Independent Pricing and Regulatory Tribunal

Special Variation Application Form – Part B

BLUE MOUNTAINS CITY COUNCIL

Date Submitted to IPART: 11 March 2013

Council Contact Person:

Rosemary Dillon,
Group Manager, Integrated Planning & Finance

Council Contact Phone: 4780 5679

Council Contact Email: rdillon@bmcc.nsw.gov.au

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The Tribunal members for this special variation assessment are:

Dr Peter J Boxall AO, Chairman

Mr James Cox PSM, Chief Executive Officer and Full Time Member

Mr Simon Draper, Part Time Member

Inquiries regarding this document should be directed to a staff member:

Tony Camenzuli	(02) 9113 7706
Heather Dear	(02) 9290 8481

Independent Pricing and Regulatory Tribunal of New South Wales
PO Box Q290, QVB Post Office NSW 1230
Level 8, 1 Market Street, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

www.ipart.nsw.gov.au

Contents

1 Introduction

This form must be completed by councils when applying for a special variation to general income under either section 508A or section 508(2) of the *Local Government Act 1993*.

Councils should refer to the Division of Local Government (DLG), Department of Premier and Cabinet *Guidelines for the preparation of an application for a special variation to general income* (the Guidelines) in completing this application form. The Guidelines are available on the Division's website at www.dlg.nsw.gov.au.

In November, IPART will also publish Fact Sheets on our role in local government rate setting and special variations, and community engagement for special variation applications. The Fact Sheets will be available on our website at www.ipart.nsw.gov.au.

This part of the application (Part B) must be completed in conjunction with the relevant Part A form– either:

- *Section 508(2) Special Variation Application Form 2013/14 – Part A* for single year applications under section 508(2) or
- *Section 508A Special Variation Application Form 2013/14 – Part A* for multi-year applications under section 508A.

This part of the application consists of:

- Section 2 - Focus on Integrated Planning and Reporting
- Section 3 – Criterion 1: Need for the variation
- Section 4 – Criterion 2: Community engagement
- Section 5 – Criterion 3: Rating structure and impact on ratepayers
- Section 6 – Criterion 4: Delivery Program and Long Term Financial Plan assumptions
- Section 7 – Criterion 5: Productivity improvements and cost containment strategies
- Section 8 - Other information (past Instruments of Approval (if applicable), reporting arrangements and the council's resolutions)
- Section 9 – Checklist of application contents
- Section 10 - Certification by the General Manager and the Responsible Accounting Officer.

1.1 Information requirements

The spaces provided in each section of this application form may be extended as required to fit information. Each section must be completed before we can assess the application.

Please note that the amount of information to be provided under each criterion is a matter of judgment for the council.

In general, the level of information to be provided should be proportional to the size or complexity of the council's request. Therefore, for relatively small requested increases in general income, less information is necessary than for larger increases. However, you still need to provide enough information and evidence to enable the Tribunal to assess each criterion.

The council may also submit supporting documents, including confidential documents, as part of the application. Supporting information should be relevant extracts of existing publications, if any, rather than the full publication.

If necessary, we may seek further information from you.\

1.2 Submitting your application

Both Part A and Part B of the application should be completed and submitted online via the Council Portal on IPART's website at www.ipart.nsw.gov.au. A signed copy of the certification should be attached to the Part B form. We suggest that you access the User Guide for the Portal, also available on our website, to assist you in the online submission process.

Please note that file size limits apply to each part of the application in the online submission process. The limit for Part B forms is 10MB and the limit for all supporting documents together is 120MB (70MB for public documents and 50MB for confidential documents). This should generally be sufficient for the majority of council applications.

Please also submit your application to us in hard copy with a table of contents and appropriate cross referencing of attached plans and reports to:

Local Government Team
The Independent Pricing and Regulatory Tribunal
Level 17, 1 Market Street, Sydney NSW 2000 or
PO Box Q290, QVB Post Office NSW 1230

We will post all applications on our website. You should also make your application available to your community through your website.

You are required to submit your application online via the Council Portal on our website and in hard copy by **cob Monday 11 March 2013.** We encourage you to submit your application as early as possible.

Councils intending to submit an application under section 508A are also required to notify IPART of this intention by **cob Friday 14 December 2012.**

Notification is not a requirement for councils intending to submit an application for a single-year increase under section 508(2), but it would help us in our planning if you did notify us of your intentions by this date.

2 Focus on Integrated Planning and Reporting (IP&R)

How a council has considered and consulted on a special variation in its Integrated Planning and Reporting (IP&R) process is fundamental to our assessment of a special variation application. This is consistent with DLG's October 2012 Guidelines.

As part of our assessment, we will examine whether the council's planning and consultation, as evidenced in its IP&R documents, meets the criteria for a special variation. For example, we will look closely at how the community's service priorities and feedback regarding various revenue options are reflected in the council's application for the special variation.

- Has the council completed its I&PR documents and relevant annual reviews of plans?

Yes ☑ No

As detailed in Section 2.1 below, Blue Mountains City Council (BMCC) has IP&R documents in place that support the S508(2) application, noting that the Council's updated 2013-2023 Long Term Financial Plan and 2013-2023 Asset Management Strategy are being considered for adoption on 12 March 2013 and the updated Council's Community Strategic and 2013-2017 Delivery Program will be considered by the Council in April 2013 for placement on public exhibition prior to final adoption in June 2013.

If the answer is *No* and your council still wishes to proceed with a special variation application, we advise you to discuss your IP&R progress and options with us.

The Guidelines provide for transitional arrangements in 2013/14 regarding IPART's assessment of criteria related to the IP&R process (see Box 2.1).

Box 2.1 Transitional arrangements for assessment in 2013/14

The Guidelines provide for transitional arrangements as follows:

In light of the 2012 local government elections and the requirement for councils to review the Community Strategic Plan and Delivery Program and develop an Operation Plan by 30 June 2013, it is recognised that the revised guidelines and application timing may create a difficulty for councils who wish to apply but have not yet completed the necessary IP&R review.

Therefore, for the 2013/14 rating year only, IPART will have the discretion to award a single year variation where it assesses that the general principles of need, community awareness, reasonable ratepayer impact, realistic financial planning assumptions and cost containment and productivity achievement related to the assessment criteria are met by a council, even though the evidence is not necessarily reflected within the councils IP&R documentation.

2.1 Summary of relevant IP&R documentation

Expand the space below to briefly explain the council's IP&R process in the context of the special variation. Include when plans (eg, Asset Management Plan (AMP) or Long Term Financial Plan (LTFP)) first identified the need for a special variation, and when all relevant IP&R documents were reviewed and finalised. If the council has not yet finalised all of the relevant reviews of plans, explain when this is likely to occur.

Current IP&R Status of the Council

BMCC was a Group 1 Council in 2010 and has met all requirements for IP&R.

This application is supported by our existing IP&R plans as follows:

- our Community Strategic Plan – *Sustainable Blue Mountains 2025*
- 2010-2020 Resourcing Strategy
- 2010-2013 Delivery Program and 2012-2013 Operational Plan

As well as by our recently updated plans - 2013-2023 Resourcing Strategy including Long Term Financial Plan and Asset Management Strategy / Policy and Asset Plans (including Summary Dashboards of Service and Asset Management Plans).

The Council will be considering the updated 2013-2023 Long Term Financial Plan and Asset Management Strategy/ Policy for adoption on 12 March 2013. The main financial strategies within these updated documents have been developed following extensive consultation with the community and with the newly elected Council, including consultation on the continuation of the current special variation. These financial strategies were adopted by the Council on 11 December 2012 (see Attachment 1).

Our Community Strategic Plan and Delivery Program have also been updated following community engagement and are currently being considered by the Council for placement on public exhibition in April – May 2013 prior to final adoption in June 2013. Current draft versions of these documents fully support this application.

In updating our IP&R plans, the Council has consulted extensively with the community (including implementation of the *Our City Our Future* Community Forum in early 2013 with over 150 representatives, annual community surveys in 2011 and 2012, community workshops on affordable levels of service in May/ June 2012 and public exhibitions of relevant plans).

When the Need for a Special Variation was First Raised

The need for a special variation to rates was first raised in the Council's 2009-2010 Management Plan as a means of addressing the shortfall in funding for sustainable asset renewal and maintenance.

The 2010-2020 Resourcing Strategy included a special variation to rates as part of an overall comprehensive strategy to increase revenue over the next ten years.

A s508(A) special variation application was made in 2010, however it was only partially successful, being approved as a s508(2) application for only 3 years instead of on an ongoing basis as was sought.

The 2011-2012 and 2012-2013 Operational Plans of the Council, both subsequently continued to outline the need for further engagement with the community on how best we would achieve an affordable level of service that was acceptable to the community, including the need to implement further special variations to rates.

In particular, within the 2011-2012 Operational Plan, the Council outlined its approach to review Council's services and engage with the community to determine acceptable and affordable levels of service, including the possibility of a further special variation rates as detailed in the excerpt below:

Excerpt from 2011-12 Operational Plan (page130)

"The Council's Financial Challenge

While the Council is able to achieve a balanced budget in 2011-2012, the Council's 2010-2020 Long Term Financial Plan (LTFP) and Asset Management Strategy and Policy (AMS&P) show that the current level of service provided to residents is not affordable into the future. While some progress has been made in becoming more financially sustainable, key challenges still facing the Council over the next 10 years include reducing the projected Operating Deficit, balancing the annual budget and achieving required surpluses to meet future capital funding requirements for asset replacement, renewal and maintenance once existing cash reserves and other funding sources have been exhausted.

A key approach for addressing the financial challenge is to review Council services and engage with the community in determining acceptable and affordable levels of service. It is proposed that by June 2013 the following key outcomes will be realised:

- The community has been engaged with the Council in determining an acceptable, sustainable and affordable level and mix of services to be provided by the Council; and

- The Council has adopted an achievable ten year financial strategy that has been generally endorsed by the community with annual targets to address the financial challenge.

If Council cannot address the financial shortfall projected by the LTFP over the next ten years through additional savings, increasing revenue, reviewing service levels and / **or gaining a further Special Variation to Rates**, then the Operating Result will remain in deficit and the condition of the Council's assets will further deteriorate."

In June 2012, the Council engaged a representative cross section of the community in five workshops focussing on how the Council could best achieve an affordable level of service that was acceptable to the community. Over 120 randomly selected participants were provided with an overview of the Council's service delivery, including current and projected levels of service provision given available funding with and without further special variations to rates. The Summary Dashboard document (Attachment 2) was used to support these workshops. The outcome of this consultation is outlined in Section 4.2 of this application.

The Council informed the community in the 2012-2013 Operational Plan of its intent to engage the community on the possibility of renewing of the existing special variation as per the excerpt below:

Excerpt from 2011-12 Operational Plan (page 130)

"Special Variation to Rates to be Investigated
The approved special variation to rates for infrastructure renewal and maintenance expires in June 2013. In order to continue to address the Council's financial challenges of maintaining acceptable levels of service to the community, in 2012-2013 the Council will engage with the community on the possibility of renewing this special variation (subject to Councillor endorsement)."

Direct engagement with the community on the proposed continuation of the current special variation was implemented immediately following a formal resolution from the newly elected Council on 6 November 2012 to proceed with it) (Attachment 3).

DOCUMENT REFERENCE

Attachment No.	Document
1	Council report 11 December 2012 on proposed financial strategies for LTFP
2	Summary Dashboards BMCC Service and Asset Management Plans Feb 2013
3	Council report 6 November 2012 on proposed application to IPART to continue special variation to rates (including its

3 Criterion 1: Need for the variation

In this section, you should **present a case** for the proposed revenue increases by **showing why the special variation is needed.** The need must be identified and articulated in the council's IP&R documents, including the Delivery Program and LTFP, and AMP where relevant.

3.1 Variations for capital expenditure

Does the purpose of the proposed special variation require the council to undertake a capital expenditure review in accordance with Council Circular 10-34? No ☑

3.2 Strategic planning information

In the section below, provide commentary on **how** the need for the special variation is **reflected** in the council's strategic planning documents (i.e., Community Strategic Plan and Delivery Program). Provide extracts from or references to the council's IP&R documents as relevant.

Explain the likely benefits of the project, works or other activity the council is proposing to undertake with the additional special variation funds, as outlined in the IP&R documents.

Summary of Application

This application is made under s508(2) of the Local Government Act 1993 for the continuation of the Council's current special variation to rates which was approved by the Minister for Local Government on 2 July 2010. This variation was for 4.4% above rate peg and if not renewed will expire on 30 June 2013. An expiry will mean that the Council will need to reduce its general income by $1.9 million. BMCC seeks to continue this variation on an ongoing basis.

Summary of Need for Continued Variation

As detailed further in this application the Council needs to continue the variation on an ongoing basis:

- Given the Council's IP&R process which has indicated significant challenges which impact its long term financial sustainability **unless the Council is able to increase its revenue through special variations**
- Given the Council has a significant, <u>ongoing</u> challenge to fund the maintenance and renewal of its built assets at a level considered acceptable by the community and affordable to the Council. **An <u>ongoing</u>, continued variation will give the Council long term certainty** as to the funds it will have available to continue asset renewal works and thereby reduce its asset funding gap

- Given the community's support for the proposal to continue the SV on an ongoing **instead of reducing the level of services and facilities the Council provides to the community**
- Given the fact that the Council has reached its capacity to incur any further borrowings other than those already projected – **continuing the SV will enable the Council to continue the asset renewal works program that is currently being funded from annual borrowings**.

Summary of Outcome on Engagement on Proposal

As shown in the table below, the community is highly supportive of the proposed continuation of the existing SV. This is fully detailed in Section 4 of this application.

SUMMARY OF ENGAGEMENT RESULTS

Type of Engagement	Total No.	Support for continuation of current SV	
		No.	%
Public exhibition	1,287 submissions received	900	70%
Independent telephone survey	401 Randomly selected ratepayers surveyed	305	76.1%
Acceptable and Affordable Levels of Service Workshops	122 Randomly selected participants	67 outright 28	55% outright 23% indicated required further information before making a decision

Reflection of Need for SV in IP&R Strategic Documentation

The following section provides commentary on how the need for the SV is reflected in the Council's IP&R documents – starting with the Community Strategic Plan and Delivery Program and finishing with the Resourcing Strategy. The benefits of the proposed program to the community are then detailed.

Community Strategic Plan

Sustainable Blue Mountains 2025 expresses the high level aspirations and priorities of the Blue Mountains' community including the following high level community endorsed objectives, strategies and measures of relevance to the SV application proposed funding areas:

Excerpt from Sustainable Blue Mountains 2025 (pages 15-27)

OBJECTIVES, STRATEGIES & MEASURES RELEVANT TO SV APPLICATION

SV Area	No.	Objectives	Strategies	Measures
Roads	**3.2**	A safe, well designed and maintained network of roads is provided	Improve the safety and amenity of the local road network.	Condition of roads provided by the Council Resident satisfaction with and importance for sealed roads
Storm water	**1.1**	The diversity of native fauna and flora is maintained	Manage the urban bushland interface to minimise urban development impacts (including urban runoff)	Number of threatened plant and animal species in the Blue Mountains
	1.2	The health of waterways and catchments is maintained and enhanced	Care for waterways and catchments	Condition of stormwater assets provided by the Council
	2.2	The impact of development on the built and natural environment is managed	Reduce urban developments on the environment	Number of properties connected to the reticulated sewerage infrastructure
Recreation	**4.1**	Community health and well being is improved	Provide a range of recreational and sporting opportunities	Condition of sport and recreation assets provided by the Council Percentage of residents assessed as obese Resident self-rated health
Town Centres	**2.1**	The liveability and vibrancy of towns and villages is strengthened	Create vibrant liveable places and spaces within towns and villages for people of all ages and abilities Enhance the distinctive qualities of towns and villages	Condition of town centre assets provided by the Council Resident satisfaction with and importance rating for enhancing the built environment

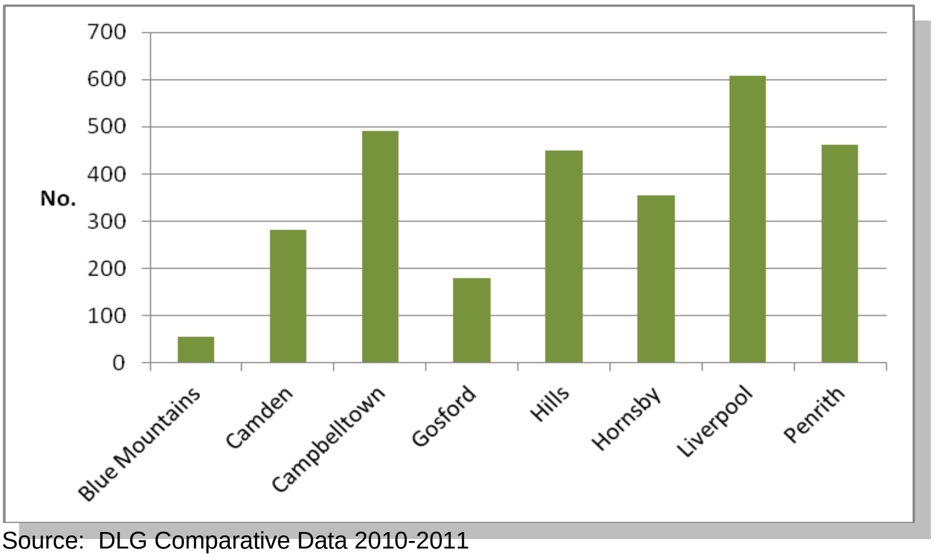
Sustainable Blue Mountains 2025 - Our City's Context

MAP OF CITY OF BLUE MOUNTAINS

Blue Mountains City Council has an annual budget of $111 million in 2012-2013 and delivers a wide range of services and facilities to over 78,000 residents and to millions of visitors who annually come to experience our internationally recognised unique environment. We are located on the fringe of Western Sydney and therefore are identified by the Division of Local Government (DLG) as a "developing local government area (LGA) on the margin of a developed or regional urban centre" along with councils such as Penrith and Campbelltown.

However, we are an LGA with a population spread over 1,431km^2, across 27 towns and villages which run along 100kms of narrow ridgeline which is the main transport corridor between eastern and western NSW. As shown in the following chart, we have the lowest population density, with greater dispersal, than any other council in our DLG group and therefore must duplicate many services and assets to ensure a reasonable access and equity by the majority of residents.

