IPART
New South Wales

Independent Pricing and Regulatory Tribunal

Special Variation Application Form – Part B

For applications for 2014/15

Issued October 2013

City of Canterbury
Date Submitted to IPART: 24 February 2014
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The Tribunal members for this special variation assessment are:

Dr Peter J Boxall AO, Chairman

Mr Simon Draper, Part Time Member

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1 Introduction

Each council must complete this application form (Part B) in order to apply for a special variation to general income. The same Part B form is to be used for applications made either under section 508A or under section 508(2) of the *Local Government Act 1993*.

IPART assesses each application against the criteria set out in the Division of Local Government (DLG) *Guidelines for the preparation of an application for a special variation to general income for 2014/2015* (the Guidelines). Councils should refer to these guidelines before completing this application form. They are available at www.dlg.nsw.gov.au.

We also publish Fact Sheets on our role in local government rate setting and special variations and on the nature of community engagement for special variation applications. The latest Fact Sheets on these topics are dated September 2013. They are available on our website at www.ipart.nsw.gov.au.

Councils must complete this Part B form with a relevant Part A form, also posted on our website. The relevant Part A form is either:

- *Section 508(2) Special Variation Application Form 2014/15 – Part A* for a single percentage variation under section 508(2) or
- *Section 508A Special Variation Application Form 2014/15 – Part A* for more than one percentage variation under section 508A.

The amount of information to be provided is a matter for judgement, but it should be sufficient for us to make an evidence-based assessment of the council's application against each criterion. This form includes some questions that the application should address, and guidance on the information that we require. As a general rule, the higher the cumulative percentage increase requested, and the greater its complexity, the more detailed and extensive will be the information required.

1.1 Completing the application form

To complete this Part B form, insert the council's response in the boxes and the area which is highlighted, following each section or sub-section.

Councils may submit additional supporting documents as attachments to the application. The attachments should be clearly identified in Part B and cross-referenced. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. Please provide details of how we can access the complete publication should this be necessary.

We may ask for additional information to assist us in making our assessment. If this is necessary, we will contact the nominated council officer.

This application form consists of:

- Section 2 - Focus on Integrated Planning and Reporting
- Section 3 – Assessment criterion 1
- Section 4 – Assessment criterion 2
- Section 5 – Assessment criterion 3
- Section 6 – Assessment criterion 4
- Section 7 – Assessment criterion 5
- Section 8 - Other information
- Section 9 – Checklist of contents
- Section 10 – Certification.

1.2 Submitting the application

IPART asks that all councils intending to apply for a special variation use the Council Portal on our website to register as an applicant council and to submit their application.

The Portal is at http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt. A User Guide for the Portal will assist you with the registration and online submission process.

Councils intending to submit an application should notify us of their intention to apply by **cob Friday 13 December 2013.**

Councils should also submit their applications, both Part A and Part B and supporting documents, via the Portal. File size limits apply to each part of the application. For Part B the limit is 10MB. The limit for the supporting documents is 120MB in total, or 70MB for public documents and 50MB for confidential documents. These file limits should be sufficient for your application. Please contact us if they are not.

We also ask that councils also submit their application to us in hard copy (with a table of contents and appropriate cross referencing of attachments). Our address is:

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

We must receive your application via the Council Portal and in hard copy no later than **cob Monday 24 February 2014.**

We will post all applications (excluding confidential documents) on our website. Councils should also post their application on their own website for the community to read.

2 Focus on Integrated Planning and Reporting

How a council considers and consults and engages on a special variation as part of its Integrated Planning and Reporting (IP&R) processes is fundamental to our assessment of the application for a special rate variation. Such a focus is clear from DLG's September 2013 *Guidelines*.

The key relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan.

A council's suite of IP&R documents may also include supplementary and/or background publications used within its IP&R processes. As appropriate, you should refer to these documents to support your application for a special variation.

Briefly outline how the council has incorporated the special variation into its IP&R processes. Include details of and dates for community consultation, key document revisions, exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.

A full suite of Integrated Planning documents was adopted on 27 June 2013, aligning with the cycle following the council elections in 2012. These documents identified the need to consider an application for Special Rate Variations to commence in the 2014-15 year. A community engagement program to support the application was presented to councillors at a briefing on 8 May 2013, and subsequently adopted at the meeting of Council on the 23 May 2013. The program was entitled the 2013 Rates and Services Review. The purpose of the program, which is discussed in more detail later in this application document, was intended to gain broad community support for Special Rate Variations, and aimed to determine the appropriate levels of service and infrastructure condition; whether or not some services should continue to be provided, and if not, which ones should be discontinued and when; and the size and timing of the Special Rate Variations that the community was willing to support. The starting point for this engagement program was achievement of the outcomes through the strategies outlined in the Community Strategic Plan, and delivery of the levels of service and activities outlined in the adopted Council Delivery Program. However, refinement of the estimate of expenditure required to renew and maintain our infrastructure took place up until June 2013 with a comprehensive review of our Asset Management Plan, and new estimates were incorporated into the engagement program from July 2013 onwards.

Community consultation is a critical component, and the engagement program was undertaken in two phases:

a) a collaborative phase which took place from June to November 2013, in which a series of conversations were conducted about the challenges facing council and the ways in which they could be resolved with a deliberative group (the Community Working Group), a randomly selected representative sample of the Canterbury community. During this phase engagement of the broader community took place via a variety of means whereby the conversations with the deliberative group were made as publicly available as possible, and feedback was gathered.

b) a consultative phase which took place from mid-December 2013 to February 2014 in which the broader community of the City of Canterbury were informed of the strategy preferred by the Community Working Group, including the size and timing of a proposed Special Rate Variation, and feedback was gathered. This process included an extensive community awareness campaign reaching 65,000 households and businesses, information stalls in town centres, public information sessions and direct mail communication with our ratepayers.

A Project Steering Group was formed in June 2013 to provide advice on the process of engagement, in particular on ways to engage with our diverse community. The group was selected through a call for expressions of interest distributed to a range of community organisations. The Project Steering Group provided useful insight and advice on the formation and operation of the Community Working Group, and the activities and approach needed to ensure the broader engagement was effective.

Councillors were kept informed of the progress of the engagement program by regular monthly updates. At a briefing on 13 November 2013 the Community Working Group presented their preferred strategy to councillors. Council adopted this preferred strategy for further consultation at the meeting on 28 November 2013. At this meeting the Community Strategic Plan, Council Delivery Program, Strategic Asset Management Plan and Long Term Financial Plan, amended to include the preferred strategy, were adopted for exhibition. This took place from 10 January to 7 February 2014.

At an Extraordinary Council Meeting on 13 February 2014 council adopted the Community Strategic Plan, Council Delivery Program, Strategic Asset Management Plan and Long Term Financial Plan, and resolved to apply to IPART for Special Rate Variation of 7.5% each year for three years including the rate cap.

Council reports from the 23 May 2013, 28 November 2013, and 13 February 2014 are included in the supporting documents. Copies of the councillor briefings on the 8 May 2013 and 13 November 2013 are also included in the supporting documents. The adopted IPR documents are also included in the supporting documents.

3 Assessment criterion 1: Need for the variation

In the DLG Guidelines, criterion 1 is:

The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council's IP&R documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the Council's financial sustainability conducted by the NSW Treasury Corporation. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:

- *Baseline scenario – revenue and expenditure forecasts which reflects the business as usual model, and exclude the special variation, and*
- *Special variation scenario – the result of approving the special variation in full is shown and reflected in the revenue forecast with the additional expenditure levels intended to be funded by the special variation.*

The response in this section should summarise the council's case for the proposed special variation. It is necessary to show how the council has identified and considered its community's needs, alternative funding options and the state of its financial sustainability.

The criterion states that all these aspects must be identified and articulated in the council's IP&R documents.

At the highest level, please indicate the key purpose(s) of the special variation by marking one or more of the boxes below with an "x".

Maintain existing services	X
Enhance financial sustainability	X
Environmental works	☐
Infrastructure maintenance / renewal	X
Reduce infrastructure backlogs	☐
New infrastructure investment	☐
Other (specify)	X

Address the liquidity concerns raised by T-Corp.

Summarise below the council's need for the special variation. Comment on how the need is captured in the IP&R documents, especially the Long Term Financial Plan (LTFP) and the Delivery Program, and, where appropriate, the Asset Management Plan (AMP). Note that the LTFP is to include both a 'baseline scenario' and an 'SV scenario' as defined in the *Guidelines*.

The purpose of the Special Rate Variation is to provide sufficient funds to continue to provide the range and level of services our community requires, whilst also meeting infrastructure maintenance and renewal requirements. Over the past six years we have achieved significant efficiencies, generating savings of $5 million per year and reducing staff from 700 to 530 without corresponding increases in contractor costs. However increases in population over this period have resulted in a rise in demand for services, and more up-to-date forecasts of the costs of maintaining and improving our infrastructure – as outlined in the Strategic Asset Management Plan - resulted in the Long Term Financial Plan predicting a shortfall from 2014-15 of approximately $12.5 million per year. This result has been reviewed by TCorp, who rated our council's long term outlook as unless remedial action was taken to address the decline in our infrastructure.

In response, through the 2013 Rates and Services Review we engaged our community to determine the appropriate levels of services and infrastructure and the level of rate increase they would be willing to support. The characteristics of their preferred strategy were:

- Maintain as many services as possible, including libraries and aquatic services, especially considering projected future population increases;
- Combine a range of strategies, including additional income, fee increases, service reductions, borrowing, and rate increases;
- Accept as little infrastructure deterioration as possible;
- Find as much efficiency in council operations as possible;
- Have a rate increase that is 'middle of the road'; and
- Borrow so that infrastructure maintenance and renewal is shared with future generations.

The elements of the preferred strategy are outlined in the table below. This preferred strategy was incorporated into the Long Term Financial Plan as Scenario 1.

PREFERRED STRATEGY – LTFP Scenario 1	
Initiative	**Benefit**
Increase income through commercial activities or user fees - Increase charges to users of sporting fields and community facilities. - Lease areas of aquatic centres and parks for income generating activities. - Undertake commercial operations to earn income.	$0.2 million
Service reductions - Close outdoor pools at aquatic centres alternately during winter, but leave indoor pools open. - Reduce the frequency of street cleaning and focus on most important areas. - Have just one large festival per year. - Reduce free nature strip mowing.	$0.5 million
Achieve further efficiencies in council operations - Review excess for public liability insurance.	$1 million

PREFERRED STRATEGY – LTFP Scenario 1	
Initiative	**Benefit**
- Consider options for more efficient management of aquatic centres. - Discontinue more expensive payment channels, encourage more direct debit payments and charge for credit card payments, and issue rates notices by email to reduce postage costs. - Pay staff fortnightly, use electronic payslips. - In partnership with community groups provide more legal walls for graffiti to reduce cost of removal in other areas. - Achieve savings through implementing the dumped rubbish minimisation. strategy, changes to structure of regulatory services, and alternative resourcing for Information Technology services where appropriate. - Provide Women's Rest Centres services through partnership with community organisations.	
Infrastructure deterioration - Accept some deterioration in roads, footpaths, parks and buildings	$1.5 million
Borrowing - Borrow $36.5 million for infrastructure backlog rather than spend $3.65 million per year for 10 years, and repay over 30 years. This spreads the burden of backlog over a longer period, and reduces the impact on current ratepayers. - Repayments are $2.65 million per year, so the net benefit per year in the first ten years is $1 million. - Over the thirty year period total interest paid is $43 million, an extra $1.43 million per year, and the debt service ratio would increase from 1.6% to 4.3%.	$1 million
Rate increase - **4.6%** per year for 3 years above the rate cap - Average residential rate in 2016 **$1,297** - Increase above the rate cap by 2016 **$157**	$8.3 million
Total	**$12.5 million**

Alternative options

Whilst many different options were explored during the Review, there are two that provide a useful comparison in understanding implications of the challenge facing council. These are detailed below. These No Rate Increase and No Service Reductions options were incorporated into the Long Term Financial Plan as Scenarios 2 and 3 respectively. Scenario 2 is considered to be the Baseline Scenario.

