Independent Pricing and Regulatory Tribunal

Special Variation Application Form – Part B

For applications for 2014-15

Issued October 2013

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

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PLEASE NOTE:
Council adopted the Preferred Scenario detailed throughout this Application at its meeting on Monday 17 February 2014. In addition, Council endorsed a range of amendments to the exhibited draft Resourcing Strategy and Delivery Program to reflect the Preferred Scenario and other adjustments as outlined within the report to Council. These Plans will be finalised to reflect the adopted position and a copy will be provided to IPART.

Attached for reference purposes are copies of the exhibited documents which outline the various scenarios upon which Council engaged the community.

Council has adopted a Scenario which, excluding the Baseline, is within the minimum and maximum scenarios presented to the community via the draft documents and other promotional material.

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.

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.

1.1 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.

Executive Summary

Wollongong City Council's application for a rate variation follows a significant review of Council's financial position and extensive engagement with the local community.

This application is submitted to support Council's endorsed approach to achieve financial sustainability. It is but one part of Council's approach and this is detailed throughout the application.

Wollongong Council is well positioned to provide services in the short to medium term with strong cash holdings, low levels of debt and at the expense of required asset renewal, a balanced cash flow over the past 10 years. Council has undertaken a Financial Sustainability Program since July 2008. This program has utilised a number of strategies to achieve recurrent budget improvements without having a negative impact on the community. The annual improvements achieved to date through this program are $20.3 million. This increase in funding has led to a steep increase in the amount of capital works with a focus on asset renewal. The last five years of capital expenditure i.e. 2008-09 to 2012-13 totalling $390 million, is 110% higher than the previous five years.

In June 2009 Council adopted a financial strategy to provide direction and context for decision-making in the allocation, management and use of Council's financial resources. The strategy set the parameters within which Council would operate to ensure it remained financially stable.

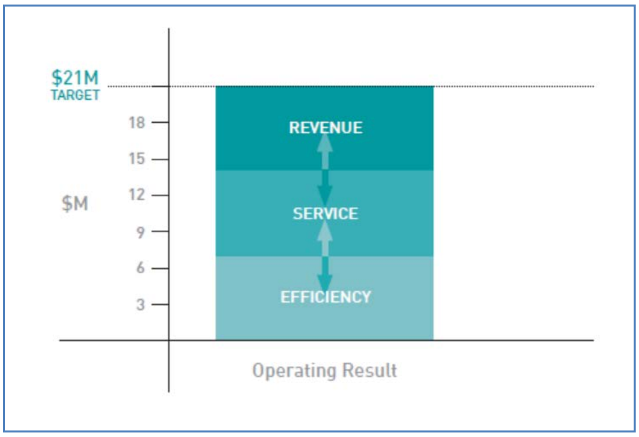
Council adopted its suite of Integrated Planning and Reporting documents (IP&R) in 2012 following an engagement process involving over 1600 members of the community. The issue of financial sustainability was highlighted throughout the process and in the resulting IP&R documents, and committed Council to further engage with the community regarding financially sustainable options.

The continuation of a savings program was built into Council's ten year Resourcing Strategy. At the time of adoption (2012), the Resourcing Strategy required an operational improvement of $3.3 million in 2012-13 and an annual savings totalling $12.4 million by 2022. As at June 2013, the target was $10.5 million in savings. Achievement of the savings target was intended to stabilise Council's operating deficit, although it would not achieve an operating surplus any time in the future.

In 2012, the NSW Government commissioned the NSW Treasury Corporation (TCorp) to undertake an analysis of the financial sustainability of 152 Councils in NSW. TCorp identified that Council's deteriorating operating results are 'primarily due to increasing depreciation and amortisation expenses', and that 'this is a significant issue that could impact the long term financial sustainability of the Council (TCorp, October 2012).

Council's operating deficit requires approximately $21 million per annum improvement to break even and adequately service the existing stock of assets. Council considered that this should be achieved over a three to five year period.

At this time Council considered its financial sustainability approach consisted of three key elements, each of which required community input to advise and determine appropriate quantum's in each element. The approach is as follows:



At its 12 August 2013 meeting Council considered a report that stated:

> *"Council's recently endorsed Annual Plan 2013-14 identifies an annual deliverable to 'determine Council's position on rates to address the infrastructure shortfall' (4.4.5.3). Scenarios 2 and 3 of Council's current Long Term Financial Plan incorporate rates increases, amongst other revenue generating activities, although the level rate is not yet determined. These Scenarios require further modelling, and the 'elasticity' in the levels of change pertaining to revenue increases, service adjustments, and efficiency measures will depend on community and Council preferences for where change should occur".*

In August 2013 Council launched 'Securing our Future', a review to address the asset renewal funding gap. The review involved engagement with internal staff, Councillors and the community, to determine the options for Council to be able to continue to provide high quality assets and services into the future.

