

Special Variation Application Form – Part B

Great Lakes Council

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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 - Special Variation Application Overview
- ▼ Section 3 - Focus on Integrated Planning and Reporting
- ▼ Section 4 – Criterion 1: Need for the variation
- ▼ Section 5 – Criterion 2: Community engagement
- ▼ Section 6 – Criterion 3: Rating structure and impact on ratepayers
- ▼ Section 7 – Criterion 4: Delivery Program and Long Term Financial Plan assumptions
- ▼ Section 8 – Criterion 5: Productivity improvements and cost containment strategies
- ▼ Section 9 - Other information (past Instruments of Approval (if applicable), reporting arrangements and the council's resolutions)
- ▼ Section 10 – Checklist of application contents
- ▼ Section 11 - 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 Special variation application overview

Introduction

The Great Lakes region, covering an area of 3,373 square kilometres and home to a population of 34,430 (Census 2011), is located about three hours drive north of Sydney. It is bordered by Port Stephens in the south, Taree to the north and by the slopes of the Great Dividing Range to the west. It has a total coastline of 145 km, representing close to one-third of the total open coastline of the Hunter, Central and Lower North Coast Region.

The Great Lakes area possesses an outstanding environment of great natural beauty that includes extensive waterways, beaches, national parks, including part of the Barrington Tops World Heritage Area, state forests, rural regions and mountain ranges. These landscapes provide habitat for a high diversity of native plant and animal species. Plant communities include rainforest, moist and dry forests, wetlands and swamps, coastal heaths, seagrass beds, dunal formations and natural grasslands.

Tourism and primary production (oysters, commercial fishing and grazing / timber production) are the major industries in the local government area. The viability and sustainability of all of these industries is reliant on a healthy local environment.

The Application

Great Lakes Council is making an application to the Independent Pricing and Regulatory Tribunal (IPART) for a special variation to its general income under section 508(2) of the Local Government Act.

Council presently has two approved special variations in operation:

- A section 508(2) special variation approved by the Minister of Local Government dated 3 July 2009 for environmental programs for a period of five years (expiring 30 June 2014); and
- A section 508A(1) special variation approval by the IPART dated 24 June 2011 being 3 years of 8% increases commencing in 2011/2012 (since amended for carbon pricing adjustments).

Both of these approvals expire on 30 June 2014 and Council has always indicated its intention to seek a further section 508(2) variation to allow for the continuation of the environmental and dredging programs that have been funded from this variation (the Environmental & Dredging Special Levy). This is evidenced by its previous section 508(2) application to the Minister of Local Government, which sought to have the levy made a permanent part of its general income, and by its section 508A application to the IPART which also sought to have the levy incorporated into Council's general income on a permanent basis.

In implementing the Integrated Planning and Reporting requirements through the development of a Community Strategic Plan, Delivery Program and Operational Plan, Long Term Financial Plan and other Resourcing Strategy documents etc and the preparation of its section 508A special variation application Council gained a more in-depth and documented understanding of its medium to long-term financial position. Its focus also moved from the current year budget to consideration of what was forecast to occur in years 2, 3, 4 and beyond.

It was from this perspective and with comments from the IPART's determination in relation to the environmental and dredging levy in mind, that Council identified its desire to seek an early decision on a further special variation for environmental and dredging programs (i.e. the continuation of the existing levy).

Council was aware that applications for special variations in the year prior to the commencement were not the normal process. As such Council approached both the Division of Local Government and the IPART to determine whether such an application would be considered. Subsequently IPART advised that it would consider Council's application but the nature of the application was to be determined following legal consideration of the IPART's delegations and interpretation of the relevant legislation.

Council's intent was to seek a section 508(2) special variation to its general income with a delayed commencement i.e. a decision made during consideration of 2013/2014 applications but taking effect from 2014/2015.

Based on advice from the IPART, Council's application is as follows:

1. That the IPART revoke the final year of Council's section 508A(1) approval dated 24 June 2011 (as amended), that being an increase to its general income of 7.9% for 2013/2014.
2. That the IPART grant Council approval under section 508(2) of the Local Government Act to increase its general income by an amount of 14.35% in 2013/2014 consisting of the following components:
 - a. A permanent increase to its general income of 7.9% (incorporating the rate peg of 3.4%) being an amount of \$2,113,785., and
 - b. A temporary increase of 6.45% represented by an amount of \$1,732,233 for environmental and dredging purposes as set in the application, to remain in Council's general income for a period of 7 years expiring on 30 June 2020.

In relation to the revocation of the final year of Council's section 508A approval and the request for it to be re-determined and re-approved as a permanent increase under section 508(2), Council advises that this is not in any way an indication that it does not require the funds that were to be raised from this increase. In fact, Council has entered into loan and government contractual obligations in relation to the Local Infrastructure Renewal Scheme, based on this approval.

This component of the application is a direct result of the IPART's legal advice that it cannot deal with the proposed application while the section 508A approval remains in place. A scenario modelling a decision not to reapprove the 7.9% has been included at the request of IPART. Council does not believe that this is a viable scenario and would actually penalise Council for its efforts to proactively address its funding requirements.

The initial Long Term Financial Plan and subsequent iterations all indicate the necessity for this increase to occur as planned. In accordance with the IPART approval these funds have been allocated to address asset maintenance issues, reduce loan reliance, restore service levels and ensure the financial sustainability of the Council. That increase was approved after a detailed examination of Council's application. It is not proposed to address this component of the application in detail, other than to refer to the previous section 508A application, assessment and determination.

As this application will show, many of the projects undertaken by Council in addressing environmental issues are subject to partnership arrangements with other government bodies utilising multiple funding sources and are multi-year in their timeframe. From Council's perspective, certainty of funding is critically important as it works with its existing partners and in identifying opportunities to continue its environmental works that deliver the Community Strategic Plan objectives.

History of the Environmental and Dredging Levy

The Great Lakes area was the subject of national attention in 1996 and 1997 due to the Wallis Lake Hepatitis A contamination event. As part of the response, Great Lakes Council quickly established the Wallis Lake Catchment Management Plan Steering Committee, whose primary role was to oversee the production of the Wallis Lake Catchment Management Plan. During the preparation of the Plan, it was recognised that ongoing, recurrent environmental funding was critical to facilitate and deliver on-ground environmental outcomes, including both protection of existing assets and values as well as restoration of degraded or impaired landscapes.

The need for a levy dedicated to environmental programs via a special rate variation was the preferred funding solution and the proposal was extensively consulted upon and approved by the Great Lakes community.

In 2001 the Minister for Local Government approved the establishment of an environmental special levy (3.89% of general income), for a three year period to allow for on-ground lake management environmental initiatives identified in various environmental plans.

Council sought the permanent renewal of the levy in 2004/2005 and received approval from the Minister of Local Government for its continuation for an additional five years (3.81% of general income). This approval allowed Council to continue the works commenced under the initial levy. The program covered projects across areas such as water quality, catchment and estuarine health and restoration,

biodiversity and threatened species management and community education for sustainability.

In anticipation of the expiry of this levy in 2009, Council lodged a further application with the Division of Local Government seeking its continuation. This application sought to increase the amount of the levy to 6% of general income and incorporated a 1% component to be specifically allocated to dredging activities. Community support for the continuation and extension of the levy (to incorporate dredging works) remained strong.

The Minister of Local Government approved this application at the requested level (6%) with a five year timeframe, which commenced in 2009/2010.

In preparing that application, a Program Vision was developed that encapsulates Council's philosophy on the Environmental and Dredging Levy. That Vision is:

We shall actively participate in a partnership with the community, government and stakeholders:

- To protect, maintain and, where required, restore and enhance the condition and function of the natural environment and its biodiversity, including the health of local waterways;
- To deliver enhanced sustainability performance with respect to land use and development;
- To recognise and elevate the understanding of the community of the importance of a functioning natural environment in a manner that leads to an elevated sense of empowerment by the community;
- To capitalise and extend the strategic and on-ground investment in natural resource management using the ESR as a driver in the leverage of funds;
- To monitor and report on the state of the local environment and apply such knowledge in an adaptive sense;
- To act strategically across a landscape scale to achieve real and positive outcomes for the community and the environment; and
- Adopt best management practice with respect to strategic planning and on-ground management of natural resources in the Great Lakes LGA.

Council has worked to make this vision a reality specifically developing a model of operation that relies on highly developed relationships with relevant Commonwealth and State government departments and community stakeholders. The model also utilises the levy to pursue external funding opportunities, with great success to date, increasing the impact of works undertaken and the range of areas where attention can be focussed.

Since its inception in 2001/2002 the levy has raised the following amounts:

Year	Environmental Levy Raised	Levy Total
Levy 1 (3.89% for 3 years)		
2001/2002	\$500,000	
2002/2003	\$516,500	
2003/2004	\$593,768	\$1,610,268
Levy 2 (3.81% for 5 years)		
2004/2005	\$613,814	
2005/2006	\$635,297	
2006/2007	\$658,168	
2007/2008	\$721,879	
2008/2009	\$754,554	\$3,383,712
Levy 3 (6.00% for 5 years)		
2009/2010	\$1,275,302	
2010/2011	\$1,308,460	
2011/2012	\$1,413,137	
2012/2013	\$1,531,840	\$5,528,739

While year to year figures vary the long-term trend has been that Council has been able to attract grant funds 2.5 times the value of the levy i.e. \$2.50 in grant funding for every \$1.00 of levy. Based upon the above figures this equates to external funding, contributions and in-kind donations to a value of approximately \$25 million being directed towards Great Lakes environmental protection and restoration projects.

From the perspective of dredging works, prior to its inclusion as a component of the environmental levy, Council was not in a financial position to undertake navigational dredging of its lakes and waterways. This followed State government decisions to halve its contribution towards the cost of dredging works, having previously fully funded these works. The impact of this decision and Council's inability to make a financial contribution towards these works, was that navigational channels and high quality oyster growing areas within the lakes were experiencing high levels of siltation deposition.

With the levy in place Council was in a position whereby it could make application for external funding and had the capacity to meet its share of the costs. A number of high priority dredging programs have now been completed.

This shows the significant and critical value of the environmental and dredging levy to the improvement and management of the local and regional environment and the attractiveness of the environmental programs of the Great Lakes Council for co-investment by the State and Commonwealth Governments.

The environmental and dredging levy has been used to address past environmental problems, implement appropriate natural resource management plans, instigate actions to prevent future environmental problems and provide support for improved management of both public and private lands. It has been used to invest in the treatment of environmental issues that affect sustainability and reverse the cost burden to the local community associated with degradation and repair.

A key element of the levy expenditure has been the partnerships that Council has developed to achieve strategic environmental outcomes. This has resulted in a consortium of partners committed to delivering environmental actions and outcomes across the local government area. This consortium continues to be fostered and expanded to include additional partners and catchment wide land management programs that will deliver water quality, biodiversity enhancement and protection through collaborative actions.

Great Lakes Council is recognised as a leader in natural resource management. Many of the projects funded through the levy are innovative and dynamic, with the knowledge and outcomes shared with other agencies and authorities in a manner that benefits environmental management systems as a whole. Several of these projects have achieved national and state recognition and awards. These include:

- Development & Implementation of a Water Sensitive Design Development Control Plan to Protect the Great Lakes region - Winner 2012 NSW Awards for Excellence (Stormwater NSW) - Excellence in Strategic or Master Planning Category (Great Lakes Council and BMT WBM Pty Ltd).
- Great Lakes Water Quality Improvement Plan and Implementation - Winner 2012 National Awards for Local Government - Innovation in Natural Resource Management Category.
- Durness - Borland Landcare Corridor (land acquisition and on-ground works) - Overall Category & Division B Winner at the 2012 Local Government Excellence in Environment Awards - Natural Environment Protection and Enhancement: On-Ground Work Category.
- Development and Implementation of the Water Sensitive Design Development Control Plan to protect the water quality of Wallis, Myall and Smiths Lakes and the Karuah River estuary - Highly Commended Division B at the 2012 Local Government Excellence in Environment Awards - Natural Environment Policies - Planning and Decision Making Category.
- Great Lakes Sustainable Business Program - Highly Commended Division B at the 2011 Local Government Excellence in Environment Awards - Communication, Education and Empowerment Category.

- Adoption and Implementation of the Wallis Lake Wetland Strategy - Highly Commended Division B at the 2011 Local Government Excellence in Environment Awards - Natural Environment Policies, Planning and Decision Making Category.
- Great Lakes Sustainable Farming Program - Category Winner at the 2009/2010 Local Government Excellence in Environment Awards - Communication, Education and Empowerment Category.

Council has demonstrated that it has an enviable record of achievement in the area of natural resource management. These achievements have been built on the environmental and dredging levy, which has provided the base funding required to develop and implement the many management plans and strategies needed to repair and protect the Great Lakes environment.

Council's recent community survey and community engagement activities show that there is wide support for the continuation of this levy and the works that it funds. There is a deep understanding within the community that the levy is not just about 'the environment' but is also about protecting our major economic drivers of tourism and primary production, as well as the lifestyle our environment provides residents and visitors.

3 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 ☐

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 3.1 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.

3.1 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.

Council's Response:

As the IPART is aware local government councils have a legislative responsibility to review their Integrated Planning and Reporting (IP&R) documents by 30 June 2013, this review having been triggered by the September 2012 Local Government elections. This includes councils retesting the Community Strategic Plan with their communities and developing a new four year Delivery Program that will outline the objectives of, and guide the activities of the newly elected council throughout its term.

Great Lakes Council is conducting these strategic planning activities in parallel with the preparation of this special variation application. The community engagement activities undertaken to inform the IP&R review have also addressed the community's understanding of Council's proposal for the continuation of the environmental and dredging levy.

Council is working to a timetable that will see it consider draft IP&R documents at its March 2013 Ordinary meeting (scheduled for 26 March 2013). It is envisaged that at that meeting Council will adopt the draft documents for public exhibition, which will occur during April / May 2013.

Public submissions received during the exhibition period will need to be formally considered by Council at its Ordinary Meeting held in May 2013, after which it can endorse the Community Strategic Plan and adopt the Delivery Program and Operational Plan.

In relation to this application, draft sections of the revised Community Strategic Plan and Delivery Program / Operational Plan applicable to the continuation of the environmental and dredging levy have been included as Annexure 1. The Long Term Financial Plan has been prepared on the basis of 3 scenarios as discussed with the IPART, all of which relate to the continuation or otherwise of the levy.

Reviews of Council's Asset Management Strategy and Workforce Management Plan are also continuing and, while not directly linked to this application will be finalised prior to the May Ordinary meeting.

These major documents will make reference to the programs funded from this levy and to Council's position that the continuation of this levy is critical to its ability to address the community's strongly expressed desire for the protection of its waterways and natural environment. The programs funded are included in the draft Delivery Program and Operational Plan and a statement will be included about the inability of Council to continue funding of these programs without a positive determination of Council's application.

It should also be noted that the revised IP&R documents do not represent a new position by Council. The initial Community Strategic Plan, Delivery Program, Operational Plan and Long Term Financial Plan all contained references to, or proposed the ongoing funding of environmental and dredging programs from this

levy. Council's position in those documents is reflected in the following excerpt from its July 2011 Long Term Financial Plan (page 8):

*"Council currently has a Special Variation approval for an **environmental levy** of 6% which forms part of Council's notional general income. This approval was for a five year approval period and expires at the end of the 2013/2014 financial year. The expenditure of this levy is strictly linked to projects with specific environmental outcomes. The approval requires that Council reduce its general income for the 2014/2015 rating year by the original approved amount and cumulative proportion of any increases during that period.*

The Base Case model provides that Council will take the necessary steps to extend this variation with a view to make it a permanent part of Council's general income. As such no decrease in rate revenue is projected to occur in 2014/2015."

