           | \$550,000              | 20km of gravel resheeting per annum, an increase of 75%                                  |

|                                   |        |  |
|-----------------------------------|--------|--|
| resheeting                        |        | the current level of service.  |
| Rehabilitation and reconstruction | \$2.4M | A minimum 3km per annum, 3 times the current level of service. More when grant funds are also secured. |

*Maintenance* – The amended SRV proposal provides \$2.011M in increased maintenance of the road network as follows:

| <b>Maintenance activity</b>    | <b>Additional expenditure</b> | <b>Level of service</b>  | <b>Outcome</b>   |
|--------------------------------|-------------------------------|--|--|
| Linemarking                    | \$66,000                      | Doubling the frequency from 10 to 5 years.   | All sub arterial and collector roads have clearly defined traffic lines, road widths and alignment.      |
| Roadside vegetation management | \$475,000                     | Tripling the roadside vegetation clearing frequency. <ul style="list-style-type: none"> <li>• Sealed roads – quarterly</li> <li>• Unsealed roads – annually</li> <li>• Unsealed local/minor roads – every 3 years</li> </ul> | Improved line of sight on rural roads and low roadside vegetation on sealed roads.                       |
| Drainage management            | \$475,000                     | Doubling the number of drains cleaned to 10 per week.  | Ensures efficient water run off, which reduces pavement damage and increases safety conditions.          |
| Pothole response               | \$200,000                     | Doubling the intervention rate: <ul style="list-style-type: none"> <li>• Regional roads – weekly</li> <li>• Collector roads – fortnightly</li> <li>• Local/minor roads - monthly</li> </ul>                                  | Potholes on highly trafficable roads filled more regularly. Monthly patrols established for minor roads. |
| Gravel patching                | \$120,000                     | Unsealed road network patched every 3 months.  | 3 monthly patrols established for unsealed road network.   |
| Safety barriers                | \$83,000                      | 500lm of safety barriers replaced annually, removing backlog in 5 years.   | Clear definition between roadway and hazardous locations. Reduced severity of accidents.                 |
| Shoulder grading               | \$592,000                     | 100km of shoulder grading per annum, 12 times the current rate.  | Allowing water run off and providing safe area to pull over.   |



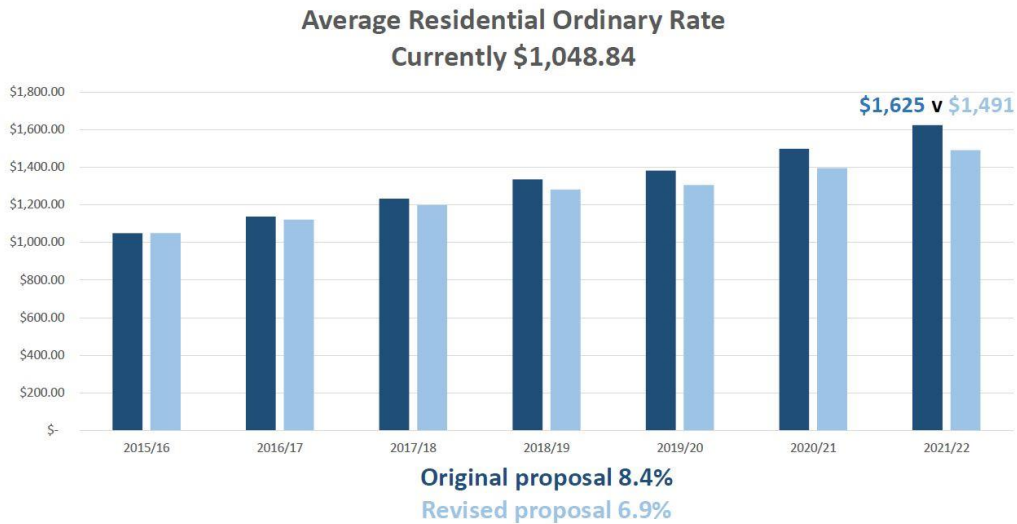
The attachment (v) titled 'Infrastructure renewal and maintenance outcomes' document, which is proposed to form part of the SRV submission, provides additional detail to explain the renewal and maintenance activities and commitments.