The formation of a Citizens Panel in September 2013 commenced Council's most recent community engagement process on this issue. The Panel presented Council with a report that included recommendations for service level adjustments, operational efficiency measures and revenue increases (including a rates increase). In November 2013, Council engaged the community again by exhibiting the recommendations of the Panel for broader community comment around the options available to address the funding challenge. In total, 600 of community members made comment on the Citizens Panel report and an additional four petitions were received. Further details on the results of this process are included in Attachment 1 Securing Our Future Community Engagement Report February 2014.

The Panel Report and the submissions received assisted Council to develop two additional options that would identify ways to achieve the $21 million funding gap contained within the baseline (or do nothing) scenario. Council placed the three options, in addition to the baseline scenario, on public exhibition and on 17 February Council adopted a preferred scenario. The preferred scenario was prepared in direct response to community feedback received from 800 submissions and forms the basis of this application.

Following extended period of community engagement, Council on 17 February 2014 endorsed its preferred scenario for financial sustainability. This includes an efficiency target of $4.5 million (minimum target), service level adjustments $1.5 million, increased fees & charges $500,000 (minimum) and a rate rise yielding $14.5 million. This would be reflected by a 6.63% rate increase, to those properties impacted by the special rate variation, in each of the next three years inclusive of any rate peg.

As per the previously exhibited options the preferred scenario excludes rate increases for Business Subcategories 'Heavy 1 Activity 1' and '3c Regional Business (City Centre)' and special rates (aside from the estimated rate peg) due to the higher than average rates in the dollar already applied to their property values and the application of special rates to specific tasks that are not associated with the financial sustainability issues. The rate adjustments presented in these scenarios reflects the impact on rates that would be applied to individual ratepayers impacted by the SRV rather than the percentage increase in General Revenue to avoid confusion in the engagement stage.

Provided this application is successful the combined financial sustainability program would be deployed over the next three years as follows:

PREFERRED SCENARIO	EFFICIENCY		SERVICES	REVENUE		TOTAL
	Lower Impact	High Impact		Rates *	Other	
	$,000	$,000	$,000	$,000	$,000	**$,000**
2014/15	1,000		1,000	4,950	120	**7,070**
2015/16	1,000		200	4,560	250	**6,010**
2016/17	1,500	500	200	4,990	130	**7,320**
2017/18		500	100			**600**
2018/19						-
TOTAL	**3,500**	**1,000**	**1,500**	**14,500**	**500**	**21,000**

The preferred scenario achieves a $21 million improvement p.a. to direct towards asset renewal. $20 million of the $21 million annual improvement will create additional funds, the other $1 million is a proposed saving in depreciation from the extension of life on footpaths that will reduce the need for funds, but would lower the service standard of Council footpaths. The additional $20 million is proposed to be spent on increased asset renewal. The breakdown on how the funds may be spent is based on the projected renewal timeframes identified in the Asset Management Plan section of the Revised Resourcing Strategy 2012-22.

This application seeks an additional rate increase to support Council's initiatives to improve our operational position and to allow for increased funds to be made available for infrastructure renewal. It provides evidence of an extensive and challenging community engagement process that has resulted in a preferred financial scenario. A special rate variation is only part of Council's approach and will build on recent efforts to improve the long term financial forecast, and ultimately the services provided to the Wollongong community.

This application has been developed in communication with IPART to ensure Council has appropriately responded to the SRV Guidelines. Council has taken advice from IPART in preparing this SRV application and has limited duplication throughout the application where possible. As such, reference to attachments and in text references to alternate sections of the application is has been incorporated.

Attachment and References

1 Securing our Future Community Engagement Report February 2014.

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.

The challenge to address Council's asset and service commitments has been an ongoing conversation, which was first highlighted in Council's Corporate Plan 2004-08. The Plan introduced a program that began to address the critical shortfall in infrastructure asset funding for Wollongong City. At the same time as introducing fair value accounting, the five year program introduced through the corporate planning process, an additional $250,000 per annum for Recreation assets, $500,000 per annum for Buildings, and an additional $2 million for Infrastructure Construction and Maintenance in 2004-05, with an incremental increase of $2 million per annum over the next 4 years. (WCC Corporate Plan 2004-08, pg. 96).