In relation to the component of this special variation application that deals with the previously approved 7.9% permanent increase, the original Community Strategic Plan, Resourcing Strategy (incorporating Long Term Financial Plan, Asset Management Plan and Workforce Management Plan), Delivery Program and Operational Plan all addressed and identified the need for this increase. That suite of documents were found by the Division of Local Government (and accepted by the IPART) to have met the relevant requirements for the approval of that application. As such the current documents do not explicitly address the technical aspects behind a shift from the original section 508A approval to a section 508(2) approval.

4 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.

4.1 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?

Yes ☐ No ☒

If Yes, has a review been undertaken?

Yes ☐ No ☐

If Yes, has this been submitted to DLG?

Yes ☐ No ☐

4.2 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 (ie, 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.

If you are seeking funding for contributions plan costs above the development contributions cap, see Box 3.1.¹

¹ See Planning Circular 10-025 at www.planning.nsw.gov.au for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS10-022.

Box 4.1 Special variations for development contributions plan costs above the developer cap

For costs above the cap in contributions plans, a council must provide:

- ▼ a copy of the council's s94 contributions plan
 - ▼ a copy of the Minister for Planning and Infrastructure's response to IPART's review and details of how the council has subsequently amended the contributions plan
 - ▼ details of any other funding sources that the council is proposing to seek to use
 - ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council's planning documents (eg. LTFP and AMP)
 - ▼ any necessary revisions to financial projections contained in the LTFP and AMP to reflect the special variation.
-

Council's Response:

The initial Community Strategic Plan endorsed by Council in April 2011 identified 'Embracing and Protecting our Natural Environment' as one of 4 Key Directions, with the single objective of 'Protecting the natural environment while addressing challenges of population growth'.

Six strategies were identified that would direct effort towards the achievement of that objective. Those strategies were:

- Allowing for our increasing population and associated development without impacting on our natural environment
- Ensuring the development that does take place is sensitive to the natural environment
- Planning for and minimising the potential impact of climate change
- Managing the impact of mining and agricultural industries on the natural environment
- Embracing our natural environment to develop a green economy
- Ensuring we explore every opportunity to sustainably manage our waste

A series of 4 year and 1 year activities were developed that outlined the work that Council would be undertaking to address these strategies. Given that the environmental and dredging levy was in operation at the time of developing these documents, they reflect actual business as usual under the existing special variation.

A comprehensive review of the Community Strategic Plan, Delivery Plan and Operational Plan was triggered by the September 2012 Local Government election, this process is currently underway. A major re-draft of the Community Strategic Plan has been undertaken, workshops have been conducted with Councillors to

identify their priorities for their 4 year term on Council and this is being translated into a Delivery Program and Operational Plan.

The amended document still sees 4 Key Directions based upon quadruple bottom line themes. Key Direction 1 remains focussed on 'Our Environment' and has 4 objectives. A number of strategies have been identified which better describe the community's intent. A copy of the new structure is included as Annexure 1.

Council's Natural Systems section is responsible for delivery of programs funded through the environmental and dredging levy. The majority of their work program is contained in Key Direction 1 - 'Our Environment' and within Objective 1 of that Key Direction. The Objective and relevant strategies are provided below:

Objective 1 - Protect and maintain the natural environment so it is healthy and diverse.

- **Strategy 1.1** - Undertake an active management program to support a healthy environment that also provides for economic, recreational and cultural activities.
- **Strategy 1.2** - Encourage and support the community to embrace environmentally-friendly behaviours and sustainable business practices.
- **Strategy 1.3** - Manage the balance between natural siltation in our lakes and ensuring the provision of access for recreation and economic purposes.
- **Strategy 1.4** - Reduce the impact of noxious weeds and invasive species on our environment through strategic management and education.
- **Strategy 1.5** - Monitor and report on the health, productivity and diversity of the Great Lakes environment.

The detail of activities being undertaken to address these strategies are included within the draft Delivery Program / Operational Plan (Annexure 1). These programs all rely on the continuation of the environmental and dredging levy as the base source of funding.

The benefits of the programs and projects funded by the levy are explained in detail in the 'Individual Project Reports' included as Annexure 2. Some of the objectives of the identified projects include:

- Actively participate in and benefit from regional and sub-regional environmental programs and initiatives
- Manage key Council sites or activities that have been identified as having high environmental risk to council by progressively developing and implementing an Environmental Management System

- Improve the water quality and ecological health of Wallis, Smiths and Myall lakes through the progressive implementation of protection and remediation actions identified in the Water Quality Improvement Plan
- Reduce the input of nutrients, sediments and gross pollutants from urban areas by constructing new water quality improvement devices such as bioretention systems
- Protect and enhance natural waterways by reducing the impact of urban development and land use on stormwater quality
- Build the capacity of business owners and staff through participatory action learning activities to reduce the occurrence of everyday living impacts on the local environment
- Conserve, protect and enhance areas of significant cultural, ecological and aesthetic value
- Restore or remediate degraded areas
- Balance the recreational, commercial, social and cultural needs of the estuary
- Increase the economic value of the estuary in an ecologically sustainable manner
- Ensure the sustainable management of the Port Stephens waterway and relevant tributaries
- Improve the sustainable management and improve water quality of the Wallamba River by addressing bank erosion through tackling the impacts of boat wash, cattle access and vegetation loss
- Work in partnership with landholders and agencies to implement riverbank management solutions
- Provide for the monitoring and adaptive management of the wetlands of Wallis Lake
- Promote land management practices which increase agricultural diversity, enhance biodiversity and habitat linkages, eliminate soil erosion and reduce reliance on fertilisers and chemical inputs, thus reducing and reversing land degradation and water quality deterioration and enhancing ecosystem services functions
- Collect rigorous scientific data on the health of the waterways to build up a long-term picture of environmental impacts and the success of catchment management actions

- Develop a detailed understanding of catchment and estuary processes to assist with future management decisions
- The establishment and management of wildlife corridors and effective conservation reserves that contribute to biodiversity protection, healthy ecosystem function and healthy people
- Document a series of protective actions grouped around major themes to appropriately and effectively manage, protect and, where required, restore functional native vegetation communities across the LGA
- Working as a partner with the NSW Government and the community to implement the Koala Recovery Plan
- Carry out navigational dredging to maintain and ensure safe navigation for recreational and commercial vessels in priority tidal waterways in the Great Lakes LGA

A new Long Term Financial Plan, Workforce Management Plan and Asset Management Strategy are being prepared. Financial scenarios incorporating the continuation and cessation of the environmental and dredging levy are being prepared to accompany this application.

Council will consider this suite of documents at its March 2013 Ordinary Meeting with a view to placing them on public exhibition during April / May 2013. This will enable to community to make submissions for consideration prior to the anticipated adoption in May 2013.

To inform the review of *Great Lakes 2030* and the IP&R documents, a community satisfaction survey to examine attitudes and perceptions towards current and future services and facilities provided by Council was conducted in July / August 2012 and attached as Annexure 3. The research concluded that Great Lakes residents rate 'protection of the waterways' as the most important of 39 services and facilities rated, and 'protection of the natural environment' as the sixth most important service.

During the engagement there was significant discussion around continued conservation of the natural environment and protection of our waterways which the community value highly.

This continues to be reflected with the community identifying the Environment as one of its top priorities for the future of the Great Lakes area, and forms one of the four Key Directions in *Great Lakes 2030*.

Council also conducted a broad community engagement program in late 2012 to inform the review of *Great Lakes 2030* and seek feedback on the proposal to continue the Environmental and Dredging Levy. During this engagement 'Protection of the Environment' ranked as the community's top priority. The formatted outcomes of this engagement are discussed in detail in Section 5 - Community Engagement.

4.3 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 (eg, 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.

Council's Response:

Council's underlying budget position improved significantly with its successful section 508A special variation application in 2011. In preparing that application Council's Long Term Financial Plan forecast an unsustainable Base Case scenario as follows:

2011 LTFP Base Case - Budget Result (\$'000's) (surplus/(loss))

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Budg. Result	2	(461)	(1,312)	(1,903)	(2,543)	(3,097)	(3,760)	(4,426)	(4,985)	(5,592)

The 3 X 8% approval made a substantial difference to Council's financial position and medium to long-term financial sustainability. Council allocated the additional revenue in accordance with its application and the IPART determination. Existing service levels were maintained, funds were allocated to enable an organisation-wide service level review to be undertaken and additional funds were directed to community building, road and bridge maintenance works. Council also implemented its proposal to reduce its reliance on loan funds for urban road renewal works over a ten year period by substituting rate revenue for loan funds. A conscious decision was also made to run a surplus of \$200,000 in years 2 and 3 (2012/2013 and 2013/2014) to improve Council's working funds position.

The projected budget position after modelling the special variation approval was:

2011/2012 Adopted LTFP Budget Result (\$'000's) (surplus/(loss))

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Budg. Result	0	202	252	623	66	(405)	(800)	(1,283)	(1,658)	(1,979)

A larger surplus was deliberately left unallocated in 2014/2015 until the position with the renewal of the environmental and dredging levy became clearer. Other management actions were commenced to improve the long term financial position including the commencement of the organisation wide service delivery review.

During 2011/2012 the State Government introduced its Local Infrastructure Renewal Scheme (LIRS) and Council resolved to lodge an application for funding. Council sought to borrow \$18 million to bring forward and fund the replacement of approximately 12 timber bridges with concrete at a cost of \$5m and the rehabilitation of \$13m of urban and rural sealed road pavements which are classified as being in poor or very poor condition within Council's Asset Management Plan.

This application was successful and works are to be undertaken over a 3 year timeframe. The application and Council's financial capacity and ability to undertake the required level of borrowings was independently assessed by New South Wales Treasury Corporation (TCorp). TCorp's report is attached as Annexure 4.

The structure of the application saw Council replace the relevant existing revenue funded budgets with loan funds with the revenue being transferred to a restricted investment to progressively fund loan repayments in later years. Revenue generated from the section 508A special variation and allocated to urban road renewal programs and bridge replacement works has been wrapped into this restructuring.

The benefits from the program are that Council's bridge replacement program is accelerated and additional works are undertaken in road rehabilitation. The timeframe for the replacement of loan funding for urban road renewals is shortened to 7 years by bringing forward the borrowings and works.

The financial modelling, particularly in relation to the impact of borrowings on Council's financial position, reveals that there is a significant improvement after 2020/2021. This is due to the reduction in loan principal repayments as the LIRS loans are finalised.

The projected budget results after incorporating the LIRS program within the 10 year Long Term Financial Plan was as follows:

Projected LTFP Budget Result after LIRS - (\$'000's) (surplus/(loss))

	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Budg. Result	200	250	250	0	0	0	0	0	(1,103)	(540)

TCorp recommended that Council receive the LIRS facility following the completion of their assessment of Council's financial position. Council has since entered into a Funding Agreement with the NSW State Government, negotiated and drawn down the \$18 million in loan funds and has commenced works and loan repayments.

It is important to note that the above projected Long Term Financial Plan result is based upon a financial structure that includes the existing section 508A special variation approval that sees an increase to general income of 7.9% in 2013/2014.

The above update on the current financial structure and commitments of Council is provided so as to assist in understanding the various projected budget results of the scenarios that follow. All of these scenarios are built upon a financial structure that incorporates the LIRS program. They also incorporate savings, restructures and changes to operations that have occurred since the above projected budget result was prepared.

Council has prepared 3 scenarios of its Long Term Financial Plan so as to model the impact of the continuation or cessation of the environmental and dredging levy and the section 508A special variation. Those scenarios were discussed with the IPART to ensure they met with their expectations. Those scenarios are introduced below and are included as Annexure 5 - Annexure 7.

Scenario 1 - This scenario is referred to as the Base Case or Business as Usual scenario. It reflects Council's modelling of its future financial position based on the current state of play. This scenario is prepared with the assumption that Council is not making this application but will operate under its existing special variation approvals and will not be seeking their renewal or any new variations in future years.

In terms of numbers the model assumes that Council will increase its general income in 2013/2014 by 7.9%, being the final year of the approved section 508A special variation. Council's general income for 2013/2014 will also include the fifth and final year of the environmental and dredging levy.

From 2014/2015 the environmental and dredging levy will be removed from general income (a deduction of approximately \$1.6 million) after which the rate peg will apply (which is estimated at 2.7% for 2014/2015). Additional revenue in the form of a small environmental grant and the corresponding expenditure has also been removed from the budget.

Discussion elsewhere in this application highlights the significant amount of grant funding obtained for environmental programs. This is not reflected in the Long Term Financial Plan due to uncertainty around sources, purposes and amounts of programs that may be on offer from year to year. An added factor against their inclusion to date has been that they have a nil impact on the bottom line. However better practice would be for an average figure of funds received to be incorporated

as a predictor for future success and Council will look at this when preparing its 2014/2015 financial plans.

Expenditure on programs previously funded from the environmental and dredging levy is removed from the budget from 2014/2015. This includes a reduction in staff positions as the Natural Systems section is downsized to only carry specialist positions required to carry out Council's legislative environmental responsibilities.

The forecasted budget result and net Operating Result across the 10 year Long Term Financial Plan indicate the following:

Scenario 1 - Base Case - Budget Result (\$'000's) (surplus/(loss))

	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Budg. Result	200	(351)	(363)	(375)	(389)	(570)	(677)	(865)	(826)	(137)
Oper. Result	(4,916)	(5,091)	(4,808)	(4,398)	(3,675)	(3,307)	(2,846)	(2,717)	(2,134)	(1,662)

The deficit budget results represent the value of work carried out by the Natural Systems section or asset maintenance allocations for Natural Systems assets (gross pollutant traps, bioretention systems, constructed wetlands) that cannot be discontinued. Much of this work involves development assessment, coastal and estuary management, legislative reporting etc that needs to continue regardless of whether the extension of the environmental and dredging levy is approved.

Given Council's preference for running balanced budgets, it is obvious that Council would need to make savings and / or cut expenditure from other areas of Council's operation to address the forecast deficits above.

Scenario 2 – This scenario represents the current application being made by Council to the IPART. It reflects Council's modelling of its future financial position should its application be granted in full.

In terms of numbers the model assumes that in 2013/2014 Council will reduce its general income by the value of the expiring environmental and dredging levy (approximately \$1.5 million) and then apply the percentage increase sought by this application (14.35%). This increase includes a permanent increase to the rate base of 7.9% (the final year of the previous approved section 508A special variation revoked and reissued under section 508(2)) and an extension of the environmental and dredging levy for a further 7 years (to 30 June 2020).

It is necessary to explain the figure sought for the environmental and dredging levy component of the increase, particularly since it is greater than the amount advertised on the IPART website.

In the current year (2012/2013) the environmental and dredging levy is worth \$1,531,840. Council is seeking, through this special variation application, to have an

amount of \$1,732,233 approved as a temporary increase to its general income. This equates to a figure of 6.45% based on the method of calculation contained on Worksheet 4.

Council has calculated this figure as follows:

2012/2013 Notional General Income	\$28,288,611
Less: Value of Expiring Environmental & Dredging levy	\$ 1,531,840
Adjusted 2012/2013 Notional General Income	\$26,756,771
Add: Permanent Increase - 7.9% (3.4% Rate Peg + 4.5%)	\$ 2,113,785
Sub-total	\$28,870,556
Add: Environmental & Dredging Levy renewed at 6%	\$ 1,732,233
2013/2014 Permissible Income (excluding other adjusts)	\$30,602,789

Utilising the method (which Council now understands to be the technically correct method) to determine the amount of the increase would give Council an amount of \$1,605,406 in 2013/2014 for a 6% environmental and dredging levy. While representing some growth in the amount levied in 2012/2013 it does not even equal the amount that Council would receive if it chose not to make this application. This is explained below:

In 2012/2013 Council's general income totalled \$28,288,611 including the environmental and dredging levy. If Council was not making this application, its general income in 2013/2014 would increase by 7.9% for a total of \$30,523,411. The value of the environmental and dredging levy would be \$1,652,855. To obtain this amount under this application would represent a 6.18% increase under the Worksheet 4 method of calculation.

