POST-EXHIBITION REPORT ON RATE RISE OPTIONS

ATTACHMENTS:	**1. IMPLICATIONS** **2. RATE RISE OPTION COMMUNITY BROCHURE** **3. ENGAGEMENT OUTCOMES REPORT** **4. REPRESENTATIVE SURVEY (MICROMEX) REPORT** **5. RESPONSE TO ENGAGEMENT THEMES** **6. CAPACITY TO PAY (MORRISON LOW) REPORT** **7. FINANCIAL HARDSHIP POLICY – RATES AND ANNUAL CHARGES** **8. DRAFT LONG TERM FINANCIAL PLAN AND DELIVERY PROGRAM CHANGES FOR OPTION 2 (MAINTAIN SERVICES)** **9. DRAFT LONG TERM FINANCIAL PLAN AND DELIVERY PROGRAM CHANGES FOR OPTION 3 (INCREASE SERVICES)** **10. DRAFT LONG TERM FINANCIAL PLAN AND DELIVERY PROGRAM CHANGES FOR OPTION 4 (INCREASE SERVICES AND INFRASTRUCTURE)** **11. KEY CHANGES BETWEEN EXISTING LONG-TERM FINANCIAL PLAN (LTFP) AND VERSIONS OF LTFP ATTACHED TO THIS REPORT**
RESPONSIBLE OFFICER:	**DEBRA JUST – CHIEF EXECUTIVE OFFICER**
AUTHOR:	**MARK SKELSEY – SPECIAL RATE VARIATION PROJECT MANAGER**
CITY STRATEGY OUTCOME:	**5.6 – ENSURE VALUE FOR MONEY AND FINANCIAL SUSTAINABILITY**
MEETING DATE:	**27 NOVEMBER 2023**

1. PURPOSE OF REPORT

To seek Council's approval to select a preferred rate rise option to commence from 1 July 2024 following extensive community engagement undertaken between 25 September and 5 November 2023.

2. OFFICER'S RECOMMENDATION

That Council:

1. **Note that community engagement activity undertaken between 25 September and 5 November 2023 shows there is strong overall community support for a Special Rate Variation (SRV).**

2. **Endorse Option 3 – Increase Services (15% rate rise) as its preferred 2024/25 rate rise option to inform the preparation of a SRV application to the Independent Pricing and Regulatory Tribunal (IPART).**

3. **Endorse the public exhibition of the Long Term Financial Plan (LTFP) and Delivery Program 2022-26 changes which are applicable to Option 3 – Increase Services (15% rate rise) at Attachment 9.**

4. **Authorise the Chief Executive Officer to make amendments to the LTFP to update the document to integrate the IPART 2024/25 rate peg announcement made on 21 November, and other changes to the LTFP and Delivery Program 2022-26 changes which do not alter the intent or result in material changes to these documents in preparation for public exhibition of the same.**

5. **Agree to hold an additional Council meeting at 7.00pm on Tuesday, 30 January 2024, to consider the outcome of the public exhibition of the LTFP and Delivery Program 2022-26 changes, and the lodgement of a SRV application to IPART, should Council resolve to support a SRV option at this meeting.**

6. **Notify engagement participants about Council's decision in this matter and thank them for their valued contribution.**

3. BACKGROUND

On 28 August 2023, Council resolved to support the commencement of community engagement on four rate rise options, as below:

1. *Note that the NSW Government requires councils, when consulting with their communities about a potential Special Rate Variation, outline an option which does not involve a Special Rate Variation.*
2. *The following Special Rate Variation options should accompany Option 1 (Reduce Services - no Special Rate Variation) in the engagement process.*
    - *Option 2 (Maintain) - Seek a 12% rate increase*
    - *Option 3 (Increase Services) - seek a 15% rate increase*
    - *Option 4 (Increase Services and Infrastructure) - Seek a 20% rate increase*
3. *Endorse the Community Engagement Plan at Attachment 4.*
4. *Approve a budget allocation of $200,000 in 2023/24 from Projects and Capital Works contingency funds to implement the Community Engagement Plan.*
5. *Approve the insertion of the words "Conduct community engagement on options to deliver ongoing financial sustainability, including a potential Special Rate Variation" on pages 5 and 19 of the Council's Delivery Program 2022-26.*
6. *Note that the results of the community engagement process will be reported to the November 2023 meeting, to inform a further decision by the Council on the financial sustainability options.*
7. *This resolution is not a decision by Council to proceed to make a submission to the Independent Pricing and Regulatory Tribunal for a Special Rate Variation and that a separate report to Council will be required later in 2023 to do so.*