POPULATION DENSITY ACROSS GROUP 7 COUNCILS –
NO. OF RESIDENTS PER KM²



Source: DLG Comparative Data 2010-2011

Like many NSW councils, Blue Mountains City Council faces significant challenges in being financially sustainable and in continuing to provide current levels of service into the future. Similar to other councils, we are significantly impacted by:

- Our costs rising faster than the allowable increase in rating revenue
- Cost shifting from other levels of government
- Ageing infrastructure, and
- Ageing population with increasing access needs.

However, unlike many other councils, and particularly those in our DLG group, our financial challenges are exacerbated by other factors such as:

- Our unique patterns of settlement which require duplication of services and facilities
- The need to manage the impacts of urban development in a City that is adjacent to a World Heritage National Park
- Low levels of growth within the City because of limited land available for development as a consequence of the City being surrounded by a World Heritage National Park – between 2001 and 2011 the Blue Mountains had the lowest rate of population growth of all Council's in Greater Sydney (2011 census data)
- The significant additional responsibilities due to being one of the most bushfire prone areas in the State, and
- Blue Mountains being the most highly visited tourist destination in Australia outside of a major capital city.

2010-2013 Delivery Program

The earlier 2010-2013 Delivery Program, incorporating 2010-2011, 2011-2012 and 2012-2013 Operational Plans, outlined the Council's financial challenges and clearly identified the need to increase income through a special variation to address the required funding for built asset renewal and maintenance. This was in accordance with community service level priorities and assessed priority asset renewal and maintenance requirements.

This Delivery Program was exhibited with and without special variation funding being obtained from the Council's March 2010 application.

Excerpt from 2010-2013 Delivery Program incorporating 2010-2011 Operational Plan (page 7)

"A More Sustainable Council Leading a More Sustainable City

This 2010-2013 Delivery Program, incorporating the 2010-2011 Operational Plan, presents the Council's response to implementing our community endorsed strategic plan *Sustainable Blue Mountains 2025*. It outlines the priority focus of the elected Council for the City of Blue Mountains over 2010-2013. This focus is centred on providing services and facilities that deliver the community's priorities as identified in *Sustainable Blue Mountains 2025*. In doing this, particular attention will be given to ensuring that:

- Where affordable, built assets and infrastructure are upgraded in accordance with community priorities and asset management requirements in such areas as **transport and storm water infrastructure, town and village centres, public toilets, sport and recreation facilities** and libraries;
- The Council supports achievement of a more financially sustainable Council living within its means…………

…..the Council faces particular challenges in living within its means and continuing to provide existing levels of service to residents. Costs are rising faster than available revenue. Much of the City's built infrastructure is aging and requires greater investment in renewal and maintenance than the City can afford. In addressing these significant financial challenges, **a major focus will be on increasing the Council's revenue whilst continuing to ensure existing resources are being used efficiently and equitably. Without access to increased funding, it is projected that the Council's financial position will decline over the next 10 years with significant implications for the provision of services and service levels.** The financial and asset management challenges are significant. However the Council will continue to provide a wide range of services to residents and is **committed to working with community and other agencies to determine what levels of service are satisfactory and affordable** over the next ten years."

As bolded in the excerpt above, the need to target increased expenditure to key areas identified in community needs assessment and asset planning work was highlighted including: renewal and maintenance of transport and stormwater infrastructure, sport and recreation facilities and town centres.

Draft 2013-2017 Delivery Program

The newly elected Council is currently updating the Delivery Program. Due to the timing of the SV application deadline, the Council will provide IPART with a copy of the document once it has been adopted for public exhibition at the Council meeting on 23 April 2013.

This draft updated Delivery program responds to community priorities expressed in *Sustainable Blue Mountains 2025* within available projected revenue detailed in the Council's 2013-2023 LTFP. It outlines priority actions and the proposed 4 year Asset Works Program, with and without continuation of the current special variation to rates.

A major focus of the draft Delivery program is to improve the Council's financial position through implementation of the six key financial strategies outlined in the 2013-2023 LTFP (detailed in Section 3.3 of this application).

Resourcing Strategy

The initial case for the special variation to rates (which the Council is seeking to continue through this application), was made in the Council's 2010-2020 Resourcing Strategy. As shown in the excerpt below, this strategy showed how implementing the SV positively improved key financial indicators including the Operating Result and Asset Renewal Gap by providing much needed additional funding for asset renewal and maintenance.

Excerpt from 2010-2020 Resourcing Strategy (page 51):

Impact of Special Variation on Financial and Asset Performance Indicators

	Indicator	1999-2009 Average Result	Scenario 1 Without SV			Scenario 2 With SV		
			This scenario represents a continuation of how we have previously been operating. It introduces minimal constraints on expenditure but does not include a Special Rate Variation			This scenario builds on scenario 1 but includes a Special Variation to rates that is partly used to offset existing Emergency Services expenditure with the bulk of the increase allocated to upgrade needed assets to a serviceable condition		
Bottom Line Operating Result	Operating* Result from Continuing Operations >0	-$5,360,700	Average	-$8,436,751	Trend	Average	-$4,691,325	Trend
			2010-2011	-$8,314,363	Indicator Result	2010-2011	-$7,431,178	Indicator Result
			2019-2020	-$5,963,869		2019-2020	-$545,465	
	Operating* Balance Ratio +/- 10% of Operating revenue	-8%	Average	-9%	Trend	Average	-5%	Trend
			2010-2011	-10%	Indicator Result	2010-2011	-9%	Indicator Result
			2019-2020	-6%		2019-2020	0%	
Liquidity	Unrestricted Working Capital $1.5 – 1.6 million (Council Policy)	$2,244,100	Average	-$7,443,459	Trend	Average	-$7,186,366	Trend
			2010-2011	$1,400,000	Indicator Result	2010-2011	$1,400,000	Indicator Result
			2019-2020	-$16,383,923		2019-2020	-$15,269,153	
	Current Ratio Over 2: 1 = GREEN 1:1 to 2:1 = AMBER Less than 1:1 = RED	1.62	Not calculated - requires more information about Current Liabilities			Not calculated - requires more information about Current Liabilities		
Revenue stability and flexibility	Rates & Annual Charges Coverage Ratio >40%	53%	Average	63%	Trend	Average	65%	Trend
			2010-2011	61%	Indicator Result	2010-2011	62%	Indicator Result
			2019-2020	64%		2019-2020	67%	
Asset Renewal	Asset Renewal Ratio 1:1	0.36	Not calculated - depreciation split not calculated for assets that relate to services			Not calculated - depreciation split not calculated for assets that relate to services		
	Asset Renewal Gap Ratio 100%	N/A	Average	25%	Trend	Average	59%	Trend
			2010-2011	44%	Indicator Result	2010-2011	53%	Indicator Result
			2019-2020	21%		2019-2020	66%	
Cost of Debt	Debt Service Ratio Less than 10% = GREEN 10 – 15% = AMBER Over 15% = RED	6.15	Average	9%	Trend	Average	8%	Trend
			2010-2011	8%	Indicator Result	2010-2011	8%	Indicator Result
			2019-2020	8%		2019-2020	7%	
Implications of the Scenarios			• Council will continue to run Operating Deficits • Assets will deteriorate severely with potential for catastrophic failure in some asset classes with some assets being decommissioned • Service levels will decline as assets deteriorate to Poor or Very Poor Condition			• Council will continue to run Operating Deficits • Assets will remain in serviceable condition • Detailed Service planning will ensure funding is directed towards community priorities		
			Operating Result deficit will show some improvement by 2020 due to proposed constraints on expenditure and the estimated 3.5% increase in rates revenue allowed under rate pegging. However, the operating result is still financially unsustainable.			The Operating Result deficit will show improvement due to proposed constraints on expenditure and the estimated 3.5% increase in rates revenue allowed under rate pegging. However the deficit will be reduced much more due to the majority of the additional operating revenue from the Special Variation to rates being used to finance non-operating expenditure (Capital renewals) as well as the recovery of Emergency Services expenditure currently financed out of general revenue.		
			Liquidity measures worsen each year as there is a deficit in funding from 2011-2012 onwards. This is not sustainable and severe cuts to expenditure would need to be made. Due to the impact this will have on asset renewal and maintenance expenditure, service levels would be reduced.			Liquidity measures are better with the special variation as the Council's subsidisation of Emergency Services expenditure is reduced as it will be funded from the SV (ESAC component).		
			The gap between required asset renewals and actual asset renewals is increasing under this Scenario. There will be catastrophic asset failures in some services. There will be a drop in asset condition over many services with its associated decrease in service levels and services. Co-ordinated Service Planning is required to ensure that required assets and services are funded and maintained.			The gap between required asset renewals and actual asset renewals has been significantly reduced as a result of additional renewal expenditure as a result of the Special Variation although the Asset Renewal Gap ratio is still far below the required 100%. This will still cause a drop in asset condition and associated service levels. Co-ordinated Service Planning is required to ensure that required assets and services are funded and maintained.		
			Under this Scenario the debt service ratio as calculated is below the maximum of 10% -although there will be pressure on this to fund the working capital shortfall and asset renewals if assets fail.			The debt service ratio as calculated is below the maximum of 10% although there will be pressure on this to fund the working capital shortfall.		

2013-2023 Resourcing Strategy (including LTFP, AMS, AMP's)

The case for the continuation of the current SV has been made in the Council's updated 2013-2023 Resourcing Strategy, including the updated 2013-2023 LTFP (Attachment 4), Asset Management Strategy (Attachment 5) and Summary Dashboards BMCC Service and Asset Management Plans (refer to Attachment 3).

The 2013-2023 LTFP includes a six point strategy for improving the financial position of the Council (summarised in Section 3.3 of this application) including **Strategy 4 – Increase Income** as detailed in Section 3.3 of this application.

Included in the 2013-2023 LTFP, are the projected revenue and expenditure under the following two scenarios:

- With the Council's six financial strategies implemented (including increasing income through the continuation of the expiring special variation); and
- Without the full implementation of the Council's financial strategies (i.e. excluding the continued special variation).

Both scenarios are also integrated into the 2013-2023 Asset Management Strategy component of the Resourcing Strategy through the impact of available funding on the projected condition of assets, and on the 10 year Asset Works Program detailed by asset class and funding source in Appendix D of the strategy document.

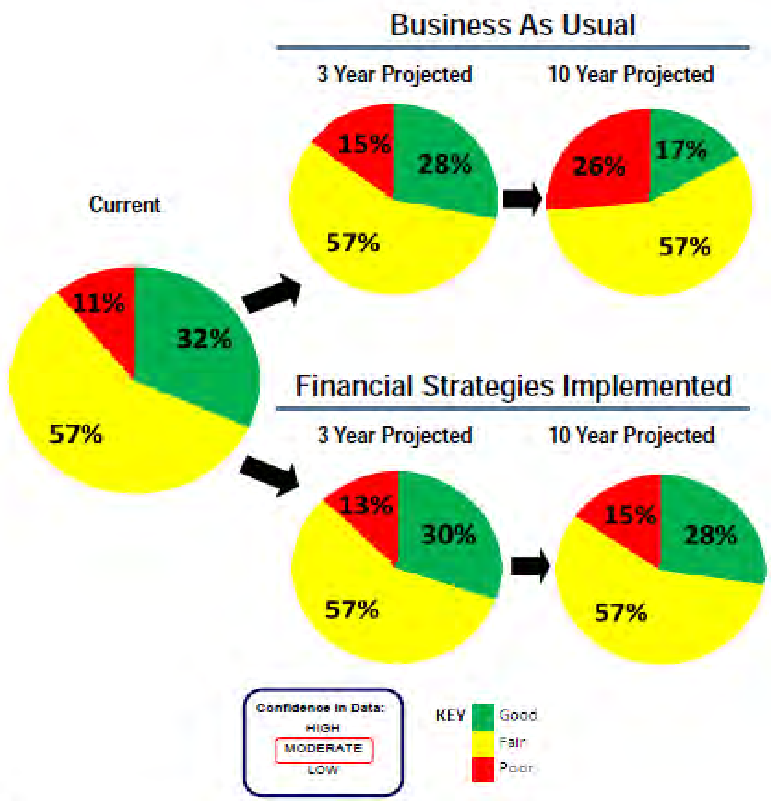
The impact of achieving or not achieving the continuation of the existing special variation (Stage 1 SV) over the next 3 years as well as obtaining or not obtaining a subsequent special variations to take effect from 2015-2016 (Stage 2 SV), is summarised in the companion document to the 2013-2023 Asset Management Strategy entitled *Summary Dashboards: Blue Mountains City Council Service and Asset Management Plans*

The following excerpts show this information for the target expenditure areas proposed for the continuation of the current special variation. The red segment of the pie charts indicate the percentage of the built asset projected to be in poor condition with and without Stage 1 (3 years) and Stage 2 (10 years) special variations, while green shows the percentage in good condition and yellow the percentage in fair condition.

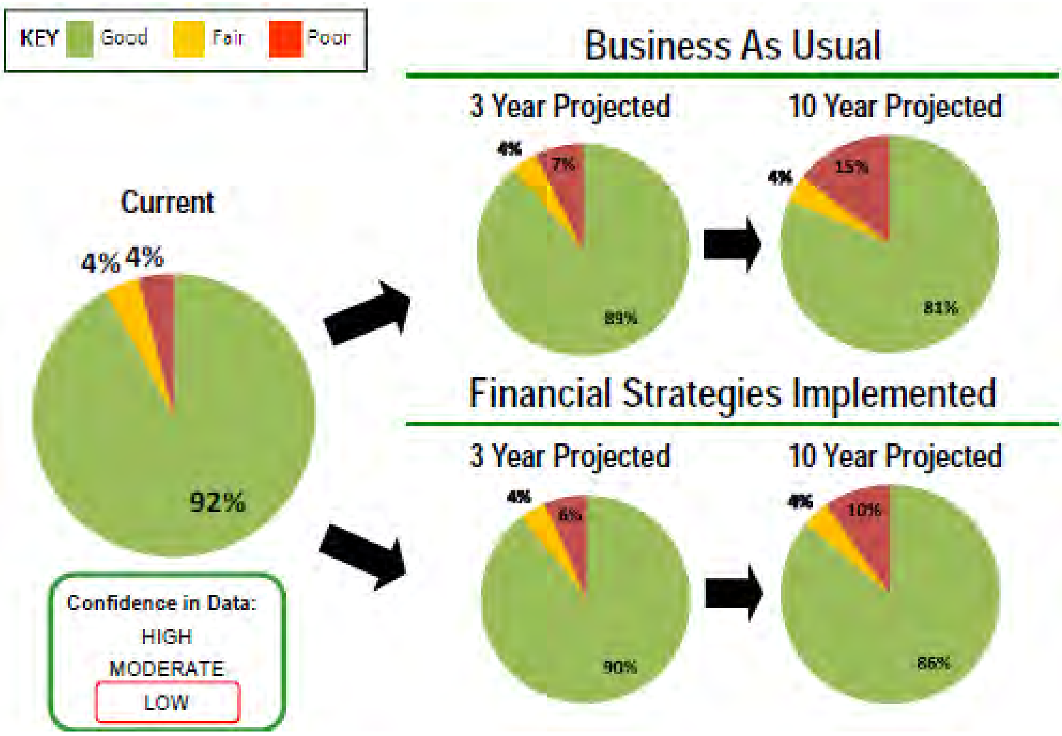
Simply put, continuing the existing special variation will provide much needed income that will reduce the projected deterioration of the condition of core infrastructure and facilities, which the community has indicated as priority areas for funding.

Excerpts from "Summary Dashboards: Blue Mountains City Council Service and Asset Management Plans" Document (February 2013)

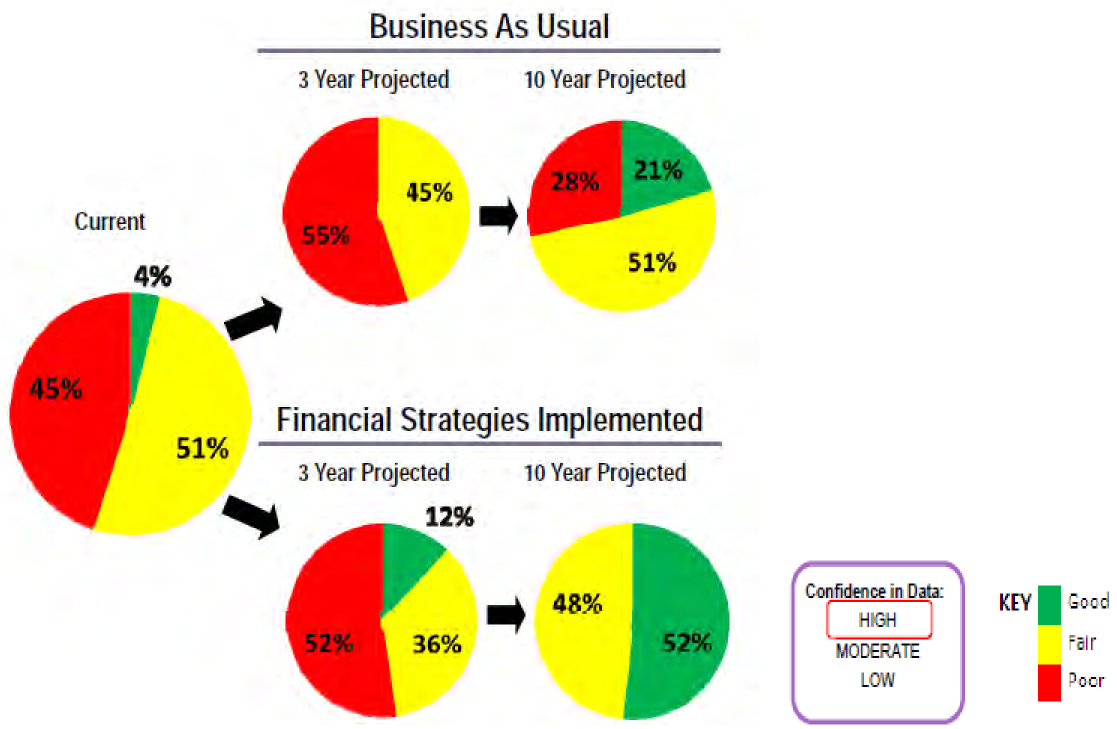
SEALED ROADS: SERVICE LEVELS – BUILT ASSET CONDITION (page 37)