Council is of the opinion that the figure 6.45% is justifiable in terms of the works program, community support and reasonableness. This figure (\$1,732,233) has been modelled throughout Scenario 2.

From 2014/2015 the rate peg applies – estimated at 2.7% for 2014/2015 and 3.0% per annum for the remainder of the model. The environmental and dredging levy is removed from both income and expenditure forecasts from 2020/2021.

The forecasted budget result and net Operating Result across the 10 year Long Term Financial Plan indicate the following:

Scenario 2 – Approved Application - Budget Result (\$'000's) (surplus/(loss))

	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Budg. Result	200	0	0	0	0	0	0	(734)	(826)	(137)
Oper. Result	(4,843)	(4,436)	(4,133)	(3,703)	(2,960)	(2,572)	(2,089)	(2,717)	(2,134)	(1,662)

Scenario 3 – This scenario represents the position should Council's application be rejected by the IPART and it also chooses to revoke the final year of the section 508A approval.

The model reflects that Council would only increase its general income by the announced rate peg of 3.4% for 2013/2014 and would retain the final year of its existing section 508(2) special variation. This levy income would be removed in 2014/2015 and Council's general income would increase by the announced rate peg for the duration of the Plan. This is estimated at 2.7% on 2014/2015 and 3.0% thereafter.

While this scenario has been put to Council by the IPART as being a possible outcome of the application, Council would urge that the Tribunal only revoke the section 508A approval if it is prepared to issue a corresponding approval under section 508(2) for a permanent increase in general income of 7.9%, regardless of its decision in relation to the continuation of the environmental and dredging levy. If the Tribunal rejects the application in full, including the previously approved 7.9% this would leave Council in a position whereby it would be worse off than prior to making the application and would threaten the integrity of the financial structure on which the LIRS program was considered and approved.

The modelling for this scenario does not reduce general fund expenditure in 2013/2014 and as such deficit budgets are shown throughout the Plan. This is an unacceptable situation for Council and would place it in a position whereby it would be unable to meet its contracted commitments under the LIRS program, meet its debt funding obligations and would require significant cuts across the organisation. Council has not identified where these service reductions would be made but this scenario would put considerable pressure on the structure of Council's budget and the services currently provided.

The forecasted budget result and net Operating Result across the 10 year Long Term Financial Plan indicate the following:

Scenario 3 – Rejected Application + Revoked Section 508A – Budget Result (\$'000's) (surplus/(loss))

	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Budg. Result	(703)	(1,306)	(1,573)	(1,888)	(2,382)	(2,664)	(2,260)	(2,492)	(2,497)	(1,853)
Oper. Result	(6,339)	(6,477)	(6,232)	(5,860)	(5,176)	(4,849)	(4,429)	(4,344)	(3,805)	(3,378)

4.3.1 Prioritization 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.

Council Response:

Council's Natural Systems section has developed a 10-year Works Schedule outlining programs that would be undertaken from continuation of the environmental and dredging levy. Many of these programs are currently in progress, with funding from the existing levy and grant funds. The detailed Works Schedule (Annexure 8) and individual project descriptions identify links to the community strategic plan, links to natural resource plans, project justifications, project objectives and achievements to date. The spending proposed in the Schedule of Works corresponds with the information provided in Worksheet 6 of Part A of this application.

The Works Schedule has been developed from the priority action plans included within the various natural resource management plans and strategies that have been developed and adopted by Council. Given Council's reliance on external funding to match and maximise on the funds provided through the levy, prioritisation of these actions is partially based on what external funding is available.

The program therefore benefits from flexibility to enable resources to be moved across projects as external funds become available to direct at specific priority areas as identified in the adopted plans.

If this application is approved for a lesser amount, Council will continue the implementation of the current program for the 2013/2014 financial year based on the last year of the existing Section 508(2) environmental and dredging special levy, and review the program for 2014 and beyond based on the new approved special variation for that period. This review will take into account the priorities in the natural resource plans and programs, as well as consider what external funding is available to continue to maximise on the value of the levy.

4.3.2 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 (ie, 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.

Council's Response:

Council has not identified a viable alternate financing option to fund environmental and dredging works. As outlined in the Overview, a special variation was identified as the most appropriate means of funding the works proposed when the environmental levy was first proposed in approximately 1999/2000.

Since its inception the environmental and dredging levy has been partly utilised as an enabler for a wide range of environmental related projects. The outcomes have long-term environmental, social and economic benefits for the Great Lakes and wider regional communities.

The model that Council has adopted utilises the environmental and dredging levy as Council's contribution towards various externally funded projects. Realistically the amount raised through the environmental and dredging levy is insufficient on its own to make a large impact on the various action plans that have been identified in the various management plans and strategies that have been adopted. There is however significant external funding available through State and Commonwealth programs for environmental purposes. It is important to understand that the environmental and dredging levy has been used to leverage funding from other sources. Without the levy Council would be unable to take advantage of these external funding programs. The success of the navigational dredging program is the best example of this situation, where Council was unable to match the government funding that was on offer until it was incorporated into the environmental levy in 2009.

As mentioned elsewhere in this application the multiplier effect has historically been between \$2.50 to \$2.80 of external funding, for every \$1.00 of environmental and dredging levy. There has also been significant in-kind contributions made to projects from property owners, volunteers etc which increase the value of works. This represents significant value for money for the community.

4.3.3 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 expenses)
- ▼ 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.

Council's Response:

Key indicators have been calculated for the 3 LTFP scenarios and are shown below. Also included are the indicators taken from the 2011/2012 Audited Financial Statements.

The variations between scenario 1 and 2 are not significant over the 10 year timeframe of the LTFP. As both scenarios incorporate the final year of the section 508A special variation and the LIRS program, the impact of the removal of the environmental and dredging levy from general income on the key financial indicators provided is not major. This is predominantly due to the fact that the revenue from the environmental and dredging levy and the corresponding expenditure (operating and capital) are removed from the budget, which only created minor differences when calculated across the total budget.

The indicators and cash flow for scenario 3 show that this is an unsustainable LTFP model. Council does not support this scenario which has been provided at the request of IPART for comparative purposes only.

Key Financial Indicators for 2011/2012

Ratio	2011/2012 Forecast	2011/2012 Actual
Operating Balance Ratio (%)	-8.89%	2.84%
Unrestricted Current Ratio	1.66	3.32
Debt Service Ratio (%)	10.07%	8.90%
Rates & Annual Charges Ratio (%)	58.53%	46.87%
Rates & Annual Charges Outstanding Ratio (%)	5.57%	6.32%

The key financial indicators forecast for 2011/2012 are in keeping with the forecast indicators in scenario 1 and 2. The actual performance is considerably better and reflects some of the shortcomings in attempting to budget for the long term particularly in relation to grants and contribution for operating and capital purposes, where considerable uncertainty exists as to the availability and timing. To counter this uncertainty Council only budgets for those grants and contribution where there is a reasonable degree of certainty around their continuation or availability.

Scenario 1 - Base Case - Financial Indicators

Ratio	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Operating Balance Ratio (%)	-9.47	-9.72	-9.03	-8.19	-6.94	-6.26	-5.39	-5.16	-4.28	-3.58
Unrestricted Current Ratio	1.79	1.78	1.71	1.64	1.56	1.52	1.53	1.51	1.68	1.96
Debt Service Ratio (%)	13.55	14.39	14.23	13.20	12.74	12.11	11.43	10.43	9.81	7.23
Rates & Annual Charges Ratio (%)	58.08	57.47	58.02	58.56	58.94	59.36	59.79	60.22	60.66	61.17
Rates & Annual Charges Outstanding Ratio (%)	5.97	5.93	5.96	5.96	5.95	5.95	5.95	5.95	5.95	5.95

Scenario 2 – Approved Application - Financial Indicators

Ratio	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Operating Balance Ratio (%)	-9.35	-8.47	-7.80	-6.97	-5.76	-5.09	-4.32	-5.16	-4.28	-3.58
Unrestricted Current Ratio	1.79	1.81	1.78	1.74	1.70	1.69	1.74	1.72	1.91	2.20
Debt Service Ratio (%)	13.54	13.99	13.82	12.83	12.38	11.76	11.11	10.43	9.81	7.23
Rates & Annual Charges Ratio (%)	58.12	55.57	59.11	59.64	60.01	60.42	60.85	60.22	60.66	61.17
Rates & Annual Charges Outstanding Ratio (%)	5.98	5.96	5.96	5.96	5.95	5.95	5.95	5.95	5.95	5.95

Scenario 3 – Rejected Application + Revoked Section 508A - Financial Indicators

Ratio	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Operating Balance Ratio (%)	-11.94	-12.13	-11.42	-10.56	-9.29	-8.59	-7.79	-7.48	-6.58	-5.91
Unrestricted Current Ratio	1.68	1.57	1.40	1.22	1.04	0.89	0.78	0.65	0.61	0.68
Debt Service Ratio (%)	13.88	14.72	14.55	13.50	13.03	12.39	11.70	10.67	10.04	7.39
Rates & Annual Charges Ratio (%)	57.38	56.79	57.34	57.89	58.27	58.69	59.12	59.56	60.00	60.51
Rates & Annual Charges Outstanding Ratio (%)	5.96	5.93	5.96	5.96	5.95	5.95	5.95	5.95	5.95	5.95

5 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 LTFF 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 5.1 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 (ie, 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.

5.1 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.

Council's Response:

Council adopted a Community Engagement Strategy on 25 September 2012 to guide its community consultation (attached as Annexure 9). This Strategy was developed to simultaneously address two major topics due to the close relation between the two. Firstly, Council needed to review *Great Lakes 2030* - the community's strategic plan in accordance with the DLG's Integrated Planning & Reporting Framework. The intent of this review was to confirm that the community's priorities were reflected in the Plan, prior to development of Council's new 4-year Delivery Program (2013-2017) and 1-year Operational Plan (2013-2014).

Council was also seeking the community's feedback on its intention to apply for continuation of the existing Environmental and Dredging Levy. As the community had previously indicated that the environment was one of its four Key Directions in *Great Lakes 2030* and regularly rated environmental issues as a top priority for Council, it seemed prudent to link the two community engagement activities together.

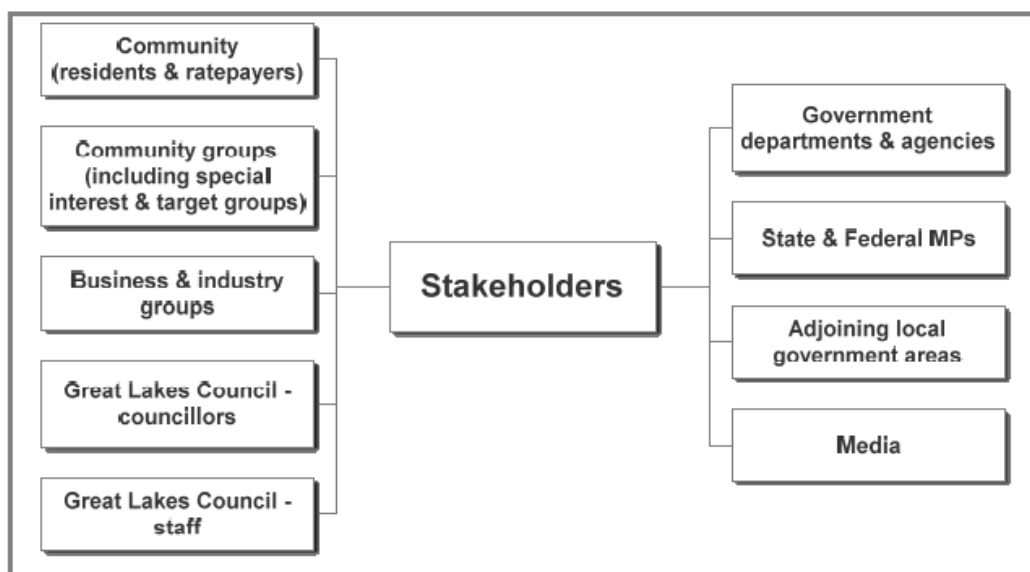
To ensure Council could comply with anticipated deadlines this Strategy was developed and implemented prior to the November release of the DLG *Guidelines for the preparation of an application for a special variation to general income* and the IPART's subsequent guidance on the same. The face to face community engagement program was undertaken in late October and throughout November to ensure its completion prior to December when it is not possible to undertake meaningful community engagement due to the busy holiday season in the local area. Details of the community engagement activities undertaken are included in the Community Engagement Schedule (attached as Annexure 10)

(Note - the Community Engagement Schedule was accurate at a 'point in time' but was not continually updated as additional activities took place or changed slightly. Some activities were adjusted or changed after the guidelines were issued to ensure compliance (eg in relation to surveys). For example, the key dates on page 7 do not reflect changes made to meet the requirements of the new DLG guidelines (which were not issued until 2 November 2012).

A number of key engagement objectives were adopted as part of the Community Engagement Strategy. These objectives were established to:


- 1 Ensure the community and stakeholders are aware of opportunities to have a say in the review of *Great Lakes 2030*
- 2 Consult and seek feedback on the objectives and strategies in *Great Lakes 2030* to ensure they represent the community's aspirations and priorities for the future of the Great Lakes area
- 3 Educate residents about past and current achievements resulting from the Environmental Special Rate
- 4 Provide opportunities for residents to express their views on the proposed continuation of the Environmental Special Rate
- 5 Seek and measure community support for the continuation of the existing Environmental Special Rate

Stakeholders are identified in the Engagement Strategy as follows:



A range of methods were utilised to inform the community about the special variation proposal and to obtain community feedback. These methods were selected based on Council's previous experience in the preparation of a Section 508A special variation application in 2010-2011 and its continued efforts on improving both broad and issue specific community engagement.