Councillors were briefed on the content of this report on 30 October and 20 November 2023.

4. DISCUSSION

Rate rise options placed on public exhibition
From 25 September to 5 November 2023, four rate rise options were placed on public exhibition. Key details about the options are explained below:

Figure 1 – Key details of each rate rise option

Name	Reduce Services	Maintain Services	Increase Services	Increase Services and Infrastructure
Option number	1	2	3	4
Narrative	Council will undertake service cuts and find new revenue sources to maintain a balanced budget, without increasing rates above the NSW Government rate revenue peg. Council will have limited ability to fund new services or community projects and will be vulnerable to the impact of future financial, climate and growth shocks.	Council will be able to recover from the 12.1% inflation increase from the last two years and continue to provide highly valued services. In addition, Council will be able to accumulate modest funds for community projects and asset renewal, and have a buffer for future financial shocks, extreme weather and growth.	In addition to delivering all the outcomes under Option 2, Council will be able to set aside an additional $2m a year for improved public area maintenance.	In addition to delivering all the outcomes in Option 3, Council will also be able to set aside an additional $2.5m a year for community infrastructure, particularly infrastructure which supports a healthy and connected community and caters for future growth.
Overall rate rise percentage in 2024/25	3.5% (in line with assumed rate peg)	12%	15%	20%
Estimated proportion of overall rate rise attributable to Special Rate Variation (SRV)	0%	8.5%	11.5%	16.5%
Average 2024/25 residential rate increase	$38.07 ($0.73 a week)	$130.52 ($2.51 a week)	$163.15 ($3.14 a week)	$217.53 ($4.18 a week)
Average 2024/25 general business rate increase	$228.33 ($4.39 a week)	$782.85 ($15.05 a week)	$978.56 ($18.82 a week)	$1,304.74 ($25.09 a week)
Average 2024/25 Chatswood Town Centre rate increase	$273.10 ($5.25 a week)	$936.34 ($18.01 a week)	$1,170.42 ($22.51 a week)	$1,560.56 ($30.01 a week)
Cost-cutting target	$2.8m	$1m	$1m	$1m
Savings target	$0.5m	$1m	$1m	$1m

The community brochure which explained these options is available at **Attachment 2.** The options can be viewed in more detail at www.haveyoursaywilloughby.com.au/swf

The Maintain Services, Increase Services and Increase Services and Infrastructure options would all rely on a Special Rate Variation (SRV) application under Section 508(2) of the *Local Government Act*. This would involve a one-off increase to rates in 2024/25, whereby rates would increase by the approved SRV and rate peg amount. This increased amount would then stay in Council's rates base in future years, when rates would typically only increase in line with the NSW Government rate peg.

Awareness-raising and engagement activities

Activities to make community members aware of the rate rise options included:

- Sending 30,057 letters, accompanied by a six-page brochure, in the mail to all ratepayers, including ratepayers based overseas
- Sending out more than 36,000 emails to various databases
- Placing 42 pavement sticker signs at around 10 localities
- Publishing social media posts which were seen 198,853 times
- Distributing at least 1,585 flyers to businesses and passers-by

An estimated 47% of Willoughby LGA residents stated they were aware of the rate rise options. This is higher than the 34% average awareness rate for other Sydney councils which have undertaken rate rise engagement campaigns.

