

Extra Ordinary Meeting

Meeting Date: Tuesday, 15 November, 2016
Location: Council Chambers, City Administrative Building, Bridge Road, Nowra
Time: 4.00pm

Membership (Quorum - 7)
All Councillors

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Agenda

1. **Apologies / Leave of Absence**
2. **Declarations of Interest**
3. **Notices of Motion / Questions on Notice**
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CL16.71 Rescission Motion - SA16.7 Application for a Special Rate Variation

HPERM Ref: D16/337653

Submitted by: Clr Greg Watson
Clr Andrew Guile
Clr Mitchell Pakes

Purpose / Summary

The following Rescission Motion, of which due notice has been given, is submitted for Council's consideration.

Recommendation

That Council rescind the Motion relating to Item SA16.7 of the Council Meeting held 25 October 2016.

Background

The following resolution (MIN16.792) was adopted at the Ordinary Meeting held Tuesday 25 October 2016.

That Council

1. *Authorise staff to notify the IPART of its intention to apply for a Special Rate Variation Application for the following three (3) models of rate increase:*
 - a) *11.5% over 2 years (plus the rate peg)*
 - b) *6.27% over 4 years (plus the rate peg)*
 - c) *5% over 7 years (plus the rate peg)*
2. *Work on any anomalies within the rating categories that would possibly produce additional rate income*
3. *Receive a report modelling the community's capacity to pay for rate increases.*
4. *Council undertake an extensive community engagement program explaining the reason for the rate increase and seek the communities comments.*

Note by the General Manager

Staff have been in contact with both IPART and OLG since the meeting of council held on 25 October 2016.

In respect to IPART, it has been clarified that council is able to notify the intent to engage with the community on several SRV models in an endeavour to gauge community opinion and support for one or more of the models before a formal application is submitted in February 2017.

Contact was made with OLG to seek clarification on the possible implications if council adopted a rate/revenue policy that was a significant variation to the Fit for the Future strategy and would no longer meet the Fit for the Future benchmarks. Advice received indicates "The

Government has not finalised its approach to those councils who fail to implement their FFTF proposals or meet their performance targets, but it may include restricting access to the TCorp borrowing facility.” Finance staff have quantified that should this occur the cost to service a loan of \$10M would increase approx \$400,000. For the current REMS 1B Project this would be a substantial amount.

One of the main concerns in relation to the rate increase for council is “affordability by the ratepayer”, which would be an important aspect of the community engagement process. To assist in understanding the impact to a sample of typical residential properties across the City the attached table is included for reference:

Location	Land Value	Base	Ad Valorem	2016/17 rate	at 13.5% 2017/18	Annual increase
Bomaderry	160,000	\$ 505	\$ 386.45	\$ 891.45	\$ 1,011.79	\$ 120.35
Bomaderry	95,000	\$ 505	\$ 229.45	\$ 734.45	\$ 833.60	\$ 99.15
Basin View	510,000	\$ 505	\$ 1,231.80	\$ 1,736.80	\$ 1,971.27	\$ 234.47
St Georges Basin	150,000	\$ 505	\$ 362.30	\$ 867.30	\$ 984.38	\$ 117.08
Greenwell Point	180,000	\$ 505	\$ 434.75	\$ 939.75	\$ 1,066.62	\$ 126.87
Nowra	140,000	\$ 505	\$ 338.14	\$ 843.14	\$ 956.97	\$ 113.82
Vincentia	136,000	\$ 505	\$ 328.48	\$ 833.48	\$ 946.00	\$ 112.52
Bomaderry	68,000	\$ 505	\$ 164.24	\$ 669.24	\$ 759.59	\$ 90.35
Bangalee	215,000	\$ 505	\$ 519.29	\$ 1,024.29	\$ 1,162.57	\$ 138.28
Cambewarra	188,000	\$ 505	\$ 454.08	\$ 959.08	\$ 1,088.55	\$ 129.48
Bomaderry	32,000	\$ 505	\$ 77.29	\$ 582.29	\$ 660.90	\$ 78.61
Tapitallee	285,000	\$ 505	\$ 688.36	\$ 1,193.36	\$ 1,354.46	\$ 161.10
Culburra Beach	740,000	\$ 505	\$ 1,787.32	\$ 2,292.32	\$ 2,601.79	\$ 309.46
Culburra Beach	172,000	\$ 505	\$ 415.43	\$ 920.43	\$ 1,044.69	\$ 124.26
Woollamia	425,000	\$ 505	\$ 1,026.50	\$ 1,531.50	\$ 1,738.26	\$ 206.75
Old Erowal Bay	98,000	\$ 505	\$ 236.70	\$ 741.70	\$ 841.83	\$ 100.13
Narrawallee	145,000	\$ 505	\$ 350.22	\$ 855.22	\$ 970.67	\$ 115.45
Vincentia	295,000	\$ 505	\$ 712.51	\$ 1,217.51	\$ 1,381.88	\$ 164.36
Vincentia	270,000	\$ 505	\$ 652.13	\$ 1,157.13	\$ 1,313.34	\$ 156.21
Sanctuary Point	108,000	\$ 505	\$ 260.85	\$ 765.85	\$ 869.24	\$ 103.39
Milton	180,000	\$ 505	\$ 434.75	\$ 939.75	\$ 1,066.62	\$ 126.87
Mollymook Beach	205,000	\$ 505	\$ 495.14	\$ 1,000.14	\$ 1,135.15	\$ 135.02
Berry	260,000	\$ 505	\$ 627.98	\$ 1,132.98	\$ 1,285.93	\$ 152.95
Shoalhaven Heads	215,000	\$ 505	\$ 519.29	\$ 1,024.29	\$ 1,162.57	\$ 138.28
Shoalhaven Heads	570,000	\$ 505	\$ 1,376.72	\$ 1,881.72	\$ 2,135.75	\$ 254.03
Worrigee	148,000	\$ 505	\$ 357.46	\$ 862.46	\$ 978.90	\$ 116.43
Vincentia	640,000	\$ 505	\$ 1,545.79	\$ 2,050.79	\$ 2,327.65	\$ 276.86
Hyams Beach	1,330,000	\$ 505	\$ 3,212.35	\$ 3,717.35	\$ 4,219.19	\$ 501.84
Sussex Inlet	350,000	\$ 505	\$ 845.36	\$ 1,350.36	\$ 1,532.65	\$ 182.30
Ulladulla	170,000	\$ 505	\$ 410.60	\$ 915.60	\$ 1,039.21	\$ 123.61
Ulladulla	340,000	\$ 505	\$ 821.20	\$ 1,326.20	\$ 1,505.24	\$ 179.04
Sussex Inlet	130,000	\$ 505	\$ 313.99	\$ 818.99	\$ 929.55	\$ 110.56

The average increase for residential properties across the City would be \$136.23 for 2017/18 and a further \$154.63 in 2018/19. The amount of increase would be less if the property land value was less than \$212,000 and conversely the dollar amount of increase would be more if the property land value was more than \$212,000. In the table above each of the properties listed having a valuation over \$500,000 are waterfront lots in various localities and hence the rate increases are much higher than the average ratepayer.

Council is well aware of the “Operating” deficit budgets, shortfall in expenditure on asset maintenance, quantum of infrastructure backlog works and the shortfall in expenditure on asset/infrastructure renewal works. The FFTF benchmarks are set to address these issues and provide for better management of infrastructure generally across the local government industry.

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The table below outlines a number of rate rise scenarios, these are:-

1. The original Fit for the Future Rate rise as assessed by IPART, and results in over \$29.9Mil less being collected in rates over 10 years than is currently forecast (10% per year for 2 years, cumulative impact 47.4% over 10 years)
2. The revised Fit for the Future Rate Rise being recommended by staff which targets to meet the State Government benchmarks and Timeframes (13.5% per year for 2 years, cumulative impact 50.9.0% over 10 years)
3. Alternate option 1 spreads the rate rise over 4 years with a similar final rate base after 10 years, does not meet the Fit for the Future Rate requirements (8.27% per year for 4 years, cumulative impact 54.8% over 10 years)
4. Alternate option 2 spreads a 7% rate rise over 7 years, does not meet the Fit for the Future Rate requirements and results in over \$22Mil more being collected in rates over 10 years (7% per year over 7 years, cumulative impact 70.4% over 10 years)
5. Alternate option to meet total revenue, does not meet the Fit for the Future Rate requirements but does result in a similar total rate collection over 10 years (6.34% per year over 7 years, cumulative impact 63.2% over 10 years)