Methods of informing and engaging the community:

Method	Community markets		
Where, when & attendance	Tuncurry Markets	27/10/2012	300 (estimate)
	Pacific Palms Markets	28/10/2012	300 (estimate)
Why selected	<p>Attendance at markets allows Council to engage with parts of our community that would otherwise not attend a meeting or other engagement activity. We have found that in certain areas such as Pacific Palms we are also able to engage with younger residents and young families which are generally difficult demographics to reach.</p> <p>We have found that many people will not 'speak out' at a public meeting but will talk about issues one on one at a venue such as a market.</p> <p>Market attendance does have an impact on resources so only occurs in key locations and when the topic of engagement is significant.</p>		
Information presented	<ul style="list-style-type: none"> Waterways catchment model - activity/display  <p><i>Catchment model in action</i></p> <ul style="list-style-type: none"> Great Lakes 2030 priorities - activity Environmental Levy - background on rate, works undertaken, proposal for continuation, impact on rates annually if continuation approved, impact if continuation refused Update on 8% special rate variation 		

Method	Shopping centre		
Where, when & attendance	Stockland Forster	8/11/2012	200 (estimate)
Why selected	<p>Attendance at the main shopping centre in Forster allows Council to engage with parts of our community that would otherwise not attend a meeting or other engagement activity.</p> <p>We have found that many people will not 'speak out' at a public meeting but will talk about issues one on one at a venue such as a market.</p> <p>Shopping centre attendance does have an impact on resources so only occurs in key locations and when the topic of engagement is significant.</p>		
Information presented	<ul style="list-style-type: none"> Waterways catchment trailer - activity/display Great Lakes 2030 priorities - activity Environmental Levy - background on rate, impact on rates annually if continuation approved, impact if continuation refused, works undertaken, proposal for continuation Update on 8% special rate variation 		

Method	Community meetings		
Where, when & attendance	Hawks Nest/ Tea Gardens	1/11/2012	38
	Community groups: Forster/Tuncurry	5/11/2012	3
	Nabiac	7/11/2012	12
	Bulahdelah	13/11/2012	19
	Business groups: Forster/Tuncurry	14/11/2012	Nil
	Stroud	21/11/2012	7
Why selected	<p>The Great Lakes LGA is comprised of two main population centres - Forster/Tuncurry in the north and Hawks Nest/Tea Gardens in the south. In addition there are a number of small towns and villages within the region.</p> <p>It has been our experience that community meetings are relatively well attended in a number of these areas, but typically not in Forster/Tuncurry.</p> <p>The towns selected represent larger town centres where people from outlying areas can reasonably access. Council has been conducting regular community meetings in these areas over the last few years to keep the community informed on its financial position, works undertaken with the Section 508A special rate variation and other relevant Council information. We have been capturing email addresses from attendees where possible and now also send a direct email to them advising of upcoming meetings in their area. This was done for the November 2012 meetings as a way of increasing community awareness of the opportunity to be involved.</p> <p>Although community meetings are not typically well attended in Forster/Tuncurry we trialled sending specific invitations to community and business groups however attendance was still poor.</p>		
Information presented	<p>PowerPoint presentation by the General Manager (copy attached as Annexure 11). The presentation was tailored to suit the locality, through provision of information on local projects. The content of the presentation was as follows:</p> <ul style="list-style-type: none"> • Council update: financial position, 8% special rate variation, LIRS, service level review, community survey results • Environmental Special Rate: background, impact if approved, impact if refused • Great Lakes 2030 review • Local update <p>At the conclusion of the formal presentation attendees participated in a 'dot' exercise to indicate their top three issues for the future of the area and were able to ask questions of senior staff and Councillors.</p> <p>They were also provided with a hard copy survey seeking their priorities for the future and gauging support for continuation of the Environmental Special Rate.</p>		
Method	Media releases (MR), Mayor's Column (MC) & GLC Media Bulletins (MB) Attached as Annexures 12-19		
Topic, Date	MR - Council seeks continuation of Environmental & Dredging Levy		8/2/2013
	MC - Special Newsletter to all Ratepayers		6/2/2013
	MB - Great Lakes-Wide Community Consultations		12/11/2012
	MC - Great Lakes 2030 Consultation		7/11/2012
	MB - Great Lakes-Wide Community Consultations Continue		5/11/2012
	MB - Great Lakes-Wide Community Consultations Begin		29/10/2012
	MB - Great Lakes-Wide Community Consultations Begin		22/10/2012
	MR - Help shape the future of the Great Lakes		15/10/2012

Method	Newsletter - Special Edition Newsletter Attached as Annexure 20	
Topic, Date	Seeking renewal of existing Environmental & Dredging Special Levy (including survey)	Feb 2013
Where	<ul style="list-style-type: none"> • Sent to all GLC ratepayers (approximately 24,000) • Council's website as first 'Hot Topic' 	
Why selected	<p>Following the face to face engagement held across the Great Lakes area in late 2012, the Special Edition Newsletter was utilised to ensure opportunity for broad community awareness and input to Council's proposal to seek the special variation.</p> <p>Council has also recently undertaken research into how the community prefers to get information from Council. The research indicates that the community ranks 'direct mail' and 'resident newsletter' as their highest preferences. The results are statistically relevant and form part of the Community Satisfaction Survey Report provided by Micromex Research (p 77-79 attached as Annexure 3). When asked 'How would you prefer to get your Council information' 65% of respondents indicated 'direct mail' and 61% of respondents indicated 'resident newsletter'.</p>	
Information presented	<p>Newsletter and survey are attached as Annexure 20. The newsletter provided information on the history of the levy; some examples of programs that have been and are proposed to be undertaken from this source of funding; and the impact on ratepayers and on Council's budget from its cessation or continuation. (The IPART reviewed the newsletter prior to distribution.)</p>	

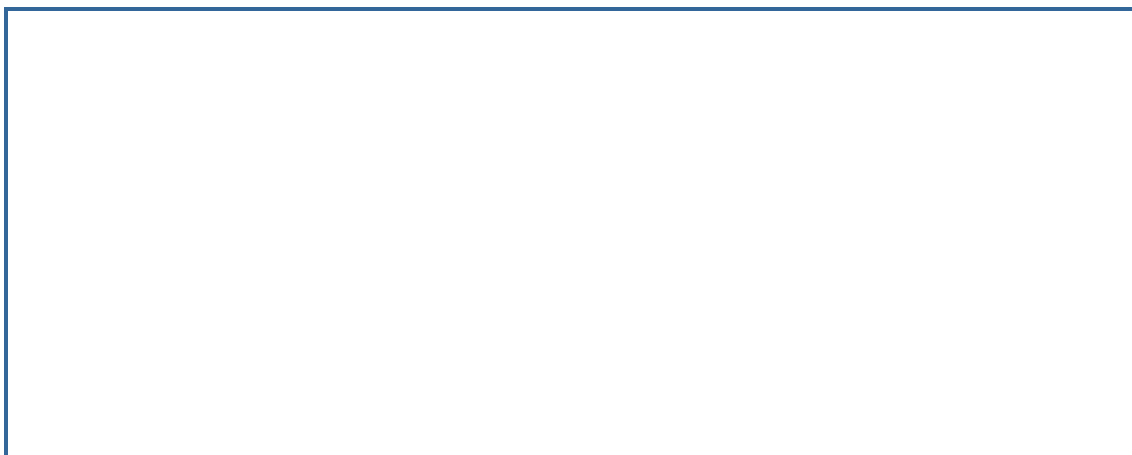
Method	Newsletter - Council Communicator Attached as Annexures 21 & 22	
Topic, Date	Council to seek extension of environmental rate	Jan 2013
	Community consultations for Great Lakes 2030 and ESR continuation	Oct 2012
Where	<ul style="list-style-type: none"> • Sent to all GLC ratepayers • Council's website 	

Method	Newsletter - Creek to Coast Attached as Annexure 23	
Topic, Date	Great Lakes - shaping our future	Summer 2012
Where	<ul style="list-style-type: none"> • Print run of 5500. 5000 copies distributed to rural landholders, 500 copies distributed to urban areas including local community groups. • Emailed to mailing list of 600 - Sustainable Farming group members, community agencies and GLC staff • Council's website 	

Method	Paid advertisements	
Topics	Community Engagement - Great Lakes 2030 & Environmental & Dredging Special Rate	
Where	<p>Advertisement ran in local papers to ensure residents were aware of the various opportunities to participate in the community engagement program around the review of Great Lakes 2030 and the proposal to seek continuation of the Environmental and Dredging Special Rate.</p> <p>These ads ran in all local newspapers over a period of weeks on October and November 2012. Newspapers were: Great Lakes Advocate, Myall Coast</p>	

	NOTA, Dungog Chronicle and Gloucester Advocate. A copy of one advertisement is attached as Annexure 24	
Method	Media coverage received (note: this is not necessarily a comprehensive list as Council does not undertake formal media monitoring)	
Topic, Date	Council seeks continuation of Environmental Special Rate	various
Where	Print: Great Lakes Advocate	13/2/2013
	Myall Coast NOTA	7/2/2013 & 14/2/2013
	Radio: 2RE and Max FM news	11/2/2013
	TV: NBN	8/2/2013
	Prime	13/2/2013
Method	Media coverage received (note: this is not necessarily a comprehensive list as Council does not undertake formal media monitoring)	
Topic, Date	Help shape the future of the Great Lakes	various
Where	Print: Great Lakes Advocate	24/10/2012
	Focus magazine (extract attached as Annexure 25)	Nov 2012
	Radio: 2RE and Max FM news	18/10/2012
	ABC	22/10/2012
	Great Lakes FM interview	21/11/2012
	Other: Stroud Community Website (attached as Annexure 26)	22/10/2012
Method	Public exhibition documents (IP & R) - advertisements are placed in all local newspapers and a media release is issued advising the community that the documents are on public exhibition, including details of where the documents can be inspected and how submissions can be made.	
What	Great Lakes 2030, 2013-2017 Delivery Program, 2013-2014 Operational Plan, Long Term Financial Plan (2013/14 - 2022/23)	
Where	The documents will be available at Council offices at Forster, Tea Gardens and Stroud. The documents will also be available on Council's website.	
When	The above <i>draft</i> documents will be presented to Council at their Ordinary meeting on 26 March 2013 and will then be placed on public exhibition for at least 28 days in accordance with legislation. Submissions will be considered and the final plans presented to Council for adoption on 28 May 2013 so that the relevant extracts from the <i>final</i> documents can be provided to the IPART prior to the special rate variation determination date. In addition to the documents above, the Workforce Management Plan and Asset Management Strategy will be presented to Council for adoption.	
Why selected	In accordance with legislation	
Information presented	<p>Council has undertaken a detailed review of the community strategic plan to ensure it continues to reflect the priorities of the community and so that it better expresses the objectives and strategies in relation to the Key Directions.</p> <p>Council has also developed a new 2013-2017 Delivery Program and 2013-2014 Operational Plan to reflect their priorities for their term of office, and has updated the Long Term Financial Plan.</p> <p>Effort has also been placed on better integrating the full set of IP & R documents.</p>	

Timing of the consultations:



Methods of obtaining feedback from the community:

Method	Environmental & Dredging Levy Survey
Where	<ul style="list-style-type: none">• Sent to all GLC ratepayers with the Special Edition Newsletter (distribution approximately 24,000)• Council's website
When	The mail out was sent on 8 February 2013. The survey was open until 1 March 2013.
Why selected	<p>Council had originally planned on undertaking a statistically valid survey to gauge support for the continuation of the Environmental & Dredging Levy. However, following the release of the DLG's 'Guidelines for the preparation of an application for a special variation to general income' and IPART's 'Fact Sheet for Councils - Community awareness and engagement for special variation applications' we determined that a special mail out would be a better way to ensure the opportunity for broad community awareness and input.</p> <p>It was judged that the size of the variation was not significant in terms of the community's ability to pay as the levy is currently included in Council's rate structure. As the proposal is not for an actual 'increase' in rates but a continuation of an existing program and income stream, Council determined that the emphasis with this newsletter and associated survey should be on very broad awareness and providing all ratepayers the opportunity to have input, rather than a representative sample.</p>
Information presented	<p>A copy of the Special Edition Newsletter and associated survey is attached as Annexure 20. A parallel survey ran on Council's website, which allowed all results to be pooled together for analysis.</p> <p>The newsletter provided information on the history of the levy; some examples of programs that have been and are proposed to be undertaken from this source of funding; and the impact on ratepayers and on Council's budget from its cessation or continuation. (The IPART reviewed the newsletter prior to distribution.)</p>

Method	Questionnaire (Great Lakes 2030 & Environmental Special Rate) - attached as Annexure 27
Where	<ul style="list-style-type: none"> • Markets & meeting attendees • Council's website
When	Late October and November 2012
Why selected	This questionnaire was two-fold and was intended to compliment the market display and/or community meeting presentation rather than being a means of informing or gauging support from the broader community. The main intention was as a feedback form.
Information presented	<p>It enabled participants to provide input to the community's vision for <i>Great Lakes 2030</i> and identify their top issues for the future of the Great Lakes to ensure the plan still reflects community priorities.</p> <p>The questionnaire also gauged general support for the continuation of the Environmental Special Rate, and asked for feedback on how they prefer to get their information from Council.</p>

5.2 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.

Council's Response:

'Timing of the consultations' is included in the timeline in Section 5.1 above.

Details on community engagement activities undertaken are also provided in Section 5.1 above. A summary of these activities and the overall sentiment follows.

Community engagement activities summary (October - November 2012)

Method	Community markets		
Where, when & attendance	Tuncurry Markets	27/10/2012	300 (estimate)
	Pacific Palms Markets	28/10/2012	300 (estimate)

Method	Shopping centre		
Where, when & attendance	Stockland Forster	8/11/2012	200 (estimate)
Method	Community meetings		
Where, when & attendance	Hawks Nest/ Tea Gardens	1/11/2012	38
	Community groups: Forster/Tuncurry	5/11/2012	3
	Nabiac	7/11/2012	12
	Bulahdelah	13/11/2012	19
	Business groups: Forster/Tuncurry	14/11/2012	Nil
	Stroud	21/11/2012	7

Overall sentiment & questionnaire results	Markets, shopping centre & meetings
<p>Markets & shopping centre</p> <p>Council's market and shopping centre display attracted significant interest from the public. This was largely due to use of the unique 'catchment education model' which simulates how a catchment works during rainfall, and how different land uses impact water quality. It shows examples of good and poor farm management; petrol stations; building sites; a residential and retail area; oyster leases; a landfill; rivers, wetlands and estuaries. (see photo in Section 5.1)</p> <p>The model enables participants to see the bigger picture of how water in our landscape is connected and how poor management practices can result in water pollution in our environment. The model simulates different pollution events that occur within a catchment, including runoff from a car wash. It also contains a small house that can demonstrate sustainable living practices. The model provides a tangible way of viewing our catchment from a birds eye view, and presents it in a realistic, interactive and understandable way.</p> <p>Because of the interest in the model, we were able to clearly communicate and demonstrate to hundreds of participants what projects the levy supports and the benefit to the surrounding environment.</p> <p>Although the majority of market and shopping centre attendees did not fill out a hard copy survey, many did participate in the 'dot exercise' indicating their top priorities for the future of the Great Lakes. The results of this exercise are analysed below.</p> <p>Council staff were constantly engaged with attendees discussing a wide range of issues, primarily focussed on the catchment model and levy and on <i>Great Lakes 2030</i>. The overall sentiment regarding support for continuation of the levy was positive, with widespread recognition of the importance of the natural environment to our local area. The link between the levy itself and the benefits gained from it in terms of the health of our environment was clearly understood.</p> <p>The static display included information on the impact on ratepayers (attached as Annexure 28) which was consistent with the information provided to attendees at community meetings. This information was based on the best information and does not necessarily reflect the exact percentages of Council's application as these were not known at the time, however the clear message conveyed was the intention to seek a renewal of the environmental and dredging levy at 6% (as per the original approval).</p> <p>Meetings</p> <p>A copy of the PowerPoint presentation delivered by the General Manager is attached as Annexure 11. The format of the community meetings is to deliver the formal presentation, allowing for questions and comments, with an opportunity to speak with senior Council staff and Councillors at the conclusion of the meeting. The format allows for robust discussion on Council-wide issues as well as concerns of local residents in their area. Overall the content of the presentation is consistent at each meeting, apart from area specific updates provided on local issues.</p> <p>Although attendance numbers are not necessarily high, meeting attendees regularly express gratitude</p>	

for Council's willingness to visit the regional areas and provide information and answers to their queries. Attendees willingly participated in the 'top issues for the future' exercise, many struggling with what to choose as priorities due to most of the issues striking a chord as being important now and into the future. This sentiment is also reflected in the Community Satisfaction Survey undertaken by Micromex on Council's behalf. The results of that survey indicated that the 'least' important of the 39 services and facilities ranked still was 'important' or 'very important' to 50% of those surveyed.