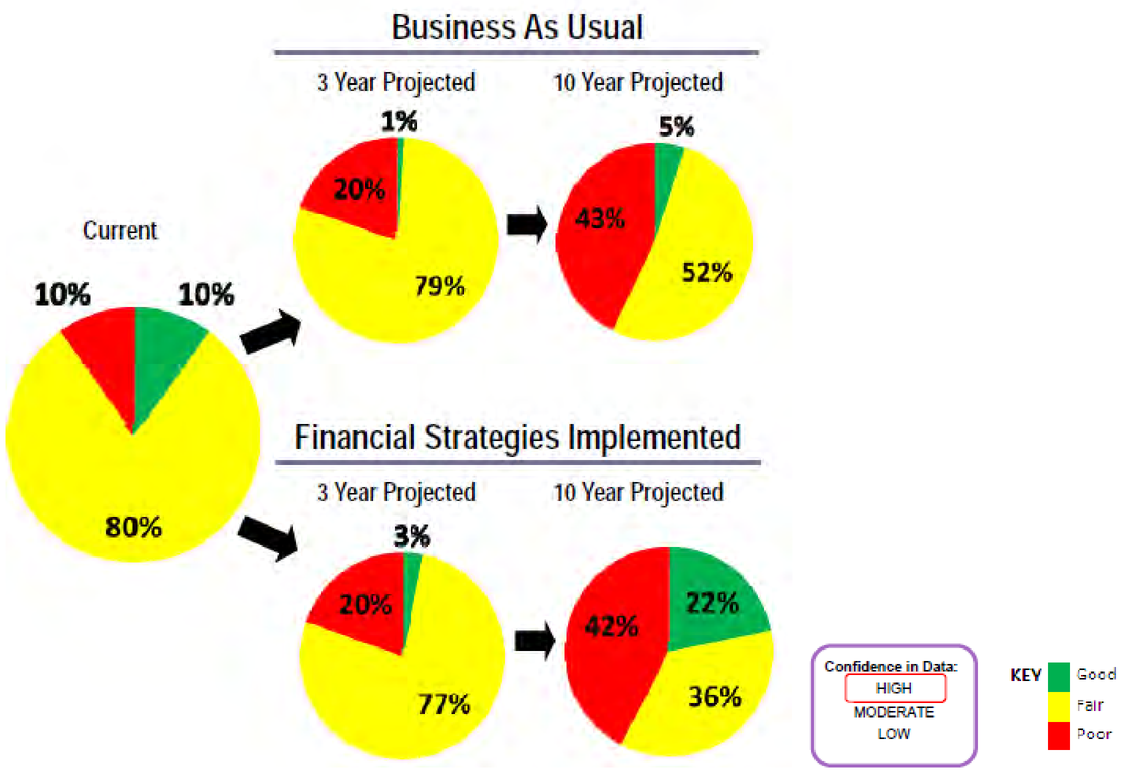
STORMWATER: SERVICE LEVELS – BUILT ASSET CONDITION (page 17)



PARK FACILITIES: SERVICE LEVELS – BUILT ASSET CONDITION (page 80)



SPORTSGROUNDS: SERVICE LEVELS – BUILT ASSET CONDITION (page 82)



Apart from the positive impact on the condition of some of the Council's assets, the continued SV (along with the Council's other key financial strategies contained within the LTFP), also has a significant positive effect on the Council's 2013-2023 LTFP financial performance measures as detailed in *Section 3.3.3 – Financial Indicators* below.

Proposed allocation of funds from the continued SV

Over 10 years, the $23 million from the continued rate variation would be directed to the following key built asset areas:

- **$15 million** to the road reseal program
- **$2.8 million** to renewing stormwater assets
- **$0.35 million** to renewing park facilities
- **$0.19 million** to renewing sportsgrounds
- **$4.5 million** on regular maintenance programs for parks, town centres, reserves, carparks and roads (i.e. gardens, fence and furniture repairs, litter removal, weed management and footpath sweeping). A significant proportion of the Council's maintenance supports assets relating to tourism and the impacts of day visitation.

Program benefits

The continued SV will ensure that projected asset condition within each of the funding areas, and their resultant risk positions are managed as shown in the pie charts above. Once combined with the proposed SV2 for infrastructure (which is proposed to commence in 2015-2016) asset condition is further improved as highlighted in the 10 year projections below. Note, "business as usual" does not involve the implementation of the Council's financial strategies. It does however include the ceasing of annual borrowings for asset renewal which is a policy position resolved by the Council given that it has reached its capacity relative to the level of new debt it can afford to service (as detailed in Section 3.3 of this application).

DOCUMENT REFERENCE

Attachment No.	Document
4	2013-2023 Long Term Financial Plan
5	2013-2023 Asset Management Strategy

3.3 Financial planning information

The justification for the special variation and its timing must be based on the council's Long Term Financial Plan (LTFP). The LTFP needs to include various budget scenarios, including scenarios with and without the special variation, that are based on clear and reasonable assumptions (see Section 6).

In the section below, explain the need for the variation in the context of the LTFP and the various budget scenarios. Provide extracts from or references to the LTFP as necessary.

It may also be useful to comment on external assessments of the council's financial sustainability (e.g., by Treasury Corporation), or the council's recent revenue and expenditure history and how this relates to the need for the additional funding from the special variation.

This section presents the Council's case for the continuation of Blue Mountains City Council's current special variation by summarising:

- Why the Council is seeking to renew the SV at this time
- Justification for the SV - Council's challenges within the context of our City
- The LTFP's six key financial sustainability strategies
- The budget scenarios contained within the LTFP both with and without the SV
- The prioritisation of funding if the SV is approved, including the rationale for proposed expenditure
- Alternative options considered by the Council prior to applying to continue the SV, and
- The Council's projected financial indicators, with and without the continued SV.

Why Council is Seeking to Renew at This Time

Annual Challenge to Balance the Operating Result

As set out in the LTFP, the underlying justification to continue the special variation is reflected in the Council's financial position result for 2011-2012. While the Council balances its annual cash budget every year, the operating result was a deficit of $13.3 million, highlighting the Council's financial challenge. Depreciation is a significant contributing factor of this deficit and is largely related to the past underfunding of built assets.

Asset Funding Gap

One of the more significant consequences of these financial challenges is the Council's inability to adequately maintain and renew its portfolio of over $1 billion worth of built assets. If the Council does not address this issue, by 2023 it will have an asset renewal

funding gap of $146 million, with the result that service levels of built assets, and their risk position, will deteriorate with assets in poor condition increasing from 15% in 2013 to 29% in 2023 - as shown in the chart below.

Excerpt from Asset Management Strategy – page 31

BUILT ASSET CONDITION *WITHOUT* IMPLEMENTATION OF FINANCIAL STRATEGIES

Expiry of Current SV for Infrastructure

In 2010 the Council applied for a s508A variation as a means of implementing long term increases to our rating revenue to address our deficit operating position and our asset funding gap. This application was only partially approved and as a result the Council was only able to vary its rates for 2010-2011 for a period of three years.

Consequently, the LTFP notes that this SV is due to expire on 30 June 2013. If the Council were to allow this to occur, for 2013-2014 we would need to decrease our general income by $1.9 million. This would have a detrimental impact on our operating position, as shown in the LTFP's financial indicators and on our ability to reduce the asset funding gap.

Need to Manage Borrowings

In addition, the Council needs to manage borrowings (see page 27 of Attachment 4). The Council's financial planning shows that it needs to contain its annual borrowing program as it can not afford any debt above that already programmed without significant increases in new sources of revenue. The Council's own assessment has been recently confirmed by the NSW State Government's Treasury Corporation (TCorp) in its September 2012 assessment of the Council's long term financial sustainability (Attachment 6), which stated as follows:

> *"When analysing the financial capacity of the Council we believe council will not be able to incorporate any further loan funding in addition to the already forecast loans".*

In the past the Council has borrowed on an annual basis $2.3 million to fund asset renewal works. As the Council has reached its capacity to continue to borrow these funds, it puts at risk a significant component of its asset works program. This reduced funding will contribute to the increase in deterioration to our assets as shown in the pie charts above.

Rating Reform
The Council is in the second year of a three year program of reform to its rating structure to ensure equity and compliance with the Local Government Act 1993.

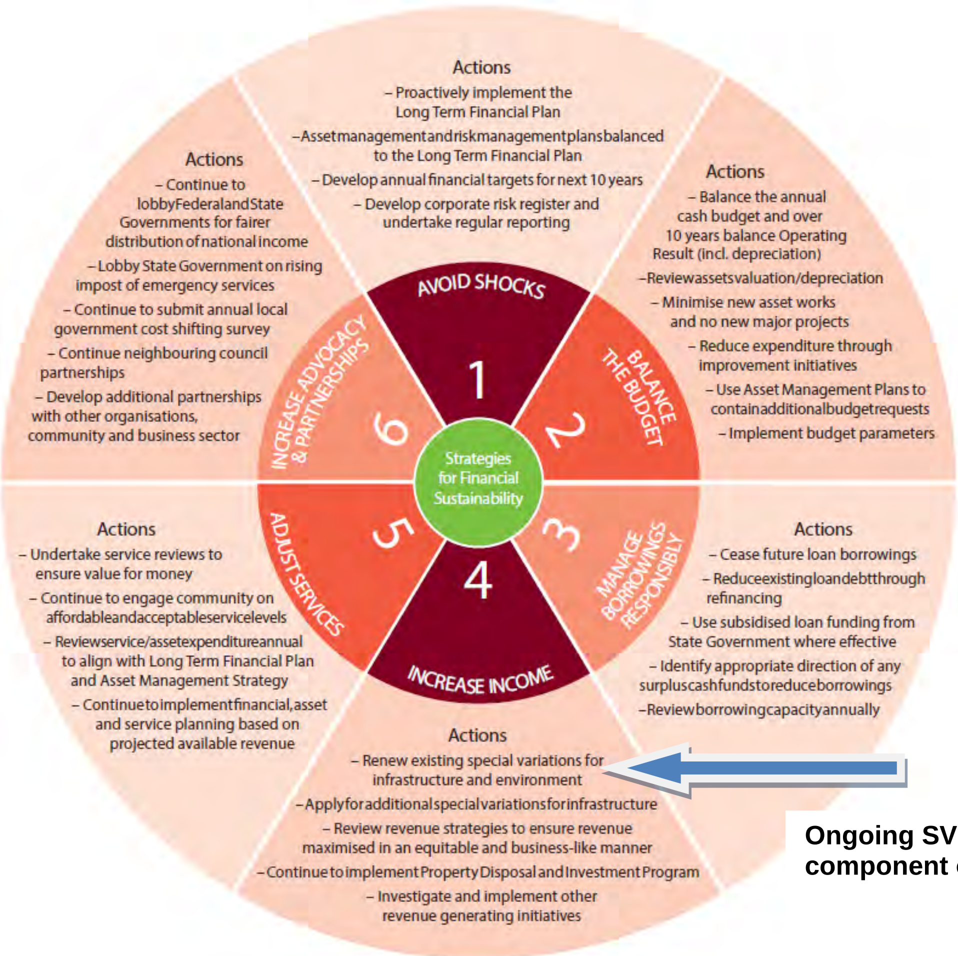
The Council's ability to implement significant revenue raising through increases to rates is impacted by the timing of this process. Therefore the Council needs to take a conservative and considered approach to rates increases to minimise the impact of rising rates while the rating structure was being changed.

LTFP's Six Key Financial Sustainability Strategies

Against this background, Blue Mountains City Council recognises that it must work to improve its financial position while at the same time continuing to deliver services and facilities that enhance our community's well being and quality of life in accordance with the objectives as set out in our Community Strategic Plan – *Sustainable Blue Mountains 2025*. To support its goal, on 11 December 2012 the Council adopted a six point financial strategy of which this application is a critical initiative of *Strategy 4 – Increase Income.*

Excerpt from LTFP (Attachment 4), page 25

STRATEGIES FOR FINANCIAL SUSTAINABILITY



Ongoing SV is a critical component of Strategy 4

The LTFP shows that in order to continue to address and improve asset condition, and ultimately the Council's financial position, we need significant, sustained and reliable increases to our revenue. The LTFP has a starting position where the current SV expires and at the same time it identifies that our borrowing capacity has been reached.

<u>Excerpt from 2013-2023 Long Term Financial Plan (page 28)</u>

Strategy 4 – Increase Income

The LTFP notes that for long term financial sustainability it is essential that the Council increase its income. While this is limited due to rate pegging and limited growth opportunities, it can be done through:

- Applications to IPART for special variation to rates; and/or
- A review of the Council's Revenue Strategy and other revenue generating initiatives.

A *Applications to IPART for special variation to rates*

The LTFP assumes the increase of rates revenue through a two staged approach to applications to IPART for special variations to rates as set out below.

Stage 1 – Renewal of existing s508(2) Special Variation for Infrastructure

As a means of increasing income, the Council endorsed an engagement with the community in November and December 2012 on the possible renewal of the existing special rate variation for infrastructure. If not renewed, this variation would expire on 30 June 2013 and rating revenue would need to be reduced by $1.9 million.

The timeframe for the proposed implementation of Stage 1 is shown below.

STAGE 1 SPECIAL VARIATION TIMEFRAME & INCOME RECEIVED

2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Consultation: Nov-Dec 12 **Submission:** Mar 13 **Application determined:** Jun 13	**Rate variation implemented if approved:** Jul 13 **Average impact on ratepayers:** $56	Revenue raised by 2022/2023 = **$23m**					

This renewed variation will replace the current program of annually borrowing $2.3 million to fund asset maintenance and renewal works. Over 10 years, the variation will raise $23 million. Of the $23 million, $18.5 million will be directed to asset renewal as follows:

- $15.1 million – road reseal program;
- $2.4 million – stormwater assets; and
- $1 million – park facilities and sportgrounds.

$4.5 million of the $23 million raised will be directed to regular maintenance programs for parks, town centres and roads, including weed management, litter removal, fence and furniture repairs, and footpath sweeping.

The focus on these areas has been determined by asset planning work (including the relevant Asset Management Plans) which has identified key risks to be managed and community priorities identified through the annual community surveys and the 2012 Affordable Levels of Service Community Workshops as shown in the table below.

By using these funds from the special variation and savings from reduced loan repayments, by 2023 the Council will be able to reduce its asset maintenance and renewal funding gap from $146 million to $109 million (not indexed for inflation).

The savings from discontinuing these borrowings compound over time. By using these funds as well as the funds from the continued special variation, combined with other strategies, it is estimated that the asset funding gap will be substantially addressed within 20 years.

The LTFP indicates that it is necessary for the Council to continue our annual asset renewal program in order to manage the projected deterioration of built assets. The LTFP also indicates that once the Council ceases annual borrowings for these works (as per *Strategy 3 – Manage borrowings responsibility*), it must replace the asset funding from borrowings with funding from the continued current SV. Otherwise it will not have the revenue to undertake an effective and appropriate asset renewal works program.

Initially the strategy reduces the funding for assets works, however over the long term there will be significantly more funds available for this essential work. This is because the LTFP directs the savings made from not servicing these loans to the asset works program. Over 10 years this will amount to $12.7 million.

Over 10 years, if the SV is continued, the Council will have a total of $35.7 million to direct to asset works. These funds will assist the Council funding asset renewal and maintenance. However the Council is aware that it needs a combination of strategies to improve its financial position.

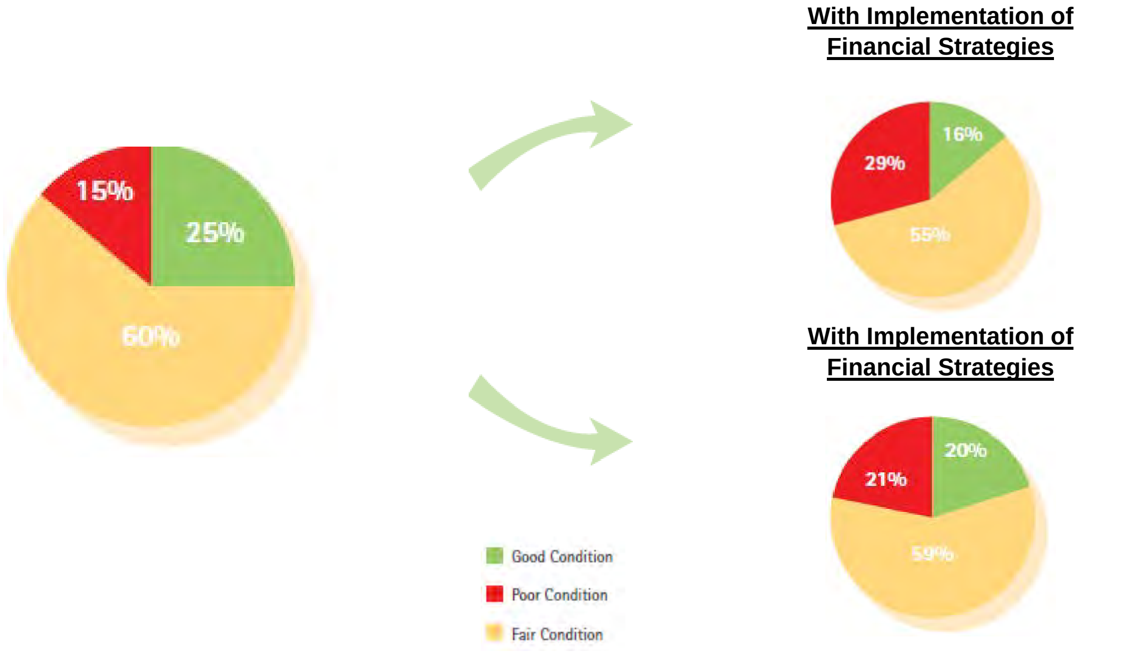
The continued SV is part of a longer plan to increase our revenue. This strategy involves the continuation of the current SV, as a first stage, to minimise the impact to ratepayers while the rating structure reform process is being fully implemented. *Strategy 4 – Increase Income* also includes a subsequent application under s508A of the Local Government Act 1993 which will be to continue the existing Environment Levy past its expiry date of 30 June 2015 and three successive annual rate increases commencing 2016-2017 for further funding for infrastructure renewal and maintenance.

Outcome of the Implementation of the Financial Strategies

Implemented together, the six financial sustainability strategies ensure the Council continues to deliver the level of services and facilities required by the community into the future. These strategies drive the improvement of the Council's financial position so that:

- By June 2023 a surplus operating result of at least $0.5 million has been achieved (including depreciation)
- The Council's annual cash budget continues to be balanced each year over the 10 year plan period
- The Council has been able to resource implementation of its Asset Management Strategy, Policy and Plans to minimise asset deterioration so that agreed affordable levels of asset service provision have been achieved (see pie chart below which contains asset deterioration to a projected 21% instead of the projected 29% without implementation of the financial strategies), and
- The Council will be able to continue to effectively resource its response to *Sustainable Blue Mountains 2025* – our City's Community Strategic Plan, ensuring the ongoing provision of quality services and facilities that enhance well being and quality of life of residents and visitors to the City.

