



ORDINARY MEETING OF COUNCIL SUPPLEMENTARY ITEMS 2

To be held at 5pm on

Tuesday 6 February 2018

Council Chambers 11 Manning Street, KIAMA NSW 2533

Members

His Worship the Mayor
Councillor M Honey
Councillor K Rice
Deputy Mayor
Councillor M Brown
Councillor N Reilly
Councillor A Sloan
Councillor W Steel
Councillor D Watson
Councillor M Way
Councillor M Westhoff

TABLE OF CONTENTS

ITEM	SUBJECT	PAGE NO
16	ADDENDUM TO REPORTS	3
	15.2 Community Engagement and Feedback on Proposed Special Rate Variation.....	3

15 ADDENDUM TO REPORTS

15.2 Community Engagement and Feedback on Proposed Special Rate Variation

CSP Objective: 4.0 Responsible civic leadership that is transparent, innovative and accessible

CSP Strategy: 4.1 Council is financially sustainable

Delivery Program: 4.1.1 Meeting and reporting against IPART/Fit for the Future benchmarks

Summary

This report replaces Item 11.9 of the Business Paper. An additional commentary has been added and the recommendation has been amended.

Reporting on the community feedback from the Community Engagement process undertaken in relation to the proposed Special Rate Variation of 6% per year commencing from 1 July 2018 for three years with the additional income being permanently retained in Council's rate revenue.

Finance

The proposed Special Rate Variation has already been previously adopted by Council and included in the strategic scenario detailed in the Long Term Financial Plan 2017-18 to 2026-27 and incorporated in Council's Delivery Program and adopted Asset Management Plans. The proposed Special Rate Variation was also included in Council's original Fit for the Future submission and in Council's subsequent financial re-assessment (November 2016) in which Council was deemed Fit for the Future.

Policy

N/A

Attachments

Nil

Enclosures

Nil

RECOMMENDATION

That Council:

1. endorse the amended Delivery Program
2. endorse the actions of the General Manager in making administrative changes to the Delivery Program and placing it on public exhibition
3. note that the closing date for these submissions on the amended Delivery

Report of the Director Corporate, Commercial & Community Services

15.2 Community Engagement and Feedback on Proposed Special Rate Variation (cont)

Program is 21 February 2018 after allowing 28 days public exhibition.

4. acknowledge the submissions received during the public exhibition period from 21 November 2017 to 19 January 2018 inclusive, specifically in relation to the proposed special rate variation and that details of all submissions be included in Council's application to IPART
5. proceed to formal application to IPART for a section 508(A) special rate variation of 6% (including rate pegging) for three successive years, to be retained permanently in the rate base with the cumulative impact being 19.1% or 12.04% net of rate pegging.

Item 15.2

BACKGROUND

Council at its meeting held on 21 November 2017, resolved:

"OC-17/001

Committee recommendation that Council notify IPART of its intention to apply for a Section 508A Permanent Special Rate Variation (Special Rate Variation) of 6% including rate pegging for 3 successive years, to be retained permanently in the rate base.

(Councillors Brown and Reilly)"

Since that resolution, Council has undertaken community engagement around the proposed Special Rate Variation. This engagement has included the following:

1. Notification in the Kiama Independent and Bugle inviting submissions on the proposed Special Rate Variation
2. Notification on Council's website inviting submissions on the proposed Special Rate Variation
3. The development of a dynamic FAQ and answers on Council's website (which had 586 direct hits)
4. The development of a rates estimator that calculated individual impacts of the Special Rate Variation (673 uses)
5. Detailed explanation of the Special Rate Variation in Council's special edition of Kimunico which was sent to every household, also inviting submissions
6. Presentations made to the Central Precinct committee, south precinct committee and the Minnamurra progress association. The JVRRA declined to have a presentation however, have now asked for a presentation to be made at the meeting on 6 March 2018.

Submissions were open from 22 November 2017 through to the 19 January 2018. At the close of this period, Council had received a total of 12 submissions.