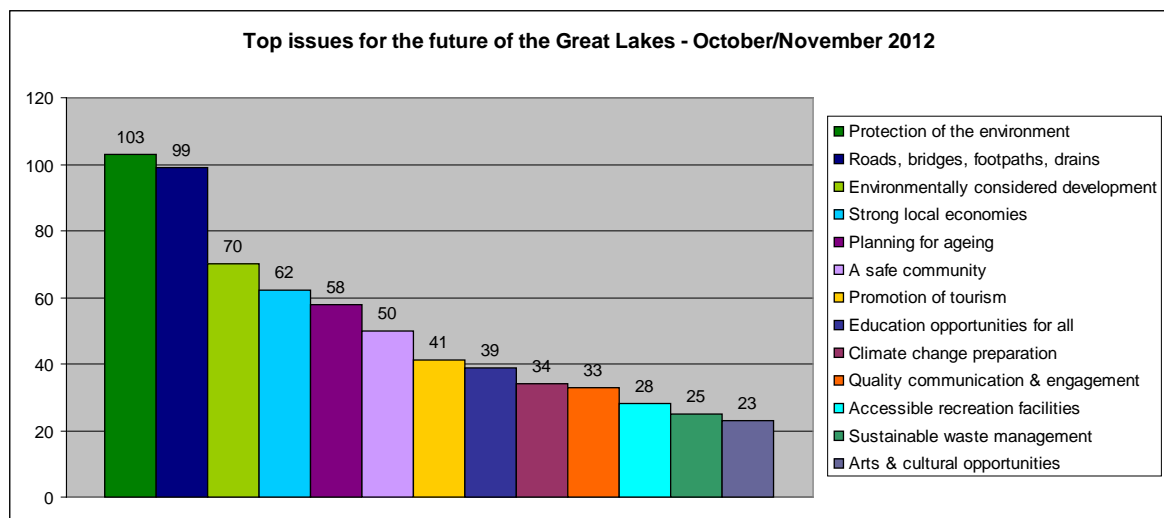
In regards to the proposal to continue the levy, there was strong support. Initially, attendees in the rural areas were not aware of environmental projects funded by the levy in their area. However, once these rural programs were explained to them as being supported by the levy there was overwhelming support.

Results of 'top issues for the future of the Great Lakes' activity and questionnaire

The results of the priority exercise are shown the following graph. This represents input received from markets, community meetings, hard copy surveys and online. The majority of attendees at the community meetings participated in the activity while the attendees at the markets tended to spend about ten minutes at the Council stand and preferred to participate in the catchment model demonstration and to talk directly with Council staff.

The community consistently ranks the top two issues, *protection of the environment* and *roads, bridges, footpaths, drains* as having a very high importance. Council's IP & R documents reflect these priorities and have been the focus of prior special variation applications to enable Council to further focus on improving services in these areas.

A relatively small number of people completed the hard copy or on line questionnaire with a total of 70 replies received. Council recognises that these people are already engaged and are not necessarily representative of the wider community. An overwhelming majority of responses (over 90%) indicated support for continuation of the levy.









Results of Environmental & Dredging Levy Survey (February - March 2013)

Method	<p>Environmental & Dredging Levy Survey</p> <p>Hard copy survey was sent to all ratepayers and was available online on Survey Monkey via Council's website</p>
Where	<ul style="list-style-type: none"> • Sent to all GLC ratepayers with the Special Edition Newsletter (distribution approximately 24,000) • Council's website
When	<p>The mail out was sent on 8 February 2013. The survey was open until 1 March 2013.</p>
Overall results	<p>Return rate</p> <p>Council received an overwhelming response to this self-selecting survey. A total of 2080 replies were received, representing an 8 ½ % return rate. 1595 surveys were completed in hard copy with 485 completed online through Survey Monkey. All hard copy replies were manually entered into Survey Monkey to allow the results to be tabulated and reported as one data set. The graphs below have been downloaded directly from Survey Monkey and are inclusive of all responses received. A copy of the summary report and detailed report including all comments received is attached as Annexures 29 & 30.</p> <p>Although not statistically valid due to the volunteer nature of the sample, the survey undertaken allowed Council to both increase awareness in the community of Council's proposal to continue the levy as well as providing all ratepayers with an opportunity to have a say. A statistically valid random survey of the Great Lakes Council local government area would have sampled 400 residents with a maximum sampling error of plus or minus 4.9% at 95% confidence. This would not have had the benefit of extending awareness of the proposal and the purpose of the levy, including the impact on ratepayers.</p> <p>The survey was designed to be simple and specific to encourage participation. Four questions related to basic statistics, one was to gauge awareness of the levy prior to the newsletter, and the final question was whether participants support the continuation of the levy.</p> <p>Overall results</p> <p>The results of the survey indicate strong support for the levy, with 67.1% in favour of continuation of the environmental and dredging levy at the existing level of 6% and 32.9% against its continuation. The following section includes a detailed analysis of the results as well as comments on the general sentiment of those against continuation of the levy.</p>

Analysis of survey results

Survey Question 1

Table 1

1. Which town or area do you live in?			
		Response Percent	Response Count
Forster, Tuncurry		55.6%	1,016
Nabiac, Failford, Darawank, Rural North		3.9%	72
Bulahdelah, Central West		4.0%	73
Stroud, Rural West		3.9%	72
Hawks Nest, Tea Gardens, NAC, Pindimar		21.9%	400
Pacific Palms, Smiths Lake, Coomba Park		10.6%	194
Other (please specify)			275
answered question			1,827
skipped question			253

Note: although the majority of respondents replied to this question, it does not take into account the non-resident ratepayers who have responded to the survey. A total of 253 respondents either did not complete their location, or included a locality in "other" that was not on the above list.

The latest 2011 census data on Profile.id <http://profile.id.com.au/great-lakes/population?WebID=10>, indicates the Great Lakes Council area has a total population of 34,427 with a population distribution as follows:

Table 1a



Area	% of total population	Number
Forster, Tuncurry	56.6%	19,509
Nabiac, Failford, Darawank, Rural North	7.3%	2532
Bulahdelah, Central West	5.6%	1928
Stroud, Rural West	7.7%	2668
Hawks Nest, Tea Gardens, NAC, Pindimar	13.5%	4656
Pacific Palms, Smiths Lake, Coomba Park	9.0%	3116

A comparison of the actual population distribution (Table 1a) versus the percentage of respondents to Council's survey (Table 1) shows a fairly representative sample of ratepayers responded to the survey. The Hawks Nest, Tea Gardens, North Arm Cove and Pindimar area was the most 'over represented' with a rate 8.4% higher than the actual population distribution. This would be partially due to the high response from landowners in North Arm Cove who are unable to develop their land and oppose paying any rates to Council, much less any special levies. This difference in response rate would not have skewed the overall results, except possibly in the response to question 6 regarding whether or not they support continuation of the levy. Details are provided in the analysis of that particular question.

A comparison of response rates in the other areas listed in Table 1a are only +/- .4% - 3.8% which is not a statistical concern when considering the overall results of the survey.

Survey Question 2

Table 2

2. What is your gender?			
		Response Percent	Response Count
Male		58.0%	1,194
Female		42.0%	866
answered question			2,060
skipped question			20




Profile.id indicates the gender distribution of the Great Lakes Council area at the 2011 census was 49% male and 51% female as shown below in Table 2a. Female respondents were slightly underrepresented in the survey by 9%.

Table 2a

Gender	% of total population	Number
Male	49%	16,860
Female	51%	17,567

Survey Question 3

Table 3

3. What is your age group?			
		Response Percent	Response Count
18 - 34		1.6%	32
35 - 54		15.0%	310
55 years and over		83.4%	1,721
answered question			2,063
skipped question			17

The age distribution in the Great Lakes Council area is well outside the average for regional NSW as shown in the following extracts from the Profile.id website <http://profile.id.com.au/great-lakes/service-age-groups?WebID=10>

Analysis of the service age groups of Great Lakes Council area in 2011 compared to Regional NSW shows that there was a lower proportion of people in the younger age groups (0 to 17 years) and a higher proportion of people in the older age groups (60+ years).

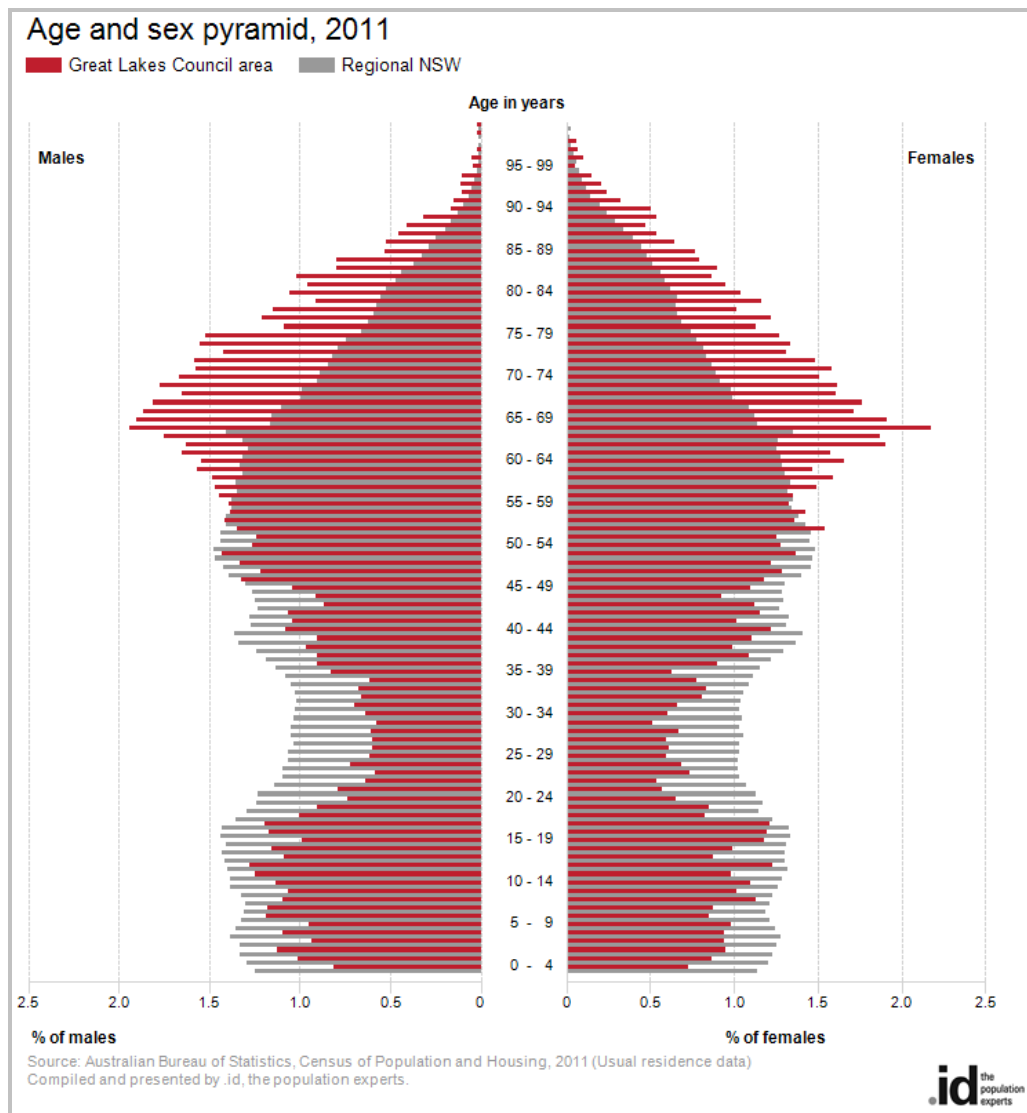
Overall, 18.8% of the population was aged between 0 and 17, and 39.5% were aged 60 years and over, compared with 23.6% and 24.5% respectively for Regional NSW.

The major differences between the age structure of Great Lakes Council area and Regional NSW were:

- A *larger* percentage of 'Seniors' (17.9% compared to 10.3%)
- A *larger* percentage of 'Empty nesters and retirees' (17.7% compared to 11.9%)
- A *larger* percentage of 'Frail aged' (3.9% compared to 2.3%)
- A *smaller* percentage of 'Young workforce' (6.5% compared to 10.4%)

These differences can be seen in the Profile.id age pyramid below:


Table 3a



The results of the survey do indicate a very high return rate for the '55 years and over age group', even taking into account that the Council area has a high proportion of residents in that group.

Survey Question 4




Table 4

4. Do you currently pay rates to Great Lakes Council?			
		Response Percent	Response Count
Yes		98.4%	2,038
No		1.6%	33
answered question			2,071
skipped question			9

The large majority of respondents in the survey indicated that they are ratepayers of Great Lakes Council.

Survey Question 5

Table 5

5. Were you aware there is an environmental & dredging levy currently included in Council rates?			
		Response Percent	Response Count
Yes		55.8%	1,152
No		35.2%	726
Not sure		9.1%	187
answered question			2,065
skipped question			15

Analysis of awareness of the existing environmental and dredging levy indicates a slight majority of respondents were aware that the levy is included in Council rates. Interestingly, prior knowledge of the levy did not seem to make a significant difference in a respondent's response to whether or not they supported the continuation of the levy as show in Table 5a and Table 5b below. Those respondents with prior knowledge did show slightly stronger support for continuation of the levy.

Table 5a shows the results of a crosstab of those who either *weren't aware* of the levy or *weren't sure* whether they were aware of it, against whether they support the continuation of the levy.

Of these, a total of 61.9% support continuation of the levy, versus 38.1% who do not support continuation.

Table 5b shows the results of a crosstab of those who were aware of the levy against whether they support the continuation of the levy.

Of these, a total of 71.3% support continuation of the levy, versus 28.7% who do not support continuation.

Table 5a

Do you support the continuation of the environmental & dredging levy at the existing level of 6%?			
	Were you aware there is an environmental & dredging levy currently included in Council rates?		
	No	Not sure	Response Totals
Yes	59.8% (424)	70.7% (123)	61.9% (547)
No	40.2% (285)	29.3% (51)	38.1% (336)
Comments	380 replies	84 replies	464
answered question	709	174	883
skipped question			30

Table 5b

Do you support the continuation of the environmental & dredging levy at the existing level of 6%?		
	Were you aware there is an environmental & dredging levy currently included in Council rates?	
	Yes	Response Totals
Yes	71.3% (803)	71.3% (803)
No	28.7% (324)	28.7% (324)
Comments	654 replies	654
answered question	1,127	1,127
skipped question		25

Survey Question 6

Table 6

6. Do you support the continuation of the environmental & dredging levy at the existing level of 6%?			
		Response Percent	Response Count
Yes		67.1%	1,354
No		32.9%	664
Comments			1,128
answered question			2,018
skipped question			62

Overall, a clear majority of respondents indicated support for continuation of the environmental and dredging levy. This support is reflected in the consistent ranking of protection of the waterways/natural environment as a top priority for the future of the Great Lakes area.

The information in the Special Edition Newsletter that was distributed with the survey presented information to the community on Council's proposal in a clear manner to allow respondents to make an informed decision on whether to support the continuation of the levy.

Council considers these results to be a strong and representative indication from the community to continue undertaking the programs and projects funded by the existing environmental and dredging levy for the protection of our waterways and environment, now and into the future.

The following Tables (6a - 6f) provide a breakdown of support for continuation of the levy by area. The strongest support for continuation of the levy is from Forster, Tuncurry (76.4%) and from Pacific Palms, Smiths Lake and Coomba Park (77.5%). These two areas provided 66.2% of the total replies received. A number of location - specific issues were evident in the comments from respondents. These are discussed following the relevant tables below.