BUILT ASSET CONDITION *WITH* IMPLEMENTATION OF FINANCIAL STRATEGIES



Alternative Budget Scenarios

The LTFP includes two alternative scenarios to the plan for financial sustainability – the "optimistic" and the "pessimistic". Of importance to this application is the pessimistic scenario which sets out the consequences of lower than expected income (i.e. no SV Stage 1 or Stage 2) and higher than anticipated costs.

The pessimistic scenario highlights the detrimental impact of this option on all of the Council's financial performance measures. As shown in Section 3.3.3 below, ratios for building and infrastructure renewal and asset renewal funding are particularly impacted by the reduced revenue and therefore decline significantly.

In addition, by 2023 the percentage of built assets in poor condition increases to 29% due to reduced funding under this scenario. As we will need to manage the risks associated with so many assets in poor condition, the Council will need to adjust services to a lower level and manage this reduction (including associated safety and risk tradeoffs) with the community to ensure that we continue to live responsibly within our means.

In order for the Council to improve its financial position and its ongoing sustainability it is clear that the pessimistic scenario is not ideal.

NSW TCorp (who undertook an assessment of the Council's financial position in 2012) also confirmed that in order for the Council improve its operating position it must identify additional revenue sources which includes additional rates revenue including the continued variation, as outlined in the LTFP. It should be noted that TCorp based its assessment on the Council's previous and not yet updated LTFP. Since the assessment took place, the Council has updated its LTFP incorporating the six point financial strategy as well as the results of a review of depreciation. All of which has improved the projected financial position of the Council by 2023.

It should be noted that the additional income from the both stages of the special variations and the ceasing of borrowings do not on their own completely resolve the issue of built assets in poor condition. The Council is aware however that it must live within its means and consider the community's capacity to pay, the LTFP has therefore also committed to Financial *Strategy 5 – Adjust Services*. This will involve an adjustment of service levels to ensure provision at a level acceptable to the community and one that is affordable to the Council and addresses risk. Such rebalancing will be supported by regular inspections and may require closure or modification of unsafe or failed assets and targeted renewal programs as funding allows.

Through implementing its financial strategies, by 2023 the Council will have successfully improved its financial position with surplus operating position of at least $0.5 million. The Council's financial sustainability journey will be fully realised in the subsequent 10 year period (i.e. to 2033) as the additional, ongoing income and cost savings from service adjustments and reduced borrowings from the continued implementation of its financial strategies will further drive an improvement in the condition of community built assets.

DOCUMENT REFERENCE

Attachment No.	Document
6	NSW Treasury Corporation Report, September 2012

3.3.1 Prioritisation of proposed spending

If possible, also explain how the council has prioritized the proposed spending in its program of expenditure (incorporated into its LTFP and as indicated in Worksheet 6 of Part A of the application form). If a special variation application is approved for a lesser amount than requested, it is useful for the council to be able to indicate which projects would be funded first.

The majority of the funding raised by the continued sv ($18.5 million of total $23 million raised) will be directed to renewal works over three service areas - roads, stormwater and recreation. The balance ($4.5 million) will be direct to maintenance programs for parks and reserves, town centres and roads. Renewal has been prioritised as such works, if completed at the optimum time, reduces future operation and maintenance expenditure i.e. life cycle costs. This is therefore the most cost effective way for the Council to ensure it lives within its means and is able to retain service levels.

The prioritisation of the proposed renewal expenditure is based on the Council's asset planning work (as summarised in the attached Summary Dashboard annexure to the Asset Management Strategy) which through the International Standard IOS 31000: 2009 Risk Management and NAMS PLUS2 templates and methodologies has identified key risks to be managed over the next 10 years. A summary table of the assets with identified high risks is a contained in the AMS at Appendix E.

Prioritisation has also been influenced by the community priorities identified through:

- Annual community surveys conducted in 2010, 2011 and 2012
- June 2012 Affordable Levels of Service Community Workshops, and
- Results of the engagement of community on the continuation of the SV, detailed in Section 4.

These factors are summarised for each key expenditure areas below and on the following pages.

EXPENDITURE RATIONALE FOR KEY EXPENDITURE AREAS

SEALED ROADS

Value of asset: The Council has over 4.3 million square metres of sealed roads valued at almost $430 million.

Sealed road requirements - roads need resealing approximately every 15-25 years depending on the type of road surface. A key challenge for the Council is the availability of funding to enable a routine program of works to ensure road surfaces are resealed prior to significant failure.

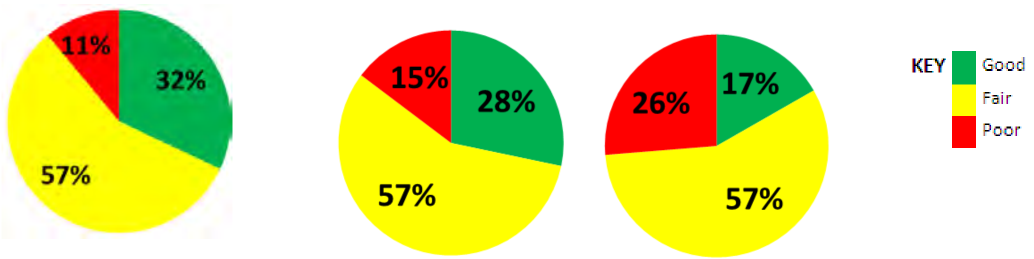
Delays in road reseal can result in accelerated surface deterioration which increases the need for pot hole patching, heavy patching and road rehabilitation. Costs for these activities are approximately four times more expensive than reseal.

The allocation of funds from the proposed continued SV to the road reseal program allows the Council to continue to access the Federal Government's *Roads to Recovery* grant scheme. This is worth approximately $657,000 per year to the Council and it is estimated to be worth a further $7 million of extra funding over the next ten years.

If the variation is not continued as proposed, the projected deterioration to these assets will be as shown in the charts below.

BUILT ASSET CONDITION
IF FINANCIAL STRATEGIES NOT ACHIEVED

CURRENT	3 YEARS PROJECTED	10 YEARS PROJECTED	KEY



Not continuing the SV will also impact the Council's ability to access the *Roads to Recovery* grant funds, that is $7 million over the next 10 years. This in turn will require the Council to

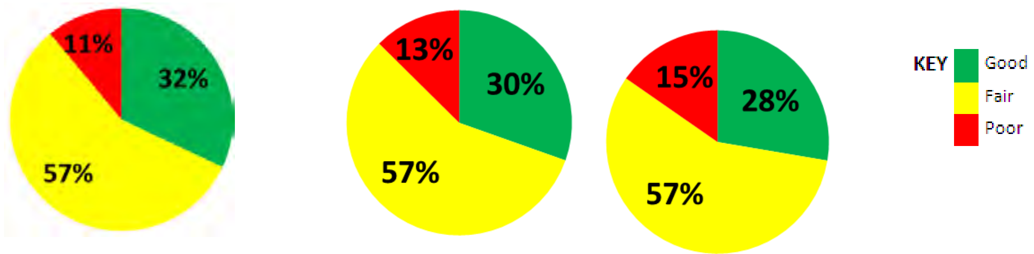
SEALED ROADS

delay its reseal program which will result in substantially greater rehabilitation costs and asset failure in the future.

If the variation is continued as proposed, over ten years, the Council will slow the increase in deterioration to sealed roads as shown in the charts below.

BUILT ASSET CONDITION IF FINANCIAL STRATEGIES ACHIEVED

CURRENT	3 YEARS PROJECTED	10 YEARS PROJECTED	KEY



What does the community think?
Community survey results have consistently shown that sealed roads are a high community priority.

2012 survey results show that at both a City and neighbourhood level, roads are the most important issue for the community.

At the Affordable Levels of Services workshops in June 2012, 76% of those participants who wanted a higher level of service prioritised roads. Of the participants who were willing to pay more, their top priority area was roads.

STORMWATER

Value of asset: Stormwater infrastructure functions to manage stormwater within the standard stormwater design capacity to minimise impact to properties and the environment as well as diverting water safely from roads.

Currently the Council has 153km of pipe, 7,665 pits, 52km of open channels, 2,680 headwalls and 199 SQIDs (stormwater quality improvement devices) valued at over $110 million which all contribute to our ability to manage stormwater runoff.

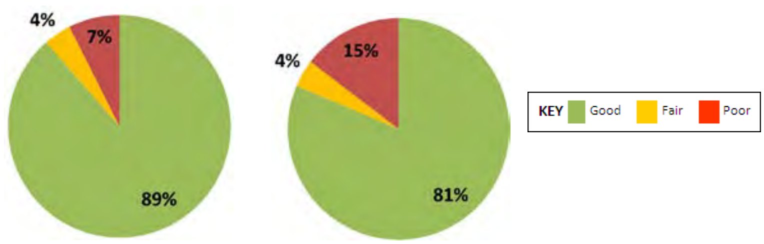
Stormwater requirements: funds from the proposed continued variation will enable the Council to replace these stormwater assets as they fail and will allow the Council to implement actions that target high risk areas identified in Floodplain Risk Management Plans and other studies or inspections.

STORMWATER

If the variation is not continued as proposed, the projected deterioration to these assets will be as shown in the charts below.

BUILT ASSET CONDITION
IF FINANCIAL STRATEGIES NOT ACHIEVED

CURRENT	3 YEARS PROJECTED	10 YEARS PROJECTED	KEY

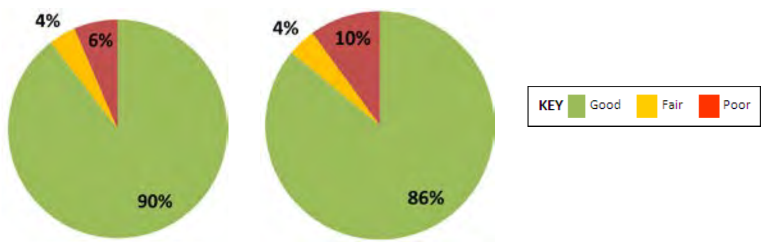


The Council's ability to prevent stormwater asset failure and therefore its ability to manage stormwater runoff will also be severely impacted. This in turn will increase runoff onto properties, roads and into the environment. The Council, being responsible for a City which is surrounded by a World Heritage National Park, has an obligation to manage urban runoff.

If the variation is continued as proposed, over ten years, the Council will successfully prevent the increase in deterioration to stormwater assets as shown in the pie charts below.

BUILT ASSET CONDITION
IF FINANCIAL STRATEGIES ACHIEVED

CURRENT	3 YEARS PROJECTED	10 YEARS PROJECTED	KEY



What does the community think?
Community survey results have consistently shown that stormwater assets are a high community priority.

At the Affordable Levels of Services workshops in June 2012, of those participants who were willing to pay more, stormwater was a high priority.

PARK FACILITIES

Value of asset: Recreation facilities in the Blue Mountains provide areas for participation in recreation, encouraging healthier lifestyles and increased health and wellbeing. A significant number of the Council's recreation facilities are used by tourists.

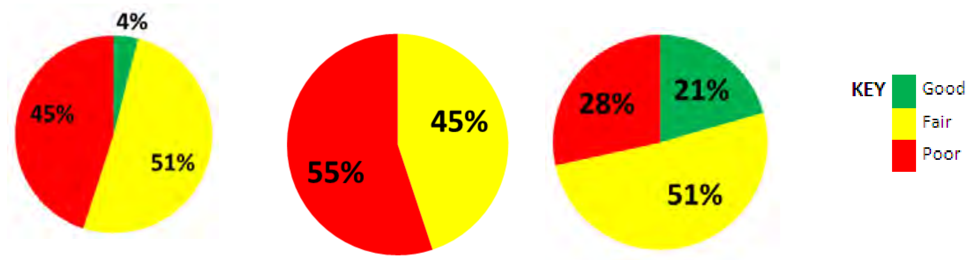
The Council is custodian of 105 parks within the area, ranging from large regional parks to small local parks. The general infrastructure within these parks which includes things like seats, bins, steps, fencing, handrails, trees, paths, barbeques etc is valued at approximately $11 million.

Park facilities requirements: The funding for parks renewal from the proposed continued special variation will replace failing infrastructure such as seats, paths, bubblers, bins etc across the entire Blue Mountains area.

If the variation is not continued as proposed, the projected deterioration to these assets will be as shown in the charts below.

BUILT ASSET CONDITION
IF FINANCIAL STRATEGIES NOT ACHIEVED

CURRENT	3 YEARS PROJECTED	10 YEARS PROJECTED	KEY



The Council will then not have the funds to replace these items as they fail and therefore they will be removed. This will result in an ongoing decline in the general appearance and usability of the park and an increase in associated risks. This may lead to reduced use of the parks by locals, with the consequential decrease in health and social benefits. It may also lead to a decrease in tourism and associated economic benefits. More importantly, it will increase the Council's risk exposure with its flow-on financial implications.

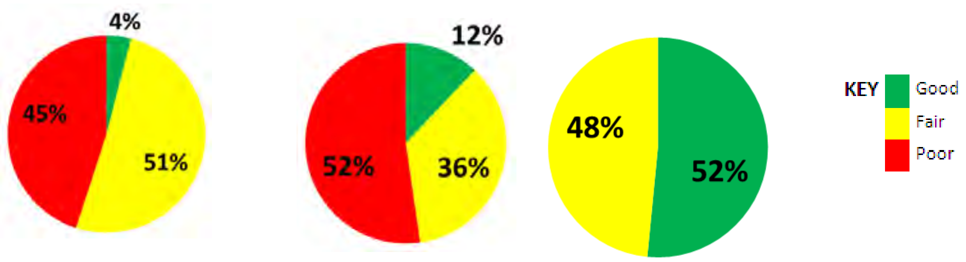
Renewal of park equipment will be prioritised to ensure adequate facilities are available at the correct locations.

If the variation is continued as proposed, the Council will successfully prevent the increase in deterioration to general park infrastructure as shown in the pie charts below. It will also have reduced risk implications.

PARK FACILITIES

BUILT ASSET CONDITION
IF FINANCIAL STRATEGIES ACHIEVED

CURRENT	3 YEARS PROJECTED	10 YEARS PROJECTED	KEY



What does the community think?
At the Affordable Levels of Services workshops in June 2012, 28% of those participants who wanted a higher level of service prioritised parks and sportsgrounds.

Customer Service Requests (CSRs) from the community requesting increased maintenance, particularly for vegetation management, is increasing. This indicates a growing level of dissatisfaction amongst the community with the general standard of park facilities and sportsgrounds.

Without the continued funds from the continued variation the Council will not be able to address these concerns. As a result, it is expected that such CSRs will increase if the variation was not continued.

SPORTSGROUNDS

Value of asset: Recreation facilities in the Blue Mountains provide areas for participation in recreation, encouraging healthier lifestyles and increased health and wellbeing.

The Council also looks after 22 sportsgrounds as well as 66 sports courts across 24 sites. These are valued at over $21 million for the grounds and courts alone, that is excluding land and buildings.

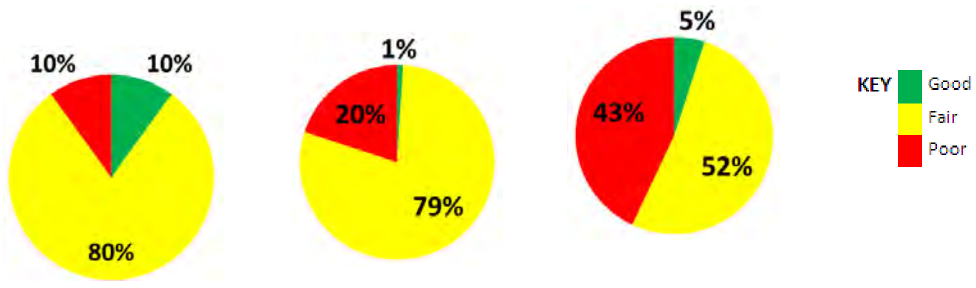
Sportsgrounds requirements: The funding for sports facilities renewal from the proposed continuation of the special variation will ensure that key upgrades in high use areas can be completed. This would include the lighting for Blaxland Oval and Glenbrook Park and the renovation of high use oval surfaces as required. This funding will also be used to target State and Federal Government grants wherever possible, with the aim of doubling the works that can be completed with proposed variation funds.

If the variation is not continued as proposed, the projected deterioration to these assets will be as shown in the charts below.

SPORTSGROUNDS

BUILT ASSET CONDITION
IF FINANCIAL STRATEGIES NOT ACHIEVED

CURRENT	3 YEARS PROJECTED	10 YEARS PROJECTED	KEY

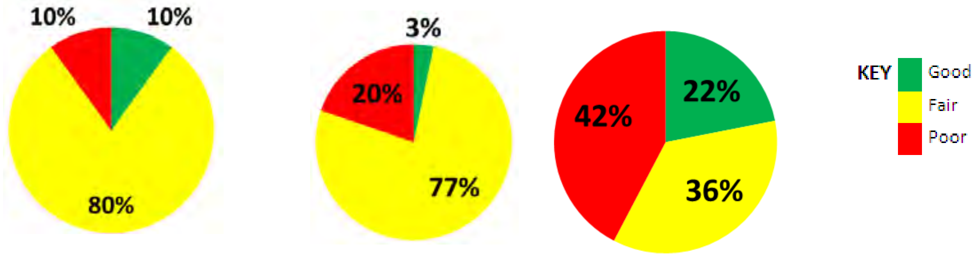


The Council will therefore not have the funds to prevent deterioration of high use oval surfaces and therefore those fields that are not fit for play will be closed temporarily. This may lead to a decrease in health and social benefits for the local community. The Council will also not be able to seek grants to provide even more funds for recreation facilities maintenance.

If the variation is continued as proposed, the Council will successfully prevent the increase in deterioration to sportsgrounds as shown in the pie charts below.

BUILT ASSET CONDITION
IF FINANCIAL STRATEGIES ACHIEVED

CURRENT	3 YEARS PROJECTED	10 YEARS PROJECTED	KEY



What does the community think?
At the Affordable Levels of Services workshops in June 2012, 28% of those participants who wanted a higher level of service prioritised parks and sportsgrounds.

Customer Service Requests (CSRs) from the community requesting increased maintenance, particularly for vegetation management, is increasing. This indicates a growing level of dissatisfaction amongst the community with the general standard of park facilities and sportsgrounds.

