



Extraordinary Meeting of Council

AGENDA

10 May 2017

Commencing at 5:00pm

**Council Chambers
253 Crawford St, Queanbeyan**

**QUEANBEYAN-PALERANG REGIONAL COUNCIL
EXTRAORDINARY MEETING OF COUNCIL**

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Nil

LIST OF ATTACHMENTS –

(Copies available from General Manager’s Office on request)

Open Attachments

- Item 4.1 Draft Integrated Plans 2017-18
- Attachment 1 Draft Fees and Charges 2017-18 (Under Separate Cover)*
 - Attachment 2 Draft Operational Plan 2017-18 - PDF (Under Separate Cover)*
- Item 4.2 2017/2018 Draft Revenue Policy and Draft Report on QPRC Water, Sewerage and Wastewater Pricing Policy
- Attachment 1 Draft Revenue Policy QPRC 2017-2018 - version 2 (Under Separate Cover)*
 - Attachment 2 Aither Report May 2017 - QPRC Utility Pricing Final Report STC (Under Separate Cover)*

Closed Attachments

Nil

ITEM 3 DECLARATION OF CONFLICTS/PECUNIARY INTERESTS

The provisions of Chapter 14 of the Local Government Act, 1993 regulate the way in which Councillors and nominated staff of Council conduct themselves to ensure that there is no conflict between their private interests and their public trust.

The Act prescribes that where a member of Council (or a Committee of Council) has a direct or indirect financial (pecuniary) interest in a matter to be considered at a meeting of the Council (or Committee), that interest must be disclosed as soon as practicable after the start of the meeting and the reasons for declaring such interest.

As members are aware, the provisions of the Local Government Act restrict any member who has declared a pecuniary interest in any matter from participating in the discussions, voting on that matter, and require that member to vacate the Chamber.

Council's Code of Conduct provides that if members have a non-pecuniary conflict of interest, the nature of the conflict must be disclosed. The Code also provides for a number of ways in which a member may manage non pecuniary conflicts of interest

Recommendation

That the Administrator disclose any interests and reasons for declaring such interest in the matters under consideration by Council at this meeting.

4.1 Draft Integrated Plans 2017-18 (Ref: C1765336; Author: Tegart/Tozer)

Summary

Council staff have developed the first combined Operational Plan, Revenue Policy and Schedule of Fees and Charges for Queanbeyan-Palerang Regional Council. The draft documents are now ready to be placed on public exhibition for community feedback, prior to adoption in late June.

Recommendation

That Council

- 1. place the draft Operational Plan, and draft Fees and Charges on public exhibition for 28 days.**
 - 2. Consider submissions at its ordinary Council meeting scheduled for 28 June at Bungendore**
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Background

During the 2016-17 financial year, the Operational Plans that were drafted by the two former councils were implemented. As required by the NSW Department of Premier and Cabinet, Council has been required to consolidate its Operational Plan, Fees and Charges and Revenue Policies for the 2017-18 financial year. A separate report has been prepared on the Revenue Policy.

Many of the projects contained in the draft Operational Plan relate to studies and strategies undertaken by the former councils. There are also a number of projects associated with the merger and the allocation of the \$9m Stronger Communities Fund.

The draft Operational Plan has been framed around the new services framework and reflects the community engagement and organisation performance ambitions of the Stronger Councils Framework.

The draft Operational Plan has been developed based on the Strategic Directions that were presented to the community in early 2017 for comment. The Strategic Directions will be adopted alongside the Operational Plan in June 2017. The Strategic Directions are:

- Community: A safe, harmonious, happy and healthy community leading fulfilled lives
- Choice: A diverse, resilient and smart economy that creates choice and job opportunities
- Character: A clean, green community that cherishes its natural and physical character
- Connection: A well connected community with good infrastructure enhancing quality of life
- Capability: A capable organisation that leads a community which is engaged and participative

4.1 Draft Integrated Plans 2017-18 (Ref: C1765336; Author: Tegart/Tozer) (Continued)

Implications***Local Representation Committee – Feedback***

Submissions received on the draft Integrated Plans will be presented to the Local Representation Committee for input, prior to Council adopting the final plans.

Engagement

The draft Integrated Plans, including the Operational Plan, Fees and Charges and Revenue Policy, will be on exhibition from 11 May-8 June.

