
ORDINARY COUNCIL

ORD05

SUBJECT: NEW COMMUNITY INFRASTRUCTURE RENEWAL PROGRAM AND PROPOSED CONTINUATION OF THE CURRENT SPECIAL RATE VARIATION - 2019/20

FROM: Acting Director Customer & Corporate Strategy

TRIM #: 18/385318

PURPOSE OF REPORT

To seek Council's approval to:

- Notify IPART of its intention to apply for a continuation of the Special Rate Variation (SRV) under 508(2) of the *Local Government Act 1993*.
- Undertake community consultation outlining the Community Infrastructure Renewal Program (CIRP) and proposed method of funding.

BACKGROUND

In 2013, Council prepared an application to the Independent Pricing and Regulatory Tribunal (IPART) for an SRV to part-fund the continuation of its CIRP.

The application was based on a \$6 million package of infrastructure renewal works over six years. The package of works was funded through a mixture of internal reserves, loan borrowings via the Local Infrastructure Renewal Scheme, and a special rate increase of 1.10%.

The Minister for Local Government approved a special rate increase of 1.10% for six years only, with an expiry date of 30 June 2019. The six-year program was designed as a schedule of works to enable Council to address renewal works on roads, bridges, stormwater drainage, parks, sporting facilities and buildings.

Before Council adopts its 2019/20 budget, it must decide if the current SRV of 1.10% should continue or be allowed to lapse. If the decision is to continue the SRV, Council must advise IPART of its intention to apply for a continuation by 30 November 2018.

A Councillor workshop was held on 16 October 2018 and 21 November 2018 to discuss this report.

MAIN REPORT

The Camden Local Government Area (LGA) is experiencing rapid population growth, with the current population of 98,400 people estimated to increase to more than 250,000 over the next 20 years. Camden Council has an active role in the planning and delivery of this growth which requires effective medium to long term strategies.

While Council has many new assets resulting from growth, there is also renewal programs that must be maintained to ensure a consistent delivery of asset condition across the entire LGA.



Over the past several years, Council has used an SRV to part-fund renewal programs, which have assisted in keeping Council's asset base within the industry standard and in a good condition. Without a continuation of the existing SRV, Council will find it more difficult to maintain the expected community standard for its asset base.

This report will recommend that Council apply to IPART for a continuation of the current SRV to part fund a \$5.1 million works program over the next 4 years. Additional information on this proposed program and its impact on rate payers is explained below.

It is important to note that all Councils can increase income from rates by the Minister's allowable limit of 2.7% in the 2019/20 financial year. All scenarios provided below will include this increase to ensure a realistic impact on the average rate is provided.

Funding Options

As part of preparing the funding options available to Council, the following have been considered:

- Growth estimates (rateable properties) and their impact on forecast income;
- An assumption that Council will adopt the Ministers 2.7% allowable limit (rate peg) for Financial Year 2019/20 and its impact on forecast income;
- The potential for a reduction or elimination of the 1.10% SRV in 2019/20 (refer to option 1);
- Council's capacity to fund debt now and into the future including the impact on Council's debt service ratio;
- A \$5.1 million asset renewal program of works over four years in part funded through the continuation of the 1.10% SRV (refer to option 2);
- Council's capacity to complete the program of works within 4 years;
- The impact of options on ratepayers.

The considered options are:

Option 1

Discontinue the CIRP. If renewal works are decreased, there will be a natural decrease in the standard of community assets across the Camden LGA over time.

A measure of the amount spent on asset renewal is through an industry benchmark, the "asset renewal ratio". This ratio measures how quickly Council is replacing assets compared to the amount they are depreciating by over time.

Council will find it difficult to improve this ratio towards benchmark without having asset renewal programs in place. The renewal programs Council has supported over the past several years have ensured that Council's renewal backlog is not growing.

Council's backlog ratio (industry benchmark) is better than the industry standard, in part due to growth in Council's asset base but also due to Council's asset renewal programs.

It would be prudent for Council to continue to support asset renewal programs.

Option 2 (Recommended Option)

Continue the SRV of 1.10% from 2019/20 for 4 years. This option is a combination of a SRV of 1.10% (\$2.9 million) and loan borrowings (\$2.2 million), which will allow Council to spend \$5.1 million over 4-years on asset renewal.