NO RATE INCREASE – LTFP Scenario 2	
Initiative	**Benefit**
Increase income through commercial activities or user fees As for the preferred option plus: - Introduce pay for parking in car parks and town centres	$0.5 million
Service reductions - As for the preferred strategy plus: - Close branch libraries - Close one aquatic centre, either at Canterbury or Roselands	$4 million
Achieve further efficiencies in council operations As for the preferred option.	$1 million
Infrastructure deterioration ($7 million) - Accept serious deterioration in roads, footpaths, parks and buildings, resulting in major failures and extreme repair costs at some future time.	$7 million
No borrowing	nil
No rate increase	nil
Total	**$12.5 million**

No Service Reductions - – LTFP Scenario 3	
Initiative	**Benefit**
No increases in user fees	nil
No service reductions	nil
Achieve further efficiencies in council operations As for the preferred option.	$1 million
No infrastructure deterioration	nil
No borrowing	nil
Rate increase - **6.3%** per year for 3 years above the rate cap - Average residential rate in 2016 **$1,244** - Increase above the rate cap by 2016 **$204**	$11.5 million
Total	**$12.5 million**

The community did not support the following aspects of these alternative options:

- A rate increase of more than 4.6%.
- Pay for parking in either car parks or town centres.
- Serious deterioration in infrastructure.
- Closure of libraries or aquatic centres.

Our application for a Special Rate Variation is based on the preferred strategy, and represents the 'middle-of-the-road' rate increase that our community indicated they were willing to support.

If the special variation seeks funding for contributions plan costs above the development contributions cap, refer to Box 3.1.[1]

Box 3.1 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 section 94 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 Asset Management Plans (AMP)
- any necessary revisions to financial projections contained in the LTFP and AMP to reflect the special variation.

If the special variation seeks funding for contributions plan costs above the development contributions cap, set out below:

- details explaining how the council has established the need for a special variation to meet the shortfall in development contributions, and
- how this is reflected in the council's IP&R documents.

Not applicable

3.1 Community needs

Indicate how the council has identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision in deciding to apply for a special variation. The application should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

As already mentioned we engaged our community through the 2013 Rates and Services Review to determine the appropriate levels of services and infrastructure and the level of rate increase they would be willing to support. In particular the Community Working Group, the group formed to represent the diverse nature of our community, developed a definition of the challenge facing council:

1 See Planning Circular 10-025 dated 24 November 2010 at www.planning.nsw.gov.au and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010.

"How can council maintain the services needed to improve the high quality of life in Canterbury, keep costs down and find alternative sources of income so that rates can be kept as low as possible, and clearly demonstrate the need for any increase in rates?"

The group was provided with profiles for sixteen different service areas and asked to consider how important each service area was. They brainstormed possible strategies to solve the challenge, thinking specifically about the service areas and their income, service levels, and costs, coming up with over 50 different ideas. Between meeting 3 and meeting 5, Council staff reviewed these to see which ones had already been implemented, which ones were feasible, and how much benefit they might provide.

The group then discussed the future they wanted for the City of Canterbury – based on the Community Strategic Plan - and the services needed to achieve this desired future, and developed a list of key features of a good solution to the challenge which formed the evaluation criteria. Using the Feasibility of Ideas they generated options, and evaluated them using the criteria. After much discussion of the features common to all options the group came up with a preferred strategy that they all could support.

An important part of the discussions of the Community Working Group was gaining a greater understanding of the challenge facing council, the costs of providing services and infrastructure, and the way in which council operates. Early in the process the group generated a list of questions about the Rates and Services Review which were answered by council, and documented in Answers to Questions. Information on the various levels of infrastructure condition was also provided to the Community Working group.

The Answers to Questions, Service Profiles and Feasibility of Ideas are provided in the supporting documents, along with Outputs from the Community Working Group Meetings. All of these were made publicly available to the community via an online engagement website haveyoursaycanterbury.com.au, and further contribution was invited from the broader community via specific questions asked in several forums. Extracts from the website are provided in the supporting documents.

The process and results of the 2013 Rates and Services Review were documented in the Community Strategic Plan and Council Delivery Program that were exhibited in January – February 2014.

3.2 Alternative funding options

Explain how the decision to seek higher revenues was made after other options such as changing expenditure priorities or using alternative modes of service delivery were examined. Also explain the range of alternative revenue/financing options you considered and why the special variation is the most appropriate option. For example, typically these options would include introducing new or higher user charges and increase council borrowing, but may include private public partnerships or joint ventures.

Provide extracts from, or references to, the IP&R document(s) which show how the council considered the alternatives.

As already mentioned we engaged our community through the 2013 Rates and Services Review to determine the appropriate levels of services and infrastructure and the level of rate increase they would be willing to support. The characteristics of their preferred strategy were:

- Maintain as many services as possible, including libraries and aquatic services, especially considering projected future population increases;
- Combine a range of strategies, including additional income, fee increases, service reductions, borrowing, and rate increases;
- Accept as little infrastructure deterioration as possible;
- Find as much efficiency in council operations as possible;
- Have a rate increase that is 'middle of the road'; and
- Borrow so that infrastructure maintenance and renewal is shared with future generations.

Our application for a Special Rate Variation is based on the preferred strategy, and represents the 'middle-of-the-road' rate increase that our community indicated they were willing to support, combined with the range of other elements including fee increases, service reductions, acceptance of some infrastructure deterioration due to reductions in maintenance expenditure and borrowing.

The process and results of the 2013 Rates and Services Review were documented in the Community Strategic Plan and Council Delivery Program that were exhibited in January – February 2014.

3.3 State of financial sustainability

The special variation may be intended to improve the council's underlying financial position, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council's current and future financial sustainability.

The application should set out the council's understanding of its current state of financial sustainability, as well as long-term projections based on alternative scenarios and assumptions about revenue and expenditure. Such evidence can be drawn from the LTFP and from any external assessment, eg by auditors or TCorp.

Explain the council's view of its financial sustainability as it relates to the application for a special variation.

The following are excerpts from the Long Term Financial Plan.

1.4 CURRENT FINANCIAL POSITION OF COUNCIL [Page 17]

Council has maintained a sound financial position with working funds of $4.2M and satisfactory KPI's. Council has $25M of unspent s94 contributions and little in the way of other restrictions. Council does not have an Investment Fund or any significant assets which generate non-rate income. As such Council is very reliant on rates and annual charges to fund its recurrent operations.

As per our latest GPFS, our Infrastructure, Property, Plant and Equipment have a carrying value of $905M. In relation to our infrastructure, Council has reported an "estimated cost to bring up to a satisfactory condition" of $51M and an underfunding of the "required annual maintenance" of $17M.

1.2.4 Ability to fund Infrastructure Renewal [Page 8]

Whilst our financial performance and financial position is technically satisfactory, this has been achieved by continually reducing the amount spent on infrastructure renewal. The current level of spending is now at a minimum which equates to the funds raised by the Infrastructure Renewal Levy of approximately $4.0M per annum. This levy ceases after the 2018-19 financial year.

The Asset Management Plan indicates that the annual depreciation expense for our infrastructure assets should be around $13M. The financial statements have previously recorded depreciation of infrastructure assets of $7.7M. However our Asset Management Plan has been extensively revised during 2013 using the expertise of external independent specialists in this field, Jeff Roorda and Associates.

In recent years, Council has reported very minor recurrent operating surpluses and deficits. In light of the new information from the Asset Management Plan, Council has not been generating sufficient funds to renew its existing assets. In fact it has been generating an operating deficit of about $5M.

This deficit has manifested itself in the Infrastructure Renewal Backlog which represents deferred maintenance/renewal of our assets.

1.2.5 Acquisition of New Assets [Page 8]

We have over recent years built several new facilities like the Punchbowl Multipurpose Centre, The Morris Iemma Recreation Centre and upgrades to Belmore Sports Ground and Peter Moore Oval and the restoration of Rotary Park.

All of these facilities have been funded from capital grants, capital contributions and s94 contributions.

Although Council has had to fund the operation, maintenance and renewal of these facilities from its recurrent operations, placing more pressure on recurrent operations, these facilities deliver significant community benefits.

In recent times our capital works program has been limited to works funded by the infrastructure renewal levy, s94 contributions, capital grants or borrowings.

1.9 CONCLUSION [Page 32]

This Long Term Financial Plan has been prepared to illustrate Council's capacity to optimally meet our community's affordable service level preferences and the associated financial implications.

Many of Council's services are asset based. Council, like other local governments, is responsible for managing a very large stock of assets relative to its annual income level. These assets are typically long-lived but as they age they require additional maintenance to preserve preferred minimum service levels. At a particular point in time it is necessary and cost effective that they be replaced. The Long Term Financial Plan acknowledges the financial projections for future asset maintenance and renewal consistent with that identified in Council's Asset Management Plan. The current level of confidence in our Asset Management Plan is considered low as Council is undergoing a program to improve this.

Council has embarked on a strategy to improve its ongoing financial sustainability. This will assist it to be able to accommodate asset renewal needs as they fall due. The level of surplus funds from recurrent operations in recent years has been decreasing and this directly impacts our ability to fund asset maintenance and renewal. Council is proposing to progressively turn this around. The Long Term Financial Plan projects that over a 10 year period a significant level of funds will be available to fund asset maintenance and renewal. Whilst it is acknowledged that this level of funding does not match the Asset Management Plan per se, the Long Term Financial Plan does provide for a comprehensive program of works. Future revisions of this plan will take into account revisions of the Asset Management Plan and benefit from improvements in our Asset Management systems and forecasting.

Key measures proposed to help achieve ongoing financial stability are as follows:

- Continuation of the Service Review Program, identifying additional revenue opportunities, efficiency savings and reviews of services and service levels currently provided;
- Establishment of a Strategic Property Portfolio to generate recurrent income;
- Increasing rates revenue (in real terms) each year over the next three years.

Explain how TCorp's recent Report on the council's financial sustainability is relevant in supporting the decision to apply for a special variation.

The following is an excerpt from the Long Term Financial Plan [Pages 6-7].

The NSW Treasury (TCorp) in its letter dated 10 April 2013 reported the following financial assessment:

Financial Sustainability Rating (FSR): **Moderate** Outlook: **Negative**

The FSR of Council has been determined by TCorp's review (Report dated 12 March 2013) and consideration of the historical and forecast financial results and against a set of benchmark indicators. The Outlook is TCorp's assessment of the potential movement of a Council's FSR within the next three years. Council's "Negative" outlook assessment is an indication of a deteriorating position and that we are at risk of being downgraded from Moderate to Weak. As TCorp considers an FSR of lower than Moderate to be at much greater risk of being unsustainable, Councils in our position need to be considering options for addressing the areas of poor performance that are contributing to Council's assessed FSR and Outlook.

TCorp's outlook assessment and the potential movement of Council's FSR will change as Council undertakes actions to reduce perceived risks, such as completing Asset Management Plans, continuing with the implementation of the Service Review Program and obtaining approval for a Special Rate Variation to address the shortcomings of the Local Government revenue system.

TCorp in a letter dated 26 June 2013 stated "As your work progresses in such areas as obtaining approval for a Special Rate Variation that is able to generate additional funds for either asset renewal and/or addressing the forecast on-going operating deficits, we would expect that the Outlook for Canterbury City Council could improve."