Activities to seek feedback from the community on the options included:

- Creating a *Securing Willoughby's Future* online Have Your Say portal which was visited 5,100 times (www.haveyoursaywilloughby.com.au/swf)
- An invitation on the Have Your Say portal to complete an online opt-in survey (1,873 respondents filled out the survey)
- Commissioning research company Micromex to undertake a representative telephone and online survey of 419 residents (survey was weighted to reflect the 18 plus age and gender profile of the LGA)
- Holding eleven engagement events attended by 56 people, including a stakeholder roundtable with Progress Associations and business groups
- Inviting respondents to make comments or submissions to explain their feedback

Sentiment outcomes

Community sentiment was measured by asking survey respondents to either:

- Rate each option against five sentiment ratings (from Very Supportive to Not At All Supportive); and
- Rank every option from one (most preferred) to four (least preferred)

The key sentiment outcomes for both the opt-in (Have Your Say) and representative (Micromex) surveys were:

- 64% of opt-in survey respondents, and 74% of representative survey respondents, ranked an SRV option as their first option.
- Across both sentiment questions, Maintain Services had the highest overall support.
- Residential landowners and renters ranked Maintain Services, and then Increase Services, as their highest ranked options.

These outcomes are further explained in Figure 2, with a detailed analysis of engagement activity available in the engagement outcomes report at **Attachment 3** and the representative (Micromex) survey report at **Attachment 4**.

Figure 2 – Overall rating and ranking results

Measure	Opt-in (Have Your Say) survey finding	Representative (Micromex) survey finding
Percentage of respondents who ranked SRV option as first option	64%	74%
Option average ranking score (lower score means more preferred)		
Most preferred	Maintain Services (1.93)	Maintain Services (1.97)
Second most preferred	Increase Services (2.30)	Increase Services (2.16)
Third most preferred	Reduce Services (2.58)	Reduce Services (2.82)
Least preferred	Increase Services and Infrastructure (3.19)	Increase Services and Infrastructure (3.05)
Percentage at least "Somewhat Supportive" of option		
Most preferred	Maintain Services (57%)	Maintain Services (72%)
Second most preferred	Reduce Services (44%)	Increase Services (65%)
Third most preferred	Increase Services (42%)	Increase Services and Infrastructure (53%)
Least preferred	Increase Services and Infrastructure (27%)	Reduce Services (38%)

Other key sentiment outcomes only available in the opt-in (Have Your Say) survey were:

- Business renters, workers and visitors ranked Increase Services as their highest ranked option, while business ratepayers ranked Reduce Services as their highest ranked option, while noting the relatively small participant base in these cohorts (see pages 14-16 at **Attachment 3**).

Other key sentiment outcomes only available in the representative (Micromex) survey were:

- Among respondents who selected one of the three SRV options as their highest ranked option, Increase Services was the preferred option.
- All age groups ranked the options in the same order as the overall ranking results. However, compared to the overall ranking result, there was marginally more support towards the SRV options among respondents aged over 65, and marginally more support towards Reduce Services among respondents aged 18-34.

- When asked why they had chosen Reduce Services as their first preference, 45% of respondents stated they selected it because other options are not affordable, or because they don't want an increase.
- About one in four respondents who chose either the Maintain Services or Increase Services option as their first preference did so because it was regarded as an 'affordable option'.
- About one in four people who chose Maintain Services as their first preference stated they wanted existing service levels to remain.
- Those who chose Increase Services or Increase Services and Infrastructure as their first preference wanted to see services, facilities and infrastructure upgraded, and were willing to pay for this.

The above results show there is strong overall community sentiment (in the order 65-75% support across the two surveys) in favour of a SRV, and in particular the Maintain Services and Increase Services options. Between 25-35% of community members did not support a special rate increase.

Verbal and written comments
In addition to the statistical data collected in the two surveys, and comments collected and analysed in the representative survey, a wide range of other verbal and written comments were collected.

This included 39 emailed comments, 26 submissions, 891 comments made as part of the opt-in online survey and 126 verbal comments made across 11 events.

A submission was received from a consultant writing on behalf of the owners of Chatswood Chase, Chatswood Westfield and Northbridge Plaza, objecting to the rate increases.