Alternate option as suggested by the Shoalhaven Independents Group does not meet the Fit for the Future Rate requirements and results in over \$68Mil less being collected in rates over 10 years (4% per year over 10 years, cumulative impact 45.2% over 10 years)

Amended Rate increases with different scenarios									
		Original FFTF Recommendation	Revised FFTF Recommendation	Alt Option 1 from Council Meeting	Alt Option 2 from Council Meeting	Alt Option to meet Total Revenue target	Independents Recommendation		Just Rate Peg
SRV		10.0%	13.5%	8.27%	7.00%	6.34%	4.00%		2.00%
Rate Peg		2.5%	2.0%	2.0%	2.0%	2.0%	2.0%		2.0%
Total over 10 year		40.0%	43.0%	45.1%	55.0%	50.4%	38.0%		20.0%
Cumulative impact		47.4%	50.9%	54.8%	70.4%	63.2%	45.2%		0.0%
Years		2	2	4	7	7	9		9
2017	1	\$ 57,504,699	\$ 57,504,699	\$ 57,504,699	\$ 57,504,699	\$ 57,504,699	\$ 57,504,699		\$ 57,504,699
2018	2	\$ 63,255,169	\$ 65,267,833	\$ 62,260,338	\$ 61,530,028	\$ 61,150,497	\$ 59,804,887		\$ 58,654,793
2019	3	\$ 69,580,686	\$ 74,078,991	\$ 67,409,268	\$ 65,837,130	\$ 65,027,438	\$ 62,197,082		\$ 59,827,889
2020	4	\$ 71,320,203	\$ 75,560,571	\$ 72,984,014	\$ 70,445,729	\$ 69,150,178	\$ 64,684,966		\$ 61,024,447
2021	5	\$ 73,103,208	\$ 77,071,782	\$ 79,019,792	\$ 75,376,930	\$ 73,534,299	\$ 67,272,364		\$ 62,244,936
2022	6	\$ 74,930,788	\$ 78,613,218	\$ 80,600,188	\$ 80,653,315	\$ 78,196,374	\$ 69,963,259		\$ 63,489,834
2023	7	\$ 76,804,058	\$ 80,185,482	\$ 82,212,191	\$ 86,299,047	\$ 83,154,024	\$ 72,761,789		\$ 64,759,631
2024	8	\$ 78,724,159	\$ 81,789,192	\$ 83,856,435	\$ 92,339,980	\$ 88,425,989	\$ 75,672,261		\$ 66,054,824
2025	9	\$ 80,692,263	\$ 83,424,976	\$ 85,533,564	\$ 94,186,780	\$ 90,194,509	\$ 78,699,151		\$ 67,375,920
2026	10	\$ 82,709,570	\$ 85,093,475	\$ 87,244,235	\$ 96,070,516	\$ 91,998,399	\$ 81,847,117		\$ 68,723,438
Total collected		\$ 728,624,803	\$ 758,590,218	\$ 758,624,724	\$ 780,244,154	\$ 758,336,407	\$ 690,407,576		\$ 629,660,410
		Special Rates ap	Special Rates applied these years						

Amended Revenue Differences									
2017	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	2	\$ 2,012,664	\$ -	\$ 3,007,496	\$ 3,737,805	\$ 4,117,336	\$ 5,462,946		
2019	3	\$ 4,498,305	\$ -	\$ 6,669,723	\$ 8,241,861	\$ 9,051,552	\$ 11,881,908		
2020	4	\$ 4,240,368	\$ -	\$ 2,576,557	\$ 5,114,842	\$ 6,410,393	\$ 10,875,605		
2021	5	\$ 3,968,574	\$ -	\$ 1,948,010	\$ 1,694,852	\$ 3,537,483	\$ 9,799,418		
2022	6	\$ 3,682,430	\$ -	\$ 1,986,970	\$ 2,040,097	\$ 416,844	\$ 8,649,959		
2023	7	\$ 3,381,424	\$ -	\$ 2,026,709	\$ 6,113,565	\$ 2,968,542	\$ 7,423,693		
2024	8	\$ 3,065,032	\$ -	\$ 2,067,244	\$ 10,550,789	\$ 6,636,797	\$ 6,116,931		
2025	9	\$ 2,732,712	\$ -	\$ 2,108,588	\$ 10,761,804	\$ 6,769,533	\$ 4,725,824		
2026	10	\$ 2,383,905	\$ -	\$ 2,150,760	\$ 10,977,041	\$ 6,904,924	\$ 3,246,358		
Cumulative lost revenue		\$ 29,965,415	\$ -	\$ 34,506	\$ 21,653,936	\$ 253,812	\$ 68,182,642		