How will the special variation affect the council's key financial indicators over the 10-year planning period? Key indicators may include:

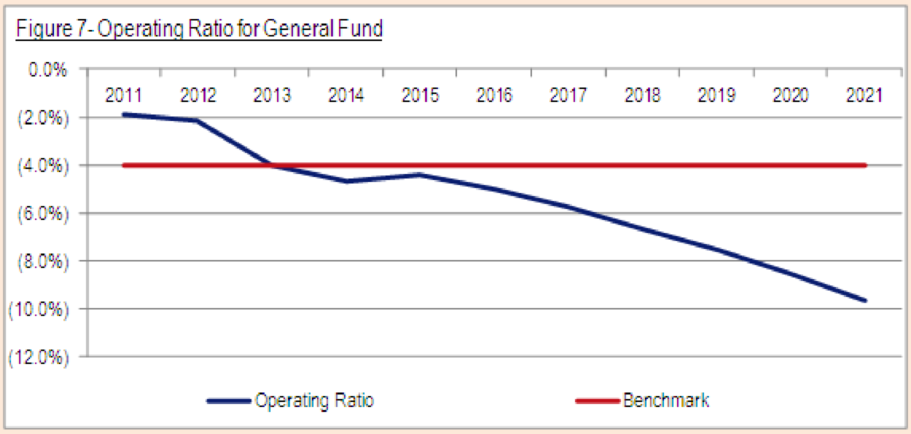
- Operating balance ratio excluding capital items (ie, net operating result before capital as percentage of operating revenue before capital grants and contributions)
- Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities)
- Rates and annual charges ratio (rates and annual charges divided by operating revenue)
- Debt service ratio (net debt service cost divided by revenue from continuing operations)
- Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue)

- Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

1. Operating Ratio

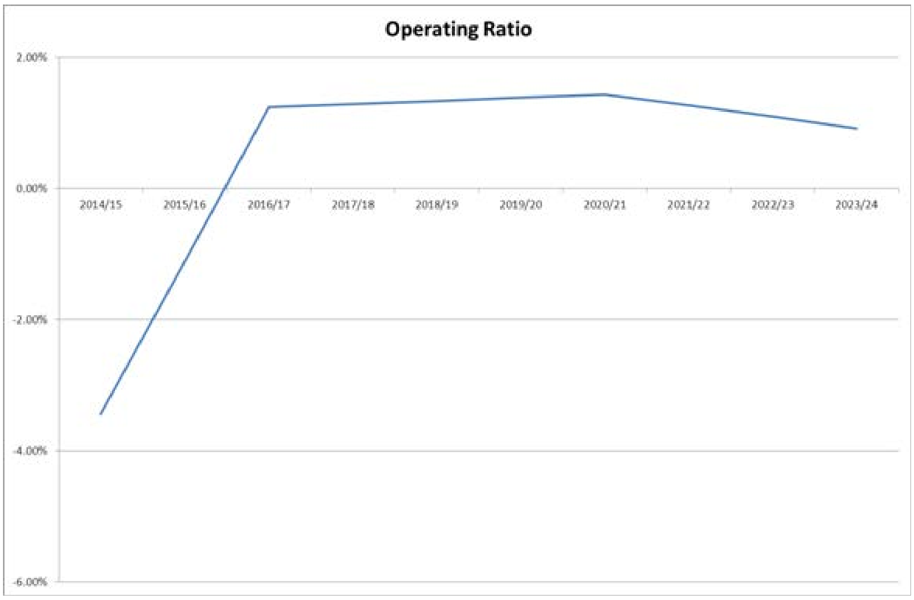
Extract from the latest T-Corp Review [Page 18]:

4.1: Operating Results



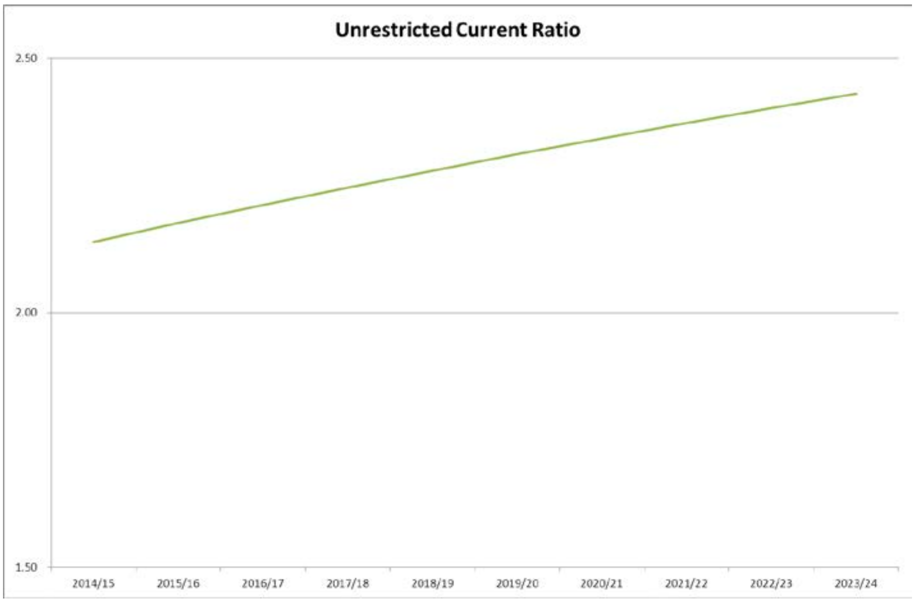
Council consistently reports operating deficits excluding capital grants and contributions below the benchmark from 2014 onwards. The deficit gets progressively larger due to expenses such as materials and contracts, and employees, increasing at a higher rate than revenue.

The following graph shows that the Special Rate Variation has a positive impact on the Operating Ratio, ensuring that over the 10 year planning period we are well in excess of the (4.0%) Benchmark.



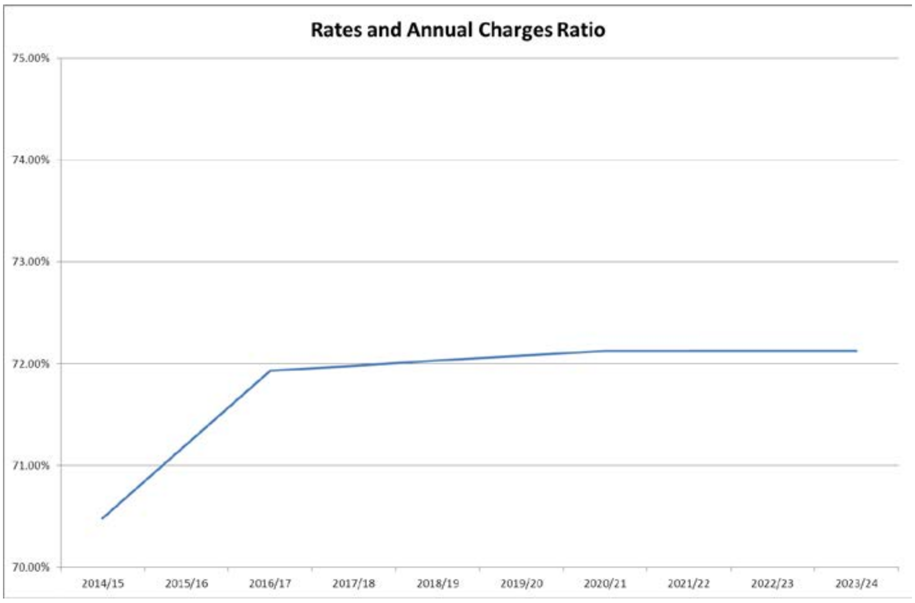
2. Unrestricted Current Ratio

The Special Rate Variation, together with our other initiatives of efficiency savings and the continuation of our service review program will ensure that our Unrestricted Ratio is maintained at between 2.0 and 2.5 of the 10 year planning period.



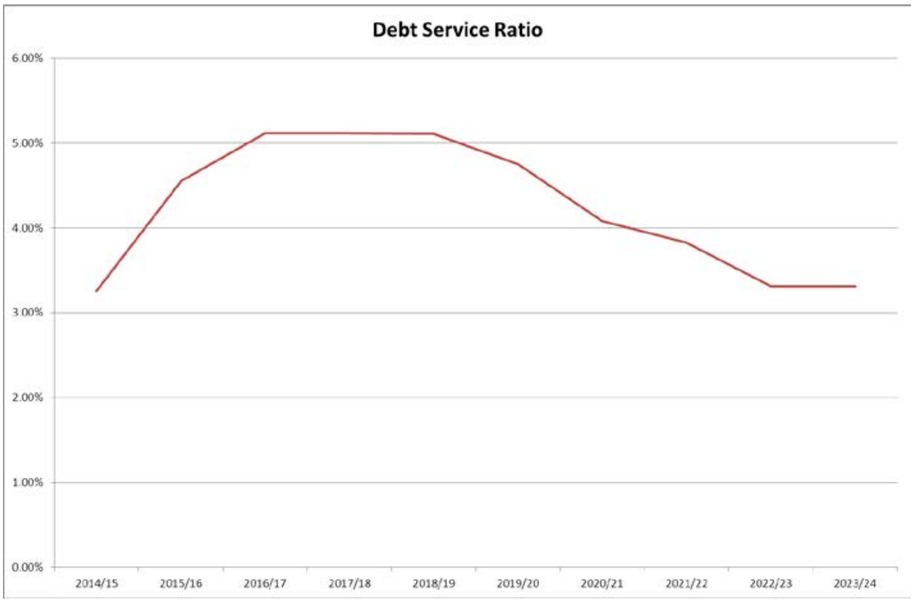
3. Rates and Annual Charges Ratio

Not surprisingly, the Special Rate Variation will slightly increase our reliance on rates and annual charges.



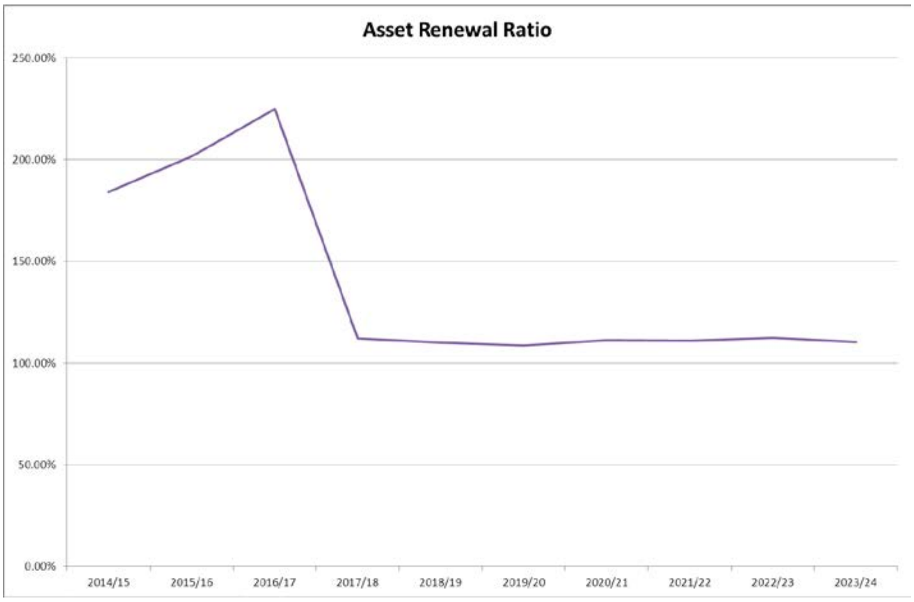
4. Debt Service Ratio

The Special Rate Variation will not have a direct impact on our Debt Service Ratio, however the Community Reference group did recommend a scenario which involve significant borrowings. The following graph shows how our debt service ratio will be affected. Overall the debt service ratio would still be considered as satisfactory.



5. Asset Renewal Ratio

The key objective of the Special Rate Variation is to provide additional funds to address our infrastructure backlog and increase our spending on infrastructure renewal. The following graph clearly shows that the Special Rate Variation will achieve this objective.

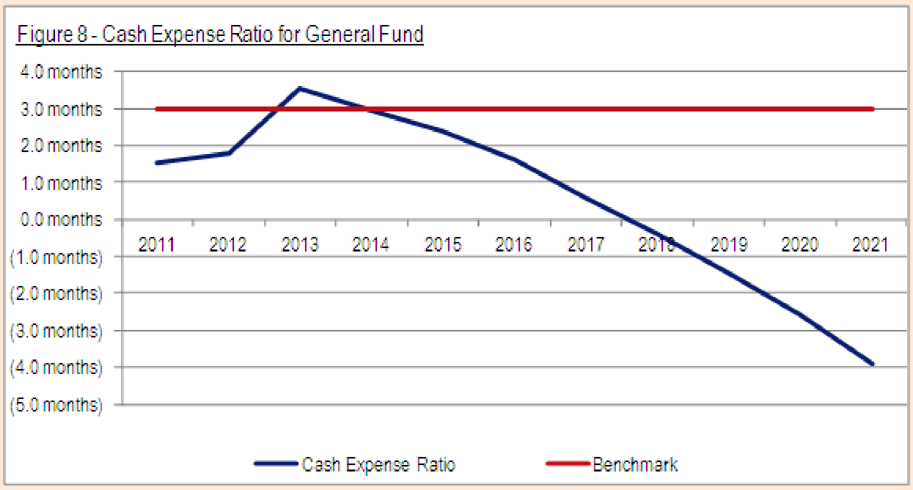


6. Working Capital

The T-Corp review set a Cash Expense Ratio of 3 Months which in our case equates to $22m.