A response to the key themes raised in verbal and written comments, and the submission from the shopping centre owners, is available at **Attachment 5**.

Ratepayer capacity to pay
Council commissioned management consulting firm Morrison Low to analyse the general capacity of Willoughby's ratepayers to pay the increases contemplated across all four options. This report is available at **Attachment 6** and finds that:

- Willoughby has a relatively high socioeconomic status, a low unemployment rate, relatively low average residential rates and the lowest levels of rates outstanding among the 18 councils in the Office of Local Government's list of Group 3 councils (representing larger metropolitan councils).
- These results are indicative of a general LGA-wide capacity to pay the proposed rate increases.
- All precincts within the LGA have greater levels of advantage, and less levels of disadvantage, compared to Greater Sydney, NSW and Australia.
- The LGA's least advantaged precincts are Artarmon, St Leonards and Chatswood, but even these areas have the capacity to pay the increases.
- Even if the highest rate rise option is selected (20% increase) Willoughby's average business rate will remain mid-ranked in terms of cost among all larger metropolitan Sydney councils. In addition, businesses have a relatively low outstanding rates percentage. Therefore, it is considered that for business ratepayers there is capacity to pay.
- Around 6% of Willoughby's residential ratepayers are pensioners. Willoughby's pensioners have an outstanding rates percentage below the LGA's overall percentage and access to specific hardship policies (rates accumulation) and rebates, which assists capacity to pay.

- Option 2 (Maintain Services) has the least impact on the ratepayers and therefore an enhanced capacity to pay when compared to the other SRV options.
- The application of the hardship policy remains an important consideration in the rollout of any rate increase.

In conclusion, the Morrison Low report provides confidence to Council that it is reasonable to proceed with any of the three SRV options (from a capacity to pay perspective).

For individual ratepayers who are concerned about the affordability of a rate increase, Council can provide support through its *Hardship Policy for Rates and Annual Charges* (adopted in 2013). This policy (available at **Attachment 7**) outlines a range of mechanisms in cases of genuine hardship, including:

- Council entering into payment agreements
- Providing rate relief following general land revaluations
- In the case of eligible pensioners, allowing rates and interest charges to accrue against property until the estate is settled.

Council has not had a formal application under this policy in the last five financial years. In addition, pensioners are eligible for up to $250 rebate on rates and pensioners and self funded retirees are eligible for $158 on the domestic waste management levy charge.

Preferred option
After considering the above, Increase Services (15% rate rise) is the recommended option, given that it:

- Is in line with overall community sentiment in favour of a special rate rise
- Was the most highly ranked option among representative (Micromex) survey respondents who supported an SRV and was cited as an “affordable option” by these respondents
- Will allow Council to continue to deliver highly valued services to the community
- Delivers surpluses in all nine years between 2024/25 and 2032/33, with an average annual surplus of $4.77m. These surpluses, subject to future financial shocks such as inflation increases, could be re-invested in community services and projects
- Will allow Council to allocate an additional $2 million a year to allow Council to invest in additional cleaning, care and beautification projects in parks, cycling and walking routes and town centres, and planting programs to boost Council's urban tree canopy. The above initiatives have been strong priorities in this term of Council (including via a resolution at the March 2023 meeting recommending an increase in the maintenance budget to be considered in the budget process). The initiatives also feature among the services rated as most important in Council’s Community Perception Survey
- Will increase Council’s ability to absorb future financial, extreme weather and growth shocks in an increasingly volatile environment
- Provides a stable work environment for staff attraction and retention

However, Council may also choose to select the Maintain Services or Increase Services and Infrastructure options, given they also provide significant advantages and community support for a SRV.

The Reduce Services option is not recommended, given its low community support and the fact it will lead to:

- Cuts to services which could involve reduced maintenance, reducing or cutting services to the community, and putting at risk the timely renewal of assets
- No accumulation of funds for increased community services or projects
- No buffer to manage financial shocks

- No margin for extreme weather events
- No accumulation of funds for future growth
- Reduced staff attraction and retention
- The likelihood that Council will need to apply for special rate increases in the future

Exhibition of Long Term Financial Plan and Delivery Program 2022-26 addendum
Applications for a Special Rate Variation must consider the relevant guideline published by the Office of Local Government (OLG) in 2020.