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CL16.72 Notice of Motion - Application for a Special Rate Variation

HPERM Ref: D16/337656

Submitted by: Clr Greg Watson
Clr Andrew Guile
Clr Mitchell Pakes

Purpose / Summary

The following Notice of Motion, of which due notice has been given, is submitted for Council's consideration.

Recommendation

That Council not proceed with the rate pegging application and seek Ministerial consent for a long term adjustment to be implemented from 2017/18.

Note by the General Manager

Should this Motion be carried there is no need for any notification to IPART as a SRV would not apply to the 2017/18 year.

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LOCAL GOVERNMENT AMENDMENT (GOVERNANCE & PLANNING) ACT 2016

Chapter 3, Section 8A Guiding principles for councils

(1) Exercise of functions generally

The following general principles apply to the exercise of functions by councils:

- (a) Councils should provide strong and effective representation, leadership, planning and decision-making.
- (b) Councils should carry out functions in a way that provides the best possible value for residents and ratepayers.
- (c) Councils should plan strategically, using the integrated planning and reporting framework, for the provision of effective and efficient services and regulation to meet the diverse needs of the local community.
- (d) Councils should apply the integrated planning and reporting framework in carrying out their functions so as to achieve desired outcomes and continuous improvements.
- (e) Councils should work co-operatively with other councils and the State government to achieve desired outcomes for the local community.
- (f) Councils should manage lands and other assets so that current and future local community needs can be met in an affordable way.
- (g) Councils should work with others to secure appropriate services for local community needs.
- (h) Councils should act fairly, ethically and without bias in the interests of the local community.
- (i) Councils should be responsible employers and provide a consultative and supportive working environment for staff.

(2) Decision-making

The following principles apply to decision-making by councils (subject to any other applicable law):

- (a) Councils should recognise diverse local community needs and interests.
- (b) Councils should consider social justice principles.
- (c) Councils should consider the long term and cumulative effects of actions on future generations.
- (d) Councils should consider the principles of ecologically sustainable development.
- (e) Council decision-making should be transparent and decision-makers are to be accountable for decisions and omissions.

(3) Community participation

Councils should actively engage with their local communities, through the use of the integrated planning and reporting framework and other measures.

Chapter 3, Section 8B Principles of sound financial management

The following principles of sound financial management apply to councils:

- (a) Council spending should be responsible and sustainable, aligning general revenue and expenses.
- (b) Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.
- (c) Councils should have effective financial and asset management, including sound policies and processes for the following:
 - (i) performance management and reporting,
 - (ii) asset maintenance and enhancement,
 - (iii) funding decisions,
 - (iv) risk management practices.
- (d) Councils should have regard to achieving intergenerational equity, including ensuring the following:
 - (i) policy decisions are made after considering their financial effects on future generations,
 - (ii) the current generation funds the cost of its services

Chapter 3, 8C Integrated planning and reporting principles that apply to councils

The following principles for strategic planning apply to the development of the integrated planning and reporting framework by councils:

- (a) Councils should identify and prioritise key local community needs and aspirations and consider regional priorities.
- (b) Councils should identify strategic goals to meet those needs and aspirations.
- (c) Councils should develop activities, and prioritise actions, to work towards the strategic goals.
- (d) Councils should ensure that the strategic goals and activities to work towards them may be achieved within council resources.
- (e) Councils should regularly review and evaluate progress towards achieving strategic goals.
- (f) Councils should maintain an integrated approach to planning, delivering, monitoring and reporting on strategic goals.
- (g) Councils should collaborate with others to maximise achievement of strategic goals.
- (h) Councils should manage risks to the local community or area or to the council effectively and proactively.
- (i) Councils should make appropriate evidence-based adaptations to meet changing needs and circumstances.