Extract from the latest T-Corp Review [Page 19]:

4.2: Financial Management Indicators - Liquidity Ratios



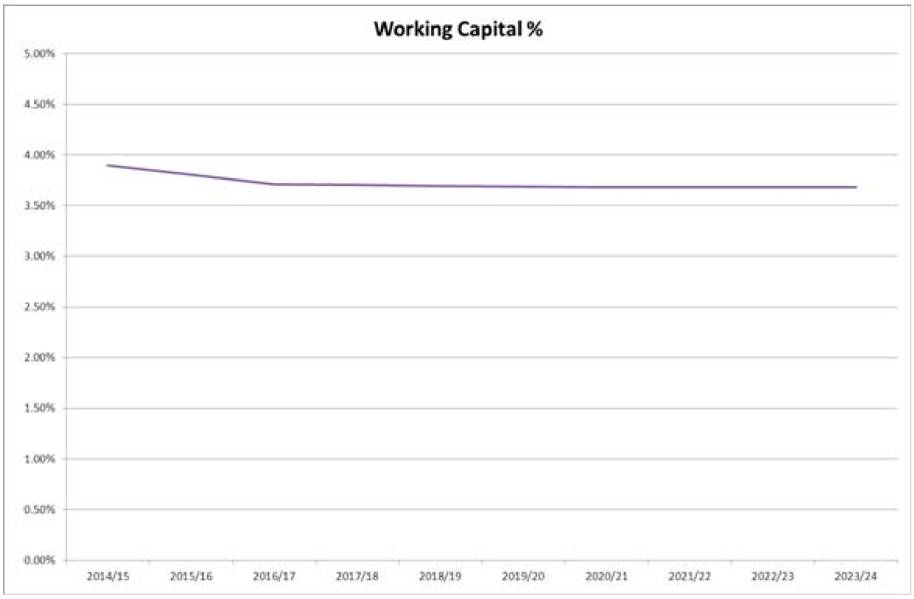
This ratio indicates Council will have liquidity issues from the medium term. This ratio is already below benchmark, and if this trend continues Council may have to reduce expenses and review the provision of some services.

However this ratio does not take into account Council's level of investments. When investments are considered, this shows that Council will not actually face liquidity issues until 2021 when the Cash Expense Ratio will fall below the benchmark. By that point Council feels that in reality their deficit issues will have been addressed as Council will not allow itself to get to this illiquid stage. However, a large part of the current investments are in CDOs and capital protected notes which may not be recoverable in full at maturity. Strategies to improve its liquidity position need to be considered in the short term to address the forthcoming liquidity issues and to allow for the situation where the investments may not be recovered.

Working Funds comprise unrestricted cash assets and other current assets less specific current liabilities. Using Working Funds to calculate our available working capital produces a more consistent and meaningful measure than simply using the reported balance of unrestricted cash which is used in the T-Corp assessment.

Our Long Term Financial Plan states that we aim to maintain a "Working Funds Ratio" between 2.5% and 5.0%. This equates to about $2.5M to $5.0M.

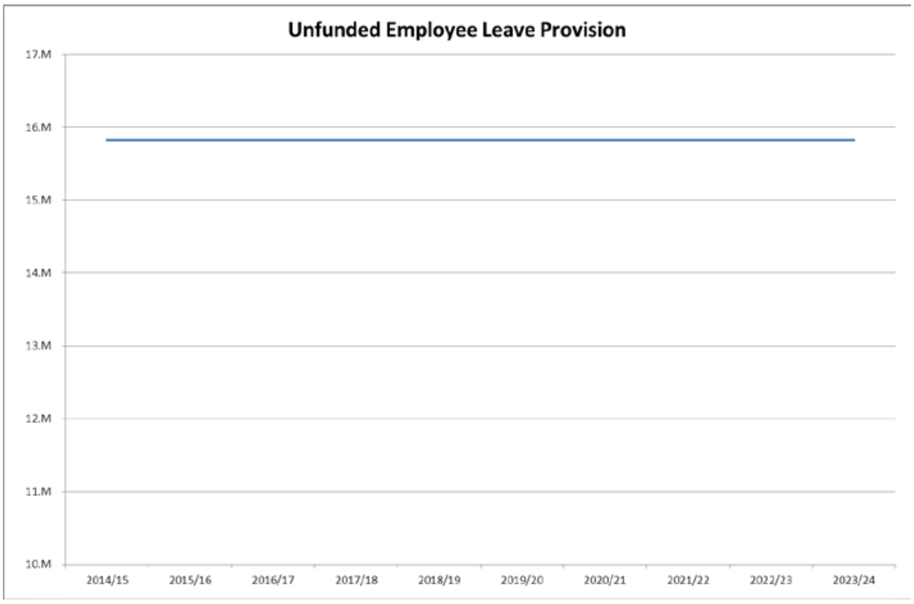
The following graph shows that, with the SRV, we can maintain our Working Funds ratio within the desired range and address the decline in liquidity mentioned in T-Corp's assessment.



7. Unfunded Liabilities

Currently, our employee leave entitlements total $21M with the unfunded portion being $14.8M. Given the age and length of service profile of our staff, we expect to have to pay out significant amount of leave entitlements over the next 5-10 years. As such, a significant objective of the Long Term Financial Plan is to cap any further growth in our unfunded liabilities.

The Long Term Financial Plan ensures that the level of our unfunded liability does not increase as is shown in the following graph.



Overall, the granting of an Special Rate Variation will ensure that we can maintain our existing levels of liquidity and therefore address the deteriorating liquidity position which T-Corp has predicted. Also the Special Rate Variation will allow us to increase the amount spent on infrastructure renewal and address our backlog.

3.4 Capital expenditure review

Councils undertaking major capital projects are required to comply with the DLG's Capital Expenditure Guidelines, as outlined in DLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council's annual ordinary rates revenue or $1 million (GST exclusive), whichever is the greater. A capital expenditure review is a necessary part of a council's capital budgeting process and as such should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

Does the proposed special variation require you to do a capital expenditure review in accordance with DLG Circular to Councils, Circular No 10-34 dated 20 December 2010? Yes ☐ No **X**

If *Yes*, has a review been done and submitted to DLG? Yes ☐ No ☐

4 Assessment criterion 2: Community awareness and engagement

In the DLG Guidelines, criterion 2 is:

> *Evidence that the community is aware of the need for and extent of a rate rise. This must be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate variety of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council's consideration of the community's capacity and willingness to pay rates. The relevant IP&R documents must be approved and adopted by the council before the council seeks IPART's approval for a special variation to its general revenue.*

To meet this criterion, councils must provide evidence from the IP&R documents[2] that the council has:

[2] The relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan

- Consulted and engaged the community about the special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases
- considered and canvassed alternatives to the special variation
- provided opportunities for input and gathered input/feedback from the community about the proposal
- considered the impact of rate rises on the community
- considered the community's capacity and willingness to pay.

In assessing the evidence, we will consider how transparent the engagement with the community has been, especially in relation to explaining:

- the proposed cumulative rate increases including the rate peg (including in both percentage and dollar terms)
- the annual increase in rates that will result if the special variation is approved in full (and not just the increase in daily or weekly terms)
- the size of any expiring special variation (see Box 4.1 below)
- alternative rate levels that would apply without the special variation
- proposed increases in any other council charges (eg, waste management, water and sewer), especially if these are likely to exceed the increase in the CPI.

Box 4.1 Where a council is renewing or replacing an expiring special variation

The council should have explained to its community:

- that there is a special variation due to expire at the end of this financial year or during the period covered by the proposed special variation
- that, if the special variation were not approved so that only the rate peg applied, the year-on-year change in rates would be lower, or that rates may fall
- if applicable, that the expiring special variation is being continued (in full or in part), in the sense that it is being replaced with another that may be either temporary or permanent, or that the value is included in the percentage increase being requested in the following year.

More information about how community engagement might best be approached may be found in the DLG *Guidelines*, the IP&R manual, and our Fact Sheet *Community Awareness and Engagement*, September 2013.

4.1 The consultation strategy

Provide details of the consultation strategy undertaken, including the range of methods used to inform the community about the proposed special variation and to engage with the community and obtain community input and feedback on it. The range of engagement activities could include media releases, mail outs, focus groups, random or opt-in surveys, online discussions, public meetings, newspaper advertisements and public exhibition of documents.

Please provide relevant extracts of the IP&R documents that explain the council's engagement strategy and attach relevant samples of the council's consultation material.

A community engagement program to support the application for a Special Rate Variation was presented to councillors at a briefing on 8 May 2013, and subsequently adopted at the meeting of Council on the 23 May 2013. The program was entitled the 2013 Rates and Services Review. The program was intended to gauge the community's support for Special Rate Variations, and aimed to determine the appropriate levels of service and infrastructure condition; whether or not some services should continue to be provided, and if not, which ones should be discontinued and when; and, if supported, the size and timing of the Special Rate Variations.

The engagement program was undertaken in two phases:

a) a collaborative phase which took place from June to November 2013, in which a series of conversations were conducted about the challenges facing council and the ways in which they could be resolved with a deliberative group (the Community Working Group), a randomly selected representative sample of the Canterbury community. During this phase engagement of the broader community took place via a variety of means whereby the conversations with the deliberative group were made as publicly available as possible, and feedback was gathered.

b) a consultative phase which took place from mid-December 2013 to February 2014 in which the broader community of the City of Canterbury was informed of the strategy preferred by the Community Working Group, including the proposed size and timing of a proposed Special Rate Variation, and feedback was gathered.

Project Steering Group

A Project Steering Group was formed in June 2013 to provide advice on the process of engagement, in particular on ways to engage with our diverse community. The group was selected through a call for expressions of interest distributed to a range of community organisations. The PSG provided useful insight and advice on the formation and operation of the Community Working Group, and the activities and approach needed to ensure the broader engagement was effective.

Collaborative Phase - Engagement with the wider community

A Fact Sheet outlining the background to, purpose of and process for the review, and scope of the challenge facing council was distributed to all 48,000 ratepayers with rate notices in July 2013. Contributions to the Rates and Services Review were invited via the website: http://haveyoursaycanterbury.com.au. Posters, flyers and feedback forms were also distributed to our Customer Service Centre, Libraries, Children's Centres, Senior Citizens Centres, and to local community networks and community centres. Language assistance was made available via our Customer Service Centre for those who needed it.

Other broad community engagement activities, including weekly email newsletter, council column, social media such as Facebook and Twitter, the Canterbury Connects app, and posters and flyers distributed across the city, were used to promote this website and invite people to participate in the review. Advertisements were also placed in local English and community language newspapers.

Examples of materials including the Fact Sheets, advertisements, posters, feedback forms, news articles, and screen shots of the website are provided in the supporting documents.

Collaborative Phase – Community Working Group
Recruitment of the Community Working Group was undertaken by an independent market research company, IRIS Research. They utilised random survey methodology to recruit 36 community members with an appropriate gender, age, and geographical distribution. 24 of these agreed to participate. A demographic profile of the group was obtained at the first meeting and was updated over subsequent meetings. A copy of the demographic profile is included in the supporting documents, and shows the group is representative of the Canterbury community in terms of gender, age, location, cultural background, renters and owners, users of council services, ratepayers, residents and business owners, and people having lived a long or short time in the City.

Over a period of four months the Community Working Group met six times, each time for several hours, working through series of structured conversations to gain a better understanding about what council does and how much it costs, what the challenge is and how it might be solved, and to work together towards a solution that the whole group could support.

- **Meeting 1 – 1 August 2013:**
  The group was introduced to each other, to the rates and services review program, and to the issue. They developed a list of questions about council rates and services. Council staff prepared answers to these questions for discussion at the second meeting.

- **Meeting 2 – 20 August 2013:**
  The answers to the questions from the first meeting were reviewed and discussed. There was then a discussion around three scenarios for service reductions and rate increases. A number of things emerged as common values when considering the impact of reducing the services council provides. This then led to a discussion and development of a shared definition of the challenge facing council. The group expressed the challenge facing council:

  > "How can council maintain the services needed to improve the high quality of life in Canterbury, keep costs down and find alternative sources of income so that rates can be kept as low as possible, and clearly demonstrate the need for any increase in rates?"

- **Meeting 3 – 11 September 2013:**
  The group was provided with profiles for sixteen different service areas and asked to consider how important each service area was. They brainstormed possible strategies to solve the challenge, thinking specifically about the service areas and their income, service levels, and costs, coming up with over 50 different ideas. Between meeting 3 and meeting 5, Council staff reviewed these to see which ones had already been implemented, which ones were feasible, and how much benefit they might provide.

- **Meeting 4 – 9 October 2013:**
  The group discussed the future they wanted for the City of Canterbury and the services needed to achieve this desired future. They developed a list of key features of a good solution to the challenge which formed evaluation criteria.

- **Meeting 5 – 23 October 2013:**
  The group discussed the feasibility of the ideas that were generated at the third meeting. They then generated and evaluated options. The initial evaluation resulted in considerable discussion about the application of the criteria, and it was agreed that no clear preferred option(s) had emerged. It was also agreed that the evaluation needed to be repeated at the next meeting in a way that included a way of interpreting the criteria and weightings for the criteria.