This guideline states that a SRV proposal must be thoroughly canvassed in Council's *Long Term Financial Plan 2023-2033* (LTFP) and *Delivery Program 2022-2026*, including outlining:
- The SRV's purpose and impact on Council's financial path
- Impacts on average ratepayers classified by major rating sub-categories
- Community awareness, willingness and capacity to pay the rating changes
- Productivity and cost containment measures

The intent of the guideline is to ensure an SRV is embedded into and influences Council's foundational Integrated Planning and Reporting (IP&R) documents. As such, a Council decision to support a preferred SRV option needs to be reflected in the LTFP and *Delivery Program 2022-26*, to meet OLG guidelines.

Three versions of a revised LTFP and changes to the *Delivery Program 2022-2026* have been prepared in the event an SRV is selected by Council, with each version aligning to one of the SRV options (see **Attachments 8-10**).

All versions of the LTFP differ from the currently adopted version by:
- Outlining a single SRV option (the existing LTFP refers to proposed rate increases ranging from 18.5% to 23.5%)
- Supporting a new 'base case' which will apply in 2024/25 if Council is unsuccessful in an application for one of the three SRV options. This base case is essentially the Reduce Services option (3.5% rate increase) exhibited from September-November 2023, under which Council will reduce services to maintain an ongoing fragile but balanced budget.
- Incorporating an overall $2m savings, efficiency and non-rate revenue target for 2024/25, which is consistent with the target information presented to the community alongside the rate rise options and will assist in reducing the size of the overall rate increase. This target will be met, and explained, as part of the development and exhibition of the 2024/25 Operational Plan.
- A strengthened analysis of the societal and economic challenges to Council's budget.
- An updated sensitivity analysis for all rate rise options, which tests how the options respond to higher inflation and lower staff vacancy rates.
- Introducing new information to address the OLG guidelines, including productivity and cost containment measures, community awareness of (and willingness to pay) a rate rise, alternatives to a rate rise, average rate impacts and ratepayer capacity to pay the rise rises (see Chapter 5 of the LTFP)

A more detailed guide to the key changes between the June 2023 LTFP, and the LTFP versions presented to Council as part of this report, is available at **Attachment 11**.

The *Delivery Program 2022-2026* changes add a short narrative about the relevant SRV option to the document, and (for the Increase Services and Increase Services and Infrastructure options) initiatives which are related to those options.

It is proposed to exhibit these documents between Wednesday, 30 November 2023 and Sunday, 14 January 2024, a period of more than six weeks. The end date for the

consultation is constrained by the need to hold a Council meeting and make a submission to IPART by 5 February 2024. Given there have already been two rounds of engagement on a potential SRV (between May-June 2023 and September-November 2023) the engagement period proposed is considered reasonable.

Activity to support this engagement process would involve:

- Media release
- Social media posts
- Email blast to all Have Your Say subscribers
- Notifying all people who participated in the September-November rate rise option engagement process
- In-person drop-in session
- Have Your Say survey and submission lodgement

If Council chooses Reduce Services (Option 1) then the exhibition of these documents is not required and the relevant budget planning and consultation can take place in mid-2024.

Additional meeting in January

Section 7.2 of the OLG SRV guideline (referred to above) states: "*A council must supply a copy of the resolution(s) to apply for the special variation, with its application. The Independent Pricing and Regulatory Tribunal (IPART) will not assess a special variation application unless the council demonstrates its commitment to its proposal. It is expected that councils will hold an extraordinary meeting if necessary to meet this requirement*."

Applications for a Special Rate Variation are due to be lodged by Monday, 5 February 2024. To meet the above guideline, an additional meeting will need to be called.