Table 6a

Do you support the continuation of the environmental & dredging levy at the existing level of 6%?		
	Which town or area do you live in?	
	Forster, Tuncurry	Response Totals
Yes	76.4% (757)	76.4% (757)
No	23.6% (234)	23.6% (234)
Comments	455 replies	455
answered question	991	991
	skipped question	25

Table 6b

Do you support the continuation of the environmental & dredging levy at the existing level of 6%?		
	Which town or area do you live in?	
	Pacific Palms, Smiths Lake, Coomba Park	Response Totals
Yes	77.5% (148)	77.5% (148)
No	22.5% (43)	22.5% (43)
Comments	97 replies	97
answered question	191	191
	skipped question	3

Table 6c

Do you support the continuation of the environmental & dredging levy at the existing level of 6%?		
	Which town or area do you live in?	
	Hawks Nest, Tea Gardens, NAC, Pindimar	Response Totals
Yes	52.5% (201)	52.5% (201)
No	47.5% (182)	47.5% (182)
Comments	284 replies	284
answered question	383	383
	skipped question	17

Table 6c above provides the results for the Hawks Nest, Tea Gardens, North Arm Cove and Pindimar areas which although still indicates over 50% in favour of continuation, is relatively lower than support indicated from Forster / Tuncurry and the Pacific Palms areas.

Analysis of comments included with the surveys would indicate that this lower level of support is based on a number of factors including;

- Council consistently receives comments from land owners at North Arm Cove who are unable to construct a dwelling on their land due to the zoning restrictions that apply. This has been a subject of years of debate and Council is regularly and unjustly accused of having misled purchasers. The owners of these properties generally believe they should not be subject to any rates, much less special rate variations.

A fact sheet addressing the North Arm Cove matter was issued in March 2009 from the NSW Government Department of Planning (attached as Annexure 31 and available on Council's website) states:

Land at North Arm Cove, on the foreshore of Port Stephens, was subdivided speculatively before the 1920s and the introduction of planning controls (these are now known as 'paper subdivisions'). The area contains up to 2700 small lots - urban in size though rural in zoning - that have never been able to have a house constructed on them.

These lots have been sold to many purchasers without having any building rights.

- Dissatisfaction with Council's management of erosion at Jimmys Beach, Winda Woppa (a NSW 'hot spot' for coastal erosion). A sand re-nourishment program has been in place for a number of years for asset protection which some members of the community deem to be an inadequate management technique.

There are three studies currently being undertaken that will shape the future management of Jimmys Beach, including a hazard assessment to identify the

potential impacts on the area due to sea level rise and a Management Plan for the area.

The management of Jimmys Beach is unrelated to the environmental and dredging levy as it does not fund any of the works in that area, contrary to the sentiment expressed by some respondents.

- Many respondents from this area who opposed continuation of the levy were of the misunderstanding that the dredging levy had not supported navigational dredging activities in their area. However, Council undertook dredging of the Corrie Channel with the special levy funds and continues to monitor the site for infill to inform future dredging programs.

Respondents also indicated an expectation that it is Council's responsibility to fund dredging of the Eastern Channel of the Lower Myall River (which is the subject of current State Government reports). Dredging of this area of the River system is State Government responsibility and is not funded by Council or through the environmental and dredging levy.

Table 6d

Do you support the continuation of the environmental & dredging levy at the existing level of 6%?		
	Which town or area do you live in?	
	Bulahdelah, Central West	Response Totals
Yes	40.3% (29)	40.3% (29)
No	59.7% (43)	59.7% (43)
Comments	47 replies	47
answered question	72	72
	skipped question	1

The results in Table 6d above from the Bulahdelah-Central West area indicate the lowest level of support for continuation of the special levy, at 40.3%. A number of comments from respondents indicated lack of understanding of environmental works funded by the levy in their local area. This was also the case for some of the other 'rural' areas as shown in Table 6e and Table 6f.

The levy is utilised throughout the Great Lakes area, however many residents are either not aware of the link between various activities and the levy, or they just aren't aware that Council has undertaken any work in their area.

A number of projects and programs are supported in the Bulahdelah area, as well as other rural locations including;

- Working with rural landholders to improve water quality (Sustainable Farming Program)
- Sealing of creek crossings on rural roads to reduce pollution of waterways
- Installation and maintenance of urban stormwater improvement at Bulahdelah, Forster, Hawks Nest, Smiths Lake, Stroud, Tea Gardens, Tuncurry
- Wetland protection and riverbank restoration - Nahiic, Failford
- Protection and improvement of wetland areas for water quality - Bulahdelah, Darawank, Minimbah, Tea Gardens, Tuncurry
- Ecological health assessment of the Lower Myall and Karuah Rivers

The results in Table 6d reflect a 'general' feeling from the Bulahdelah-Central Rural area of dissatisfaction with Council. The statistically valid community satisfaction survey undertaken by Micromex (Annexure 3) indicates a consistently lower level of satisfaction from residents in the Bulahdelah - Central Rural area across most areas of the survey.

This was discussed with residents at the community meeting held in November 2012. There is a feeling of community vulnerability in relation to the future economic prosperity of Bulahdelah with the Pacific Highway by-pass of the town due to open before year end. The community is looking to Council for reassurance and action to ensure its future as a thriving population centre.

Many residents of the Bulahdelah area as well as areas outside of Forster/Tuncurry also regularly express the belief that the rates from the small towns and villages are used to subsidise works in the main population centres of Forster and Tuncurry. This is regularly explained to residents at community meetings as being inaccurate, with the reverse being the actual case.

Table 6e

Do you support the continuation of the environmental & dredging levy at the existing level of 6%?		
	Which town or area do you live in?	
	Nahiic, Failford, Darawank, Rural North	Response Totals
Yes	55.7% (39)	55.7% (39)
No	44.3% (31)	44.3% (31)
Comments	46 replies	46
answered question	70	70
	skipped question	2

Table 6f

Do you support the continuation of the environmental & dredging levy at the existing level of 6%?		
	Which town or area do you live in?	
	Stroud, Rural West	Response Totals
Yes	46.5% (33)	46.5% (33)
No	53.5% (38)	53.5% (38)
Comments	40 replies	40
answered question	71	71
	skipped question	1

Other comments received

All comments received are attached with the full survey results as Annexure 30.

A number of comments received from those who do not support continuation of the levy relate to specific localities and are referenced above with the relevant table. A number of comments were not locality-specific, with the general sentiment of those as follows:

- **Pensioner/self funded retiree/can't afford/everything else is going up**

A number of comments were received regarding the financial strain on households. Many of these related specifically to pensioners or self funded retirees inability to meet increasing costs of living.

This same sentiment was expressed when Council undertook community engagement in relation to the previous Section 508A special rate variation application, and has been the focus of some external studies on local government funding sources and communities willingness to pay additional money for services. A report released in December 2012 from Elton Consulting, entitled *Review of community surveys/polling on local government* notes that across NSW, '...66% of respondents were supportive of paying higher residential rates for improved quality of services and facilities. Lower income earners and residents 65 years and older were less likely to support the statement.' This sentiment is regularly expressed by residents in the Great Lakes area due to the age demographic.

However as Council's current application for the continuation of the existing environmental and dredging levy only results in an increase of less than 0.30% for residential ratepayers, this argument does not have a strong basis. This information was clearly articulated to ratepayers in the Special Edition

Newsletter attached as Annexure 20 and reviewed by the IPART prior to production.

- That the funds could be used on other priorities such as roads

Council's current Section 508A special variation approval is based on improving asset maintenance in line with Asset Management Plans. Council was also successful in its application under the Local Infrastructure Renewal Scheme (LIRS) which will enable Council to bring forward a number of necessary road and bridge infrastructure projects, as discussed earlier in this application.

Council will continue to work on strategies to address asset maintenance and renewal issues, however the funds set aside as part of a special levy for environmental and dredging works cannot be applied to other Council priorities such as roads and bridges.

However, Council also received a number of positive comments regarding achievements to date and continuation of the levy, including:

- *"The environment is important to me. GLC has achieved great things over the past six years through this levy and I think it's to be commended."*
- *"Vital for it to continue"*
- *"Continue the good environmental work - GLC lead the way. Continue to attract external funding where possible. Environment is one of the GLA best assets."*
- *"Our environment is important - but also a major tourist attraction. All money is well spent as your record shows."*
- *"Keep up the good work. The improvement in the lake over the past decade is a credit to you."*
- *"Keep up the dredging etc it helps the lake stay healthy."*
- *"I strongly support Council's efforts to protect the environment."*
- *"As a frequent visitor to the lakes I think the work Council is doing to keep them healthy is really important, and that the cost of doing it would be far outweighed by the cost of not doing it."*
- *"Absolute no brainer - those who resist this will have self-interest way ahead of community."*
- *"I believe our council is doing a great job in maintaining our little piece of paradise."*
- *"To protect our environment here in all of the beautiful Great Lakes Council area, for ourselves and the health of future generations."*

- *"A small amount to pay to ensure the environmental health and stability of our natural assets."*
- *"I've seen some of the work and met the people doing it. I congratulate Council on this work. Its hard to please everyone but I think you're doing a good job."*
- *"Keep up the good work - the environment can only benefit."*
- *"Excellent program, excellent environmental and educational benefits. I support this levy 100%!"*
- *"The standard Council has attained throughout Forster Tuncurry is highly commendable. Congratulations. Waterways must be kept navigable. Go for it with our blessings."*

Letters of support

Council received letters from two staunch supporters of the works undertaken with the environmental and dredging special levy. Both indicated significant support for the continuation of the levy, for the benefit of the community, the environment and the local economy. A brief extract from each of the letters follows, with the actual letters attached as Annexures 32 & 33.

- NSW Government Office of Environment & Heritage

states 'I consider that the environmental planning and rehabilitation projects that Great Lakes Council has undertaken since the introduction of the ESR to be of the highest standard. Council staff have performed admirably in the delivery of these projects and the Great Lakes Shire has reaped the benefits, being recognised on many occasions as being leaders in the field of environmental management.'

- On behalf of Wallis Lake Oyster Farmers

states 'The work that Council has undertaken using funds from the Levy and grants from government has greatly assisted in controlling some of the problems affecting our industry and we believe it is vital for the initiatives that Council has undertaken in the catchment to be continued. We have no doubt that the initiatives such as runoff detention and filtering; bio-filtration systems, acid sulphate remediation, property buy back, public awareness programs etc are all making a difference and must be allowed to be continued and further developed.'

Submissions on Draft IP & R documents

Method	Exhibition of draft <i>Great Lakes 2030</i> , Delivery Program, Operational Plan and Long Term Financial Plan
When	The above <i>draft</i> documents will be presented to Council at their Ordinary meeting on 26 March 2013 and will then be placed on public exhibition for at least 28 days in accordance with legislation. Submissions will be considered and the final plans presented to Council for adoption on 28 May 2013.
Results	<p>To be advised. Submissions will be taken into consideration and summarised in a report to Council's May meeting where a resolution will be sought to adopt the draft documents.</p> <p>Comments received, Council's resolution and relevant parts of adopted documents will be forwarded to the IPART.</p>

6 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.

6.1 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.

Council's Response:

Council's rate structure will be the same as applied in 2012/2013, which is contained within Council's Statement of Revenue Policy for the same period. Legislation requires that Council will categorise all rateable land into one of four broad categories. These categories are Farmland, Residential, Business and Mining. Council may create sub categories within each of these categories.

It is proposed that the following categories and sub categories will be used in the 2013/2014 rating period and beyond. This is the same structure that was proposed for the section 508A special variation application in 2011 with the addition of a new residential sub category for Winda Woppa which was introduced for the 2012/2013 rating period.

CATEGORY	SUB CATEGORY	DEFINITION OF USE
Residential		Dominant use is for residential purposes. Includes vacant land zoned to permit use for residential purposes.
	Residential Towns	Separate sub category for Nabitac, Stroud, Bulahdelah, Forster, Tuncurry, Green Point, Pacific Palms, Hawks Nest, Tea Gardens, Winda Woppa, Seal Rocks, Pindimar, Coomba Park and North Arm Cove. Includes vacant land zoned to permit residential purposes.
Business		Includes all properties which cannot be categorised as Residential or Farmland. Includes vacant land zoned for such purposes.
	Business Towns	Separate sub category for business properties in the towns of Forster and Tuncurry. Includes vacant land zoned for such purposes.

CATEGORY	SUB CATEGORY	DEFINITION OF USE
Farmland		<p>All land deemed to be Farmland in accordance with the provisions of Section 515 of the Local Government Act 1993.</p> <p>All residential type blocks at North Arm Cove, Pindimar etc, which are zoned Rural 1(a). These properties cannot receive building approval; however limited agricultural use may be permitted. These properties have in the past been levied the lowest level of rates issued by Council.</p>
Mining		<p>Land is to be categorised as mining if it is a parcel of rateable land and its dominant use is for a coal or metalliferous mine.</p>

Council calculates its Ordinary rates by applying a base amount and ad valorem rate across the various categories and sub categories. No change is proposed for the method of calculating Ordinary rates in 2013/2014. This structure has been utilised in the development of the scenarios required above.

The Ordinary rate will be comprised of a base amount and an ad valorem rate with the two components explained below.

Base Amount:

- The base amount is a fixed component and must be the same on every property subject to that rate.
- The base amount must not exceed 50% of the total rates collected by that rate.
- If the rate is applied to more than one category or sub category the 50% rule must not be exceeded in regard to any one of the categories or sub categories.
- When determining the level of the base amount Council has had regard to the requirements of Section 536 of the Local Government Act 1993.

Council's overheads dissected across ratepayers would result in the amount collected from the base amount exceeding limits imposed by section 500 of the Local Government Act.

In addition Council does not receive sufficient grants to deliver appropriate services throughout the Council area and as such relies on general purpose rates for their provision.

Council has examined the valuation range across its rate base and is of the opinion that rates levied wholly on the ad valorem rate would not result in an equitable

distribution of the rate and as such has used base amounts to obtain a more equitable distribution.

Ad Valorem Component:

- The ad valorem component is calculated by multiplying the rateable value of a property by a rate in the dollar set by Council.
- The higher the value of a property, the higher the ad valorem component.
- The ad valorem component must collect a minimum of 50% of any rate.

Council proposes that any increases in rates arising from this application will apply evenly across all categories and sub categories. Worksheet 5 shows increases in the Farmland category as slightly higher than the increases applying to the Residential and Business categories and sub categories. This slight difference is due to the impact of valuation objection income adjustments proposed to be made in 2013/2014, which are predominantly in relation to Farmland properties.

For the purposes of this section the rating structure that would apply should this application be successful is that shown on Worksheet 3, while a hypothetical structure has been developed for comparative purposes on Worksheet 5. It should be noted that this rating structure scenario does not equate to any of the Long Term Financial Plan scenarios that have been developed and discussed elsewhere in this application. As such the structure is of limited value for comparative purposes as it does not reflect the possible decisions that the IPART have advised Council they are capable of making in relation to this application.

However to comply with the requested information the table below highlights the differences between the structure applicable for the application and the structure that would apply if Council was required to remove all existing special variations from its rate base in 2013/2014 and increase general income by the rate peg only.