Without the continued funds from the continued variation the Council will not be able to address these concerns. As a result, it is expected that such CSRs will increase if the variation was not continued.

TOWNS & VILLAGES

Value of asset: These facilities are provided by the Council to support local community and economic development and support vibrant and sustainable town centres.

The Council manages 27 towns and villages, including the designated district service centres – Katoomba (including Leura) and Springwood, and many other local service centres.

Within this service, the Council looks after 245 street furniture assets, 189 litter bins, 25 community notice boards, vast areas of garden beds, public toilets, a commuter carpark and other assets such as parks, roads, footpaths, and other public carparks.

The value of the assets within this service is included in relevant other services such as Transport and Public Access (for example roads and footpaths) and Sports and Recreation (for example, parks) etc.

Towns and villages requirements: Funds from the special variation have also been prioritised to maintaining the centres of many of our towns and villages because these areas have high usage and visibility and attract millions of tourists each year (with the added economic benefit of supporting local businesses).

If the variation is not continued as proposed: If the Council were not able to continue to maintain towns centres, then the amenity of these centres would be impacted. In addition, assets would deteriorate.

Note: the assets within this service are included in relevant service area categories asset classes. The Council does not have the individual data on the condition of assets for individual service centres.

What does the community think?
The importance of prioritising the amenity of villages and town centres has been identified through annual community surveys and the volume of customer service requests.

Prioritising Works with SV Funding Reduced

If the special variation application is approved for a lesser amount than requested it will be targeted towards road reseal because of:

- the high financial risk associated with underfunding the Council's road reseal program
- the relative high value of roads (i.e.. 60% of total built assets)
- the reliance on this revenue to match grant funding such as the Federal Government's Roads to Recovery program.

The exclusion of the other focus areas would then require the Council to ensure that risk is sufficiently managed though inspections and condition assessments, ensuring any identified risks are communicated to Council's audit committee and through asset closures where required. It would also require the Council to reassess the provision of service in consultation with the community.

3.3.2 Alternative options

In explaining why the special variation is needed, you should indicate how the council has considered a range of alternative financing options (eg, borrowing, private public partnerships, joint ventures, user pays) and why the special variation is the most appropriate option. It is important that you explain how the decision to apply for the variation has been made after all other options (i.e., alternative revenue sources, changing expenditure priorities, alternative modes of service delivery) have been considered. Once again, provide extracts from, or references to, the LTFP which shows the council's consideration of alternative revenue options.

In looking at how the Council can strengthen its financial capabilities, particularly in respect to funding asset renewal and maintenance, the LTFP has considered numerous options prior to developing the adopted six point financial strategies. Because of the scale of the Council's financial challenges, it was necessary to develop a number of strategies across a varied range of possible alternatives to ensure that when implemented together they will drive the improvement of the Council's financial position.

Many of the actions underlying the six point financial strategy include alternatives to a special variation application. It was necessary to develop these alternative actions, because the continuation of the current special variation will not make a significant impact of the Council's financial position in isolation.

The Council has evaluated whether it can continue to annually borrow funds for asset renewal works as it has done in the past. The Council has concluded that it has reached its capacity to increase borrowings, which has been confirmed by NSW TCorp. Therefore in the short to medium term at least, this is not a viable funding alternative to a continued special variation to rates.

To date we have been very successful in actively pursuing alternative revenue sources to deliver key infrastructure supporting a sustainable City. Evidence of past achievements includes the following examples:

- $9 million grant from the Federal Government for the upgrade of the Springwood Community and Cultural Facilities
- Subsidised loan funding from the Local Infrastructure Renewal Scheme for Springwood Community and Cultural Facilities and the expansion of Blaxland Resource Recovery and Waste Management Facility
- Multi million dollar partnership agreement with NSW State Government, Federal Government and the Coles Groups to build a regional art gallery, new library and a retail centre

- $3.4 million infrastructure grant from the Federal Government for development of the Blue Mountains Business Park at Lawson

- Joint venture between the Roads & Maritime Service and the Council to relocate Lawson Town Centre due to the widening of the Great Western Highway

- Review of Council's commercial activities to maximise revenue. This includes caravan parks, pay and display at Echo Point, fees and charges for Leisure Centres and the Property Disposal and Investment Program

- Federal and State Government grants such as:
  - Department of Infrastructure and Transport - Roads to Recovery program
  - Department of Regional Australia, Local Government, Arts and Sport - Regional and Local Community Infrastructure Program
  - NSW Government Community Building Partnerships, Department of Infrastructure and Transport - Local Roads grants
  - NSW Department of Sport and Recreation Participation and Facility Program
  - Department of Sustainability, Environment, Water, Population and Communities - Your Community Heritage Grants

It should be noted that the continuation of some of these grants, in particular the Roads to Recovery program is dependent on significant co-contributions from the Council in order to access these grants. Funds from continuing the current SV will be used by the Council to continue access to these grants. If the SV does not continue, the Council will not be able to access these grants.

We have also been successful in previous special variations applications including the 2005 levy for funding of environmental works and programs and the current SV or current special variation for infrastructure (which this application seeks to renew).

In addition to seeking alternative sources of revenue, the Council has also considered how to reduce its expenditure. The Affordable and Acceptable Levels of Service review which, in consultation with the community, will progressively result in the rebalance of services with an expected reduction in expenditure. Currently underway are reviews of libraries, leisure centres and waste services such as bulky waste and green chipping services and the development of a long term, comprehensive Waste Management Strategy.

While we have been very successful with sourcing alternative revenue and financial options in the past and expect to continue to do so in the future for priority planned projects, it is evident from the scale of the Council's projected financial position, that on their own such alternatives will not adequately address the challenges. In regards to the need to maintain and renew Council's ageing infrastructure, we need sustained, reliable sources of income which a special variation on an ongoing basis will provide. As shown in section 4.2 of this application, there is strong community support for this means of funding infrastructure renewal and maintenance.

3.3.3 Impact of special variation on key financial indicators

Outline below how the special variation impacts the council's key financial indicators over the 10 year planning period, as identified in the LTFP. This should include the impact on key indicators under the various budget scenarios (with and without the special variation). Key indicators may include:

- Operating balance ratio (net operating result (excluding capital items) as a percentage of operating revenue (excluding capital items))
- Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities.)
- Rates and annual charges ratio (rates and annual charges divided by operating revenue)
- Debt service ratio (net debt service cost divided by revenue from continuing operations)
- Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue)
- Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses)

If the variation is to fund asset or infrastructure expenditure, the application should include an explanation of relevant asset replacement, renewal or repair expenses, and how the expenditure addresses backlogs over time.

The following table shows the impact of implementing the strategies of the 10 year LTFP compared to the LTFP's "pessimistic scenario" (which excludes both SV stages).

When compared to the actual results for 2011-2012, under the pessimistic scenario all indicators decline except for rates and annual charges coverage. Under the LTFP plan, all indicators improve.

FINANCIAL AND ASSET PERFORMANCE INDICATORS

Indicator	2011-2012 Actual	LTFP Scenario		Pessimistic Scenario	
		Result by 2022-2023	Improvement over starting point	Result by 2022-2023	Improvement over starting point
Operating result (incl capital)	($7.8 m)	$3.4 m	✓	($13.6 m)	✗
Operating result (excl capital)	($13.3 m)	$0.5 m	✓	($32.8 m)	✗
Unrestricted current ratio	2.18:1	1.86:1	✓	1.9:1	✗
Debt service ratio	7.3%	4.33%	✓	4.64%	✗
Rates and annual charges coverage	52.1%	62.83%	✓	59.75%	✓
Building and infrastructure renewal ratio	53.5%	72.06%	✓	26.79%	✗
Asset renewal funding ratio	100%	100%	same	62%	✗

The purpose of the LTFP is to project the financial direction of the Council based on implementation of all of its adopted strategies. This plan is not isolated to just revenue from the proposed continuation of the current variation, it is a 10 year program that includes additional revenue from further special variations in the future.

If the LTFP showed only the impact of the continued special variation, it would not describe the complete impact of all the financial strategies on the Council's projected financial position in 2023.

4 Criterion 2: Community engagement

To meet this criterion, you must provide evidence from the council's IP&R documentation that the council has consulted on the proposed special variation and that the community is aware of the need for, and the extent of, the rate increases. You should also show that the council has sought to obtain community input on both the proposed spending area, the revenue path in the council's LTFP incorporating the council's proposal, and the community's willingness to pay the rate increases.

In assessing the evidence, we will consider how transparent the council's engagement with the community has been, and that the information provided to the community shows:

- the proposed rate increases including the rate peg;
- the alternative rate levels without the special variation;
- if the requested special variation includes an expiring special variation (see Box 4.1 below);
- rates on an annual increase basis (and not just on a weekly basis); and
- if the council is proposing increases for any of its other charges, for example, waste management, when these are likely to exceed CPI increases.

Box 2 Does the council seek to renew or replace an expiring special variation?

If so, this needs to be clearly explained to the community. Councils should explain:

- that there is a special variation due to expire during the time period covered by the current special variation application, or the time period immediately before
- that, if the special variation were not approved (i.e., only the rate peg were applied), the year-on-year increase in rates would not be as high, or there would be a rates decrease (whichever is applicable)
- if applicable, that the expiring special variation is being replaced with a permanent increase to the rate base.

Refer to DLG's Guidelines, the IP&R manual, and IPART's fact sheet on community engagement for more information about how community engagement might best be approached.

4.1 The consultation strategy

In the section below, provide details of the consultation strategy undertaken, including the range of methods used to inform the community about the special variation proposal and to obtain community input on this option (eg, media release, mail out to ratepayers, focus group, survey, online discussion, town hall meeting, newspaper advertisement or public exhibition of documents). Provide relevant extracts from the IP&R documentation to explain the strategy, where possible.

The information should clearly identify:

- key stakeholders in the consultation process
- the information that was presented to the community regarding the special variation proposal
- methods of consultation and why these were selected
- timing of the consultations (including exhibition of Draft Community Strategic Plan, Draft Delivery Program and Draft Operational Plan as applicable).

Attach relevant samples of the council's consultation material to the application.

This section sets out how the Council undertook its community engagement on the proposal to continue the current SV, including the methods the Council used to inform the community (including specifically required information such as the impact of the proposal on rates) and obtain community input.

In order to meet the legislative requirements for community consultation, on 6 November 2012 the Council endorsed a community consultation process in accordance with the proposal's Community Engagement Strategy which is attached to the Council Report to proceed with special variation (see Attachment 3). The community engagement process subsequently implemented was comprehensive, while still in response to the level of the SV sought.

Methods of Engagement Used

The methods used by the Council to inform its community and obtain feedback are detailed in the Outcome of Community Consultation Report (Attachment 7). The table below provides an overview of the methods of engagement used.

OVERVIEW OF COMMUNITY ENGAGEMENT

Type of Engagement	Method of Engagement	Time period	Target Group	Level of Engagement
Affordable and Acceptable Levels of Service	*Five community workshops*	Jun 2012	120 randomly selected residents representative of age, gender and location	Inform, consult and involve
Mail out to all rate payers and Public Exhibition	*Mail out to all ratepayers in the City of Blue Mountains including:* - letter from Mayor outlining proposal, how to obtain additional information and requesting feedback - brochure summarising impact on ratepayers, funding allocation, efficiency and effectiveness achievements of the Council	Dec 2012	All ratepayers	Inform, consult and involve
	Gazette adds and media releases – seeking submissions on proposal during public exhibition period	12 Nov- 16 Dec 2012	Blue Mountains community	Inform and consult
	Comprehensive information on the Council's *Blue Mountains Have Your Say* website	"	Blue Mountains community	Inform and consult

Type of Engagement	Method of Engagement	Time period	Target Group	Level of Engagement
	Fact sheets and brochure for placement in libraries and at front counter and on web	"	Blue Mountains community	Inform
Independent Telephone survey undertaken by IRIS Research	*Telephone survey* of ratepayers who had been informed of the proposal via the above mail out	Dec 2012	401 ratepayers (a representative sample of +/-95%)	Inform consult and involve

As required by this application form, the information provided by the Council was transparent in the way that it informed the community of what the proposal entailed, the amount of the continued SV, impact of the proposal on rates on both an weekly and yearly basis and rates levels if the SV did not continue. This information is summarised in the table below.

OVERVIEW OF ACHIEVEMENT OF GUIDELINES REGARDING COMMUNCIATION OF IMPACT OF PROPOSAL ON RATES

Requirement	Achieved ?	How?
Proposed continued rate including rate peg	✓	The *Looking After Our Community Assets* brochure posted to all ratepayers and available online and in hardcopy, stated that the proposed application was to continue the current SV of 4.4% past its expiry which is in addition to rate peg increase estimated at 2.7% (note this brochure was printed before the actual rate peg was announced)
Alternative rate levels with and without the continued SV	✓	The *Looking After Our Community Assets* brochure set out the average, yearly amount rates would reduce if the SV did not continue for residential, business and farmland ratepayers. It also set out the average annual rates by Residential sub-category, with and without the continued SV, and the difference on an annual and weekly basis. Similar information was available in *Information Sheet 1: Proposed continuation of the current infrastructure* funding which was available online and in hardcopy. Ratepayers were also advised on the brochure that they could obtain estimates of the impact of the continued SV on their property's land value by emailing the Council.
Proposal includes an expiring SV which is being replaced with a permanent increase to the rate base	✓	The *Looking After Our Community Assets* brochure stated that the proposal was to seek to continue the current variation on an ongoing basis past its expiry date of 30 June 2013

Samples of Consultation Materials

As required by this application form, samples of the consultation materials used by the Council as part of this process are included in the attached Outcome of Community Consultation Report (see Attachment 7).

Attachment No.	Document
7	Outcome of Community Consultation Report

4.2 Outcomes from community consultations

In this section provide a summary of the outcomes from the council's community engagement activities, as presented in the council's IP&R documentation (eg, number of attendees at events, percentage of responses indicating support for certain services/projects or rate increases, overall sentiment of representations, results of surveys).

Also provide a summary of submissions received in response to the exhibition of the Draft Operational Plan where they relate to the proposed special variation. Identify the nature of the feedback related to the proposal (including by relevant stakeholder group) and any action proposed by the council to address issues of common concern.

Attach copies of relevant documentation eg, survey reports to the council.

This section sets out the outcome of the consultation process undertaken by the Council to inform its community of its proposal to continue the current SV for infrastructure and to obtain its community's feedback.

The attached Outcome of Community Consultation Report shows there was strong support for this proposal. The results of this process are summarised below.

SUMMARY OF OUTCOME OF SV CONSULTATION PROCESS

Type of Engagement	Total No.	Support for continuation of current SV	
		No.	%
Public exhibition	1,287 submissions received	900	70%
Independent telephone survey	401 ratepayers surveyed	305	76.1%
Acceptable and Affordable Levels of Service Workshops	122 Randomly selected participants	67 outright 28	55% outright 23% indicated required further information before making a decision

Responding to Issues of Common Concern

Set out in Attachment F to the Outcome of Community Consultation Report is the Council's response to the most commonly raised comments in submissions received on the proposal.

The vast majority of respondents, ie 85% did not provide comments on their submission, they simply ticked the "I support" or "I do not support" boxes available on the submission form.

However 61 respondents (ie. 4.8% of all submissions) provided comments on why they supported the proposal and 124 respondents (ie. 9.6% of all submissions) provided comments on why they did not.

The four most common comments from those respondents who supported the proposal were

- Wanted an increase in services or assets
- Important / critical to maintain the City's assets
- Emphasised importance of funds being spent wisely, and
- Local government was generally underfunded - "can't do anything with insufficient funds".

The five most common comments from those respondents who did not support the proposal were:

- Council wastes too much/ needs to be efficient
- Lack of services/facilities provided by the Council
- Rates too high already
- Council should live within budget
- Perceived mismanagement of investment funds by the Council.

The Council's response to these comments is set out in the Outcome of Community Consultation Report. These responses will be available to the community through the report to the Council meeting of 12 March 2013 which has the consultation report as an attachment.

5 Criterion 3: Rating structure and the impact on ratepayers

Councils must also fill in the worksheets in Part A of the application in order to provide the information and calculations underpinning the proposed rating structure, the impact of the special variation and rate increases.

The Council has completed the worksheets in Part A of the application which will provide the information and calculations underpinning the proposed rating structure, the impact of the special variation and average rate increases.

5.1 Proposed rating structure

In the section below, provide an explanation of the proposed rating structure for the variation under two scenarios – the proposed rating structure if approved and the proposed structure should it not be approved.

BMCC's Current Rating Structure

The section below provides a detailed explanation of the proposed rating structure for the variation under two scenarios – the proposed rating structure if the SV is approved and if not approved.

Ordinary Rates

Land has been categorised for rating purposes in accordance with Sections 515 to 519 of the Local Government Act, 1993 and the proposed rating structure for 2013-2014 contains the four primary categories of ordinary rate as follows:

- Farmland
- Mining
- Residential, and
- Business.

The structure contains 11 sub-categories for the Residential category, based on centres of population and 14 sub-categories for the Business, based on centres of activity. The actual sub—categories are set out in Worksheet 3 of Part A. The Mining and Farmland categories do not have any sub-categories.

The rating structure for all categories is differential ad valorem rating structure which incorporates two minimum rate amounts.

Special Variations and Other Charges

For 2013-2014 the Council will have the following special variations to rates and other charges:

- **Environment Levy**
  Council has incorporated an Environment Levy component (increased by rate peg each year) within general rates. This levy is due to expire 30 June 2015.

- ***Bushfire Management and Emergency Services Annual Charge***
  Section 501 of the Local Government Act 1993 and relevant regulations allow Council to make an annual charge for the provision of emergency services and bushfire control.

The same rating structure will exist under both scenarios for the period of the variation.

Review of Rating Structure

During 2011-2012 the Council conducted a further review of its rating structure to develop one that is simple, fair, broadly uniform and is compliant with the Local Government Act 1993.

The current structure has multiple Residential and Business rating sub-categories and differential rates. The reforms, which have been generally well received by the community following a two year engagement process with general community and business ratepayers, involved a compression of the highest and lowest rates for the Residential and Business rating sub-categories in order to have one single rate and single rating category for each by 2014-2015.

In addition, the reform involved increasing overall Business rates slightly to ensure an equitable return of rates revenue from Business ratepayers, with a compensating reduction in overall rates revenue from Residential ratepayers.

This reform was undertaken as a staged approach over a three (3) year period to lessen the impact of the proposed changes on ratepayers and recognising that the Council, in all likelihood, would be supporting the continuation of the current SV.

No change has been made to the structure in regards to the Farmland and Mining rating cateogires.