Rates impact

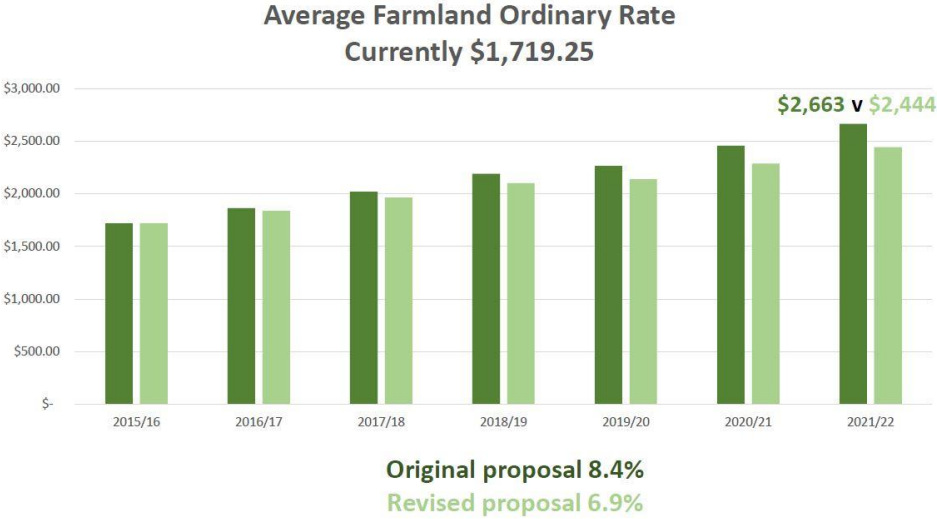
Revising the SRV from 8.4 to 6.9% has reduced the compounding effect from 62% to 42%. Implementation of an SRV rebate of 35% to eligible pensioners further reduces the compounding impact to 27% to those ratepayers. Eligible pensioners are those who currently receive the fixed concession council rate rebate.

The following graphs indicate the reduced impact of the 6.9% SRV proposal (versus 8.4%) on the average rate in each of the rating categories (residential, farmland and business) and also on the average pensioner rate:

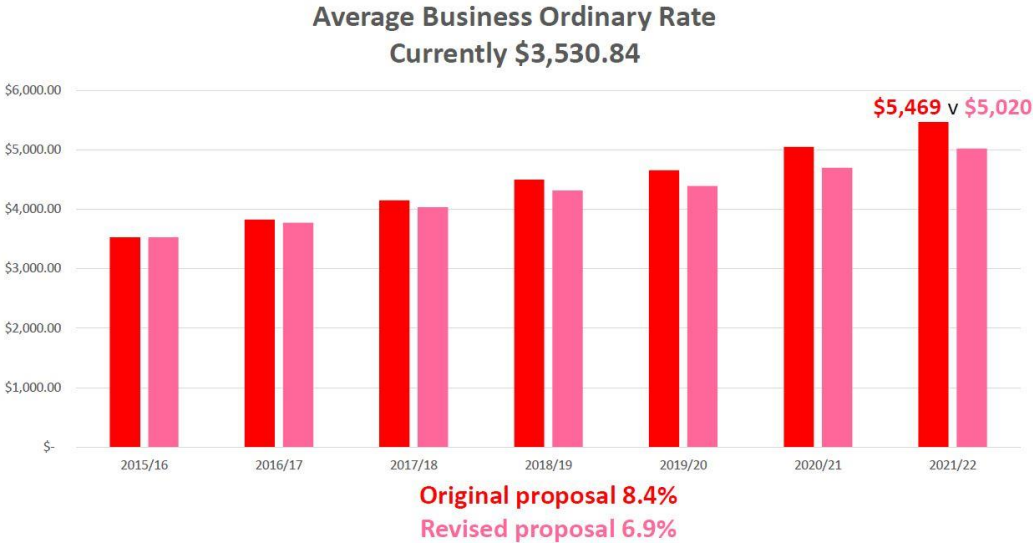
**SRV Impact: a comparison of the original v revised proposals**



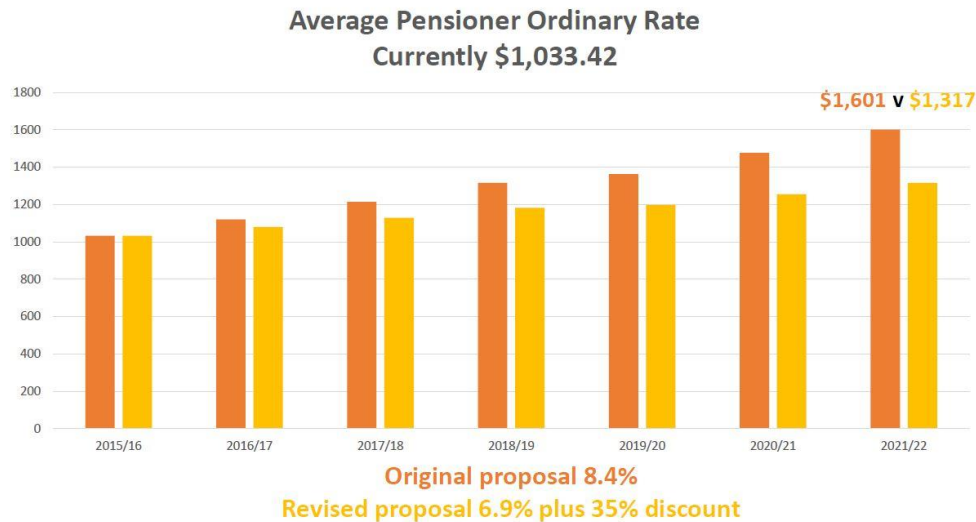
**SRV Impact: a comparison of the original v revised proposals**