The proposed meeting date of Tuesday 30 January:

- will allow sufficient time to modify Council's application, to take into account any matters raised at the additional meeting, while also allowing sufficient time to analyse feedback from the LTFP and *Delivery Program 2022-26* exhibition
- has been timed in the week when schools return from their summer break, which should provide greater capacity for community members to address Council

If Council does decide to submit an SRV application, IPART will conduct its own consultation process in February-March 2024. IPART is expected to announce its determination on SRV applications in May 2024.

No need to send letter of intent to IPART

Historically, councils have been required to inform IPART in the month of November, if they intended to submit a SRV application in the following February.

On 24 October 2023, Council was advised by IPART that this requirement had been removed and councils could move directly to the application submission step, without any requirement to notify IPART in November.

IPART rate peg announcement for 2024/25

On 21 November 2023, the Independent Pricing and Regulatory Tribunal (IPART) published its rate peg for 2024/25. Willoughby was allocated a 5.0% rate increase.

This increase is 1.5% higher than the assumed 3.5% rate peg increase which formed the basis of community engagement on the Reduce Services option between September-November 2023.

The timing of IPART's announcement has not allowed sufficient time to update the three versions of the Long Term Financial Plan (LTFP) which are attached to this report.

The rate peg announcement has the following implications for the LTFP versions:

- For each of the SRV options, the amount gathered from the special rate increase in 2024/25 would slightly fall (down 1.5%) and the amount gathered from the rate peg would slightly increase (up by 1.5%) as follows:

    - Under the 12% option, the special rate increase amount will now be 7% (rather than the 8.5% stated in the LTFP attached to this report) and the rate peg amount will be 5.0% (rather than 3.5% stated in the LTFP).
    - Under the 15% option, the special rate increase amount will now be 10% (rather than the 11.5% stated in the LTFP attached to this report) and the rate peg amount will be 5.0% (rather than 3.5% stated in the LTFP).
    - Under the 20% option, the special rate increase amount will now be 15% (rather than the 16.5% stated in the LTFP attached to this report) and the rate peg amount will be 5.0% (rather than 3.5% stated in the LTFP).

- Under the new base case (no SRV) option presented in the report, Council would now only be required to reduce services by $2.0m (rather than $2.8m), due to the extra revenue gathered from the higher rate peg. Council would however still remain in a fragile financial state, with deficits in four of nine financial years and limited capacity to withstand future financial shocks. Shocks from weather events and growth will also not be buffered.

Recommendation 4 of this report is seeking approval for the CEO to be authorised to update the selected version of the LTFP, to integrate the information above, before it is placed on public exhibition.

5. CONCLUSION

Following extensive community engagement conducted between 25 September and 5 November 2023, there is strong overall community support in favour of one of the three Special Rate Variation options. The Increase Services option is recommended as the preferred rate rise option to apply from 1 July 2024 as it received community support and addresses both recovery from inflation and other revenue losses, provides a modest buffer against financial, growth and weather shocks and accords with Council's resolution to refer funding for increased services/service levels to the budgetary process.

ATTACHMENT 1

IMPLICATIONS	COMMENT
City Strategy Outcome	5.6 – Ensure value for money and financial sustainability
Business Plan Objectives, Outcomes / Services	This report has considered Council's Strategic Financial Objectives to deliver financial sustainability, as outlined in the *Long Term Financial Plan.* It is also in line with an action in the *Delivery Program 2022-26* to "conduct community engagement on options to deliver ongoing financial sustainability, including a potential Special Rate Variation".
Policy	Community engagement on the rate rise options was conducted in line with Council's *Community Engagement Policy* and *Community Engagement Strategy*. The report refers to Council's *Hardship Policy for Rates and Annual Charges*.
Consultation	The report and Attachments 3 and 4 refer to consultation which has taken place in relation to the rate rise options.
Resource / Budget	At the August 2023 Council meeting, Council allocated $200,000 to run the SRV project, including to hire providers to support community engagement and the Capacity to Pay report.
Risk	As outlined in this report, without a successful SRV, Council's financial position will be significantly weakened from 2024/25 onwards.
Legal / Legislation	This report has considered the relevant statutory framework for SRVs, as outlined in the *Local Government Act 1993* and supporting guidelines and documents.