- **Meeting 6 – 7 November 2013:**
  The group refined the criteria, generated new options, and evaluated them. Again no clear preferred strategy emerged. The group then discussed the features common to all options and came up with a new strategy that they all could support.

- **Councillor briefing:**
  A briefing to inform councillors of the Community Working Group's preferred strategy, and the process by which it has been developed was held on 13 November 2013. Members of the Community Working Group attended this briefing to present the preferred strategy to councillors, and were available to answer questions. This was a very positive experience for group members and councillors.

A Summary of the Community Working Group's activity and Outputs from each of the meetings are included in the supporting documents. Video interviews with five Community Working Group members were made and posted on the haveyoursaycanterbury website in January 2014. These are still available for IPART to view if desired.

Consultative Phase – Generating Awareness of the Proposed Strategy
A report to the meeting of Council on 28 November 2013 provided an update on the Rates and Services Review, and Council adopted the preferred strategy for the purpose of making our community aware of the likely changes and to encourage further community contribution.

A community awareness campaign took place via a range of activities during mid-December 2013 to early February 2014. It included exhibition from 10 January to 7

February 2014of this Community Strategic Plan, the Council Delivery Program, Strategic Asset Management Plan, and Long Term Financial Plan.

The community awareness campaign comprised the following activities:

- **Haveyoursaycanterbury website**
  Details of the proposed strategy and the documents on exhibition were made available on the haveyoursaycanterbury website. Over the period of the Rates and Services Review the website has been visited by over 7,800 people, and explored by almost 5,000. Contributions to the forums on the website were received from 21 people.

- **Letterbox drop**
  A letter box drop of a Fact Sheet (A4 double sided) outlining the engagement process to date, and the proposed strategy including details of the proposed rate increase took place in the week commencing 30 December 2013. A total of 65,000 copies were distributed to all residential and business properties (not just ratepayers) in the City. The Fact Sheet – Rates and Services Review Update is included in the supporting documents.

- **Mailout to non-resident ratepayers**
  Distribution of the Fact Sheet by addressed mail to all non-resident ratepayers. A total of 6,400 copies were distributed in this manner. This took place in the week commencing 13 January 2014.

- **Information stalls**
  Information stalls were held in eight town centres and at the Australia Day Festival, where council staff distributed the Fact Sheet and answered questions from passersby. These stalls, which took place over the period 14 January – 30 January 2014, were held for four hours in larger town centres (Belmore, Campsie, Earlwood, Lakemba and Punchbowl), and for two hours in smaller town centres (Belfield, Croydon Park and Hurlstone Park). Over 2,500 copies of the Fact Sheet were distributed in this way, numerous questions answered, and a small amount of feedback was received. A list of the information stall locations, dates and times, is provided as Table 1.

- **Information Sessions**
  Ten information sessions were held at community centres and senior citizens centres across the City, with a mix of morning, afternoon and evening sessions. A presentation outlining the proposed strategy was made, questions answered and feedback received. A list of the information session locations, dates and times, and the number of attendees, is provided as Table 2. The presentation and feedback form used in these information sessions is provided in the supporting documents

- **Advertising**
  The engagement activities were supported by advertising in the council column and email newsletter, posters in libraries and community centres across the city, posters on information signs in Campsie and Hurlstone Park, and advertising in four other language newspapers (Chinese, Arabic, Vietnamese, and Greek).

Examples of materials including the Fact Sheets, advertisements, posters, feedback forms, presentation for information sessions, news articles, and screen shots of the website are provided in the supporting documents.

The above outline of the engagement program is included in both the Community Strategic Plan and Council Delivery Program.

Table 1: Information Stall Locations, Dates and Times

Location	Date and Time
Belmore Town Centre Tobruk Reserve, Burwood Road	14 January 2014 12pm – 4pm
Lakemba Town Centre The Boulevard Reserve, corner of The Boulevard and Haldon Street	16 January 2014 1pm - 5pm
Punchbowl Town Centre On The Boulevarde, at traffic lights opposite Arthur Street	21 January 2014 10am - 2pm
Belfield Town Centre Outside 7 Burwood Road	23 January 2014 10am - 12pm
Hurlstone Park Town Centre Near Information Sign, Floss Street Car Park	24 January 2014 10am - 12pm
Croydon Park Town Centre Outside Subway, corner of Dunmore Street and Georges River Road	24 January 2014 2pm - 4pm
Australia Day Festival Tasker Park, Phillip Street	26 January 2014 10am – 3pm
Campsie Town Centre Anzac Mall	28 January 2014 1pm - 5pm
Earlwood Town Centre Outside 5 Clarke Street	30 January 2014 1pm - 5pm

Table 2: Information Stall Locations, Dates and Times, and Number of Attendees

Location	Date and Time
Lakemba Lakemba Senior Citizens Centre	13 December 2013 10am - 12pm
Riverwood Riverwood Community Centre	13 December 2013 2pm - 4pm
Punchbowl Punchbowl Community Centre	15 January 2014 10am - 12pm
Earlwood Earlwood Senior Citizens Centre	16 January 2014 10am - 12pm
Ashbury Ashbury Senior Citizens Centre	21 January 2014 2pm - 4pm
Belmore Belmore Senior Citizens Centre	22 January 2014 10am - 12pm
Lakemba Canterbury City Community Centre	22 January 2014 2pm - 4pm
Riverwood Riverwood Senior Citizens Centre	29 January 2014 10am - 12pm
Campsie Function Room, Council Administration Centre	29 January 2014 6pm - 8pm
Punchbowl Punchbowl Community Centre	30 January 2014 6pm - 8pm

4.2 Alternatives to the special variation

Indicate the range of alternatives to the requested special variation that the council considered and how you engaged your community about the various options.

The Community Working Group created an option to meet the forecast annual deficit in 2014-15 of $12.5 million that combined increases in user fees, ways to generate additional income, reductions in services and standards of infrastructure, efficiencies in council operations, borrowing, and rate increases that they could all support. The ideas for these different components were generated by the Community Working Group, and assessed for feasibility and potential benefit by council staff.

The characteristics of their preferred strategy were:

- Maintain as many services as possible, including libraries and aquatic services, especially considering projected future population increases;
- Combine a range of strategies, including additional income, fee increases, service reductions, borrowing, and rate increases;
- Accept as little infrastructure deterioration as possible;
- Find as much efficiency in council operations as possible;
- Have a rate increase that is 'middle of the road'; and
- Borrow so that infrastructure maintenance and renewal is shared with future generations.

Whilst the group discussed many different options as they worked towards a preferred one, there are two that provide a useful comparison in understanding implications of the challenge facing council. These are 'No Rate Increase', or 'No Service Reductions'. These have been outlined previously in this application, and were included in the Community Strategic Plan, Council Delivery Program, and Long Term Financial Plan as options on which the community were invited to provide feedback.

4.3 Feedback from the community consultations

Summarise the outcomes of, and feedback from, your community engagement activities. Such outcomes could include the number of attendees at events and participants in online forums, as well as evidence of media reports and other indicators of public awareness of the council's intentions. Where applicable, provide evidence of responses to surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases.

Where the council has received submissions from the community relevant to the special variation during the engagement process, the application should set out the views expressed in those submissions. It should also identify and document any action the council has taken, or will take, to address issues of common concern.

The Community Working Group expressed the challenge facing council:

"How can council maintain the services needed to improve the high quality of life in Canterbury, keep costs down and find alternative sources of income so that rates can be kept as low as possible, and clearly demonstrate the need for any increase in rates?"

They formulated a strategy to meet this challenge and eliminate the forecast annual deficit that combined increases in user fees, ways to generate additional income, reductions in services and standards of infrastructure, efficiencies in council operations, borrowing, and rate increases.

The broader community of the City of Canterbury were informed of this strategy, including the proposed size and timing of a proposed Special Rate Variation. Twenty (20) written submissions were received in response to the proposal, via email, letter, and one contribution to the relevant haveyoursaycanterbury website forum. The issues raised and suggestions made, and comments on each, are outlined below.

None of them indicated that the proposed strategy should be modified.

- **Proposed approach seemed reasonable (8 mentions)**
  Across the whole range of broader engagement activities, after the approach had been explained, and people's questions had been answered, the greater number of people agreed that the proposed approach sounded reasonable.

- **Provide a lift at Punchbowl Station (6 mentions)**
  During the information stall at Punchbowl a number of people requested a lift be installed at Punchbowl Station. Although this is a NSW State Government responsibility, Council could write to the relevant department to advocate for this.

- **Concern regarding condition of infrastructure (4 mentions)**
  Some people were concerned about the current poor condition of infrastructure either in their street or neighbourhood. These included playgrounds, footpaths, kerb and gutter, and roads. These issues have been noted and are the subjects of further planning (eg. we are currently preparing a Playground Strategy), have been incorporated into our future Works Programs (footpath, kerb and gutter repairs) that will be funded by the Special Rate Variation, or are a State Government Responsibility (eg. condition of Bexley Road).

- **Increase efficiency (4 mentions)**
  A number of people suggested improved productivity and efficiency as an alternative to the proposed rate increase. Significant savings have already been achieved in the last five years from our Service Review Program and these were documented extensively in the 'Answers to Questions from the Community Working Group' and made publicly available. The Service Review Program has resulted in staff numbers being reduced from over 700 to 530, and savings in employee expenses of over $5 million per year alone. Reductions in other

expenses have also been achieved. Further efficiencies of $1 million per year have been incorporated into the proposed approach in order to keep the rate increase as low as possible.

- **Consider alternatives to rate increase (4 mentions)**
  There were a number of suggested alternatives to the proposed rate increase, including the sale of non-productive assets, increasing user pays, reducing non-essential services, and increasing grants from other levels of government. All of these alternatives were considered by the Community Working Group, and have been incorporated into the proposed approach in order to keep the rate increase as low as possible.

- **Perceived inequity in rates due to higher property values in the East of the City (4 mentions)**
  A number of people were concerned that they were paying much higher rates than the average, and perceived this to be inequitable. Some people also thought that because property values were increasing, the rates received by council must also be increasing. Information was provided to these people on the way in which the City of Canterbury can levy property rates, and how this is regulated by the NSW State Government.

- **Impact on pensioners (3 mentions)**
  It is acknowledged that the proposed rate increase will impact on pensioners and others on limited and fixed incomes such as self-funded retirees. This was one of the views that were heard strongly from the Community Working Group, which was representative of the broader Canterbury community, and was able to voice the different perspectives from across this community.

  The existing pensioner rebate is provided by the NSW State Government and has not changed significantly for some time. Further ways in which pensioners can be assisted are being considered.

- **Concern about borrowing (3 mentions)**
  Some concern was expressed about the size of the borrowing as part of the proposed approach, in particular because of the risk of future increases in interest rates. Borrowing is being considered as a means of keeping the proposed rate increase as low as possible, and is targeted directly at the infrastructure backlog. Council's policy is firmly against borrowing for operational expenditure.

- **Achieve savings from different waste collection approaches (3 mentions)**
  There were a number of suggestions for achieving savings from different waste collection approaches including user pays for rubbish collection to support recycling, having households contract directly for waste collection, returning to the old clean up approach of four set dates per year, having a combined food and garden waste collection system, and more education to reduce dumping. Some of these suggestions are being considered as part of our future waste strategy.

  Changes to the waste collection approach will not, however, improve the deficit.

This is because under NSW State Government legislation, Council must levy an Annual Charge for waste collection services, and the revenue so gained must only be used for waste collection services. Any savings in waste collection costs must be used to reduce the Annual Charge, and cannot be used to fund services in other areas.

Council's current waste collection and disposal contract costs are, however, comparatively low. The major contributing factor to increases in the Annual Charge for Domestic Waste is the NSW State Government's Waste Levy – a tax on waste going to landfill. This charge has increased by an average of 25% per year for the past five years, and currently costs the people of the City of Canterbury around $2.75 million per year.

- **Community Working Group not representative (2 mentions)**
  Some people thought that the Community Working Group was comprised of community leaders with vested interests in preserving services that benefited them. On the contrary the Community Working Group was comprised of everyday people from across the City recruited by an independent market research company to represent the range of different perspectives typical of the Canterbury community. This group was representative in terms of gender, age, location, cultural background, renters and owners, users of council services, ratepayers, residents and business owners, and people having lived a long or short time in the City.