Table of Submissions

Submission number	Issues raised
1 Objects to SRV	<ul style="list-style-type: none"> • review staff levels • Blue Haven, Leisure Centre, Holiday Parks and The Pavilion all be made profitable • Council should withdraw its Special Rate Variation application
2 Objects to SRV	<ul style="list-style-type: none"> • contrary to council's anti-amalgamation case • cost of pensioner rate subsidies • Council should sell all of its going concerns
3 Objects to SRV	<ul style="list-style-type: none"> • charge visitors • non-resident paid parking • tour company fees for bus parking • increased fines for visitors who leave waste behind
4 Objects to SRV	<ul style="list-style-type: none"> • does not use any Kiama Council services • lives on a State road • uses services provided by Wingecarribee Council
5 Objects to SRV	<ul style="list-style-type: none"> • size of increase unacceptable • not enough pensioner rate subsidy
6 Objects to SRV	<ul style="list-style-type: none"> • how much money will be raised by the Special Rate Variation over the 3 years?
7 Objects to SRV	<ul style="list-style-type: none"> • pie chart of revenue and other expenditure
8 Objects to SRV	<ul style="list-style-type: none"> • Council rates too high now • contrary to Fit for the Future proposal • Council inefficient and lazy • introduce a visitors tax
9 Objects to SRV	<ul style="list-style-type: none"> • Inequitable

15.2 Community Engagement and Feedback on Proposed Special Rate Variation (cont)

	<ul style="list-style-type: none"> • Charge holiday accommodation businesses • Introduce a tourist tax • Charge business rates, not residential rates to AirBnB, etc.
10 Objects to SRV	<ul style="list-style-type: none"> • poor provision of footpaths • poor footpath maintenance • parking across driveways and wrong side of the road • parking in the immediate vicinity of the Little Blowhole park • increased rubbish collection during summer holiday period • behaviour at the Little Blowhole park • concern about the promotion of Kiama as a dementia friendly town
11 Objects to SRV	<ul style="list-style-type: none"> • cease supporting tourism and redirect those funds • rural farm rebate should be eliminated • senior staff headcount should be reduced by 20% and their salaries • bring legal operations in house • change council’s culture of financial management • Council should be focused on rubbish removal, pot holes and making sure development complies with local and State regulations. • everything else is optional
12 Supports SRV	<ul style="list-style-type: none"> • thanking Council for its presentation to the South Precinct committee which gained strong support from the attendees

Item 15.2

Council in discussions with IPART regarding the proposed Special Rate Variation, IPART has advised that it wants to see specific reference to the Special Rate Variation in the adopted Delivery Program and a financial base case (without Special Rate Variation) included in Council’s Long Term Financial Plan.

Council has been proposing this Special Rate Variation since 2015 when Fit for the Future submissions originated. Council has continually included this Special Rate Variation in its Integrated Plans since that time. The proposed Special Rate Variation was included in Council’s original Fit for the Future submission and was part of Council’s proposal to the community when objecting to the proposed merger with Shoalhaven City Council.

It was also part of Council’s submission to the Office of Local Government when Council Municipal Council was invited to submit for financial reassessment in November 2016. This reassessment resulted in Council being deemed Fit for the Future.

Report of the Director Corporate, Commercial & Community Services

15.2 Community Engagement and Feedback on Proposed Special Rate Variation (cont)

The Long Term Financial Plan developed for the financial reassessment was based on one scenario, known as the “Strategic Scenario” as the base case without a Special Rate Variation was not financially sustainable and did not meet the Fit for the Future benchmarks. This was also reflected in Council’s integrated plans, all of which have been placed on public exhibition on at least two occasions with no submissions being received.

In order to meet the requirements of IPART, and the Special Rate Variation guidelines, Council’s adopted Delivery Program has now been amended to include more detail on the proposed Special Rate Variation. This is an administrative change only as the resulting income and those assets that are to be renewed and maintained from the income are already detailed in the Delivery Program and the adopted Asset Management Plans. In order to meet the Special Rate Variation application timeframe, the Delivery Program has again been placed on public exhibition from Friday 24 January 2018 until 21 February 2018.

In addition, Council is currently amending its adopted Long Term Financial Plan by reinstating the base case (without the Special Rate Variation) in order to meet the requirements. The base case is the same as what was developed in 2014/15 and simply updated based on the 2016/17 audited financial statements.

Additional commentary

Council has been in conversation with IPART regarding the application for a Special Rate Variation (SRV). In light of these conversations IPART hold the view that Council should have amended its current Delivery Program (adopted 22 June 2017 – OC-17/206) to detail the proposed SRV and the impacts. The adopted Delivery Plan references the proposed SRV on Page 48:

Objective 4: Civic Leadership

4.0 Responsible Civic Leadership that is transparent, innovative and accessible

4.1 Council is financially sustainable

4.1.1 Meeting and reporting against IPART/Fit for the future benchmarks

Action Code	Action	Responsible Officer Position	Performance Measure
4.1.1.1	Maintain financial sustainability	General Manager	Council meets the seven 'Fit for the Future' financial health and sustainability ratios
4.1.1.2	Implement financial ledger restructure	Chief Financial Officer	Successful implementation
4.1.1.3	Implement Accounts Payable workflow	Chief Financial Officer	Time and cost efficiencies