Rating Category	Name of sub category	No. of Assess	SV Structure		No SV Structure	
			Ad Valorem Rate	Base Amount	Ad Valorem Rate	Base Amount
Farmland		4,243	0.29917	311.30	0.2705	281.60
Residential		4,271	0.26367	565.50	0.23836	511.50
Residential	Coomba Park	649	0.6549	455.20	0.5923	411.70
Residential	Seal Rocks	61	0.31766	516.70	0.28716	467.40
Residential	Pindimar	211	0.31766	516.70	0.28716	467.40
Residential	North Arm Cove	400	0.31766	516.70	0.28716	467.40
Residential	Tea Gardens	1,388	0.31766	516.70	0.28716	467.40
Residential	Hawks Nest	1,371	0.31766	516.70	0.28716	467.40
Residential	Winda Woppa	167	0.3423	516.70	0.3096	467.40
Residential	Pacific Palms	987	0.24066	516.70	0.21758	467.40
Residential	Forster	7,123	0.36711	516.70	0.33186	467.40
Residential	Tuncurry	3,087	0.36711	516.70	0.33186	467.40
Residential	Greenpoint	310	0.36711	516.70	0.33186	467.40
Residential	Stroud	305	0.4031	470.40	0.3645	425.40
Residential	Bulahdelah	490	0.5185	470.40	0.4688	425.40
Residential	Nabiac	244	0.40399	470.40	0.3653	425.40
Business	Forster	390	0.88036	600.00	0.7971	539.00
Business	Tuncurry	212	0.88036	600.00	0.7971	539.00
Business		437	0.531	600.00	0.4815	539.00
Mining		7	0.531	600.00	0.4815	539.00

6.2 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.

Council's Response:

As indicated above Council's proposed special rate variation is to apply evenly across all categories and sub categories. Worksheet 5 reflects this proposal with the average increases being approximately the same, subject to some small fluctuations arising from the inclusion of valuation objection income into the farmland and mining categories.

IPART have previously assessed the impact of the special variation on different rating types. The proposed increase across all residential properties for 2013/2014 is an average of 8.18%.

While this application is focussed on the continuation of the environmental and dredging levy, ratepayers are already paying this levy and it is included in the 2012/2013 average rate shown on Worksheet 5. The 0.18% component of the total increase applicable to the levy is \$2.30 for the financial year (based on the average residential rate), with the 8% increase having already been determined to be a reasonable impact.

6.2.1 Minimum Rates

Does the council have minimum rates? Yes ☐ No ☒

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.

6.3 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.

Council's Response:

Given that the majority of the actual increase in rates for 2013/2014 has previously been approved by IPART, the issue of capacity to pay has already been addressed and considered. Little has changed with the demographics of the Great Lakes area since the section 508A application of 2011 and as the Council response to Criterion 2 indicates many of the comments received during the current community engagement exercise are similar to those received in 2011.

IPART has already determined that the local community had the capacity to pay a cumulative increase of 25.97% over three years with an increase of 8% applicable in 2013/2014 (later amended to 7.9% for carbon price advance and withdrawal). This application sees the average increase across all residential properties totalling 8.18% with an average rate in 2012/2013 of \$1280.81. Council contends that the extra 0.18% or 0.28% (if using 7.9% as the base) is immaterial, representing an increase of \$2.30 or \$3.58 for the year.

6.4 Addressing hardship

Does the council have a Hardship Policy in place? Yes X No ☐

If Yes, is the Policy identified in the council's IP&R documentation? Yes ☐ No X

Please attach a copy of the Policy to the application.

Does the council propose to introduce any measures to limit the impact of the proposed special variation on vulnerable groups such as pensioners? Yes ☐ No X

Provide details of the measures to be adopted, or explain why no measures are proposed.

Council's Response:

Great Lakes Council currently has approximately 5,300 rate assessments (5,331 assessments at 30 June 2012) that receive a pension rate reduction. Legislation provides that an eligible pensioner is generally entitled to a rebate of one half of the combined total of the ordinary rate and domestic waste management charge to a maximum of \$250. Pro-rate rebates are applicable for ratepayers who meet eligibility requirements during the year. Almost all of Council's eligible pensioners receive the maximum rebate of \$250.00.

The State Government reimburses Council 55% of each rebate given (normally \$137.50) with Council writing off the balance of \$112.50. This distribution of the liability of the rebate has not changed since the mid 1990s.

Council currently provides other facilities to assist ratepayers who may be under financial pressure to meet their commitments. It can arrange for direct debit payments, will allow weekly payments or deductions without charging interest and can make other special arrangements. It also has a Hardship Policy (Annexure 34) under which a ratepayer experiencing substantial financial difficulties can make application for special consideration including the deferral of rates.

It is not proposed to introduce any further measures "to limit the impact of the proposed special variation on vulnerable groups such as pensioners". As set out in this application, the actual impact of the proposed increase in general income of 7.9% has previously been considered by the IPART while the extension of the environmental and dredging special levy results in a minimal increase in rates over that for which approval has already been granted.

7 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.

7.1 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.

Council's Response:

Council's Delivery Program has been developed on a 'Business as Usual' basis. As the IPART is aware through the consideration of the section 508A special variation application in 2011, Council was in a position where it was identified as being financially unsustainable and unable to meet its asset management and service delivery responsibilities to its community.

That application sought to achieve a balance in a number of priority areas by:

- Maintaining funding for current levels of service including services which address *Great Lakes 2030* priorities
- Increasing funding for infrastructure maintenance in particular for roads and bridges
- Increasing funding for infrastructure asset renewal programs on a priority basis to arrest the decline in the condition of Council's infrastructure
- Improving financial sustainability by:
 - Reducing reliance on loans for urban road rehabilitation maintenance and renewal works by 20% in 2011/2012 and then by 10% each year until no borrowings are utilised for these works by 2019/2020
 - Partially funding Council's Section 94 liability of \$12 million by building up a reserve fund of \$3 million. The strategy to achieve this will be to conservatively build up this reserve by allocating \$375,000 per annum from 2013/2014 for eight years to ensure Council's component of Section 94 projects can be funded
- Providing funding for community capital works projects identified in the *Great Lakes 2030* Plan on a priority basis
- Permanent recognition of the highly successful funding model facilitated by the Environmental Levy, allowing Council to continue leverage of these funds to secure significant external funding. The funding is utilised to implement catchment, estuary and natural resource management plans and to deliver on the strong expectations of the community for a clean and healthy environment as expressed in *Great Lakes 2030*.

The IPART determination of 3 years of 8% increases allowed Council to maintain existing service levels, address the issue of the debt funding of urban road rehabilitation maintenance works and allocate additional funds to infrastructure maintenance and renewal programs. The additional funds from the special variation, tight cost control and a review of service delivery methods has significantly improved Council's financial position as the Long Term Financial Plan models indicate.

This has guided the development of the current Delivery Program which provides for no significant increases or reductions in service across Council.

As has been mentioned elsewhere in this application, Council undertook a Community Research project during 2012 to examine community attitudes and perceptions towards current and future Council services and facilities. Micromex Research conducted a statistically valid random survey of 400 Great Lakes residents for Council.

That research has been considered by Council in developing the Delivery Program and it essentially reinforces the feedback that Council has received through various community engagement activities undertaken over the last 5 years as to community satisfaction and importance.

It indicated that Council needs to do more in addressing its infrastructure maintenance issues as the community believes that Council is underperforming. Sealed and unsealed road maintenance, footpaths and cycleways, kerb and guttering and stormwater drainage all rated in the bottom 10 services as far as satisfaction was concerned.

Council is aware of this and it remains a priority with additional funding already allocated through the section 508A special variation, LIRS program and from savings achieved in other areas of operation. Council continues to investigate means of allocating additional resources to infrastructure maintenance and renewal.

The research also identified that on a measure of importance 'Protection of the waterways' was rated as the most important service or facility provided by Council with 'Protection of the natural environment' rated the 6th most important. This result confirms the result of the initial community survey undertaken in 2008 which rated 'Protection of waterways' as the most important service provided by Council and 'Protection of the natural environment' as the 3rd most important service.

This also correlates with the feedback received during the preparation and review of the Community Strategic Plan. Environmental management is a major priority for the Great Lakes community and a realistic program of works is proposed in the Delivery Program. These works have been identified from the various management plans and strategies that have been prepared and adopted by Council. These include the:

- Wallis Lake Catchment and Estuary Plan
- Wallis Lake Wetland Strategy
- Darawakh Wetland Restoration Plan
- Smiths Lake Coastal Zone Management Plan
- Great Lakes Water Quality Improvement Plan
- Port Stephens / Myall Lakes Estuary Management Plan
- Stormwater Management Plans for Forster, Tuncurry, Hawks Nest, Tea Gardens and Bulahdelah
- Lower Wallamba Rivercare Plan
- Great Lakes Sustainability Strategy

The works program itself is flexible and this allows Council to leverage components of the levy to source and match external funding that is made available by other entities.

7.2 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.

Council's Response:

Council has undertaken a comprehensive review of its Long Term Financial Plan, as required by legislation, following the election of a new Council in September 2012. This has included a review of the assumptions used in the development of the July 2011 Long Term Financial Plan. Many of these assumptions have changed since to reflect current and projected economic conditions.

There has been significant change in the Long Term Financial Plan since the original plan was completed. While much of Council's operations remain in a 'business as usual' state, the long term projections of future budgets have been revised to reflect changes to business practices and amended indexation factors.

Council has undertaken an organisation wide Service Delivery Review, which has resulted in alterations to budgets that are now incorporated within the 10 year model. This includes a review of Council's HACC operations which has led to a restructure of operations and the identification of the correct level of corporate overheads that should be recouped to Council's General Fund from program funding. The Service Delivery Review is ongoing and will continue to impact on the Long Term Financial Plan as various reviews and changes are finalised. The service Delivery Review is discussed in detail in section 8 of this application.

Council was also successful with an application under the State Government's Local Infrastructure Renewal Scheme (LIRS). Its application was based on borrowing \$18 million to be expended over a three year timeframe. The program provides for the replacement of approximately 12 timber bridges with concrete at a cost of \$5 million and the rehabilitation of \$13 million of urban and rural sealed road pavements which are classified as being in poor or very poor condition within Council's Asset Management Plans. The impact of this program has also been modelled across the ten year period of the Long Term Financial Plan and includes actual loan principal and interest figures.

Great Lakes Council was the subject of a TCorp Financial Assessment as part of the LIRS application process. A copy of the report is included as Annexure 4. However TCorp concluded that *"based on our review of both the historic financial information and the 10 year financial forecast within Council's long term financial plan we consider Council to be in a satisfactory financial position"*.

In relation to the specific assumptions outlined above, Council has based its Long Term Financial Plan on the following:

- the Rate Peg -
 - Base Case - General income to increase by 7.9% in 2013/2014 (being the final year of Council's section 508A approval. A rate peg of 2.7% is assumed for 2014/2015 (being 3% less 0.3% carbon price adjustment) with the rate peg then forecast at 3.0% per annum. The existing section 508(2) approval remains in general income for 2013/2014 and is then removed from 2014/2015.
 - Application Scenario - General income to increase by 14.35% in 2013/2014 after the removal of the expiring section 508(2) levy from the general income. This amount consists of a 7.9% permanent increase in general income and a 6.45% temporary increase which is retained in the rate base until 30 June 2020. In 2014/2015 the rate peg reverts to 2.7% as above and then remains at 3.0% for the duration of the Plan.
 - Rejection Scenario - General income to increase by 3.4% in 2013/2014 which includes the final year of the existing section 508(2) approval. This is removed from general income in 2014/2015 with the rate peg forecast as above (2.7% followed by 3.0%).
- Rate of Growth in Labour Costs - Wage costs have been forecast to increase by a total of 3.75% per annum over the life of the Plan. This figure consists of 2.5% annual Award increases and 1.25% Enterprise Agreement increases. The 2.5% has been based on the current cap placed on Public Service wage increases by the NSW State Government, despite the fact that this cap does not currently apply to Local Government. Council's superannuation commitments reflect the actual percentage figure payable on wages and salaries following the Commonwealth Government's decision to increase the superannuation guarantee from 9% to 12% by 2019/2020.

- **Materials, Contracts and Other Expenses** - The Plan assumes that material and contract costs and other expenses will generally increase by 2.5% per annum for the life of the plan. Given that Council's Long Term Financial Plan is prepared at a line item level, many items are subject to individual consideration and may have different indexation factors particularly where subject to contractual conditions or State Government decisions.
- **Borrowings** - Council has included current borrowing across the Long Term Financial Plan at actual cost. The Plan envisages further borrowings will be undertaken for Waste Management purposes and some General Fund capital works with the borrowing rate estimated at 6.0% for 2013/2014, 6.5% for 2014/2015, 7.0% for 2015/2016 and 7.5% thereafter. Council Finance staff are of the view that while borrowing rates are low at the present time, interest rates will increase over the next couple of years and as such have built these increases into the Plan.
- **Growth in Rateable Properties** - the Plan provides for additional rate revenue from the growth of rateable assessments to the value of \$30,000 in 2013/2014. This amount is indexed to increase by 10% per annum across the life of the Plan. Actual growth in rateable assessments has been minimal since the Global Financial Crisis, with only small subdivisions added to the stock of rateable properties. Development applications numbers being processed through Council remain low indicating that current land stocks remain adequate for current demand.
- **Grants and Other Revenues** - as discussed elsewhere in the application, the Long Term Financial Plan takes a conservative approach to the estimation of grants and contributions for both operating and capital purposes. A base level of grant income is included, principally being the Financial Assistance Grant and Pension Concession Grant, and this is indexed to grow by 1.25%. An extremely conservative estimate has been applied here due to uncertainty around the CPI and population movements around Australia which impacts on the quantum of revenue shared amongst the States from the Commonwealth and its subsequent flow to local government.

8 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.

Council's Response:

Council received approval for a special rate variation under Section 508A of the Local Government Act in 2011. The application submitted to the IPART in 2011 included productivity improvements which had been implemented and proposed initiatives to further improve Council's efficiency. This section will provide a link back to the productivity improvements referred to in the 2011 application and further initiatives which Council has implemented since.

Continuing on from 2011 Council has held staffing levels constant with the \$700,000 of savings identified in the 2011 application remaining and assisting Council's overall budget position. The only growth in Council positions has been in fully grant/government funded positions. The Strategic Alliances referred to in the 2011 application have continued to deliver efficiencies through both the sharing of

information and joint business initiatives such as the Hunter Legal Services established through the Hunter Council's alliance.

Service Level Review

The 2011 application indicated that a Service Level Review would be undertaken with the aim of providing services as efficiently as possible in line with service levels agreed with the community. Key Council staff attended the UTS Centre for Local Government "Enhancing Local Government Service Delivery" Training. Arising from that a Service Level Review process was designed and implemented during 2011/12. In the design of the process it was estimated that a 2 year timeframe would be required to progress through the review of services and implement recommendations.

Council's 2011/2015 Delivery Program includes the following activity:

4.26.1 Regularly review Council's levels of service to ensure they are in line with community expectations.

The 2012/13 Operational Plan includes the following activity:

Implement adopted recommendations from Stage 1 of the Service Level Review and continue investigations of matters referred to Stage 2 of the Service Level Review

In August 2011 Council adopted the following two stage service level review process:

Stage 1

Organisational Service Review

High level scan of services delivered by Council asking key questions around the services delivered barriers and challenges, and structural changes to improve service delivery. This is an internal based review which may result in the identification of positive changes that can be made to Council's operations. The review may also identify issues requiring an in depth review for referral to Stage 2.

Timeframe: August 2011 to April 2012 - adopt recommendations by 30 June 2012.

Stage 2

Deep Service Level Review of Core Council Services to:

- *Re-test and confirm service levels within the community.*
- *Review service delivery models.*
- *Identify alternative models of service delivery to achieve efficiencies and service improvements.*

This stage requires community engagement.

Timeframe - to be undertaken in conjunction with the review of the Community Strategic Plan required under the IP&R Legislation to avoid a duplication of the community engagement effort - August 2012 to December 2013.