- **Obtain additional income from new development (2 mentions)**
  It was suggested that more high density development could provide additional income and avoid the need for a rate increase. It was also suggested that rates for new unit dwellings could be increased, and charges to developers could be increased to fund additional services.

  More dense development does accommodate an increase in population into the limited area of the City of Canterbury. Because of the limits on the way in which council is allowed to levy property rates under the Local Government Act, however, the additional income from rates on more dense development does not necessarily cover the costs of the additional demand for services generated by the additional population. An analysis using ABS data of average number of people per household indicates that the average rate per head of population actually decreases when a parcel of land is subdivided into smaller strata blocks.

  Increases in the number of dwellings results in Council receiving contributions under S94 of the Environmental Planning and Assessment Act 1979. These contributions are quarantined and must only be used for specific projects such as the acquisition, development and improvement of public facilities. These funds cannot be used to fund Council's day-to-day operations or fund asset renewal. The amount that can be levied is also capped by NSW State Government legislation.

4.4 Considering the impact on ratepayers

Indicate how the council assessed the impact of the special variation on ratepayers, and where this was addressed within the community awareness and engagement processes. Where the impact will vary across different categories and/or sub-categories of ratepayers, the council should consider the circumstances of the various different groups.

The Special Rate Variation is proposed to be applied uniformly across both residential and business ratepayers.

The core of the engagement process was the deliberative group (or Community Working Group), which was designed to be representative of the Canterbury Community in terms of gender, age, location, cultural background, renters and owners, users of council services, ratepayers, residents and business owners, and people having lived a long or short time in the City. The aim was that the conversations held with this group would raise essentially the same issues and work towards similar solutions as similar conversations held with any similarly representative group, albeit comprised by different individuals. In this way the impact on the community has been considered in a deliberative and collaborative way by representatives of the community themselves, and confirmed by the support indicated by subsequent consultation. Great care was taken to ensure that the diverse voices of the Canterbury community would be heard in the Community Working Group. The demographic profile by and large demonstrates this to be the case. It was also important to ensure that the information reached our diverse community, hence the diversity of means including printed and online, English and other language materials.

As part of the deliberative process, the Community Working Group identified and filled gaps in the demographic profile. Gaps in representation from East Ward, and the 40-49 age group were filled by new members. A gap in renters was filled by several group members volunteering to seek views from people who are renters that they knew. Specific questions for feedback were distributed to Community Working Group members and brought the following feedback that was included in the deliberative process:

1. **What council services do you think are most important in achieving community priorities?**

   The responses were:
   - better roads, and safer roads, with less traffic,
   - rubbish collection is good and important and needs to be kept,
   - parks need to be retained, and well-maintained, and
   - more events and activities are needed in parks and reserves for people with children.
2. **What are the most important features of a good solution?**

   The responses were:

- Long term tenants are likely to be less impacted by rate increases as landlords tend not to pass on the increases to them via rents as quickly as for short term tenants
- User-pays for services is OK
- It is important to demonstrate why rates need to be increased, or why services need to be reduced.

4.5 Considering the community's capacity and willingness to pay

Indicate how the council has assessed the community's capacity to pay for the rate increases being proposed, and also assessed its willingness to pay.

Evidence on capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable council areas. As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

The City of Canterbury is an area of relatively high socio-economic disadvantage, with a score of 922 on the SEIFA index in the 2011 Census, second lowest (ie. second most disadvantaged apart from Fairfield) in the Sydney Metropolitan Area. It was for this reason that the community engagement program, the 2013 Rates and Services Review had as its primary aims to involve the Canterbury community in determining the appropriate levels of service and infrastructure condition; whether or not some services should continue to be provided, and if not, which ones should be discontinued and when; and the size and timing of the Special Rate Variations our community was willing to support.

As has already been mentioned at the core of this process was the deliberative group (or Community Working Group), which was designed to be representative of the Canterbury Community in terms of gender, age, location, cultural background, renters and owners, users of council services, ratepayers, residents and business owners, and people having lived a long or short time in the City. The aim was that the conversations held with this group would raise essentially the same issues and work towards similar solutions as similar conversations held with any similarly representative group, albeit comprised by different individuals. In this way the community's capacity and willingness to pay has been considered in a deliberative and collaborative way by representatives of the community themselves, and confirmed by the support indicated by subsequent consultation.

Through this process the community indicated their support for the following:

- Maintain as many services as possible, including libraries and aquatic services, and especially considering future population increases;

- Combine a range of strategies, including additional income, fee increases, service reductions, borrowing, and rate increases;
- Accept as little infrastructure deterioration as possible;
- Achieve efficiencies in council operations;
- Have a 'middle of the road' rate increase;
- Borrow so that infrastructure maintenance is shared with future generations.

The community did not support the following:
- A rate increase of more than 4.6%;
- Pay for parking in either car parks or town centres;
- Serious deterioration in infrastructure;
- Closure of libraries or aquatic centres.

Our application for a Special Rate Variation represents the 'middle-of-the-road' rate increase that our community indicated they were willing to support, combined with the other elements including fee increases, service reductions, acceptance of some infrastructure deterioration due to reductions in maintenance expenditure and borrowing.

5 Assessment criterion 3: Impact on ratepayers

In the DLG Guidelines, criterion 3 is:

> *The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. Council's IP&R process should also establish that the proposed rate increases are affordable having regard to the local community's capacity to pay.*

We are required to assess whether the impact on ratepayers of the council's proposed special variation is reasonable. To do this, we are required to take into account current rate levels, the existing ratepayer base and the purpose of the special variation. We must also assess whether the council's IP&R process established that the community could afford the proposed rate rises.

5.1 Impact on rates

Much of the quantitative information we need on the impact of the special variation on rate levels will already be contained in Worksheet 5 of Part A of the application.

To assist us further, the application should set out the rating structure under the proposed special variation, and how this differs from the current rating structure, which would apply if the special variation is not approved.

We recognise that a council may choose to apply an increase differentially among categories of ratepayers. However, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, particularly in light of the purpose of the special variation. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

The Special Rate Variation is proposed to be applied uniformly across both residential and business ratepayers.

5.1.1 Minimum Rates

The special variation may affect ordinary rates, special rates and minimum rates.

Does the council have minimum rates? Yes **X** No ☐

If *Yes*, explain how the proposed special variation will apply to the minimum rate of any ordinary and special rate, and any change to the proportion of ratepayers on the minimum rate for all relevant categories that will occur as a result.

So that we can assess the reasonableness of the impact on minimum ratepayers, briefly explain the types of ratepayers that are on minimum rates, and the rationale for the proposed impact of the special variation on minimum rate levels.

The Special Rate Variation will apply to the minimum rate. It will not affect the proportion of rate payers on the minimum rate. It will increase the minimum rate from $525.35 to $652.60 after three years, a total increase of $127, or $84 above the rate cap.

Residential assessments to which the minimum rate applies in the City of Canterbury are generally strata titled residential or commercial units that are either owned or rented. The impact of the rate increase is likely to be felt in some way by both owners and renters (via increases passed on by landlords), however, it is considered to be relatively small. Feedback from the community during the Rates and Services Review has indicated support for increasing the minimum rate as this balances the need to obtain rate income from population increases housed in medium and high density dwellings with the need to keep these across the board increases as low as possible. In the words of one of the Community Working Group members 'everyone shares the pain to some extent' – ratepayers, renters, users of council services, and council itself (in terms of achieving efficiencies).

5.2 Affordability and community capacity to pay

Show how your IP&R processes have established that the proposed rate rises are affordable for your community, and that affected ratepayers have the capacity to pay the higher rate levels. (Indicators considered in this context may be similar to those cited under criterion 2.)

Analysis of the distribution of the increase across ratepayers is shown below. The average increase above the rate cap over the three years is $145 (or just 93 cents per week), and the distribution shows 62% (28,010 assessments) of residential ratepayers pay the average rate or less. A total of 99% of residential ratepayers will pay a total increase above the rate cap over the three years of $312 or less, or $2 per week or less.

The impact on those living in apartments or units is even less with the impact on the minimum rate (5,775 assessments) just $84 above the rate cap over the three years or 54 cents per week.

Despite the City of Canterbury's disadvantage, it was the Community Working Group's view that these amounts are not unreasonable for the value that council provides in terms of services and infrastructure.

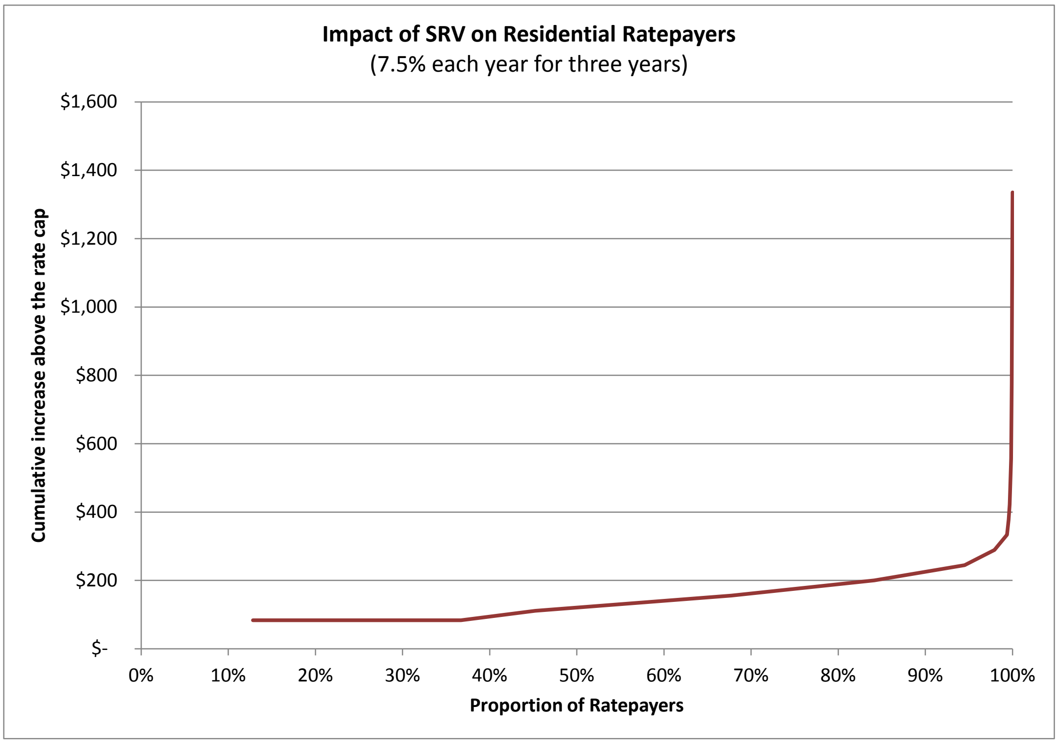
The rate increase has been staggered over three years to improve its affordability.

It is acknowledged that the proposed rate increase will impact on pensioners and others on limited and fixed incomes such as self-funded retirees, including those that are asset rich but income poor. This was one of the views that were heard strongly from the Community Working Group, which was representative of the broader Canterbury community, and was able to voice the different perspectives from across this community.

The existing pensioner rebate is provided by the NSW State Government and has not changed significantly for some time. Council currently supports pensioners by

- Withholding legal action to recover rate debts from pensioners provided they have entered into a repayment agreement; and
- Allowing pensioners to accumulate rate debts where repayments are not sufficient to repay the existing debt. These types of debts are not significant [in relation to the value of the property or in terms of adversely impacting Council's ability to fund its operations], are accruing interest, and are secured by the property.