Contents of the plans are due to be discussed at community meetings during May and will be advertised online and the local newspapers. The documents will be available from Council's libraries and customer service centres and via Council's online engagement hub at <http://yourvoice.qprc.nsw.gov.au>.

Financial

The draft Operational Plan has been designed around the services and programs framework adopted by Council and includes Council's detailed budget for the 2017-18 financial year. Council is predicting a consolidated surplus of \$42,000 while spending over \$67m in capital works. The drafting of the budget had regard to the Prof Percy Allen review undertaken last year. It is noted the forecasts in that review excluded indexation.

Council has introduced activity-based budgeting this year and as such there may be some movement between programs and services as Service Managers are appointed and staff become more familiar with the budgeting process.

Council has also implemented an attribution and distribution policy for 2017-18 to illustrate the true cost of goods and services and share of the cost of governance between the General, Water, Sewer and Waste Funds.

Integrated Plan

The draft Operational Plan is a one-off Operational Plan that is not linked to a Delivery Plan as the former councils plans concluded in 2016. It does however continue with the strategic plans, actions and projects identified by those councils. Following community engagement, a draft Community Strategic Plan will be developed for consideration of the new council over the coming months. The public input will also guide the development of first QPRC Delivery Program.

Conclusion

Council's draft Integrated Plans will be presented to the community for comment during May-June and comments will be assessed by staff, and the Local Representation Committee prior to adoption by Council in late June.

Attachments

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|--------------|--|
| Attachment 1 | Draft Fees and Charges 2017-18 (<i>Under Separate Cover</i>) |
| Attachment 2 | Draft Operational Plan 2017-18 - PDF (<i>Under Separate Cover</i>) |

DETERMINATION REPORTS

4.2 2017/2018 Draft Revenue Policy and Draft Report on QPRC Water, Sewerage and Wastewater Pricing Policy (Ref: C1763377; Author: Tegart/Steiger)

Summary

Council commissioned a review by consultant Aither of the former councils' water and sewer pricing. The new Fire & Emergency Services Levy (FESL), is being implemented by all NSW councils on behalf of the NSW Government as at 1 July 2017. All properties in the LGA were revalued in 2016.

In addition, the bulk water supply contract to Queanbeyan is under negotiation with Icon Water.

This report outlines the outcome of the pricing review, the impact of the contract negotiation, and proposes a Draft 2017/2018 Revenue Policy being presented to Council as part of the Draft 2017/2018 Operational Plan.

Recommendation

- 1. That the Revenue Policy be adopted and placed on public exhibition for 28 days as part of the Draft Operational Plan and draft Schedule of Fees and Charges for 2017/2018.**
 - 2. That the recommendations contained in the Aither report in relation to the harmonisation of water and sewerage prices be noted.**
 - 3. That a further report be presented to Council following the conclusion of the pricing negotiations with ICON Water.**
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Background

The Draft Revenue Policy 2017/18 includes proposed charges for general rates, water, sewer, stormwater, liquid trade waste and waste.

The Independent Pricing and Regulatory Tribunal (IPART) announced on 29 November 2016 that the percentage increase to apply to general rates in 2017/18 would be 1.5%. All merged councils are subject to a rates freeze, and can only increase general rates by the rate peg. Queanbeyan-Palerang Regional Council will be applying the full rate peg, which is estimated to increase the general rate yield by \$511,144.

A General Valuation was carried out for all NSW councils in 2016 to unify the valuation base date across the state in order to levy the Fire & Emergency Services Levy (FESL), being implemented as at 1 July 2017.

As a result, all properties in the Queanbeyan-Palerang local government area were revalued in 2016 with the total valuation base increasing in former Queanbeyan council by 1.46% and in former Palerang council by 3.81% - giving an overall increase of 2.16%. These values will be used to calculate the 2017/2018 general rates and FESL.

4.2 2017/2018 Draft Revenue Policy and Draft Report on QPRC Water, Sewerage and Wastewater Pricing Policy (Ref: C1763377; Author: Tegart/Steiger) (Continued)

Due to the Rates Freeze Policy announced by the NSW Government which also prevents any harmonisation of rating categories, this Revenue Policy will separately outline the former Queanbeyan City Council rates and charges from the former Palerang Council rates and charges.

In its public announcements on the rate path freeze policy, the NSW Government stated that there would be no change to existing rate paths for newly merged councils. This provides ratepayers with certainty about their rates, and ratepayers in new councils would have their rates protected against future general rate increases during the rate path freeze period, meaning they will pay no more for their rates than they would have in their pre-merger council area for four years.