Council also adopted the following objectives for Stage 1 of the review:

1. To improve the delivery of existing services to both internal and external customers.
2. To improve the financial sustainability of Great Lakes Council by:
 - a. Identifying cost savings and revenue generating opportunities.
 - b. Increasing productivity.
 - c. Minimising waste and ensuring optimal allocation of services.
3. To ensure that an appropriate organisational structure exists to support the delivery of services identified in Council's Delivery Program.

An interim report was presented to Council on 26th June 2012 with recommended actions. These are progressively being implemented. Some issues have been finalised and some require detailed investigations prior to decisions being made. For example the review of hall facilities requires a methodology and consultative process prior to recommendations being formulated for Council's consideration.

The actions implemented and key areas to be reviewed from the Service Level Review which relate to productivity improvements or cost containment are summarised below:

Service Level Review

Actions Implemented

1. Home and Community Care (HACC) Services

A full and independent review of HACC services was undertaken. Morrison Low consultants reviewed the overhead cost contribution methodology to establish a formula which would ensure Council was receiving a fair overhead contribution from this fully government funded service. The service utilises Council's back office support services such as Human Resources, Information Technology, Finance, and Administration.

While HACC had historically paid all of its direct employment costs, office accommodation costs, and made a contribution to corporate overheads it was found that the corporate overhead contribution was below the amount which should be contributed. Council has now adopted a position where the corporate overhead contribution will be calculated according to the Morrison Low methodology and this will be implemented for the 2013/14 financial year. This results in a contribution to Council's general fund of \$328,000 which is some \$120,000 greater than for the 2012/13 year. A major restructure of HACC has been undertaken during 2012/13 to

enable the service to operate more efficiently and to be in a position to contribute the required overhead contribution from 1 July 2013.

Savings of \$120,000 per year (growing in line with growth in Government Funding) have been achieved.

2. Asset Management

A deficiency in the management and coordination of Council's building asset management function was identified. Council's approach to building asset management saw multiple managers with building asset management responsibilities. Lack of coordination resulted in non strategic allocation of building maintenance budgets with no systems in place for determining building maintenance priorities according to sound asset management methods.

An internal re-structure has occurred which has placed building asset and property coordination under the control of a new position of Manager Building Assets and Property. Also property acquisition tasks previously allocated to a vacant 3 day per week Technical Officer Position within the Engineering Division have been allocated to the Building Asset and Property section avoiding the need to replace the position.

These changes have been implemented on a cost neutral basis. As a result efficiencies and savings due to better asset management coordination will ensure Council's building maintenance budgets will deliver better value for the amount invested. The non replacement of the Technical Officer position is a saving of \$40,000 per year.

3. Procurement Roadmap

Council currently has a position of Purchasing Officer in its structure which as a cost saving measure has not been filled for a period of four years. As part of the Service Level Review process inefficiencies in Council's procurement practices were identified.

In 2012 Council participated in a Procurement Roadmap Program facilitated through Local Government Procurement. This program looked at Council's current level of procurement expertise and identified opportunities for improvements. It was identified that considerable scope existed for improvements in Council's expertise and systems which would result in greater efficiencies and generation of actual savings.

Council currently spends approximately \$50 million per year with external suppliers. Independent studies in this area (Ernst & Young - Victorian Local Government Procurement Strategy – September 2008) have identified that savings of between 5% and 8% are achievable through a focus on core procurement skills and capabilities. A 5% saving for Great Lakes Council would represent an amount of \$2.5 million on the above spend. A more realistic target may be in the vicinity of 1% - 1.5% which would represent approximately \$500,000 to \$750,000. This amount of

actual savings would cover the cost to Council of funding the position and provide a significant sum that could be allocated to community and organisational priorities and works.

Recent discussions have been held with Mid Coast Water, a County Council which delivers water and sewerage services across the region, in relation to the potential for a cooperative resource sharing approach to procurement across both organisations. At the present time both MCW and GLC do not have any central coordination of procurement activities. The combined spending of both organisations is significant and represents an opportunity to potentially recruit a high level procurement specialist to advance procurement systems and savings. Should however the resource sharing option not eventuate Council can still achieve significant efficiencies and savings through the employment of a procurement coordinator to implement the roadmap recommendations.

Discussions with MCW are progressing and it is hoped that Council will be in a position to recruit a Procurement Coordinator by 1 July 2013

Key Reviews still to be undertaken

1. Review the structure and efficiency of Waste, Health and Regulatory as one section and whether the various sections would fit better elsewhere in the organisation
2. Conduct a review of the Engineering Services Division structure to consider whether the existing structure is the most efficient way to deliver services. Also include options for simplifying the lines of authority that currently exist.
3. Internal Audit - investigate potential to resource share the internal audit function with adjoining councils.
4. Investigate the capability of our systems to provide service request lodgement on line, and the resources required to setup and support this function.
5. Develop a methodology for undertaking a critical review of the current public hall provisions. Present this methodology to Council; undertake the review and report findings and recommendations to Council.
6. Undertake an in-depth review of cemetery services including should we be in the business of cemeteries or are there other options.
7. Undertake an in-depth review of Children's Services and present findings for Council's consideration.
8. Investigate the segregation of the Library IT services and Council IT services and whether it would be more efficient to run centrally and report results to Council.

9. Develop an IT Strategic Plan to assist in establishing priorities across the organisation.
10. Investigate what could be done to improve/save/share services between Midcoast Water and/or other Councils in our region.
11. Raise the possibility with MIDGOC and HROC to see if there are opportunities for use of common software systems. If found there would be efficiencies and cost savings from such regional cooperation.

At this stage outcomes from the areas still to be reviewed have not been factored into Council's Long Term financial position. The HACC and Asset maintenance restructure savings have been factored in and the Procurement position has been included at a cost neutral basis. Any actual savings above the procurement position salary and support costs will improve Council's financial position. It is most likely that these will eventuate from 2014/15 once some procurement foundations have been put in place.

Other Initiatives

Council has also implemented other cost saving initiatives over the past 2 years which have assisted Council's overall financial position. Some of these are listed below:

Great Lakes Leisure & Aquatic Centre

Works to extensively renovate and refurbish the centre were undertaken in 2011 under the Commonwealth Government's Regional & Local Community Infrastructure Program (RLCIP). The facility received a \$2.2 million facelift which expanded the dry areas of the facility.

An important part of the grant application and works ultimately constructed was that the design included many energy efficient measures - natural lighting in sports hall and group fitness areas, cross flow ventilation in sports hall and group fitness areas, water harvesting and re-use, 10 Kw solar array system, as well as energy efficient lighting. In addition the centres hot water services were converted to gas.

The refurbishment and extension works were officially opened in early September 2011.

The objective of the RLCIP project was to expand the centre facilities to allow an increased range and number of activities to be provided by the centre and hence increase the revenue generating capacity of the centre. At the same time the energy efficiency measures installed were designed to assist in restraining the operational costs (including utilities) of the centre. Hence whilst the primary objective of the project was to provide a community facility that could meet the health, fitness and social wellbeing needs of the community it was expected that the project would enhance the financial sustainability of the facility and reduce the reliance on loan

borrowings to finance essential capital works renewals by enabling the centres activities to finance those in a strategic manner by funding an asset management reserve.

Whilst the electricity costs of the expanded centre have only incurred a minor cost increase (approx 7%) the actual consumption of energy has reduced from 840,199kwh in 2010/2011 to 823,528 kWh in 2011/2012. The significant increase in electricity costs have been offset by the energy efficient design of the refurbishment.

Since the opening of the renovations in September of 2011 the centre has experienced a significant growth in membership and general patronage. Memberships have increased from 737 at the end of July 2011 to 1531 as at the end of December 2012. This is an increase of 107% over a 17 month period.

The table below demonstrates the improvement of the centres financial operations since the renovations were completed.

	2009/2010	2010/2011	2011/2012	Projected for 2012/2013 (revised budget as at Dec 2012)
A) Revenue from operations	\$1,032,668	\$1,070,205	\$1,381,312	\$1,711,247
B) Expenses from operations	\$1,496,289	\$1,528,805	\$1,810,290	\$1,958,593
C) (A-B) Nett cost from operations prior to capital expenses	\$463,621	\$458,600	\$428,978	\$247,346
D) Capital expenses from revenues (excludes grant funded projects etc)	\$27,996	\$48,239	\$184,103- includes GLC's contribution to extension project	\$73,833 includes replacement of air conditioners due to breakdowns
E) (C+D) Cost of operations prior to transfer to asset reserves	\$491,617	\$506,839	\$613,082	\$321,179
F) Transfers to reserves (to fund future years projects plus asset management matters)	\$102,385	\$110,911	\$20,078	\$280,303
G) (E+F) Total cost of facility for year- includes tfr to reserves	\$594,002	\$617,750	\$633,160	\$601,482

Based on current estimates revenues are projected to increase by 60% from those achieved in 2010/2011. However the expenses have increased by only 28% over the same period and hence have reduced the operational costs prior to capital expenses quite significantly (37% reduction). The amounts transferred to asset management reserves represent the amount that the centre has improved on its budgeted position. The centres costs prior to 2010 were approaching \$600k pa and when the operations improved the surplus generated was allocated to the strategic asset management reserve - the renovations have dramatically increased the capacity to place funds into that reserve whilst retaining the net cost to Council at \$600k pa.

Great Lakes Leisure & Aquatic Centre - Asset Management Issues

The centre is now nearly 22 years old and much of the essential pool infrastructure is approaching the end of its useful life. A report on the state of the pool plant indicates that much of the current pool plant is deficient, aged and in need of replacement. It identifies that approximately \$755k needs to be spent to ensure that the pool plant can meet the demands of the community for the next 15-20 years.

In addition a further asset condition report has identified that approximately \$3.3 million (exclusive of pool plant as detailed above) needs to be spent on asset maintenance (preventative and defective maintenance) over the next 15 years (average of \$220k/year).

The need to allocate funds into an asset management reserve is borne out in these reports otherwise the only other option to fund such critical asset renewals and replacements is through loan borrowings. Currently an amount of \$242k is held in the centre's asset management reserve and a further \$280k is projected to be available from the current year operations. These funds will be available to address the funding issues identified in the centres asset condition audits.

As demonstrated above this is a significant cost containment initiative which has been both strategic and effective. The alternative would have seen the facility continue to deteriorate and decline with any funding for maintenance and renewal being a burden on Council's financial position.

Council Advertising Costs

A review of Council's advertising was undertaken to identify wastage. As a result the manner in which Council advertises in the main print media was amended from classifieds to a regular paid advertisement in the body of the newspaper.

This initiative will generate savings of \$30,000 per year and this has been factored into Council's long term financial plan.

Energy Saving Initiatives

Energy saving initiatives utilising loan funds through Low Carbon Australia have been implemented in Council's two main energy consuming buildings.

Low Carbon Australia provides financial solutions to Australian business, government and the wider community to encourage action on energy efficiency, cost-effective carbon reductions, and accreditation for carbon neutral products and organisations.

Council's initiatives and savings are outlined below:

Administration Centre

13 projects within the building were undertaken which provide energy savings estimated at \$14,805 per annum (based on 2011 energy rates) and produce a reduction in greenhouse gas emissions by 58.87 tonnes p.a.

Aquatic & Leisure Centre

7 projects within the facility were undertaken which provide energy savings estimated at \$20,442 per annum (based on 2011 energy rates) and produce a reduction in greenhouse gas emissions by 119.58 tonnes p.a. In addition annual maintenance cost will be reduced by approximately \$10,000 per annum.

Hence total energy cost savings of approximately \$35,247 plus a reduction of annual maintenance costs of approximately \$10,000 across both buildings will be achieved.

The estimated total payback period of the project is expected to be around 6 years and the loan funding from Low Carbon Australia has been structured around that payback period after which time the savings are realised direct to Council. The loan repayments are \$35k per annum which is less than the expected total savings of \$45k pa.

9 Other information

9.1 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.

Council's Response:

The requested documents are included as Annexures 35-37. They include the following Instruments:

1. A copy of the Department of Local Government's advice incorporating the Minister for Local Government's signed section 508(2) Instrument dated 3 July 2009.
2. A copy of the Instrument issued under section 508A(1) by IPART and signed and dated by the Chairman on 24 June 2011.
3. A copy of the letter from IPART regarding an amended special variation instrument to include the carbon price advance and the Instrument signed by the Chairman of IPART and dated 15 May 2012.

9.2 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.

Council's Response:

Council's reporting process will ensure that the information outlined above is clearly communicated to the community. Council has developed effective methods for engaging with its community and continues to explore additional means by which it can keep the community informed of activities e.g. social media tools. The current methods proved successful during the previous IP&R activities and special variation application including:

- Council Communicator - Quarterly publication issued to all ratepayers with their rate instalment notices. Extensive use has been made of the Council Communicator to inform the community of this proposal and of Council achievements, issues etc. Several copies are included within the Annexures as part of addressing Criterion 2.
- Community Meetings - Council has instituted a practice of holding six monthly community meetings in the townships of Tea Gardens, Bulahdelah and Stroud. Feedback from those communities indicates that they appreciate this forum whereby Senior Management and Councillors present updates and information on current issues to the meeting and are then available to answer questions.
- Media outlets - Council provides regular media updates to all outlets advising of current issues, projects, achievements etc. The Mayor and staff conduct interviews with local television stations on a regular basis and Council has a weekly segment on the local community radio station.
- Website - Council's website is continually updated with information on Council activities, projects and other relevant information. It also contains Council's IP&R documents, Business Papers, Quarterly and Annual Reports and other documentation.
- Statutory Reporting - Council is provided with quarterly financial reports and six monthly reviews of progress on the Delivery Program. The Delivery Program Review incorporates commentary on progress against performance measures detailed within the Operational Plan. These reports are available on Council's website.
- Annual Report - Council prepares an Annual Report in accordance with the requirements of the Local Government Act. Council's compliance with the conditions of any special rate variation approvals is required to be included within that report in accordance with the terms of the relevant Determination.
- End of Term Report - Council is required to prepare a report on its achievements in implementing the Community Strategic Plan during its 4 year term.

While these methods are proving to be effective Council's recent Community Research project has indicated that the community receives its Council information through the sources outlined in Table 1 below but that it would prefer to receive it from the sources outlined in Table 2.

Table 1

	Count	Column %
Newspapers	298	75%
Word of Mouth	293	73%
Direct Mail	254	64%
Resident Newsletter	216	54%
Council website	116	29%
Social media	88	22%
None of these	6	2%
Total	400	100%

Table 2

	Count	Column %
Direct Mail	258	65%
Resident Newsletter	245	61%
Newspapers	241	60%
Word of mouth	154	38%
Email	117	29%
Council website	114	28%
Social media	79	20%
Radio	10	3%
Television	8	2%
Other	12	3%
Total	400	100%

(Source: Great Lakes Council Community Research, Micromex Research, September 2012, pages 78 & 79)

From these figures, Council has concluded that it needs to improve its communication by electronic means (website, email, social media) and try to decrease the number of residents who receive their information by word of mouth.

In relation to performance measures and indicators, Council's Operational Plan has performance measures identified for each activity. However it is aware that these are basic measures and that there is scope for improvement. The Delivery Program has an identified 4 year activity to address this at a corporate level. That activity is to *"implement an integrated performance measurement framework across the organisation"*. That project will commence during 2013/2014.

Council is committed to reporting on the delivery of programs funded through the environmental and dredging levy.

9.3 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.

Council's Response:

Council's resolution from its Ordinary Meeting held on 26 February 2013 is included as Annexure 38.

10 Checklist of application contents

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

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

11 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 (name): GLENN HANDFORD

Signature Date:

Responsible Accounting Officer (name): GARY COLLINS

Signature Date:

Once signed, this certification must be scanned and submitted with the council's application. Attached as Annexure 39.