Report of the Director Corporate, Commercial & Community Services

15.2 Community Engagement and Feedback on Proposed Special Rate Variation (cont)

Action Code	Action	Responsible Officer Position	Performance Measure
4.1.1.4	Implement adopted actions from Council Improvement Program including an application for a Special Rate Variation of 6% (including rate pegging) for three successive years from 2018/19 with the income being retained permanently.	Director Corporate, Commercial and Community Services	Implementation of all actions detailed in the adopted Council Improvement Program

Item 15.2

but there is no detailed explanation of the SRV contained in the document. Council has detailed the proposed SRV since June 2015, at which time it was included in Council's Fit for the Future submission, acknowledged by IPART in their assessment in October 2015 at which time Council was still deemed "unfit."

The required SRV was also identified in the Council submission to the Delegate and acknowledged in the Delegate's report when Council was opposing the proposed merger with Shoalhaven City Council. The Council submission to the delegate, Mr Greg Wright, was placed on Council's website and provided to a large number of community organisations and members, at their request, to assist them in preparing their submissions to the delegate.

As Council is aware, 1,325 submissions were made to the delegate, 450 people attended the public Inquiries and more significantly 8,198 people voted in a voluntary plebiscite on the 7 May, 2016 with 95.4% voting "No" to the proposed merger and supporting Council's submission to remain standalone, which included the proposed SRV from 2018/2019.

The above demonstrates that Council has clearly adhered and supported the spirit of the community consultation guidelines around the SRV and probably exceeded the requirements. However, in order to fulfill the technical requirement and to ensure good governance, it was decided, to amend the current Delivery Program by adding detailed explanation of the SRV towards the front of the Delivery Program and re-exhibit this document. This was done in the week beginning 22 January 2018 and was placed on Council's website on the 24 January 2018 inviting further submissions. This has also been notified in local media. The submission period closes on the 21 February 2018.

As detailed in this report Council has already had the proposed SRV on public exhibition inviting submissions from the 22 November, 2017 to the 19 January 2018, this has included community presentations, a special edition of KUMINICO and local media both print and television.

Detailed below is the information that has now been included in the amended Delivery Program that is now on public exhibition:

SPECIAL RATE VARIATION TO FUND THE ASSET MAINTENANCE AND RENEWAL GAP

It is essential that Councils keeps its community assets in a safe working order and that they meet community expectations. In light of the condition audit and the current

Report of the Director Corporate, Commercial & Community Services

15.2 Community Engagement and Feedback on Proposed Special Rate Variation
(cont)

levels of infrastructure funding and the service standards identified by the community, Council has determined the following asset areas need increased Council funding which could be achieved via a rate increase.

Specifically:

- roads*
- footpaths and cycleways*
- transport, which includes roads, bridges, footpaths and cycleways*
- buildings*
- public amenities*
- park facilities.*

Increasing the level of funding for these assets (as detailed in the proposal for an SRV) will allow Council to renew and maintain those assets as required under the adopted Asset Management Plans. It will also ensure that the condition of assets do not decline below what is expected by the community and the infrastructure backlog does not increase.

FUNDING INFRASTRUCTURE RENEWAL AND MAINTENANCE – SPECIAL RATE VARIATION

BASE CASE – RATE PEG ONLY

Council developed a ‘Base Case’, as part of its FFTF submission and Integrated Planning documents which reflected Council’s current funded position with respect to the management of physical assets without a rate increase option – rate peg only, in its Strategic Asset Management Plan (SAMP) and Long Term Financial Plan (LTFP). This model compared Council’s average asset consumption, accumulated high-risk assets (renewal Backlog) and additional operations and maintenance to control high-risk assets against Council’s Long Term Financial Plan (LTFP). The evidence demonstrated that such a scenario is not financially sustainable into the future, as both the FFTF benchmarks and the condition of assets will continue to “Steadily decline”.

The Base Case also found that the required expenditure exceeds the current budget allocations and Council was unable to meet the required benchmarks. Council conducted extensive planning and forecasting under the Base Case scenario, and taking into consideration the result that its assets and infrastructure would decline under the current funding, opted to develop a financial model which sustainably funds asset maintenance and renewal and achieves financial sustainability as detailed in Council’s FFTF Financial Reassessment submission, with the least impact on ratepayers.