In 2016/2017 the former Queanbeyan Council adopted a pricing structure based on the methodology determined by Aither premised on complying with the NSW Government's 2007 Best Practice Management of Water Supply and Sewerage Guidelines (the Guidelines) which included:-

- Recoup 75% of the total residential water bill from water usage charges.
- In accordance with the National Water Initiative (NWI), to move to a one tier approach to water usage charges.
- Charging non-strata unit complexes a multiple of 20 mm access charge per occupancy in accordance with the Guidelines.

In January 2017 Council engaged the services of Aither to provide advice on a pathway and timing to harmonise water and sewerage pricing between the two former Council areas; to provide assistance to develop recycled water charges for Googong residential area; and to identify approaches to charging access charges for water and sewerage services in multi-unit and strata dwellings.

Implications***Legal***

The Local Government Amendment (Rates— Merged Council Areas) Bill 2017 was passed in Parliament on 31 March 2017.

- a) The Rate Freeze Policy determines the levying of rates by any newly merged council for the 3 rating years immediately following the rating year for which the relevant proclamation was made, being 12 May 2016. This determination sets out the methodology that the new council is to apply when setting rates for land for the relevant period, including in relation to the following:
 - (a) the structure of rates,
 - (b) the categorisation or sub-categorisation of land for rating purposes,
 - (c) the calculation of the new council's notional general income for rating purposes,
 - (d) the treatment of any variation of a former council's notional general income under Part 2 of Chapter 15 that would have been applicable, had the amalgamation effected by the relevant proclamation not occurred, to the determination of rates and charges for land within the new area.

4.2 2017/2018 Draft Revenue Policy and Draft Report on QPRC Water, Sewerage and Wastewater Pricing Policy (Ref: C1763377; Author: Tegart/Steiger) (Continued)

The effect of the Bill means that the rate structures for the two former councils cannot begin to be harmonised across the newly merged council until the rating year 2020/2021. This applies only to general rates and does not apply to water, sewer and waste pricing.

Policy

In 2010, the NWI Pricing Principles provide further guidance for water pricing under the NWI. Of most relevance for water and sewerage pricing for QPRC are the pricing principles for urban water tariffs which state that:

“Water charges should be differentiated by the cost of servicing different customers (for example, on the basis of location and service standards) where there are benefits in doing so and where it can be shown that these benefits outweigh the costs of identifying differences and the equity advantages of alternatives.”

This principle is particularly relevant to considerations in this report around whether water and sewerage prices should be harmonised across the former Queanbeyan and Palerang Council areas. Given that the former Queanbeyan and former Palerang water and sewerage networks operate as independent systems and costs and prices are already disaggregated, it is recommended that, to ensure prices reflect the cost of service provision to the greatest extent possible, Queanbeyan-Palerang Regional Council does not harmonise water and sewerage prices now, or at any time in the future while ever the systems operate independently.

Financial**Harmonisation of Water and Sewerage Pricing**

Although total harmonisation of the Water and Sewerage Pricing Structure is not recommended, there can be some harmonisation in the approach across the two former Council pricing structures. The Revenue Policy recommends the following changes can be made:

- If CPI increases are applied rather than the Aither proposed increases based on cost recovery, the ‘gap’ between the existing prices is not broadened between the two former council’s structures.
- To harmonise, the Aither report proposes a 4.38% increase in water access charges for former Queanbeyan, whilst proposing a 25.45% increase in former Palerang, and an increase in Sewerage access charges of 4.74% for former Queanbeyan and a 1.08% increase for former Palerang, based on costs.

If the approach is taken to increase both former council’s access charges by the CPI, the existing difference in the access charges is not widened.

- Former Palerang water usage charges are calculated using a two tier pricing structure. It could be considered to move to the same one tier approach as former Queanbeyan water usage charges in the 2018/2019 rating year. The Aither Report has proposed this change in 2017/2018, however, it would require further investigation into the effect on certain sections of the community before moving forward with the change.

4.2 2017/2018 Draft Revenue Policy and Draft Report on QPRC Water, Sewerage and Wastewater Pricing Policy (Ref: C1763377; Author: Tegart/Steiger) (Continued)

- Currently there is no vacant land sewerage access charge in former Palerang. This should be considered in future pricing structures, but has not been included in the 2017/2018 pricing policy.
- The 20mm access charges for both Water and Sewerage for former Palerang are equalised for residential and non-residential properties. In previous years the non-residential water access charge was lower than the residential water access charge whilst the non-residential sewerage access charge was higher than the residential sewerage access charge for a 20mm connection.