**SRV Impact: a comparison of the original v revised proposals**



## SRV Impact: a comparison of the original v revised proposals



It should be noted that the SRV applies to the ordinary rate component only, and not to any other levies and charges that appear on a rates notice.

IPART has advised that the Environmental Levy, which finishes in 2018/2019, is to be removed from calculations for the proposed SRV. It's continuation after that time will be determined through community consultation by the council of the day.

Also attached (viii) for the information of councillors is a series of tables that indicate the annual increase, the compounding effect of the increase and the annual ordinary rate, calculated for the nearest \$100 ordinary rate.

### Revised proposal consultation

The December meeting of Council led to a second round of consultation in relation to the 6.9% SRV proposal with a second independent survey conducted with 327 of the 400 randomly sampled previously.

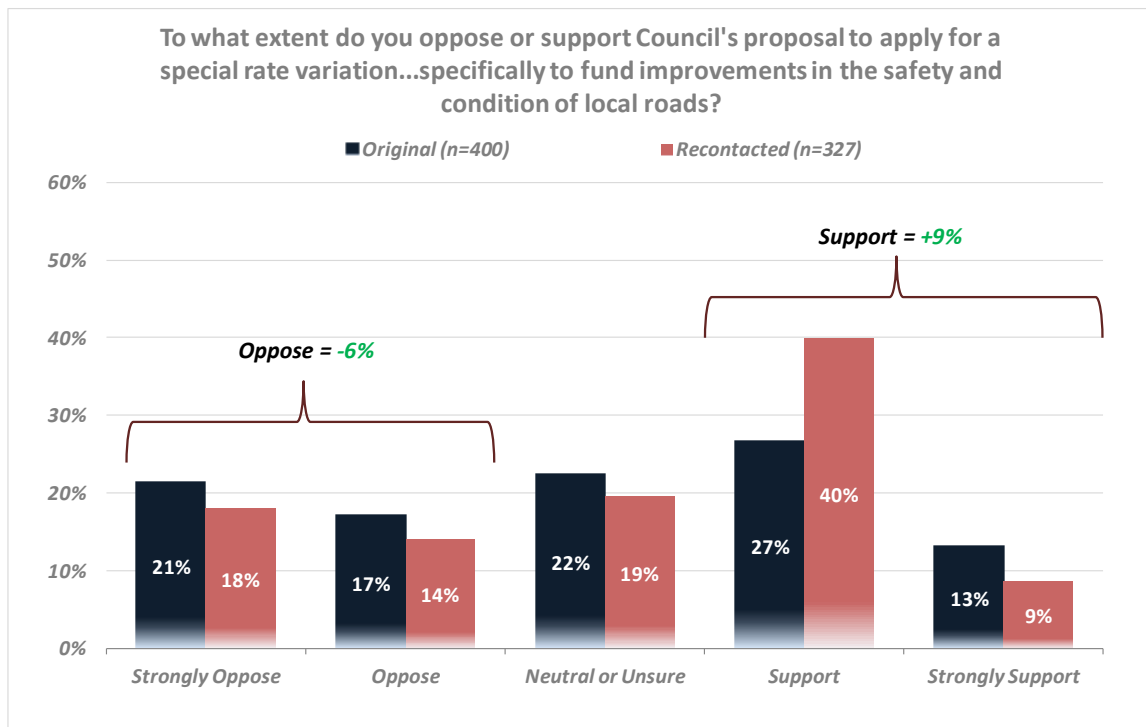
It should be noted that the survey sample of 327 remains statistically representative. The sampling error of this survey is +/- 5.4% at 95% confidence level, which means that if a broader cross section of the community was polled there is a high level of confidence that the results would vary no more than +/- 5.4%. This survey meets IPART requirements in this regard.