In its first year under Administration, Council adopted a management plan for 2008-2012 that sought to improve on the bottom line, and to improve the ongoing viability of Council operations. It proposed to do this in a number of ways including a 4% increase in fees and charges for non-commercial services and a 6% increase for commercial activities, with additional increases included for specific commercial activities, reviewing how it works and what it delivers with a primary focus on the internal or 'back of house' service. It also committed to increased expenditure in asset renewal of Parks, Roads and Buildings (WCC Management Plan 2008-2012).

The IP&R process has continued the asset and service conversation as part of Wollongong 2022, Wollongong's Community Strategic Plan. The IP&R documents describe Council's financial position and the key challenge of being able to fund the ongoing maintenance and renewal of Council's infrastructure and community assets to meet community expectations.

Wollongong City Council adopted its IP&R documents in June 2012. The process carried out to develop the Community Strategic Plan was a collaborative and genuine engagement process involving the Wollongong community and stakeholders. Commencing in June 2011, this included input from representatives from community, government, business, education institutions, non-government organisations, community groups, councillors and Council staff.

The following table provides a snap shot of key milestones since the IP&R process began:

Table 1: Dates for community consultation, key document revisions, exhibition period(s) and the date(s) Council adopted the relevant IP&R documents.

IPR Element	Engagement Activity	Purpose	Timeframe	Council date of adoption
IP&R Community Engagement Strategy	Community Reference Panel	To provide advice to Council on how to engage and communicate with the community more effectively	March 2011	N/A
CSP Vision	Draw Write Snap Share	Creating awareness of IP&R project and engaging community in describing what they love about Wollongong	June - August 2011	N/A
CSP	Vision Survey 2011	To gain an understanding of the community vision for the future of Wollongong using a random representative sample of residents via a telephone survey	July 2011	N/A
CSP	Intercept surveying/ Children & Young people engagement	To gain an understanding of the community vision for the future of Wollongong and to further validate findings from the Vision Survey	July – October 2011	N/A
CSP	Town Hall Talks	Involved a series of Town Hall Talks, where industry experts were invited to speak at the Wollongong Town Hall on the topics of Our Economy, Our Environment and Our City Leadership and Engagement	September – October 2011	N/A
CSP/ Resource Strategy	Community Summit	A two day workshop involving a variety of engagement techniques bringing community, stakeholders and Councillors together to share and develop a vision for Wollongong's future	October 2011	N/A
CSP/Resource Strategy/Delivery Program	Refining Workshops	Focused on refining the goals, as well as developing objectives and strategies. Representatives from the Community Summit, agency stakeholders, Councillors, Council's senior managers, neighbourhood forum convenors, and representatives from Council's specialist reference groups and peak bodies	November 2011	N/A
Resource Strategy/ Delivery Program	Community Survey 2012	Biennial Community Satisfaction Survey	March 2012	N/A
IP&R suite of documents	Exhibition	Public exhibition of all IP&R documents	26 April- 24 May 2012	
IP&R suite of documents	Council Report	Adoption of revised documents with amendments	N/A	25 June 2012
Annual Plan development	Exhibition & adoption	Exhibition and adoption of Annual Plan 2013-14	10 April – 13 May 2013	24 June 2013
Resource Strategy/DP review	On-line survey & call for submissions Step 1- FSR	Explored options for regarding efficiency savings, priority services, service levels and funding sources	20 September – 8 October 2013	N/A
Resource Strategy/DP review	Deliberative Citizens Panel Step 2 - FSR	Panel deliberated over the issues and provided recommendations on how Council could managed the financial gap in the future	September – October 2013	N/A
Resource Strategy/DP review	Exhibition Panel Report Step 3- FSR	Public exhibition of Citizens Panel findings	5-20 November 2013	N/A
Resource Strategy/DP review	Council Report & Exhibition range of options and revised documents Step 4- FSR	Public Exhibition of options and revised Delivery Program and Resourcing Strategy	11 December 2013- 5 February 2014	9 December 2013
Resource Strategy/DP review	Council Report	Adoption of revised documents with amendments		17 February 2014

Throughout the engagement process for Wollongong 2022, thousands of community members were involved via submissions of photos, artworks and poems, surveys, community conversations, Town Hall Talks, workgroups, two day Community Summit and the exhibition of the draft Plan. The outcome was Council's Wollongong 2022 Community Strategic Plan and includes the community's vision and goals:

Vision: *From the Mountains to the Sea, we value and protect our natural environment and we will be leaders in building an educated, creative and connected community.*

Goals:
1. We value and protect our environment
2. We have an innovative and sustainable economy
3. Wollongong is a creative, vibrant city
4. We are a connected and engaged community
5. We are a healthy community in a liveable city
6. We have sustainable, affordable and accessible transport.