Cost Recovery

The Water and Sewer pricing structures determined by Aither in 2017/2018 were calculated to meet the Water and Sewer budget forecasts derived from the Professor Percy Allan Review financial forecast data, taking into account average annual growth for the next ten years, being 1.53% in Queanbeyan and 4% in Bungendore.

Pricing was modelled to be consistent with the Guidelines. That is:

- Recover 75 per cent of residential revenue from water usage charges in Queanbeyan
- Recover at least 50 per cent of residential revenue from water usage charges in the ex-Palerang regions *
- Recover the remainder of the non-residential revenue requirement through fixed access charges
- Apply the same variable charge to non-residential customers
- Calculate non-residential fixed access charges using the formula outlined in the Guidelines.

**Note: The Guidelines stipulate that utilities with under 4,000 connected properties need to recover at least 50 per cent of residential revenue from water usage charges*

As ICON negotiations are continuing in relation to bulk water pricing to the Queanbeyan urban area, the Revenue Policy reflects increases in Water and Sewerage access charges are based on CPI increases only for March 2017. A further report will be presented once negotiations conclude and is likely to lead to an amendment to the Revenue Policy when the Operational Plan is adopted in June.

4.2 2017/2018 Draft Revenue Policy and Draft Report on QPRC Water, Sewerage and Wastewater Pricing Policy (Ref: C1763377; Author: Tegart/Steiger) (Continued)

For comparative purposes, the Guidelines requires illustration of a typical residential bill (TRB):

Table C Typical Residential Bill

Typical Residential Bill

Former Queanbeyan City Council

Location	2016/2017		Total 2016/2017	2017/2018		Total 2017/2018
	Access	Usage		Access	Usage	
Queanbeyan	\$ 894.00	\$ 446.40	\$ 1,340.40	\$ 914.00	\$ 456.00	\$ 1,370.00
Googong	\$ 1,145.00	\$ 378.41	\$ 1,523.41	\$ 1,171.00	\$ 546.00	\$ 1,717.00

Former Palerang Council

Location	2016/2017		Total 2016/2017	2017/2018		Total 2017/2018
	Access	Usage		Access	Usage	
Bungendore	\$ 1,429.97	\$ 455.55	\$ 1,885.52	\$ 1,462.00	\$ 465.62	\$ 1,927.62
Braidwood	\$ 1,429.97	\$ 370.64	\$ 1,800.61	\$ 1,462.00	\$ 378.84	\$ 1,840.84
Captains Flat	\$ 1,429.97	\$ 293.80	\$ 1,723.77	\$ 1,462.00	\$ 300.30	\$ 1,762.30

Charging for multi-unit and strata dwellings

Concerns continue to be raised by some in the community about the on-going practice of charging non-strata complexes a multiple of 20mm access charges per occupancy.

Charging water and sewerage access per occupancy for multi-unit dwellings (other than strata units) in the same manner as strata units has been a practice for former Queanbeyan Council for many years as required by these Guidelines. 248 residential properties are charged 747 charges, resulting in an average of 3 unit charges per property.

The basis for this approach is that the load placed on the water supply and sewer supply system is the same for a strata unit as a residential flat, and therefore the cost to the consumer should be charged the same.

The Guidelines note the following with respect to charging access charges for multi-unit and strata title dwellings:-

- All free standing and multi-unit residential developments (both strata and non-strata) approved after 1 July 2004 must be separately metered.
- Local water utilities should encourage separate metering of existing multi-unit residential developments, where cost-effective.
- A block of Torrens Title residential units is to be treated as single residential assessments, each with a 20mm connection.

4.2 2017/2018 Draft Revenue Policy and Draft Report on QPRC Water, Sewerage and Wastewater Pricing Policy (Ref: C1763377; Author: Tegart/Steiger) (Continued)

- Company or community title units treated as a single non-residential customer under a two-part tariff (which applies in the former QCC area). However, under an inclining block tariff such properties must be disaggregated into the appropriate number of units and treated as described above for strata title units.**

*** Company title is a legal term as opposed to company ownership. Company title effectively preceded strata title (before 1961, buyers used company title to effectively purchase shares in a building, which provided them with exclusive use and occupation of a unit, and shared use of common property).*

Aither modelled the effect of smoothing the additional revenue requirements associated with moving away from multiple access charges for multi-unit dwellings and distributing the burden across all residential water users, on proposed sewerage access charges. Table A shows the effect on Water Access Charges and Table B shows the effect on Sewerage Access Charges in the former Queanbeyan City Council area.