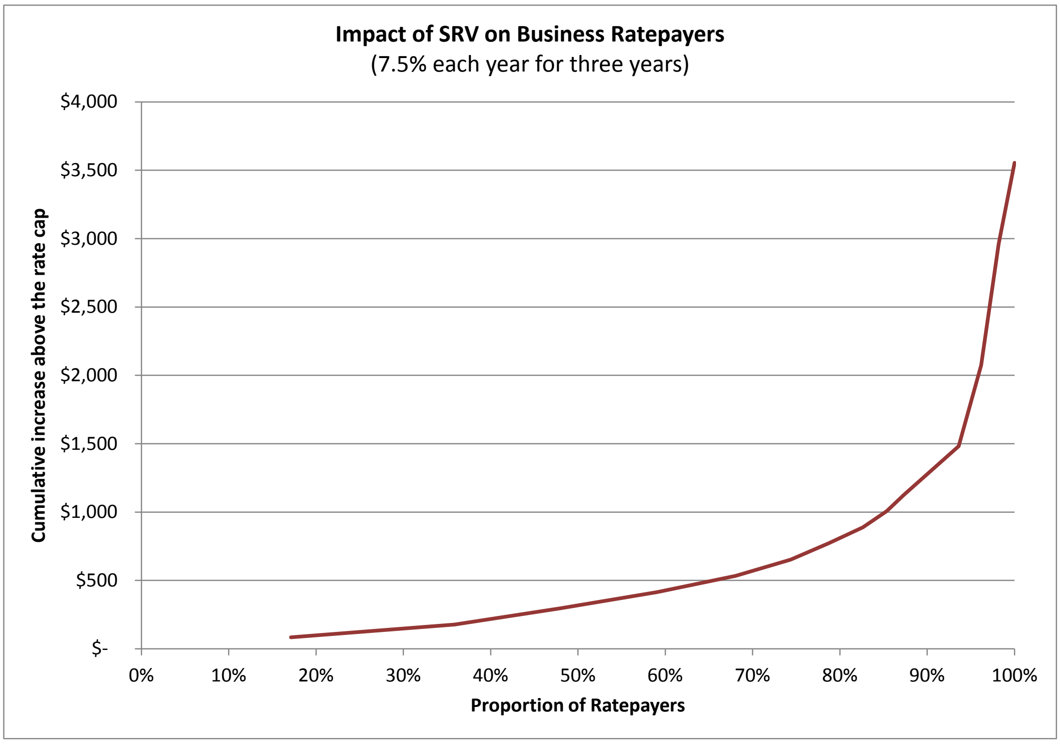
Further ways in which pensioners and self-funded retirees can be assisted, such as reducing the interest rate on overdue rates, are being be considered but have not yet been formalised.



The situation is slightly different for business ratepayers. The distribution is shown below. The average increase above the rate cap over the three years is $1,015. About 85% of business ratepayers in the City will pay this or less. However, 50% of business ratepayers will pay only $300 or less more than the rate cap over three years. Again it is considered that this amount is not unreasonable, and that business ratepayers have the capacity to pay this increase as the City of Canterbury has historically had much lower business rates than surrounding areas. In 2011-12 the average business rate in Canterbury was only $3,745 compared to the average for Group 3 councils of $4,893. Even with the Special Rate Variation, and if other councils only apply the rate cap, after three years average business rates in the City of Canterbury will still be lower than the Group average (about $4,700 compared to $5,700).

Council's rating policy is that 78% of rate revenue comes from residential properties and 22% from business properties. Council has a goal to increase the average business rate to be closer to the middle of the Group 3 councils. To gradually implement this goal, historically Council has opted to split any rate increase on a 70/30 basis [Long Term Financial Plan – Page 16].

In implementing the Special Rate Variation however, council will allocate the additional burden in the existing proportion ie. 78%/22% residential/business in order to reduce the impact of the increase on business ratepayers.



5.3 Other factors in considering reasonable impact

In assessing whether the overall impact of the rate increases is reasonable we may use some of the same indicators that you cite in section 5.2 above. In general, we will consider indicators such as the local government area's SEIFA index rankings, average income, and current rate levels as they relate to those in comparable councils. We may also consider how the council's hardship policy might reduce the impact on ratepayers.

5.3.1 Addressing hardship

In addition to the statutory requirement for pensioner rebates, most councils have a policy, formal or otherwise.

Doe the council have a Hardship Policy? Yes X No ☐

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

Please attach a copy of the Policy and explain who the potential beneficiaries are and how they are addressed.

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

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

The following is an excerpt from the Long Term Financial Plan [Page 16]

Other Council policies relating to rates include:

- providing the mandatory level of pensioner rebates;
- withholding legal action to recover rate debts from pensioners provided they have entered into a repayment agreement; and
- Allowing pensioners to accumulate rate debts where repayments are not sufficient to repay the existing debt. These types of debts are not significant [in relation to the value of the property or in terms of adversely impacting Council's ability to fund its operations], are accruing interest and are secured by the property.

It is acknowledged that the proposed rate increase will impact on pensioners and others on limited and fixed incomes such as self-funded retirees, particularly those that are asset rich and income poor. This was one of the views that were heard strongly from the Community Working Group, which was representative of the broader Canterbury community, and was able to voice the different perspectives from across this community.

Further ways in which pensioners and self-funded retirees can be assisted, such as reducing the interest rate on overdue rates, are being be considered but have not yet been formalised.

6 Assessment criterion 4: Assumptions in Delivery Program and LTFP

The DLG Guidelines state this criterion as follows:

> *The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.*

Summarise below the key assumptions adopted by the council and indicate where they are set out in your Delivery Plan and LTFP. We will need to assess whether the assumptions are realistic. For your information, we will consider such matters as:

- the proposed scope and level of service delivery given the council's financial outlook and the community's priorities
- estimates of specific program or project costs
- projections of the various revenue and cost components.

To also assist us, identify any in-house feasibility work, industry benchmarks or independent reviews that have been used to develop assumptions in the Delivery Program and LTFP if these are not stated in those documents.

The following is excerpted from the Long Term Financial Plan [Pages 17-24]

1.5 SIGNIFICANT FORECASTING ASSUMPTIONS

The following assumptions, risks and uncertainties have been prepared in accordance with legislative requirements, and in reference to Council's Community Strategic Plan. Uncertainty increases as the number of years of prospective financial information increases. These forecast financial statements must be read with caution utilising the details of financial assumptions contained in this statement. Financial years 2018-19 to 2023-24 must be read with considerable caution even though in broad terms the business of the Council should continue as has been forecast in the Community Strategic Plan.

Uncontrollable external events will significantly affect the forecast. The most significant risks that may impact on the forecast financial statements include unexpected changes to legislation and/or regulations including climate change and carbon pricing.

It has been assumed that the organisational structure of Council and the environmental conditions will not significantly change over the next 10 years.

1.5.1 WorkForce Plan

The workforce plan has forecast that there will not be any significant change in our staffing numbers, demographic or skill base.

1.5.2 Asset Management Plan

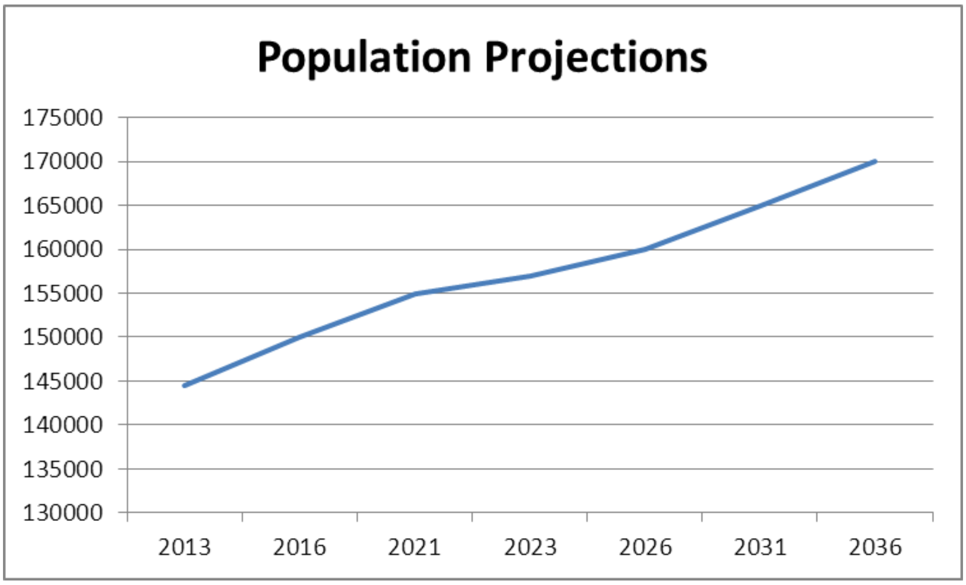
The asset management plan has provided estimates of the level of funding required to maintain our infrastructure assets at a satisfactory level.

1.5.3 Service Priorities

It is assumed that the community will continue to endorse the current range of services that the Council provides. Extensive community engagement that has been conducted as part of Integrated Planning (and which is described in detail in the Community Strategic Plan) indicates strong support for the range and quality of services provided by Council.

1.5.4 Population Projections

The following graph provides the population projections, extracted from the Community Plan.



The actual level of growth is likely to exceed these projections as a result of the State Government's planning policies encouraging urban consolidation.

This Long Term Financial Plan has not made any allowance for population growth, however this is a key risk to the plan and further work will be required to quantify the impact of this growth on Council's financial standing. Preliminary analysis, however, indicates that population growth has significant impact on the demand on Council services, but without a corresponding increase in rate income.

1.5.5 Asset Ownership and Management

There are no major asset sales or change in the management of significant assets forecasted in this plan. Any sale funds will be dealt with in accordance with the financial policy framework previously laid out in this plan.

Council will continue to manage its large infrastructure stock in accordance with the Asset Management Plan detailed as part of the Resourcing Strategy. Technology and further asset information may impact on Council's Asset Management Strategy. However, significant changes to Council's strategy are not anticipated over the life of this plan.

1.5.6 Natural Disasters

The funding provisions in this plan assume that there will be no major natural disaster of a type that causes widespread and significant damage to the City of Canterbury's infrastructure.

1.5.7 External Factors

There will be no unexpected changes to legislation, national standards, or other external factors which alter the nature or extent of services provided by Council.

1.5.8 Investment Income

Investment income is allocated to the source of the investment funds. As such nominal interest has been estimated in this plan and the interest income has been allocated to the historical sources of funds.

1.5.9 Loan Interest Rates

All of Council's loans are fixed interest loans however Council has several loans which will require refinancing over the term of this plan.

This plan has been developed of the assumption that loans will be refinanced at similar interest rates as the original loans.

1.5.10 Depreciation and Useful Lives

Estimates are based on Council's accounting policies and useful lives as stated in Council's Asset Management Plan.

Future revaluations will have an impact on infrastructure remaining lives as well as future depreciation charges and therefore the Building & Infrastructure Renewal ratio. This plan does not anticipate significant valuation movements that would significantly change depreciation charges.

1.5.11 Outsourcing

Where Council outsources physical works and professional services, it is assumed this practice will continue over the life of the plan.

1.5.12 Changes to Planned Service Levels

The plan assumes that the services mentioned in the Community Plan which are not provided for, or not fully provided for, will be considered by the Council in the future, and in a manner that is consistent with the requirements of the Local Government Act. In doing so it is assumed that the capacity of Council to fund these services will be assessed against the key financial management ratios and financial policy framework stated in this plan.

Specific consideration of the financial and Community Strategic Plan impacts will be presented to Council will all reports presented to Council on service issues.

Where the Long Term Financial Plan has factored in savings from service reductions, these savings have not been allocated between categories of expenditure, rather, they have been shown as reductions in material costs.

1.5.13 Rate-Pegging

In 2010 the NSW Government announced that the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) would determine the rate cap that applies to councils' general income. Previously the Minister for Local Government determined the rate cap.

IPART determines the rate cap that will apply to all councils for the year using a Local Government Cost Index. This Index attempts to calculate the changes in the operational costs of councils in New South Wales.

The rate cap percentage is then calculated by subtracting a predetermined productivity factor for councils from the Local Government Cost Index.

The following table provides the history of rate-caps.

2014/15 – 2.3%
2013/14 – 3.4%
2012/13 – 3.6%
2011/12 – 2.8%
2010/11 - 2.6%
2009/10 - 3.5%
2008/09 - 3.2%
2007/08 - 3.4%
2006/07 - 3.6%
2005/06 - 3.5%

We have assumed that the rate-cap over the next few years will be 2.9% which is the average over the last 5 years.

Please also see the section 1.2.9 Current Values or Inflated Values which discusses the basis of the Long Term Financial Planning model.

1.5.14 Rates Growth

Whilst there is expected to be significant population growth, the current rating legislation and structure does not yield any significant increase in rates income due to growth.

Over the past 10 years rate growth has only been 2.2% which equates to 0.22% per annum whilst the City's population has increased 6.6% from 136,000 to 145,000.

In the Long Term Financial Plan, no allowance has been made for rate growth.

1.5.15 Infrastructure Renewal Levy

In 2005, Council was granted a 7.5% special rate levy (for 15 years up to and including 2018-19) to fund the maintenance and renewal of its ageing infrastructure assets. A 15 year plan was developed including a detailed list of projects regarded as essential to the maintenance of our infrastructure assets.

The Long Term Financial Plan has factored in the requirement to seek an extension on this levy.