The Resourcing Strategy, the Delivery Program and Annual Plan support Wollongong 2022 and provide the means to determine priorities and resource allocation. The original documents signalled the need for further work including community engagement to address Council's long term financial sustainability.

The Delivery Program details the Council's priorities for Wollongong from 2012-17 via actions that are aligned with the community goals, objectives and strategies of the Community Strategic Plan. The Councillors have agreed on five key focus areas for the life of the Delivery Program. The first and overarching program outlines Council's commitment to achieving financial sustainability.

As part of Council's annual planning process, significant work has recently been completed to update and revise the documentation to better reflect the actions required to improve Council's operating position and to allow for increased funds to be made available for asset renewal. A seven (7) week exhibition period of Council's Revised Resourcing Strategy 2012-22 and Revised Delivery Program and Annual Plan 2012-17 provided the community with details on how various funding solutions would impact on services and activities.

Excerpts from Council's Revised Delivery Program 2012-17) are included below:

> *Our Council is committed to improving the standards of community assets over the five year Council term. We will also continue to work towards financial sustainable solution to manage our assets and deliver key services. This will be achieved by directing 85% of all capital investment into asset renewal and a strong emphasis on cost effectiveness in service provision.*
>
> Revised Delivery Program 2012-17

Supporting this direction the current Annual Plan 2013-14 identifies the deliverable to "*determine Council's position on rates to address the infrastructure shortfall".* As a part of this work, Council commenced the Financial Sustainability Review and undertook extensive community engagement including the revision of the IP&R documents; Resource Strategy and Delivery Program.

The General Manager's message in the Revised Resourcing Strategy spells out the issue, which is further detailed throughout the Asset Management Plan, Long-Term financial Plan and Workforce Plan. This includes a financial model outlining the shortfall. The revised Plans were exhibited from 11 December 2013 to 5 February 2014 and the engagement process is further detailed in Section 4 of this application.

Excerpts from the Revised Resourcing Strategy 2012-22 are included below:

> *We like many Councils, are finding that the services we are asked to offer continue to rise whilst ageing infrastructure, a reduction in funding from other tiers of government and the cap on revenue coming into Council has presented a financial gap.*
>
> General Managers Message, Revised Resourcing Strategy 2012-22

Council is the custodian of community assets with a replacement value of more than $4.0 billion. These assets include roads, drains, footpaths, community facilities, recreational facilities, parks and gardens. Similar to other councils across the state, Council is struggling with the challenge of maintaining and renewing older assets from the post WWII boom. Our asset maintenance and building and infrastructure asset renewal performance, whilst not poor, is below indicative benchmarks set by the state government.

A significant proportion (30%+) of (the) infrastructure assets are more than 50 years old and almost all of these are high-cost/long-life assets (eg, transport and drainage infrastructure) with an expected life of around 60-100 years.

Asset Management Plan, Revised Resourcing Strategy 2012-22

This path is not sustainable in the longer term and requires adjustment during the coming years. The baseline forecast shows that Council has around an average $21 million annual shortfall in its operating surplus [pre capital] indicating an inability to provide enough funding to maintain and renew our assets into the future. As part of the first revision of the Resourcing Strategy in 2012-13, the LTFP was updated with revised scenarios (funding options) that address the shortfall in funding to provide for a small surplus budget. The scenarios are based on the assumption that improvement needs to be delivered through a combination of:

- *Efficiency improvements that allow Council to continue to provide the current or higher levels of service at a lower cost.*
- *Reductions to some current service levels that will allow more funds to be made available for higher priority services.*
- *Increased revenue through adjustments to rates, fees and charges and development of other income earning endeavours.*

Long- term Financial Plan, Revised Resourcing Strategy 2012-22

This will require Council to make strategic decisions in regards to the composition and structure of the workforce needed to deliver services and service levels and to achieve efficiencies. Opportunities to look at other ways of resourcing our services, including changing staff structures, establishment levels or delivery methods will be important in developing these strategies. Each of the scenarios provided in the LTFP demonstrate there will be some level of impact on the workforce in terms of change to work practice, delivery models, management models and a continued focus on increased productivity and cost containment.