The proposed 20mm water access charge increases from the initially proposed \$261.99 to \$264.59 while the sewerage access charge increases from the initially proposed value of \$673.50 to \$679.89. The tables show the flow-on effect to access charges greater than 20mm given that the required calculation under the Guidelines is based on the 20mm access charge. This could ultimately create an over-recovery in total water and sewerage costs.

4.2 2017/2018 Draft Revenue Policy and Draft Report on QPRC Water, Sewerage and Wastewater Pricing Policy (Ref: C1763377; Author: Tegart/Steiger) (Continued)

Table A

Water access charges with and without multiple access charges (\$ per annum) Meter size		Ex QCC potable water		
Proposed with multiple charges		Proposed charges	without	multiple
20mm (residential)	\$261.99	\$264.59		
25 mm	\$409.36	\$413.42		
32mm	\$670.69	\$677.34		
40mm	\$1,047.96	\$1,058.34		
50mm	\$1,673.44	\$1,653.66		
65mm	\$2,767.27	\$2,794.69		
80mm	\$4,191.84	\$4,233.38		
100mm	\$6,549.74	\$6,614.65		

Table B

Sewerage access charges with and without multiple access charges Meter size		Ex QCC sewerage		
Proposed with multiple charges		Proposed charges	without	multiple
20mm (residential)	\$673.50	\$679.89		
25 mm	\$1,052.35	\$1,062.33		
32mm	\$1,724.16	\$1,740.52		
40mm	\$2,694.00	\$2,719.56		
50mm	\$4,209.38	\$4,249.32		
65mm	\$7,113.85	\$7,181.35		
80mm	\$10,776.01	\$10,878.26		
100mm	\$16,837.52	\$16,997.27		

Aither, in the final report recommends that no change be made to the way access charges are levied on multi-unit and strata dwellings in the future in order to be consistent with the Guidelines.

4.2 2017/2018 Draft Revenue Policy and Draft Report on QPRC Water, Sewerage and Wastewater Pricing Policy (Ref: C1763377; Author: Tegart/Steiger) (Continued)

Recycled Water

Aither modelled prices to recover the costs from the recycled water scheme which resulted in an access charge and variable charge which was substantially higher than the current access charges and variable charge for recycled water in Googong. Taking account of the high prices resulting from recovering the costs of an immature scheme, Aither recommends using the same approach that currently applies. That is, charging two access fees that reflect the residential (20mm) access fee for Queanbeyan residents and a variable tariff equal to a 5 per cent discount on the Queanbeyan water tariff.

Setting the variable charge for recycled water above the potable water price would discourage recycled water use. As the scheme matures and water use increases, QPRC could revisit the approach to recovering the costs of the Googong recycled water scheme

The Draft Revenue Policy sets out the approach to determining revenue from Rates and Charges included in the 2017/2018 budget.

Key Factors:-

- Rate peg increases of 1.5% results in increased general rate yield of \$511,411.
- Rate freeze impacts the way in which Rates and Charges may be levied over the next 3 years.
- Water & Sewerage Access Charges increased by 2.2% being the CPI for March 2017.
- Waste Services increased by 4%.

Conclusion

The Draft Revenue Policy must be placed on public exhibition for 28 days. Submissions received during the period of exhibition will be assessed and, if required, adjustments will be made to the documents prior to their adoption at the June 2017 Council meeting.

Attachments

- Attachment 1 Draft Revenue Policy QPRC 2017-2018 - version 2 (*Under Separate Cover*)
Attachment 2 Aither Report May 2017 - QPRC Utility Pricing Final Report STC (*Under Separate Cover*)

5 NOTICE OF INTENTION TO DEAL WITH MATTERS IN CLOSED SESSION

It is necessary for the Council to adopt a resolution to formalise its intention to deal with certain matters in Confidential Session. The reports are incorporated in the “confidential” business paper which has been circulated to Councillors.

The Local Government Act, 1993 requires the General Manager to identify those matters listed on the business paper which may be categorised as confidential in terms of Section 10A of the Local Government Act, 1993.