5.2 Impact on rates

Comment on the cumulative impact of the proposed increases on different rating types and categories, as detailed in Worksheet 5 of Part A of the application, and explain why the rate increases are reasonable.

Include an explanation of any differences between the requested percentage increases of different rating types or categories.

Also include commentary on average rates (defined as Notional Income Yield divided by the number of assessments for each rating category, sub-category or special rate) and the impact of the proposed rate increases across the rates distribution.

Provide references from the relevant pages in the council's IP&R documents to demonstrate reasonableness.

This section sets out the Council's analysis of the impact of the proposed continued SV on the City's ratepayers, why the Council considers these impacts to be reasonable and where reasonableness has been identified in the Council's IP&R documents.

The proposed continuation of the SV has the same percentage increase impact on all rating categories and sub-categories and the differential rates for each of these categories or sub-categories, that is 7.8%.

However, it should be noted that the Council is reforming its rating structure and next year, that is 2013-2014, is the final year of this three year process.

The rating reform is the primary driver of the variations between rate movement across the rating categories and sub-categories.

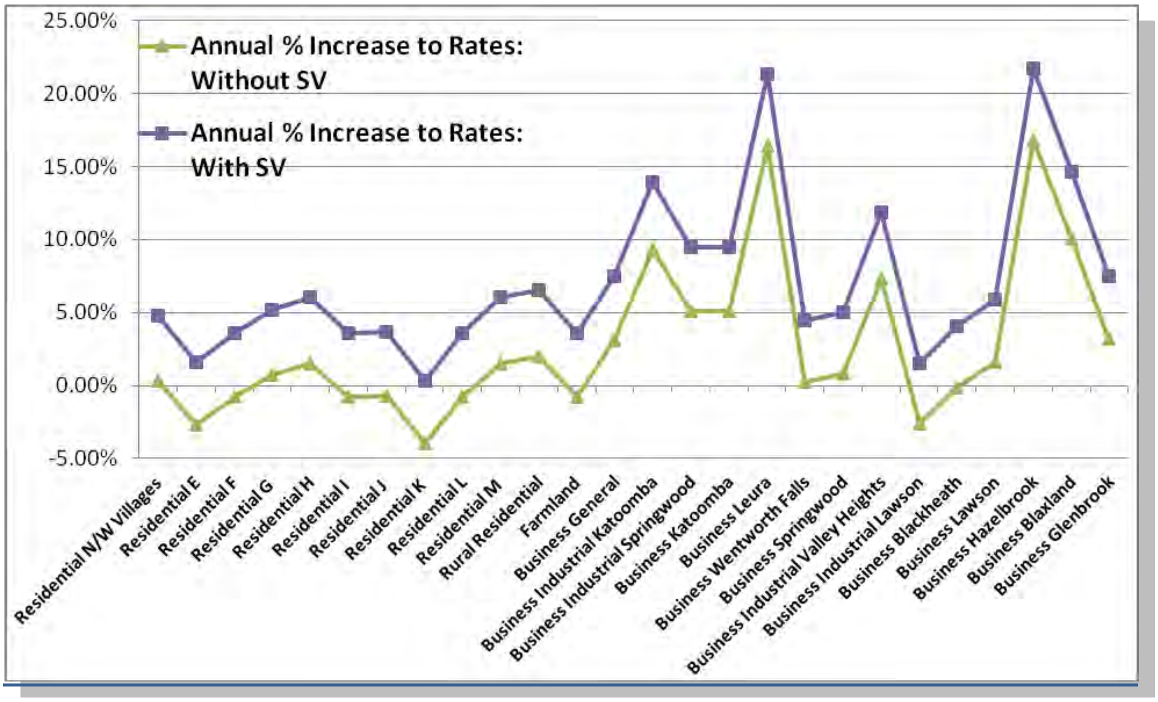
As can be seen from Worksheet 5 of Part A of this application, and from the chart below, if the SV did not continue, all Residential rates would either decrease or increase at a lower rate than if rate peg only was applied. On average the movement ranges from a 3.94% decrease for the Residential K sub-category (which currently has the highest ad valorem rate) to a 2.02% increase for the Rural Residential sub-category (which currently has the lowest ad valorem rate).

Business rates are similarly impacted by the rating reform as the highest and lowest rates are compressed towards a single Business rate by 2014-2015. There were significant inequities between the Business sub-categories, which is reflected in the chart below where average movement ranges from a decrease of 0.12% for Business Blackheath (which had the highest ad valorem rate) to an increase of 16.81% for Business Hazelbrook (which had the lowest ad valorem rate).

If the SV did not continue, on average Farmland rates would decrease by 0.76%.

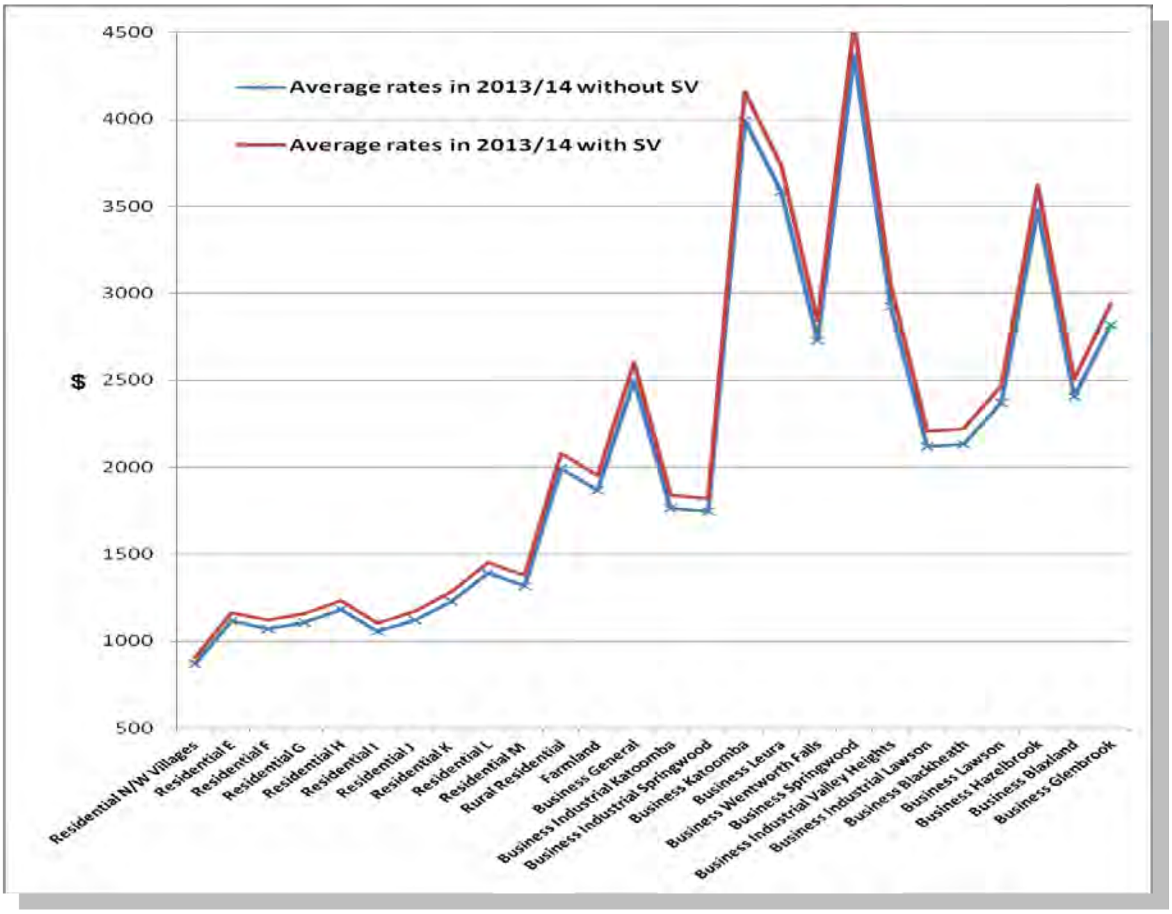
As can be seen from Worksheet 5 of Part A of this application, and from the chart below, if the SV did continue, movement to all rates is along the same trajectory, though at a higher amount, to the rates if the SV did not continue.

AVERAGE RATES MOVEMENT SUB-CATEGORY FOR 2013-2014



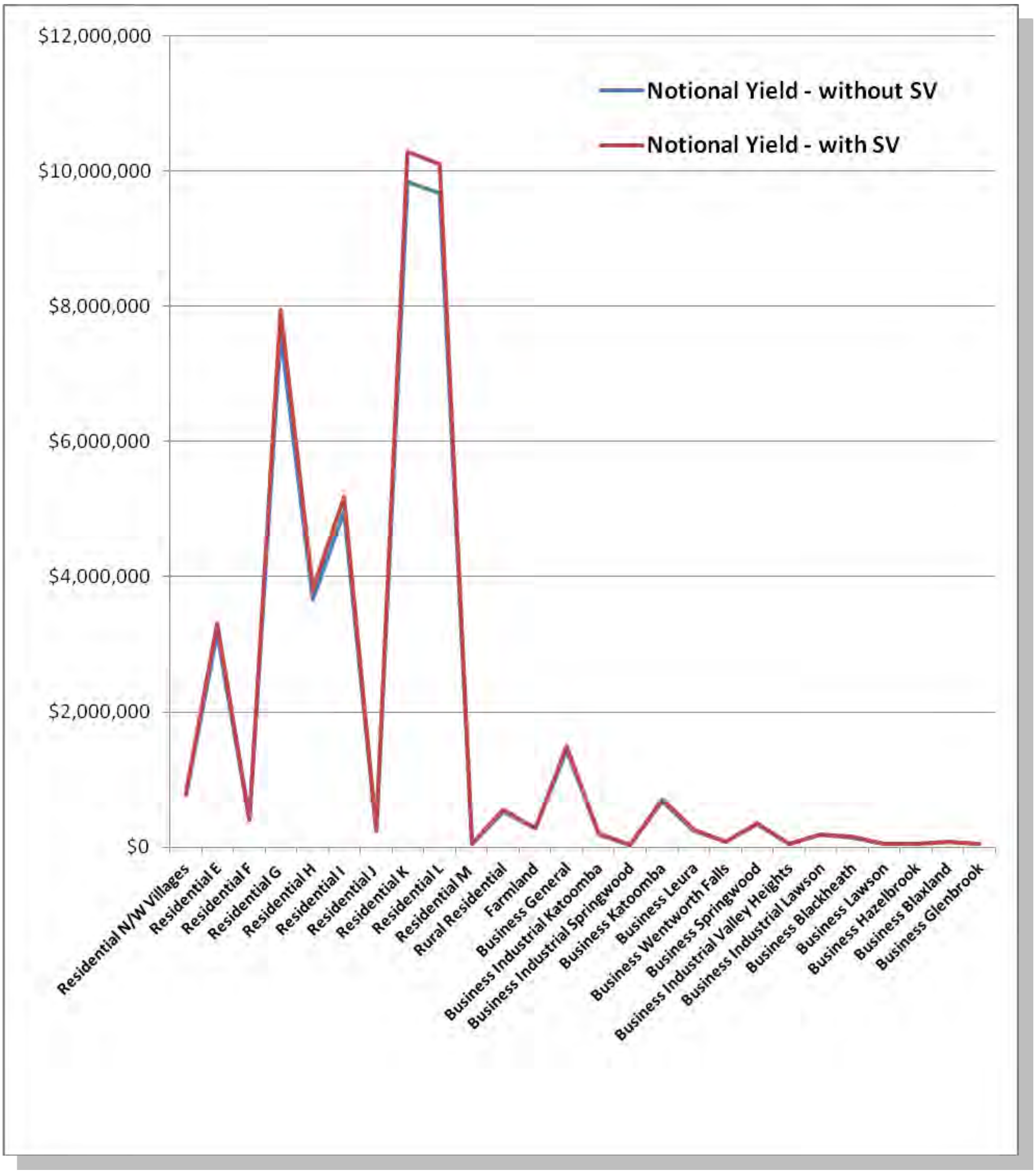
The graph below shows the impact of the continued SV across all rating sub-categories compared to those rates without the SV included. This graph highlights that fact that the variation is applied evenly across all rating categories.

AVERAGE RATES BY SUB-CATEGORY – WITH AND WITHOUT SV



The following graph shows the impact of the proposed continued SV across the distribution of the notional income yield across all rating sub-categories. Highlighted is the fact that rates are generally evenly distributed. Exceptions are the Residential sub-categories of K and L which contribute the majority of rates revenue. For these categories, the yield with the SV, is higher than the yield without the SV.

IMPACT OF PROPOSED CONTINUED SV ACROSS RATES DISTRIBUTION



To ensure the continued SV has a reasonable impact on ratepayers, and at the same time minimise impacts of the rating reform, the LTFP's strategy to increase rates for revenue to address the asset funding gap, is planned over two stages. As Stage 1, which relates to this application, is a continuation of an existing SV, the impact is minimal as ratepayers have been paying this SV the last three years. This is therefore considered reasonable. The community confirmed this view of reasonableness in 2010 through the independent telephone survey undertaken across a representative sample of ratepayers. This has been strongly reconfirmed through the outcomes of the engagement on the proposal to continue the current SV.

Blue Mountains Council is committed to consulting transparently with the community into the future to determine whether they are willing to pay more in order or whether they would prefer a reduction in service. This is demonstrated in the 2013-2013 LTFP under *Strategy 5 – Adjust Services* where the Council notes it "will discuss with the community its needs, what it values and what it is willing to pay for" and in the 2013-2023 Asset Management Strategy which notes:

> Over the next 10 years, the Council has committed to renew and upgrade key assets to achieve service levels in target areas that support achievement of the City's Community Strategic Plan – *Sustainable Blue Mountains 2025*. This will require a rebalancing of service levels in consultation with community, while managing risk trade-offs. This rebalancing will also be achieved through regular inspections, closure of unsafe or failed assets and targeted renewal programs as funding allows.
>
> For the period 2023-2033, the implementation of the Council's financial strategies allows for a period of targeted service enhancements and asset condition improvement based on community consultation.

To date the community has indicated it prefers to continue the rate variation in order to maintain levels of service.

5.2.1 Minimum Rates

Does the council have minimum rates? Yes ✓

If *Yes*, provide details of the proposed increase in minimum rates and the proposed share of ratepayers on the minimum rate for the relevant category, with and without the special variation.

MINIMUM RATE AMOUNTS 2013-2014

Relevant Categories/Sub-Categories	No. of Assessments	Amount If SV Approved	Amount if SV Not Approved
Residential North/West Villages & Rural Residential	198	$508.45	$487.60
All other rating categories & sub-categories	8,849	$930.50	$892.20

5.1 Community's capacity to pay proposed rate increases

Discuss the capacity of ratepayers (in each sub-category) to pay for the rate increases. Provide relevant supporting information from the council's IP&R documentation, in particular any reference to the "affordability" of the proposed increases. Examples of supporting evidence could include discussion of affordability measures such as SEIFA rankings, land values, average rates and disposable incomes, or the outstanding rates ratio. It could also include comparisons of socioeconomic indicators or rate levels with peer group councils. Remember that the amount of information required is generally proportionate to the size and complexity of the proposed increase.

IPART may consider indicators such as the SEIFA index rankings and income levels, as well as the council's current average rate levels, as part of its assessment of capacity to pay in the LGA, even if the council does not provide this information in its application.

This section sets out the analysis that Council has undertaken to demonstrate the proposed SV continuation is affordable and will have a reasonable impact on ratepayers, particularly as it is regarded as a continuation of a current variation, rather than an "increase".

Indicators which evidence this include:

- The Socio-Economic Indices for Areas (SEIFA) data indicates that on average, the Blue Mountains is less disadvantaged than NSW, Sydney and Australia

- More local residents of working age are employed (95.1%) than in the Greater Sydney area (94.3%)

- More local residents either are purchasing or fully own their own home (75%) than in the Greater Sydney area (62.3%)

- 15% of local residents earned $1,500 or more per week compared to Greater Sydney which has 23.5% in this category

- Feedback from the community indicates overwhelmingly that residents are willing to pay increased rates to maintain levels of service. Significantly, in both the community engagement for the special variation in 2010 and also in 2012, the greatest support for increased rates was in the Upper Mountains which also has higher per capita levels of disadvantage relative to the whole Blue Mountains population.

Socio-Economic Data for the Blue Mountains

In general, the Blue Mountains is a middle income area, with relatively less disadvantage when compared to Sydney and other similar local government areas, and trends show that income levels are in general improving over time. This would indicate that the overall the majority of ratepayers have the capacity to continue to meet the rate variation, however, there are pockets of disadvantage within the City, particularly within Katoomba. The Council has spent significant revenue in boosting employment prospects in the Katoomba area through initiatives such boosting tourism as the primary local industry through the renovation of Echo Point and the building of the Blue Mountains Culture Centre which includes a regional gallery and state of the art library. In addition the Council successfully sought and successfully obtained a grant of $3.4 million to develop a business park at Lawson, again, to boost local employment prospects.

Even so, a minority of disadvantaged ratepayers are likely to have a reduced capacity to continue to meet rate variation and may require special consideration/ measures under the Council's hardship protocols/policy and procedures detailed further in this application.

As shown below, the City overall has a relatively low level of social disadvantage with the majority of ratepayers being above the National, State and Sydney levels.

BLUE MOUNTAINS CITY SEIFA INDEX OF SOCIO-ECONOMIC DISADVANTAGE

AREA	INDEX
Katoomba - Medlow Bath	945.7
Mount Victoria	984.8
New South Wales	1003.3
Blackheath and Western Townships	1004.2
Australia	1005.2
Greater Sydney	1020.7
Leura	1024.9
Lawson - Bullaburra	1024.9
Hazelbrook	1035.5
Wentworth Falls	1042.1
Blue Mountains City	1051.2
Springwood - Valley Heights	1067.0
Woodford - Linden	1073.7
Blaxland	1079.0
Faulconbridge	1084.9
Winmalee - Yellow Rock	1089.5
Warrimoo	1093.2
Mount Riverview	1104.4
Glenbrook - Lapstone	1112.4

Source: Australian Bureau of Statistics, Census of Population and Housing 2006

Income

When compared with the DLG's other Group 7 Councils (see following table), the Blue Mountains is close to the average with a slightly higher percentage of households on low weekly household incomes (less than $350) and medium weekly household incomes (less than $1,000) and a slightly lower percentage in the high income band (over $1,000).