During the FFTF process and proposed merger Council critically reviewed, with the assistance of Morrison Low, a number of initiatives including the development and implementation of a Council Improvement Plan (CIP) to improve Councils financial sustainability to be able to fund asset maintenance and renewal. This CIP identified improvements that could be made (majority have either been implemented or are being implemented) to address the issue. Council redeveloped its LTFP, which

Report of the Director Corporate, Commercial & Community Services

15.2 Community Engagement and Feedback on Proposed Special Rate Variation
(cont)

included a proposed special rate variation (SRV) from 2018-19. This proposed SRV has been in the LTFP and Integrated Planning documents since 2014-15 and was part of the proposal presented to State Government in the FFTF original submission and the financial re-assessment that resulted in Kiama Municipal Council being deemed Fit for the Future. This was presented to the community during both rounds of the FFTF process and publically exhibited as part of Councils Integrated Plans on two occasions.

In developing the FFTF re-assessment submission in 2016 and the Integrated Plans in 2017 Council removed the base case scenario (which was not financial sustainable nor met the required FFTF benchmarks) and adopted the one scenario detailed in the LTFP known as the "Strategic Scenario" and reflected in the remaining Integrated Planning Documents.

PROPOSAL "STRATEGIC SCENARIO"

Special Rate Variation of 6.0% each year for three years, including rate pegging. Over the three year period this is a cumulative increase of 19.1%. At the end of the three year period the Special Rate Variation increases would be built into the rate base and permanently retained.

FUNDING IMPACT

This proposal would generate an additional \$3.577 million over three years from the increased rates. The additional funding would be allocated to the following assets:

- *\$965,000 on roads*
- *\$1.46 million on buildings and public amenities*
- *\$861,000 on footpaths and cycleways*
- *\$291,000 on parks and open spaces.*

MAINTAIN, RENEW

We would be able to fund essential maintenance and renewal of our assets. This means the average condition of our roads, town and village centres, buildings, public toilets, footpaths, cycle ways, parks and open spaces (including playgrounds and sports fields) would stabilize and improve.

NEW ASSETS

We will have little capacity for extra new capital works apart from those, already detailed in the LTFP, and those funded by developer contributions and grants.

AMENDMENTS TO IP&R DOCUMENTS TO REFLECT SRV

This Delivery Program has been reviewed and amended as part of the SRV process, after community consultation has been undertaken specifically on the SRV proposal. Council's key IP&R documents under review and amendment for the purpose of reflecting an SRV application include this Delivery Program, the Long-Term Financial Plan and the Strategic Asset Management Plan. As the adopted Delivery Program already included the SRV, Council has added additional detail in this section of the

Report of the Director Corporate, Commercial & Community Services

15.2 Community Engagement and Feedback on Proposed Special Rate Variation (cont)

plan at this time after community engagement has been conducted over the past two months.

One of the Community Strategic Plan's (CSP) aim for 'Well Planned and Managed Spaces, Places and Environment' is to effectively manage our transport, drainage and other infrastructure and assets.

It is essential that this Strategic Asset Management Plan (SAMP) for general fund assets links to the CSP. The SAMP has been developed in line with Council's (Fit for the Future) Reassessment Proposal and the adopted Council Improvement Plan submitted on 28 November 2016. It has been further revised to align with the 30 June 2017 audited figures.

<u>Rate Type</u>	<u>Average Land Value</u>	<u>% of Assessments under Average</u>	<u>Year</u>	<u>Rate Peg impact/ week</u>	<u>SRV Impact/ week</u>	<u>Combined Impact/ week</u>
Residential	\$418,274	63%	2018/2019	\$0.68	\$0.95	\$1.63
			2019/2020	\$1.38	\$1.98	\$3.36
			2020/2021	\$2.09	\$3.10	\$5.19
Rural Residential	\$1,056,740	61%	2018/2019	\$1.31	\$1.83	\$3.14
			2019/2020	\$2.65	\$3.82	\$6.47
			2020/2021	\$4.02	\$5.97	\$9.99
Business Commercial Industrial	\$429,798	91%	2018/2019	\$1.03	\$1.44	\$2.47
			2019/2020	\$2.09	\$3.01	\$5.10
			2020/2021	\$3.17	\$4.71	\$7.88
Business Ordinary	\$268,512	78%	2018/2019	\$0.44	\$0.62	\$1.06
			2019/2020	\$0.90	\$1.30	\$2.20
			2020/2021	\$1.37	\$2.03	\$3.40
Farmland	\$1,394,638	55%	2018/2019	\$1.17	\$1.64	\$2.81
			2019/2020	\$2.38	\$3.43	\$5.81
			2020/2021	\$3.61	\$5.36	\$8.98