A copy of the Jetty Research report for both the first and second survey is provided as an attachment (ii) to this report. A summary of key points from the second survey regarding the 6.9% SRV is as follows:

- 84% of respondents agreed with the rebate offered to eligible pensioners;

- support for the 6.9% SRV increased by 9% to 49% and opposition declined by 6% to 32% ;
- those who were reportedly neutral or unsure decreased by 3% ; and
- support for the 6.9% SRV proposal was highest in 60+ age group (females).

The following graph from the report indicates the change in support for an SRV.



Overall awareness of the SRV prior to survey contact was high. Respondents reported primarily gaining knowledge through TV and radio. The survey also found that 92% of those who had heard about the SRV sought no further information.

The majority of respondents agree council should spend more money on roads. On a sliding scale respondents reported a preference for expenditure on roads (47%) compared to lower rates (11%). This appears to indicate a willingness to pay more if outcomes are visible.

GTCC website content was also updated and an online survey available. Due to the self-selecting nature of this survey the results cannot be considered representative of the broader community view. However, results from this survey (35 responses) indicate a shift in opinion about the SRV, as follows:

- support for the SRV increased from 25% to 49% due to increased affordability; and
- opposition to the SRV decreased from 63% to 51%; and

- there was a modest difference between those who support the notion of pensioners paying less (57%) compared to those who do not support the pensioner rebate (43%).

The vast majority of respondents declared being ratepayers (97%), with only 20% currently receiving a pensioner rebate on their rates. 43% of respondents were aged 60+ and 43% were aged 40-59 years.

### Reporting of the SRV expenditure

Common concerns of respondents to all surveys was management of the SRV funds and confidence that SRV funds raised are committed and spent on infrastructure improvements.

This Council has always quarantined SRV funds and reported them as separate line items in budgets, capital works programs, plans, reports to Council and in Annual Reports. However, we recognise that written content reported in Council Business Papers is not necessarily readily accessed by the general public. It is therefore incumbent on us to find a more meaningful way of reporting the deliverables of the SRV.

It is proposed that the status of SRV-related infrastructure works (planned, underway and complete) be reported on GTCC's website. This information would be presented in simple, pictorial formats including before and after photos and plotting of works on location maps. Our media and communications activities would refer to this website content as the source of current information about SRV expenditure. We will continue to review the effectiveness of this strategy and revise our approach based on that.

The program of SRV-related works, and their associated levels of service, would also be included in Operational Plans across the six year term of the SRV. Achievement against the program and service levels would be reported on a quarterly and annual basis. Many of the SRV-related works can also be signposted onsite at a relatively low cost to inform ratepayers of the SRV deliverables.

## **CONSULTATION**

The extent of the consultation at various stages of progressing this matter, have been documented throughout the report and in the accompanying 'Community Engagement in Practice' document.

Involved in the various forms of community engagement, were senior staff, the Media and Communications team and councillors.

## COMMUNITY IMPACTS

The aim of the SRV is to halt the continued deterioration of our road infrastructure. Implementing an SRV comes at a cost to ratepayers. The community impact of implementing an SRV is well documented throughout the body of this report.

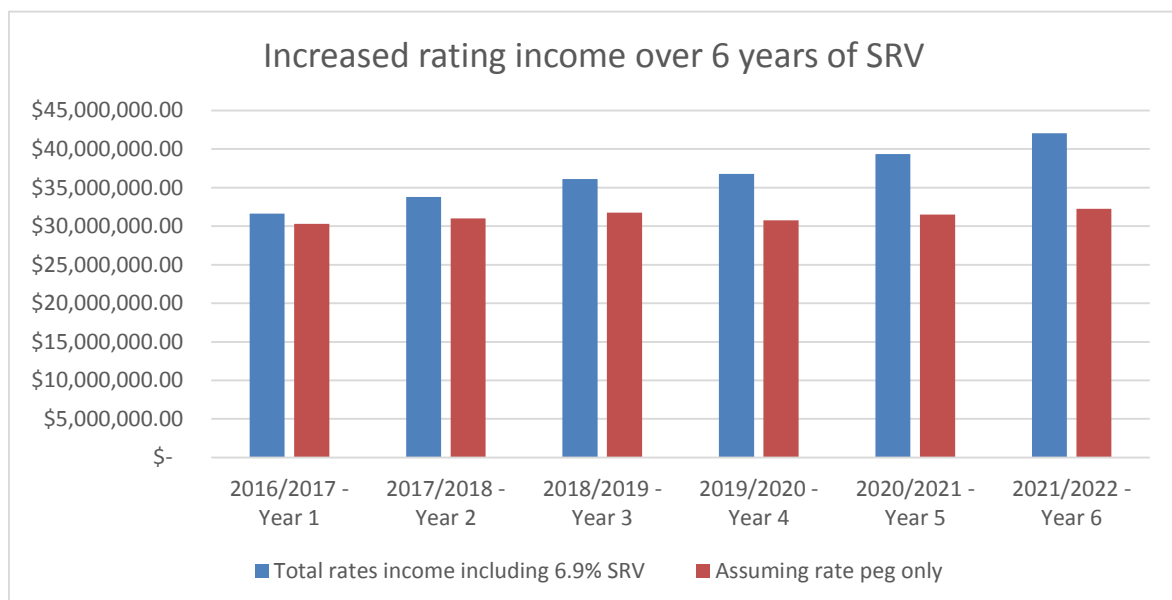
The impact of deciding against an SRV, will mean the continued deterioration of our road infrastructure unless there is a significant change to the way in which local government is funded that results in a significant increase in state and federal funds allocated to GTCC to manage its backlog.