Impact on Average Rates by Percentage and Dollar amount.

If Council endorses a continuation of the existing SRV, the variation (1.10%) is already included in the average rate; rates will not increase by another 1.10%, only by the Ministers allowable limit (rate peg), which is 2.70% for 2019/20.

Option 1 below shows that, if the current SRV of 1.10% is allowed to lapse, the increase in rates for 2019/20 will be 1.60% (2.70% less 1.10%). The average increase will be \$0.50 per week for residential and \$2.10 per week for business rated properties.

Option 2 below shows that, with a continuation of the SRV of 1.10%, the increase in rates for 2019/20 will be 2.70%, as allowed by the State Government, noting that the 1.10% is already included in the calculation of rates and has been for the past 6 years. The average increase will be \$0.79 per week for residential and \$3.62 per week for business rated properties.

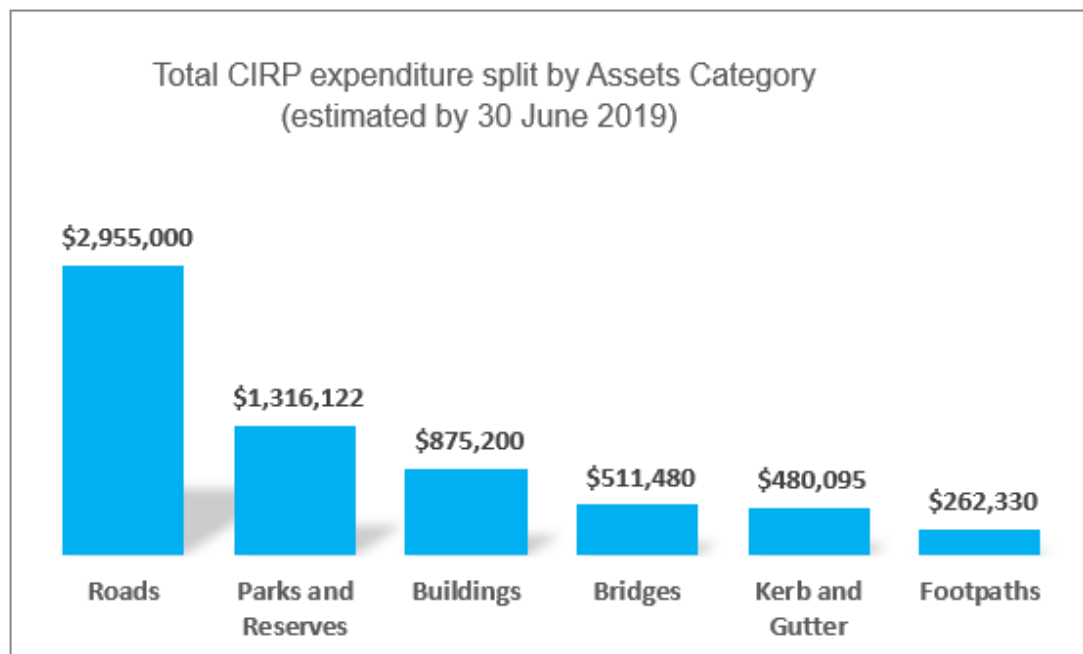
In comparison, for an additional \$0.29 per week for residential and \$1.52 for business rated properties for the next 4 years, Council can provide a \$5.1 million asset renewal program for the community.

Option	Actual 2019/20 Variations	Residential		Business	
		Annual Increase	Weekly Increase	Annual Increase	Weekly Increase
Option 1 (No SRV) – (2.7% less 1.1% net increase)	1.6% ↑	\$26.25	\$0.50	\$109.11	\$2.10
Option 2 (Continuation 1.1% SRV plus 2.7% increase)	2.7% ↑	\$41.25	\$0.79	\$188.11	\$3.62
Difference to pay with SRV continuing		\$15.00	\$0.29	\$79.00	\$1.52

Please note: the figures provided above are averages, some ratepayers may receive a different movement in rates depending on the value and classification of their land. This report provides estimates at a point in time. Although growth has been factored into all options, they are estimates and can change as a result of external factors before the adoption of the 2019/20 budget in June 2019.