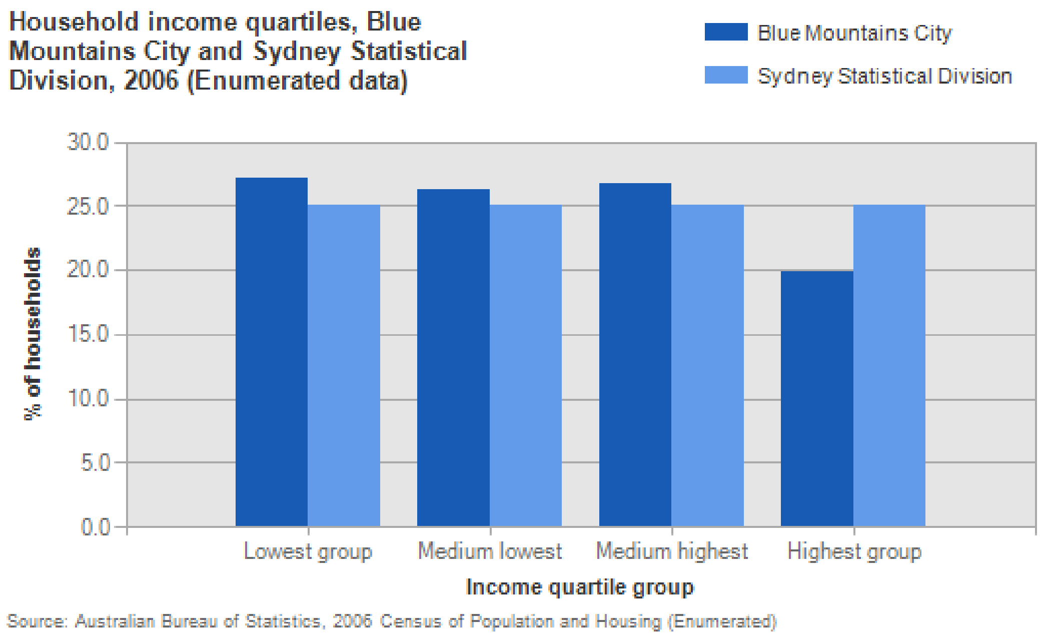
COMPARISON OF BLUE MOUNTAINS WEEKLY HOUSEHOLD INCOME WITH HOUSEHOLD INCOME FOR PEER COUNCILS- 2006

Council	Average Weekly Income		
	Less than $350 %	$350 - $999 %	$1,000 & over %
Blue Mountains	14.0	26.3	49.4
Campbelltown	12.9	27.5	47.8
Gosford	16.8	29.6	42.7
Liverpool	12.5	26.9	48.0
Penrith	11.1	25.3	52.8
The Hills	5.9	16.2	66.3
Wyong	18.5	34.3	36.1
Sydney Average	12.8	24.2	51.7

Source: id.com.au

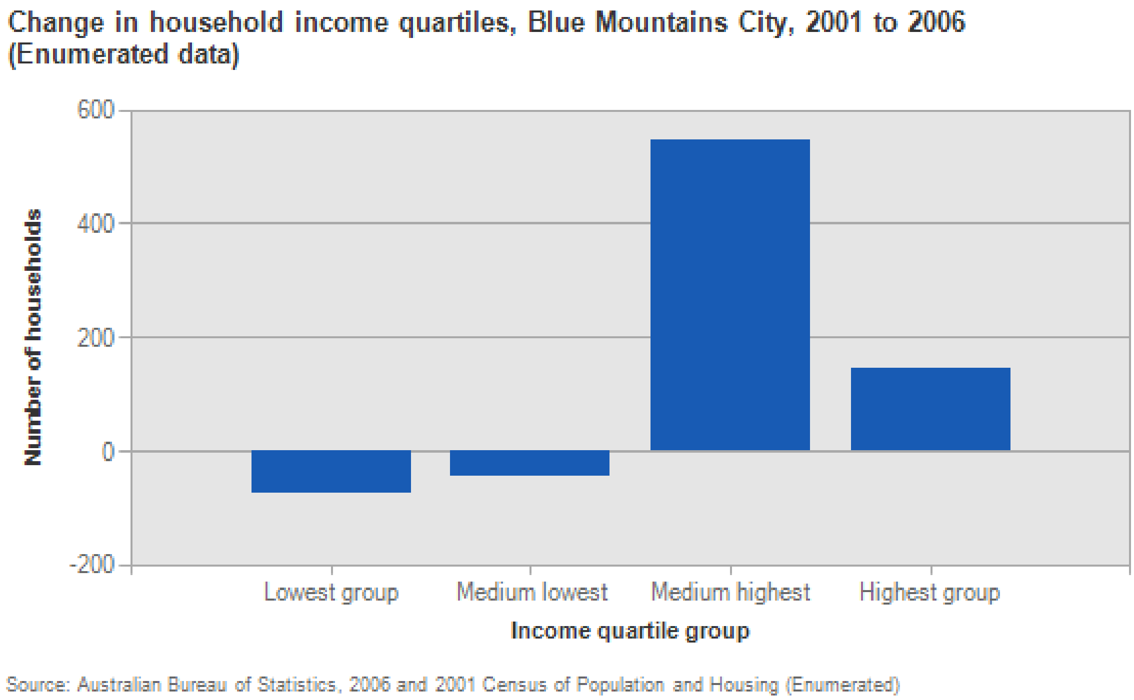
The income quartile method has been adopted as the most objective method of comparing change in the income profile of a community over time. The income quartile method assumes an even distribution within each income group. Quartiles are calculated from the Sydney Statistical Division household income data. Analysis of Blue Mountains household income quartiles shows that compared to Sydney average weekly household income, the Blue Mountains in general has a slightly higher percentage of households in the Low, Medium Low and Medium High income quartiles, and a lower percentage of households in the High income quartile (see charts below).

HOUSEHOLD INCOME QUARTILES
BLUE MOUNAINS CITY AND SYDNEY STATISTICAL DIVISION 2006



However, comparison between 2001 and 2006 Blue Mountains household income quartiles however reveals a significant increase in the Medium Highest income quartile, an increase in the High income quartile, and a decrease in the Low and Medium Low income quartiles. **This data points to an overall trend of increased income levels within the Blue Mountains and provides some evidence of increased capacity of residents to meet rate increases.**

CHANGE IN HOUSEHOLD INCOME QUARTILES, BLUE MOUNTAINS CITY 2001- 2006



SOCIO-ECONOMIC PROFILE OF BLUE MOUNTAINS POPULATION BY AREA - 2006

	Blue Mountains						Western Sydney	Sydney Statistical Division
	Overall	Area 1	Area 2	Area 3	Area 4	Area 5		
POPULATION								
Total population 2006	74,065	5,483	18,141	10,613	21,593	18,208	1,555,896	4,148,573
Total population 2001	74,323	5,329	18,224	10,518	21,434	18,529	1,488,519	3,997,321
Change 2001 – 2006	-258	+127	-55	+50	+109	-343	+67,377	+151,252
Projected 2018	78,112	6,162	19,889	11,106	22,481	18,492		
Change 2006 – 2018	+4,047	+679	+1,748	+493	+888	+284		

	Blue Mountains						Western Sydney	Sydney Statistical Division
	Overall	Area 1	Area 2	Area 3	Area 4	Area 5		
AGE GROUPS								
Children	16.0%	14.2%	14.4%	18.2%	16.4%	16.2%	17.9%	15.7%
Young people	16.9%	13.0%	14.3%	15.8%	18.8%	19.3%	19.1%	17.8%
Adults	48.2%	47.9%	47.2%	50.5%	47.4%	48.9%	48.6%	50.0%
Older people	18.8%	25.1%	24.2%	15.5%	17.5%	15.7%	14.3%	16.7%
INCOME								
Proportion of households with weekly income <$500 Annual figure <$26,000	17.6%	26.0%	24.6%	17.2%	14.2%	11.5%	18.0%	16.8%
Household income: Lowest quartile ($0-$31,066)	27.2%	37.3%	37.4%	26.3%	21.9%	9.0%	27.0%	25.0%
Household income: Medium lowest ($31,067-$59,986)	26.2%	30.8%	29.3%	29.6%	24.3%	21.5%	26.9%	25.0%
Household income: Medium highest ($59,986-$107,006)	26.7%	20.6%	22.0%	29.0%	29.4%	29.6%	26.8%	25.0%
Household income: Highest (>$107,007)	19.8%	11.3%	11.2%	15.1%	24.4%	29.9%	19.4%	25.0%
DISADVANTAGE								
Unemployment rate	4.9%	5.7%	6.2%	6.3%	4.0%	3.7%	6.5%	5.3%
Proportion of families – one parent families with children under 15 years	8.5%	11.4%	11.9%	9.1%	6.8%	5.2%	9.3%	7.8%
Households with no vehicles	9.2%	10.7%	15.1%	7.9%	7.4%	5.1%	10.6%	12.6%
Housing tenure – rent	19.4%	23.5%	26.6%	16.7%	15.0%	15.8%	28.1%	29.7%
SEIFA – Index of Disadvantage	1051.2	1004.2	994.1	1040.5	1078.5	1095.8	981.6	

Source: 2006 Census Data

5.2 Addressing hardship

Does the council have a Hardship Policy in place?	Yes ☑ This was adopted in June 2010.
If Yes, is the Policy identified in the council's IP&R documentation?	Yes ☑ Ratepayers in financial distress will be directed to the provisions of the Hardship Policy in the 2013-2017 Delivery Program
Please attach a copy of the Policy to the application.	A copy of the Hardship Policy is attached
Does the council propose to introduce any measures to limit the impact of the proposed special variation on vulnerable groups such as pensioners? Provide details of the measures to be adopted, or explain why no measures are proposed	No ☑ As this is a continuation of a current SV and there is no additional impact on ratepayers, it was not considered necessary to introduce other measures additional to the Council's current Hardship Policy

Attachment No.	Document
8	Adopted Hardship Policy

6 Criterion 4: Delivery Program and Long Term Financial Plan assumptions

The council's planned service delivery and budgeting must be based on realistic assumptions in order for an application to be approved by IPART.

Given the importance of the Delivery Program and LTFP in providing the strategic and financial justification for a special variation, it is critical that the assumptions underpinning these plans, in particular, are realistic. Questions that we will consider in assessing this criterion include:

- Is the proposed scope and level of service delivery in the Delivery Program appropriate given the council's financial outlook and the community's priorities?
- Are the council's estimates of specific program or project costs which have been incorporated into the LTFP feasible and based on an efficient allocation of resources?
- Are the council's projected cost components (including labour costs) in the LTFP based on realistic assumptions?
- Has the council incorporated other realistic assumptions about the expected rate of growth in the LGA?

In explaining the council's assumptions, identify any industry benchmarks or independent cost assessments that have been utilised by the council in developing them. Also include details of any relevant research or feasibility work undertaken eg, related to new program or project costs.

6.1 Delivery Program assumptions

Explain the key assumptions underpinning the council's Delivery Program and why they are realistic. For example, assumptions will relate to:

- the community's priorities and expectations, in order of importance
- proposed level of service for assets
- speed at which asset backlogs are to be addressed
- speed at which other identified gaps in service provision are addressed.

This section provides on overview of the assumptions underlying the Council's 2010-2013 Delivery Program as well as its draft 2013-2017 Delivery Program which is due to be considered by the Council for endorsement for public exhibition in April 2012.

Both Delivery Programs articulate the levels of service provided for by the Resourcing Strategy on the basis of what is responsible in terms of management of risk and affordability by the Council.

On 19 February 2013 the Council endorsed the following key priorities in order to achieve the community's priorities as articulated in *Sustainable Blue Mountains 2025*.

These priorities underpin the development of the 2013-2017 Delivery Program.

- It is important that action taken protects rather than erodes built assets supporting our quality of life. Understanding and addressing the condition of our assets is important relative to becoming a more sustainable City

- It is essential to live within our means by:
    - Consolidating business activities
    - Balancing the annual cash budget
    - Working towards reducing the operating deficit (including depreciation)
    - Reducing debt
    - Increasing income
    - Focussing on innovation

- Maintaining and managing our assets by:
    - Responsibly managing maintenance and renewal of assets within available resources using a risk based action assessment approach
    - Engaging community on further special variations to rates to meet asset funding requirements
    - Ensure a focus on asset renewal and maintenance rather than on new assets

- Providing effective, efficient and affordable services by:
    - Undertaking an ongoing review of services and service levels
    - Adjusting service levels to achieve affordable levels of provision within available funding
    - Engaging community on proposed adjustments to services and service levels
    - Developing a service provision policy and delivery framework

- Improving the look, feel and maintenance of our towns and villages.

In determining these principles, the elected Council has been influenced by the community's priorities and expectations expressed through a number of engagement processes conducted by the Council. These included annual community surveys and the June 2012 community workshops on affordable levels of service where participants were provided an overview of the Council's projected financial outlook and were then asked to:

- Indicate service priorities and expectations for future service levels for each service

- Suggest changes and adjustments to the current balance of services

- Indicate whether there was a willingness to pay more for higher service levels.

An example of the Council living within its means over the next four years is the planned asset works program. Because of the *Strategy 3 – Manage borrowings responsibly* – the Council will not annually continue to borrow funds for asset renewal and maintenance as it has done in the past and instead it proposes to use the funds from the continued variation. Initially this strategy reduces funding available for asset renewal and maintenance works but over the longer term there will be significantly more funds available for this essential work. This reduced funding has been incorporated into the draft 2013-2017 Delivery Program.

The draft 2013-2023 Delivery Program also shows proposed service levels for assets in two scenarios as follows:

- No special variation. Affordable service levels for 10 years shown in Summary Dashboards, together with risks and how these will be managed.
- With financial strategies implemented including special variation. Affordable service levels for 10 years shown in resourcing strategy summary dashboards together with risks and how these will be managed.

The details for both scenarios are shown in the Asset Management Strategy and Long Term Financial Plan.

In particular, the 2013-2023 Asset Management Strategy shows two scenarios if current service levels are to be continued:

- Renewal gap / backlog to maintain current service levels and service levels and risks now and in 10 years. Total cumulative asset renewal gap will be $175 million in 10 years
- Renewal gap / backlog associated with implementation of the financial strategy with service levels and risks now and in 10 years. Total cumulative asset renewal gap will be $146 million in 10 years.

The key to the Council's Resourcing Strategy is that it recognises the need to rebalance services over the next 10 years. This is necessary as in some cases the current service levels are too high and in others, service levels are too low – if we are to live within our means. The overall assumption that current service levels are correct are being tested and reviewed in a programmed way as identified elsewhere in this submission.

The implementation of the Council's Resourcing Strategy will result in the backlog/renewal gap and service gaps being addressed in two phases as follows:

- Phase 1 - within 10 years: rebalance service levels to eliminate the renewal gap / backlog with some reduction in service levels and improvement in financial capacity. Ongoing community engagement and reporting.

- Phase 2 – within 10 to 20 years: ongoing rebalancing of service levels with community engagement for ongoing trade off between service levels, rating levels and risk. Ongoing community engagement and reporting.

6.2 Long Term Financial Plan assumptions

Explain the key assumptions underpinning the LTFP and why they are realistic. For example, assumptions will relate to:

- the rate peg (if different from 3%)
- rate of growth in labour costs
- rate of growth in non-labour costs
- cost of service provision in the council's proposed program of expenditure (as per Part A)
- level of cost recovery for provision of services (eg, full or partial cost recovery)
- expenditure growth rate
- major asset disposals/investments/capital commitments
- population and rate assessment growth rate
- major borrowings/repayments
- grants and other revenue.

The assumptions used to underpin the LTFP include market driven planning assumptions, and revenue and expenditure assumptions. Examples of assumptions used include revenue growth, level of debt and employment numbers. These projected revenue and expenditure assumptions are based on sound historical data, economic forecasts, Local Government Indices, State awards and other available CPI data.

The assumptions have been tested through a risk assessment process including:

- Accuracy of projected estimates of expenditure
- Certainty of revenue streams
- Scenarios which could impact on revenue and expenditures
- Risks associated with key projects, and
- Reliability of investment returns and borrowing costs.

These assumptions have been further tested through sensitivity analyses, the detail of which is set out in Attachment 6 of the LTFP.

7 Criterion 5: Productivity improvements and cost containment strategies

In this section, provide details of any productivity improvements and cost containment strategies that the council has undertaken in the last 2 years (or longer), before considering an increase in rates.

Also provide details of plans for productivity improvements and cost containment strategies during the period of the special variation. These proposed initiatives, which may be capital or recurrent, must be to reduce costs.

Where possible, all productivity improvements and savings (including forward plans) should be quantified in dollar terms. The council may also wish to identify its current and/or projected financial position without the (savings) initiatives.

Productivity improvements should include consideration of:

- levels of service provision (eg, utilisation rates of community halls and number of service enquiries per FTE)
- measures of input (eg, FTE levels, contracting costs)
- reviews of organisational structures or service delivery.

Identify how and where the proposed initiatives have been factored into the council's resourcing strategy (eg, LTFP and AMP).

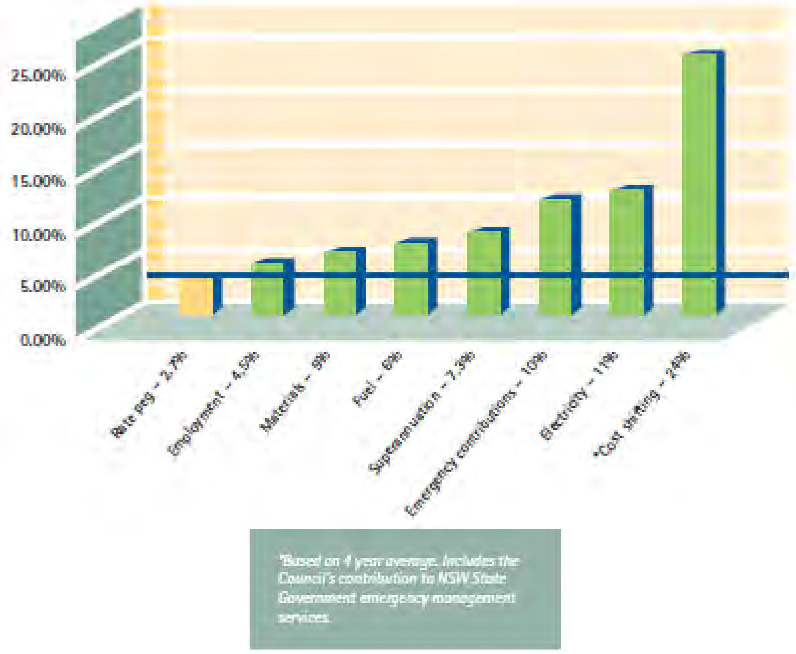
As additional supportive information, the council may wish to provide evidence of improvements in its performance on key indicators that measure productivity or efficiency. This information is not essential for this criterion to be met. However, we will be reviewing the council's labour costs against the DLG Group average, to help assess the council's costs.