1.5.16 Special Rate Variations (SRV)

SRV's are a means of eliminating funding caps, ensuring that Council's financial projections are sustainable.

This Long Term Financial Plan includes a new SRV to address the funding gap, ensuring we remain sustainable.

1.5.17 Stormwater Management Charge

Council does not charge a Stormwater Manager Charge and there is no provision within the plan for such a charge to be levied.

1.5.18 Domestic Waste Management Charge

The Domestic Waste Management (DWM) charge is not subject to rate capping. Rather the DWM charge is set to recover the costs associated with the DWM service.

A major cost of the service is the waste tipping fees. These fees include an Environmental Protection Act levy which increases each year significantly more than CPI as a means of encouraging the use of advanced material recovery systems rather than landfill sites. Additionally, tipping fees attracted a Carbon Pricing component based on the greenhouse gases produced by decaying waste.

Unlike SRV's, Council determines the increase in DWM charge each year as part of the annual budget process.

There has been concern over the last few years of a continual decline in the level of the DWM reserves. Minor increases in the DWM charge have been factored into the LTFP to maintain a satisfactory reserve balance.

1.5.19 Service Review Program

The Service Review Program has identified several opportunities to reduce costs and other opportunities to realise income.

The Long Term Financial Planhas included ongoing annual savings of $1,000,000 and ongoing income of $300,000 representing sale of drainage reserves and revenue generating activities.

1.5.20 Inflation - CPI

As our income is linked to Local Government Sector CPI, it is appropriate to use the same factor for inflating costs as we use for the rate-cap.

Please also see the section 1.2.9 Current Values or Inflated Values which discusses the basis of the LTFP model.

Note: TCorp – Local Government Services, Economic Forecasts November 2013. (Average of long term Headline CPI – 2.50% and Building Price Index – 3.00%).

1.5.21 Carbon Price

The Carbon Price was passed by the Commonwealth Government in November 2011 and came into effect on 1 July 2012. The ramification of the carbon price on Council's finances has not been fully assessed. Future reviews of the Long Term Financial Plan should consider the impact of the carbon price on the costs of operations and the degree this will be offset by future increases in the rate-cap.

1.5.22 Environmental Sustainability, Balance Scorecard, QBL Reporting

These important considerations have not been specifically addressed in the current key performance indicators. Future reviews of the Long Term Financial Plan should consider incorporating these indicators.

1.5.23 Section 94 Contributions (including Voluntary Planning Agreements)

As the timing of the receipt of contributions is outside Council's control and the fact that Section 94 contributions must be used for specific purposes, contributions have been included each year based on historical levels and an equivalent amount expended on new assets.

The Long Term Financial Plan has made no allowance for Council to contribute towards projects identified in the Section 94 plans.

1.5.24 Capital Grants

As the timing of the receipt of capital grants is outside Council's control and the fact that capital grants must be used for specific purposes, capital grant income has been included each year based on historical levels with an equivalent amount expended on new assets.

The Long Term Financial Plan has made no allowance for Council to contribute towards projects which have attracted a capital grant. Minor contributions for road works and the like will need to be funded from infrastructure renewal funds. Major projects requiring significant contributions will need to be assessed in accordance with the Division of Local Government (DLG) Expenditure guidelines. Funding for these projects may require borrowing funds and a SRV to cover the loan repayments.

1.5.25 Employee Costs and Superannuation

The annual award increases have been included at the rate of 3.25% per annum which is the annual increase provided for in the current award. Based on the 2013-14 budget, the same increase effectively increased employee costs by 3.75% after allowing for performance increases and wage creep on existing untaken leave entitlements.

The government has announced changes that will gradually increase the superannuation guarantee rate (charge percentage) from 9% to 12%.

Council has also recently negotiated a new salary system which will reduce the impact of performance increases for new employees. This will not have any significant impact on wages in the short-term so no allowance has been made in this Long Term Financial Plan.

The award increase on 1 July 2102 was the final increment in the current award. The Long Term Financial Plan will need to be amended once a new award has been negotiated.

In this Long Term Financial Plan the following assumptions have been used:

1. Increases in the Award rates of pay including any additional superannuation contributions will be capped at CPI which is 2.5%;
2. Increases due to progression will be an additional 0.5%;
3. As it is assumed any superannuation contribution increases will be included in the CPI amount, there are no increases in superannuation factored into this Long Term Financial Plan

No differentiation has been made between the Defined Benefits Scheme and the Accumulation Fund contributions.

1.5.26 Workers' Compensation Insurance

Our Workers' Compensation Premium remains largely dependent on our claims experience. Historically we have budgeted 5.5% of our employment cost to cover our Workers' Compensation Premium.

1.5.27 Infrastructure Maintenance

Accounting standards require asset maintenance to be expensed through the operating statement, whilst expenditure of a capital nature to be added to the balance sheet.

Additionally, the structure of Council's financial system does not clearly differentiate between infrastructure maintenance and infrastructure renewals.

Based on an analysis of prior years' expenditure patterns, the Long Term Financial Plan assumes that $2.75m [2013-14 value] of recurrent expenditure relates to infrastructure renewals and maintenance.

7 Assessment criterion 5: Productivity improvements and cost containment strategies

The DLG Guidelines state this criterion as follows:

> *An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.*

In this section, provide details of any productivity improvements and cost containment strategies that you have implemented in the last 2 years (or longer) and any plans for productivity improvements and cost containment during the period of the special variation. These plans, capital or recurrent in nature, must be aimed at reducing costs. Please also indicate any initiatives to increase revenue eg, user charges. Identify how and where the proposed initiatives have been factored into the council's resourcing strategy (eg, LTFP and AMP).

Where possible, quantify in dollar terms the past and future productivity improvements and savings.

You may also use indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and the DLG Group data provided to us.

Through our Service Review Program, which commenced in 2008, we have worked hard to manage our expenses, and maximise revenue in recent years. Reviews of specific services have included:

- early learning centres;
- library operations;
- aquatic centres;
- garage operations;
- parks and property;

- waste collection;
- street cleaning;
- tree maintenance;
- building cleaning.

As a result of these reviews, action we have taken has included:

- implemented changes to collection of waste from litter bins in parks and town centres;
- outsourced golf course operations;
- sold our Trade Waste collection business;
- reduced the number of annual waste calendars printed from 40,000 to 2,000;
- introduced the Tree Preservation Order Assessment charge;
- combined After School Care services in Punchbowl and Lakemba;
- introduced Remote Frequency Identification (RFID) checkout for books at our libraries;
- reviewed operating hours at our aquatic centres and attempted to implement winter pool closures;
- reduced by half the amount of advertising space used by the weekly council column;
- sold a number of drainage reserves to adjacent landowners, whist retaining easement rights.

In a continuation of the Service Review Program, in 2011 we involved managers, supervisors and staff in further reviewing services to identify savings from reducing levels of service, and from streamlining processes; and further reviewing rates, fees and charges, sources of grant income, and any other potential source of additional revenue. This work has yielded a number of proposals in three broad categories:

- operational initiatives that involve changes to the way in which our services are delivered, in terms of processes, technology or staff resources;
- service level reductions that involve changing the level of service provided to our customers or community;
- major revenue initiatives that involve obtaining additional revenue through rates, fees or charges;
- initiatives needing further investigation.

The feasibility of these proposals has been assessed, with some proposals discarded as having either no benefit or not feasible to implement.

Examples of operational initiatives that have since been completed include:

- Implementation of a dumped rubbish minimisation strategy
- Disconnection of unused telephone lines
- Reviewed need for new aerial photography
- Restructured processes for senior citizens bookings
- Restructured mapping team
- Moved waste call centre operations to contractor
- Reviewed provision of free accommodation at Belmore Youth Resource Centre

- Reduced the number of pool vehicles in Community Development
- Introduced a new salary system
- Reviewed need to prepare demographic and social profiles
- Reviewed security schedules and services
- Reviewed insurance excess for public liability

Operational initiatives that are in progress include:
- Drainage reserve sale program
- Operate aquatic centres under more efficient management arrangements
- Implement roster changes for rangers
- Review provision of the Women's Rest Centres

Service level changes that have been implemented include:
- Reviewed and reduced bus brokerage service
- Discontinued Child and Family Interagency partnership
- Discontinued Immunisation Services
- Reduced deployment of Community information van

Other service level reductions that are being investigated include:
- sideline mowing
- street cleaning
- festivals
- outside school hours care and vacation care

Revenue initiatives that have been investigated include those identified by the 2013 Rates and Services Review, and pay for parking. Introduction of a Stormwater Levy to provide funds for the repairs of our drainage systems has been investigated and found to be not feasible.

The Service Review Program has yielded significant savings with an annual reduction in staff levels from 700 to 530, reduction in wages and salaries of almost $5 million, and employee costs of $4.5 million. An analysis of expenditure over the period 2007 to 2013 is provided in the supporting documents. A summary is provided in the table below (amounts shown are in $'000s):

Operating Expenses 2007 - 2013

	2007	2008	2009	2010	2011	2012	2013	7 Year Avg Ratio CPI Adjusted	Annual Saving or Cost
Employee costs	40,139	40,752	44,000	44,161	41,435	44,446	42,736	0.90	4,578
Interest	87	75	61	88	337	408	547	2.24	-303
Materials and contracts	19,516	21,179	22,832	22,420	26,069	27,203	28,050	1.04	-1,180
Other	11,255	12,722	12,738	11,886	12,653	13,405	14,737	0.97	496
Depreciation	7,177	7,811	9,217	9,682	9,873	10,202	9,924	1.08	-771
Total	**78,174**	**82,539**	**88,848**	**88,237**	**90,367**	**95,664**	**95,994**	**0.97**	**3,409**

Also provided in the supporting documents is a summary of current status in relation to the 2011 Service Review Program projects, indicating that over $1 million per year worth of operational efficiencies and service reductions have been achieved as a result of this program, with a further $1.5 million per year planned.

8 Other information

8.1 Previous Instruments of Approval

If you have a special variation which is due to expire at the end of this financial year or during the period of the proposed special variation, when was it approved and what was its purpose?

Please attach a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

Extract from Long Term Financial Plan [Page 21].

1.5.15 Infrastructure Renewal Levy

In 2005, Council was granted a 7.5% special rate levy (for 15 years up to and including 2018-19) to fund the maintenance and renewal of its ageing infrastructure assets. A 15 year plan was developed including a detailed list of projects regarded as essential to the maintenance of our infrastructure assets. The long term financial plan has factored in the requirement to seek an extension on this levy.

The original approval is included in the supporting documents.

8.2 Reporting to your community

The *Guidelines* set out reporting mechanisms that show your accountability to your community. Please tell us how you will go about transparently reporting to the community on the proposed special variation, should it be approved. Also indicate the performance measures you will use to demonstrate how you have used the additional funds (above the rate peg) generated by the special variation.

Formal reporting of the current Infrastructure Renewal Levy is provided every year via a specific section of both the Annual Budget (planned works), and the Annual Report (completed works). Examples of these are provided on page 34 of the Annual Budget 2013-14 and page 30 of the Annual Report 2012-13, both included in the supporting documents. A monthly report on specific projects included in the Infrastructure Renewal Program is also provided to council's City Services Committee in the 'Progress of Works' report. An example of this report is also included in the supporting documents.

Future reporting will take place in a similar manner, with relevant projects funded by the new Special Rate Variation included in Annual Budgets, monthly 'Progress of Works' reports, and Annual Reports.

8.3 Council resolution to apply to IPART

The Guidelines require the council to have resolved to apply for a special variation. Please attach a copy of the council's resolution to make a special variation application. Our assessment of the application cannot commence without it.

Refer to the supporting documents.

9 Checklist of contents

The following is a checklist of the supporting documents to include with your Part B application:

Item	Included?
Relevant extracts from the Community Strategic Plan	☐
Delivery Program	☐
Long Term Financial Plan	☐
Relevant extracts from the Asset Management Plan	☐
TCorp report on financial sustainability	☐
Contributions Plan documents (if applicable)	☐
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation	☐
Community feedback (including surveys and results if applicable)	☐
Hardship Policy	☐
Past Instruments of Approval (if applicable)	☐
Resolution to apply for the special variation	☐
Resolution to adopt the Delivery Program	☐

10 Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: City of Canterbury

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

General Manager (name): Jim Montague PSM

Signature and Date:

Responsible Accounting Officer (name): Glenn McMahon

Signature and Date:

Once completed, please scan the signed certification and attach it to the Part B form before submitting your application online via the Council Portal on our website.