Current Community Infrastructure Renewal Program (CIRP)

The current CIRP expires on 30 June 2019. This program delivered over \$6 million in asset renewal works over 6 years. The estimated expenditure across various assets categories is shown in the graph below.



In consultation with Council over 2 workshops, a new asset renewal program of works has been considered for completion over the next 4 years. This new program will form part of the discussion with the community, as part of the engagement process, and is detailed below.

Proposed new CIRP for 2020 – 2024 (4 yrs)

The list below indicates the projects to be part funded by the SRV.

ID	Project Name	Project Description	Cost (Est.)
1	Leppington - maintenance Leppington Station	Road improvements to maintain existing roads in the Leppington precincts in advance of full upgrade to urban roads	\$ 800,000
2	Catherine Fields Reserve	Ground and building improvements	\$ 150,000
3	Pat Kontista Reserve	Ground improvements - seating, pathways	\$ 250,000
4	Liquidamber Reserve	Car parking spaces	\$ 250,000

ID	Project Name cont.	Project Description	Cost (Est.)
5	The Cascades, Mt Annan	Park improvement works - seating, bridges and bollards	\$ 300,000
6	Jack Nash Reserve	Playing surface and ground improvements	\$ 400,000
7	Civic Centre - Undercroft	Building and interior improvements, minor upgrades, drainage improvements	\$ 800,000
8	Visitor / Tourist Centre - John Oxley Cottage	Building improvements	\$ 250,000
9	Kirkham Park (old netball club room) BMX amenities	Improvements to old netball amenities for BMX use	\$ 300,000
10	Onslow Oval Entry Gates Heritage Renewal	Heritage gates and replacement of missing elements	\$ 200,000
11	Camden Pool Buildings	Canteen / residential unit improvements	\$ 150,000
12	Nott Oval buildings	Repair of old buildings and ground improvements	\$ 300,000
13	Cowpasture Oval Amenities	Refurbishment of amenities	\$ 150,000
14	Camden RSL Youth Club	Building improvements	\$ 200,000
15	Narellan Park (Jets/Hockey)	Ground improvements	\$ 300,000
16	Narellan Library	Forecourt improvements - shade, landscaping, paving	\$ 300,000
Subtotal			\$ 5,100,000

Community Engagement for the SRV

Community engagement will be undertaken over seven weeks from 3 December 2018 to 19 January 2019.

Council acknowledges that this consultation is over the Christmas period but, for Council to meet the submission date set by IPART, this is unavoidable. Council did request an extension to the submission date in order to avoid the Christmas period however this was not approved as IPART was of the opinion that sufficient time was available to consult the community. It should also be noted that the Office of Local Government only released its guidelines for 2019/20 applications in October 2018.

The method of consultation will include media releases, Council's website, Let's Connect and a phone survey. The results of the phone survey will be presented at a Councillor Briefing Monday 4 February 2019.



As part of the consultation process, Council is required to place the Revised Delivery Program, including the proposed CIRP and Long-term Financial Plan to demonstrate the CIRP can be funded, on public exhibition for a minimum period of 28 days.

CONCLUSION

The existing CIRP expires 30 June 2019. Using an SRV to part fund a CIRP has assisted Council over several years to maintain community assets in a good condition. This has been achieved through a small increase in the average annual rate through the SRV process. The average rate already includes this small increase as part of the current SRV and CIRP.

The new CIRP being proposed provides an investment of \$5.1 million in improvements and renewal across the Local Government Area. It considers the current condition of many popular reserves and community buildings to ensure community assets remain at a high standard.

It is recommended that Council approve the notification to IPART, pending community feedback, of its intention to apply for a continuation of the existing 1.10% SRV, which is currently included in property rates.

Council will have an opportunity to consider this matter again in February 2019, following the consultation process, before adopting and formally making application to IPART.

RECOMMENDED

That Council:

- i. notify IPART of its intention to apply for a special rate variation under 508(2) of the *Local Government Act 1993*;**
- ii. undertake community consultation outlining the Community Infrastructure Renewal Program (CIRP) and proposed method of funding;**
- iii. as part of the consultation process, place the Revised Delivery Program and Long-term Financial Plan on public exhibition for a period of 28 days; and**
- iv. receive a report on the outcome of the community consultation to consider a formal application to IPART for a continuation of the current SRV and new CIRP.**