This section sets out how the Council has achieved around $12 million in efficiency and productivity savings over the past seven years and how it is committed to continuing this work into the future.

Our Efficiency and Effectiveness

Over the past few decades we have significantly improved our efficiency and productivity. This is evidenced by the fact that each year we have **always** delivered a balanced cash budget despite the fact that annually costs rise faster than increases to revenue. As shown in the chart below, in real terms, for us this means employment costs for 2013-2014 are predicted to rise by 4.5%, materials costs by 5%, fuel by 6%, superannuation by 7.3%, emergency management contributions by 10% and electricity by 11%. However the Council will only be able to increase its rates revenue by **3.4%** as announced by IPART.

ESTIMATED 2013-3014 SERVICE COST INCREASES
GREATER THAN ANNUAL RATE PEG



Impact of Productivity Improvements on Council's Financial Position

Without these savings, we would have needed to significantly reduce the level of services provided to the community in order to balance our annual cash budget. While it may have been possible to do this for one or two years, this would not have been sustainable as it would severely impact the community's quality of life.

Our operating position would also have been impacted without these savings, resulting in a greater deficit than that projected if the Council does not implement its financial strategies.

Efficiency and Revenue Raising Initiatives

Since 2006-07 the Council has in its annual Management Plans identified specific strategies aimed at achieving efficiencies and reducing expenditure. These are:

- Reducing operational expenditure
- Reducing employment costs
- Seeking efficiencies and savings through business / continuous improvement initiatives
- Reviewing service delivery options, levels and costs through service business planning.

We estimated that over the past seven years we have saved around $12 million through continuous business improvement initiatives. Such initiatives include:

EFFICIENCY ACHIEVEMENTS OVER THE PAST SEVEN YEARS

Amount	Achievement
$2.3 million	Savings achieved since 2010 from changing the Council's workers compensation model to a Work Cover Retro-Paid Loss Model. It is projected that ongoing annual savings will be in the vicinity of $1 million from 2013.
$2.2 million	One off savings achieved in the Lawson Town Centre project due to work re-design and re-phasing
$0.69 million	One-off savings achieved due to disposal or refurbishment of obsolete heavy fleet vehicles and the reduction from six to four cylinders in light fleet vehicles
$0.55 million	Ongoing annual savings achieved each year from 2,100 tonnes of waste being diverted from landfill Kerbside Domestic Recycling Contract due to change from recycling crates to mobile recycling bins
$0.4 million	Ongoing annual savings due to reduced OH&S risk on conversion from recycling crates to mobile recycling bins with subsequent contract cost saving on annual service cost (based on comparison with the final year of previous contract)
$0.1 million	Recurrent savings following an audit of recycling bins against the existing rates data base. The audit identified over 700 properties that were not correctly recorded.
$0.5 million	One off savings through negotiated reduced purchase price for computer hardware
$0.46 million	Ongoing annual savings each year through the reduction of parks, roads maintenance, sign truck and cemeteries team staff through more efficient work practices maintaining productivity or through using day labour in peak times
$0.3 million	Ongoing annual savings each year through the reduction of equipment owned by City Services such as a Bagela asphalt recycler, Beaver float trailer, crew caravan, backhoes, bogie tippers and trailers and water carts
$0.3 million	Ongoing annual savings each year through use of community volunteer labour for bushcare programs.

Energy Initiatives

Some of our efficiency initiatives have been implemented to reduce the impact of rising electricity costs and have the added benefit of reducing greenhouse emissions. Key highlights are:

RECENT ENERGY EFFICIENCY INITIATIVES

Amount	Achievement
$0.03 million	Annual savings and a reduction of 204 tonnes of greenhouse emissions from the installation of a German energy optimisation unit for air handling units at Springwood Aquatic Centre
$0.024 million	Annual savings and a reduction of 141 tonnes of greenhouse emissions from the installation of energy efficient lighting at Council headquarters
$0.014 million	Annual savings and a reduction of 36 tonnes of greenhouse emissions from various energy efficiency measures at Katoomba Aquatic Centre including lighting, timers, power factor correction
$0.013 million	Annual savings and a reduction of 65 tonnes of greenhouse emissions from the installation of turbidity meters and Variable Speed Drives on pool pumps at Springwood Aquatic Centre

Keeping employee numbers low

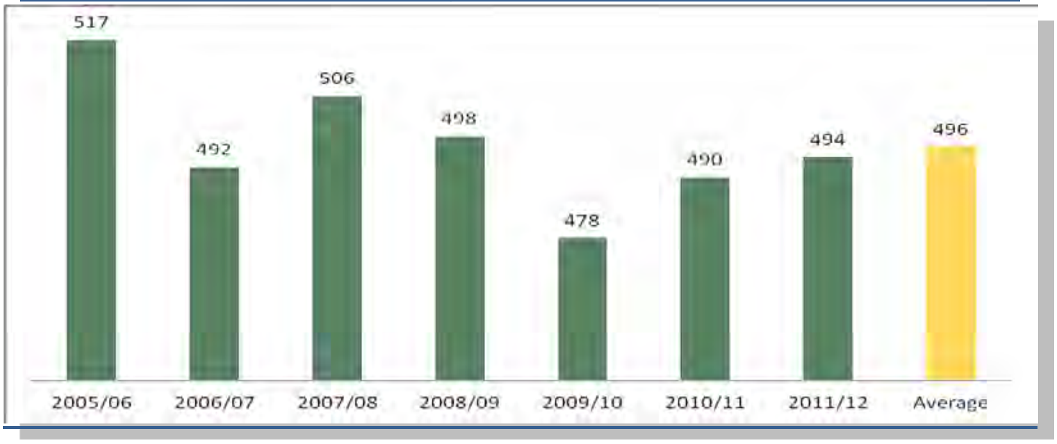
Over the past 10 years, we have implemented workplace reforms to constrain employment including the strategy of careful scrutinisation by the executive team of the continued need for positions once they become vacant.

As a major cost reduction initiative, in 2005 we implemented an organisational restructure which resulted in the existing five group structure being reduced to three with significant reductions in recurrent expenditure costs. Salaries, wages, vehicle and oncost savings of **$860,000** were achieved through the reduction of two Group Managers, four Branch Managers and four administrative staff positions.

As shown in the following, since that time we have consistently kept our staff numbers within that benchmark and at the same time continued to deliver a high level of services and facilities to the community. For the last three years, our employment numbers have remained under the average for the period.

Any variance in number is due to annual projects which require additional staff resources (this way we keep consultants costs to a minimum).

REDUCTION IN FULL TIME EQUIVALENT STAFF FROM 2005 TO 2012



It should be noted that the geography of our local government area, including the spread out nature of areas of development requires duplication of services and often, a corresponding duplication of staff and resourcing to provide these services. This is to ensure a reasonable access to a variety of services by the majority of the community. This impacts the Council's ability to reduce its workforce without corresponding reductions in services – which the community has indicated that it does not want. However some rationalization of service area staff does continue to occur from time to time, often with some impacts on service levels.

Revenue Raising Initiatives

Over the past seven years, we have implemented specific strategies aimed at increasing revenue. These include, for example:

- Implementing a property disposal and investment program (PDIP)
  In 2005 the Property Disposal and Investment Fund was established to accumulate income generated from property sales and development for re-investment and capital. Fifty percent of the annual return on investment generated from the program is reinvested into the fund with the balance used to fund asset renewal and maintenance.
  As at 30 June 2012, the fund contained **$1.8 million**.

- Identifying and implementing viable revenue generating initiatives
  In 2009 we established a Commercial Activities Service with the aim of strengthening revenue generation for the Council.
  Current activities within this service include:
  - Caravan parks
  - RMS agency
  - Commercial buildings and properties
  - Commercial ventures at leisure centres
  - Sydney Water – effluent removal contract.

Future Initiatives Planned

Key initiatives planned to be implemented by the Council include the following:

FUTURE COST SAVINGS INITIATIVES

Amount	Initiatives
$1 million	Ongoing annual savings each year as a result of reviewing procurement and implementing strategic and improved procurement approaches
$0.55 million	Ongoing annual savings from implementing a gas management system at the Blaxland Waste Management Facility and thereby avoiding a carbon pricing liability. It is estimated that over the next 20 years, this will save the Council $11 million
Not yet costed	Entering into bulk buying contracts through the Local Government Association procurement for electricity
Not yet costed	Savings to be made though regional co-operation with Westpool to reduce insurance premiums
Not yet costed	Savings to be made through procuring asphalt through WSROC

To enable it to monitor the progress of such initiatives into the future, the Council is developing a “continuous improvement database”. This will effectively track how the Council performs as it improves its business and will drive further improvement where ever possible.

Factoring of Initiatives into the Resourcing Strategy

Examples of where these initiatives are included in the Resourcing Strategy include:

- Work Cover Retro-Paid Loss Model – this is included in the LTFP as a reserves assumption and once the balance of this reserve attains $2 million, in 2014/2015, $300,000 per year will be used to retire debt

- Property Disposal Investment Plan – sale proceeds have been factored into a reserve to fund the asset renewal and maintenance and also to fund the Local Infrastructure Renewal Scheme loan for Springwood Culture Facilities upgrade.

- The LTFP budgets for non fixed grants over the next 10 years in order to fund asset renewal works.

- Revenue from such sources as our commercial activities are constantly reviewed to ensure returns are maximised and that we operate in a business like manner.

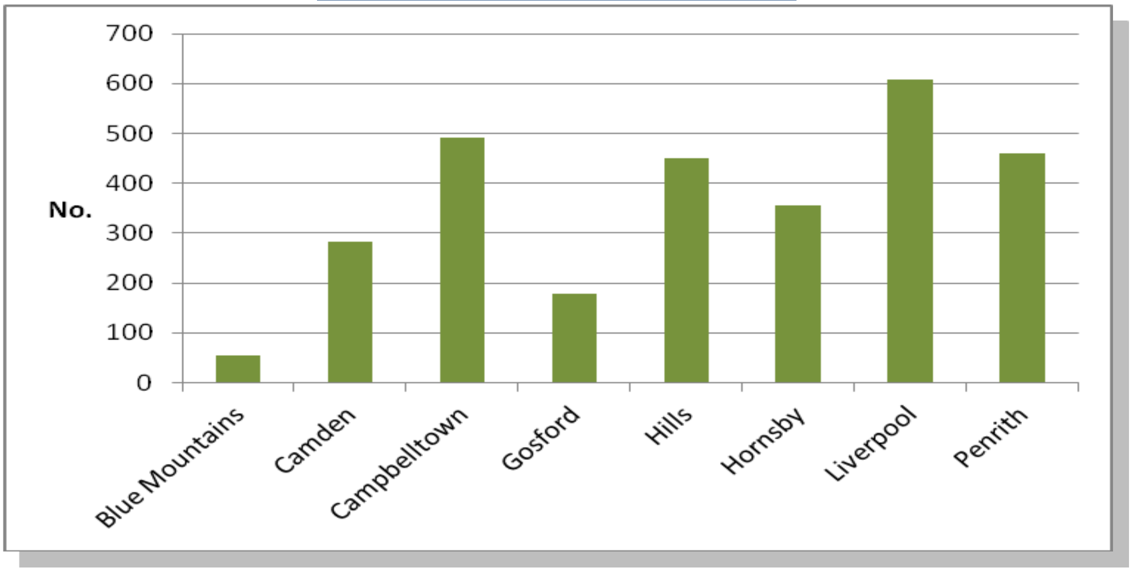
- The revenue saved from implementing the procure project has been factored into materials and costs expenditure savings.

How We Compare to Peer Councils

Set out below is how we compare to our peer councils – ie. those councils determined by the DLG to be of similar nature to us. Of note in the DLG's decision to classify this Council in "group 7", is the fact that Blue Mountains, by far, has the smallest population in the group with 78,000 residents, compared to Wyong with the next large population of 152,000 and Penrith with the largest population at 186,000 residents.

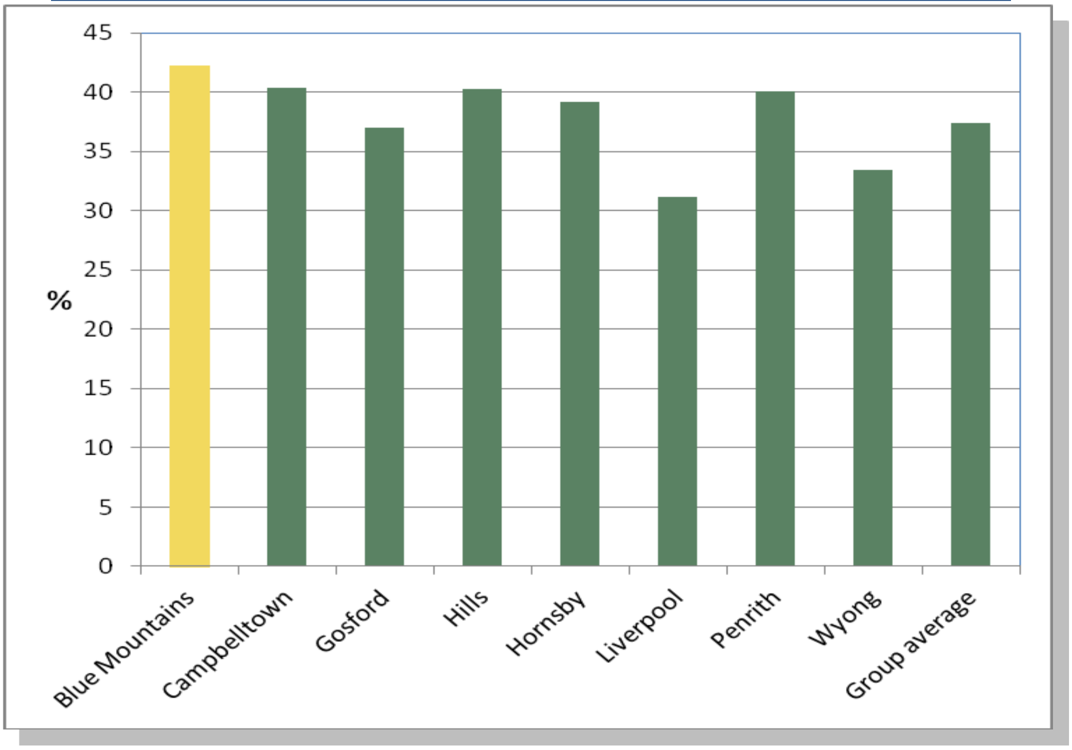
It can be seen from the table below, that Blue Mountains Council has the lowest population density of all our peer councils. This adds significantly to our operational costs of providing services to our community which is spread out over a vast area with 27 towns and villages along 100kms of highway.

POPULATION DENSITY PER KM2



Despite the challenges of providing services and facilities to a community spread along 100kms of highway, across a large land area with duplicated service provision, we set strict parameters in terms of percentage increases each year and executive review of all recruitment. This is evidenced in the table below where our employee costs, as a percentage of our total costs, are only marginally higher than the majority of our peer councils.

2010/11 EMPLOYEE COSTS AS PERCENTAGE OF TOTAL COSTS %



Other information

5.3 Previous Instruments of Approval for expiring special variations

If your council has an existing special variation which is due to expire in the proposed special variation period, we request that you attach a copy of the Instrument of Approval for this variation, which has been signed by the Minister or IPART Chairman.

In 2005 Blue Mountains Council applied and given approval for a 7.15% (including rate peg) increase to general revenue as an Environmental Levy which is due to expire on 30 June 2015.

A copy of the Instrument of Approval is provided at Attachment 9.

DOCUMENT REFERENCE

Attachment No.	Document
9	Instrument of Approval for Environment Levy

5.4 Reporting

Provide details of the mechanisms that the council will put in place to transparently report to the community on the special variation (being applied for).
Indicate how the council proposes to report this information to the community and what performance measures it will be putting in place to measure the success of the projects or activities funded from the variation.

As specified in the Guidelines, reporting information should clearly identify:

- the additional income obtained through the variation
- the productivity offsets outlined through the variation
- the projects or activities funded from the variation
- details of any changes to the projects or activities funded from the variation compared with the council's initial proposal (noting such changes must be consistent with the terms of the Instrument of Approval)
- the outcomes achieved as a result of the projects or activities.

The Council currently reports formally to the Council on the progress in expending funds from the current special variation as part of its six monthly reporting on the implementation of the relevant Operational Plan. This document is available to the community on the Council's website. A copy of the latest report is attached (Attachment 10).

In particular, these reports show:

- the income obtained through the SV
- projects funding from the SV funds
- annual budget allocation for each of these projects
- expenditure at the end of the relevant six month period
- status of the project
- reasons for any changes to the originally proposed program, including explanations of delays etc.

The Council would continue to report in this way if it was successful with this application.

As a major focus for the future, the Council will be developing a reporting mechanism on productivity offsets and this will be reported, where relevant to the SV as part of the reporting process.

DOCUMENT REFERENCE

Attachment No.	Document
10	Instrument of Approval for Environment Levy

5.5 Council resolution

Attach a copy of the council's resolution to apply to IPART for the special variation.

Note that IPART's assessment of the application cannot commence without a copy of this resolution.

A copy of the Council's resolution to apply to continue the expiring special variation will be provided following the Council's meeting on 12 April 2013.

6 Checklist of application contents

Item	Included?
Community Engagement Strategy, Community Strategic Plan, Delivery Program & Draft Operational Plan extracts	✓
Long Term Financial Plan extracts	✓
Asset Management Plan extracts	✓
Contributions Plan documents (if applicable)	✓
Community feedback (including surveys and results if applicable)	✓
Hardship Policy (if applicable)	✓
Productivity/cost containment examples	✓
Past Instruments of Approval (if applicable)	✓
Reporting mechanisms	✓
Resolution to apply for the special variation	✓

It is the responsibility of the council to provide all relevant information as part of this application.

7 Certification by the General Manager and the Responsible Accounting Officer

I certify that to the best of my knowledge the information provided in this application is correct and complete.

General Manager: Robert Greenwood

Signature Date: 11 March 2013

Responsible Accounting Officer: Neil Farquharson

Signature Date: 11 March 2013

Once signed, this certification must be scanned and submitted with the council's application