## TIMEFRAME

While an SRV application form was not yet available at the time of writing this report, IPART has advised that it is imminent and that applications are due by 15 February 2016.

## BUDGET IMPLICATIONS

There are no budget implications resulting from carrying the recommendation of this report. However, should an SRV application be successful, the implications for Council's budget are significant. A successful SRV application would increase our rating income to \$42,000,000 by the end of the six year term of the SRV. This is \$9,700,000 more than what would have been expected through rate pegging alone. The following graph shows the expected increase in rates over the six year term of the SRV, based on the current rating income of \$29,567,526.



Council has previously agreed to a total budget of \$50,000 (MIN15/243 and MIN15/205) for community consultation. Expenditure is approximately \$34,500 and includes:

Promotion and advertising - \$11,100

CBD shop front - \$2,600

Independent survey and analysis x 2 - \$20,650.

Savings will be reported in the Q3 Quarterly Budget Review Statement, once accounts are finalised.

## STATUTORY OR LEGISLATIVE REQUIREMENTS

The SRV application is to be made under Section 508(A) of the Local Government Act 1993, in accordance with the 2015/2016 SRV Guidelines.

## ATTACHMENTS

- (i) [Community Engagement in Practice](#)  
(Due to the size of the document, it is only available electronically)
- (ii) [Independent random survey report – Jetty Research](#)
- (iii) [NSW Treasury Corporation Financial Assessment and Benchmarking Report \(3 October 2012\)](#)
- (iv) [John Comrie's 'Review of TCorp's Report 'Financial Sustainability of the NSW Local Government Sector' \(3 October 2014\)](#)
- (v) [Infrastructure renewal and maintenance outcomes](#)
- (vi) [Graph indicating regional comparative data](#)
- (vii) [Annual Report financial data](#)  
(Due to the size of the document, it is only available electronically)
- (viii) [Table indicating compounding effect of the increase and the annual ordinary rate, calculated for the nearest \\$100 ordinary rate.](#)

8

**3 SPECIAL RATE VARIATION APPLICATION (S1433)**

David Burley addressed the meeting in respect of this item.

**MOVED** Cr Hogan/Keegan

- (i) That a Special Rate Variation application under s508 of the Local Government Act 1993 be made to IPART by the due date of 15 February 2016 indicating:

- (a) a 6.9% rate increase each year, for 6 years that will remain permanently in the rate base;
  - (b) the special rate variation commence in 2016/2017;
  - (c) that the purpose of the special rate variation is infrastructure maintenance and renewal;
  - (d) the consultation and communication approach that has been applied to preparation of this special rate variation;
  - (e) that community support for the special rate variation, gauged through an independent statistically representative random study, outweighs opposition 49% to 32%; and
  - (f) that the General Manager be council's contact for the application.
- (ii) That should IPART approve the Special Rate Variation, a rebate of 35% against the increase imposed by the variation, be applied to eligible pensioners.

An **AMENDMENT** was **MOVED** Cr Epov/Bell

That this recommendation be deferred to June 2016 to allow for community consultation.

The **AMENDMENT** upon being put to the meeting was **LOST**

For: Bell & Epov.

Against: Jennison, West, Keegan, Tickle, Jenkins, Christensen & Hogan.

The **MOTION** was **CARRIED**

For: Jennison, West, Keegan, Tickle, Jenkins, Christensen & Hogan.

Against: Bell & Epov.

#### **MATTER ARISING**

**MOVED** Cr Jenkins/Jennison

That Councillors allowance be frozen for the term of the special rate variation.

**MOTION WITHDRAWN**