Workforce Management Strategy, Revised Resourcing Strategy 2012-22

Reference is made to Section 7 of this application regarding the future actions and measures in Council's Revised Delivery Program 2012-17 which have been adopted to support this application for a Special Rate Variation. In addition, comprehensive information detailing methodology, dates and participation rates for community engagement is contained within Section of 2 of this application.

References and Attachments

1 Securing Our Future Community Engagement Report February 2014
2 Wollongong 2022 Community Strategic Plan
3 Revised Delivery Program 2012-17
4 Revised Resourcing Strategy 2012-22
6 Wollongong 2022 Community Engagement Report 2012

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)	☐

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 Need for the Variation

Reference should also be made to information provided by Council in Sections 3.1, 4.1 and 4.3 in addition to the information below when considering this criterion.

Council has long described the need to address financial sustainability in its management planning documents as stated in the previous section. As significant state wide reviews and independent assessment has been undertaken, Council has refined and amended these planning documents over time.

A key starting point occurred in 2007 when, following the Independent Inquiry into the Financial Sustainability of Local Government (2006), Wollongong Council commissioned a Financial Sustainability Review, led by Professor Percy Allan. The review concluded Council had a substantial infrastructure renewal backlog which would continue to deteriorate if nothing changed.

The Review recommended that Council should address its backlog by generating additional funding through increasing rates, fees and charges, reducing operational expenditure, increasing developer charges and introducing loan borrowings.

Soon after the Review Report was received the Council was placed in Administration. The incoming Administration took an approach that before going to the community to discuss service changes and increases in rates it should look to tackle the problem internally by:

- reducing internal costs through operational efficiencies,
- allocating a greater portion of its internal capital funding to asset renewals rather than new assets, and
- seeking additional external funding for new assets.

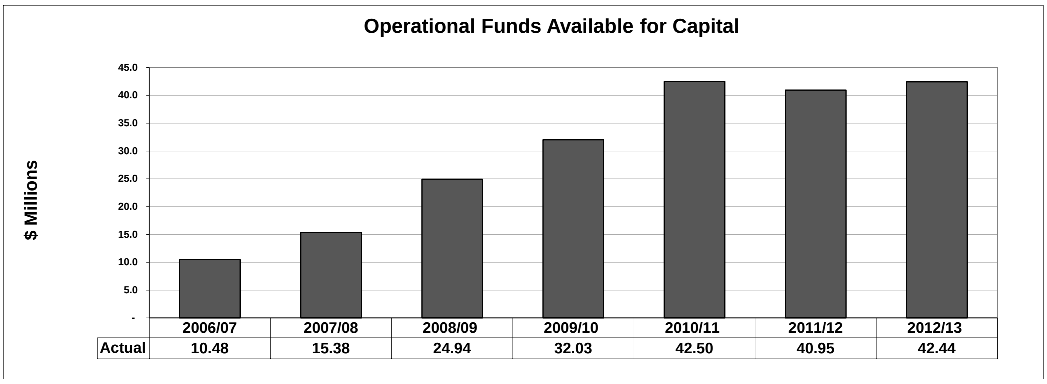
In June 2009, Council adopted a financial strategy to provide direction and context for decision making in the allocation, management and use of Council's financial resources. The strategy set the parameters within which Council would operate to ensure it remained financially stable. It did not directly set targets to achieve financial sustainability. The strategy acknowledged that the operating result [pre capital] is one of the main indicators of long term financial viability. In broad terms, a deficit from operations indicated that Council was not earning sufficient revenue to fund its ongoing operations (services) and continue to renew its assets that are an integral part of that service. The strategy aimed to ensure in the short term that the annual deficit was not increased, while stating the need to develop actions in consultation with its community to move towards surplus budgets.

As a result of this focus, the organisation has developed and implemented a number of initiatives to harvest operational improvements and make the savings available for capital expenditure on asset renewal. Approximately $20.3 million per annum in operational budget improvements has been achieved since 2008. This has been essentially delivered via internal efficiency strategies including reductions in costs to deliver services. Further detail on this program is presented in Section 7 of this application.

As part of the development of Wollongong 2022, Wollongong's Community Strategic Plan, Council commissioned Illawarra Regional Information Service (IRIS) Research in 2011 to undertake a vision survey via a representative telephone survey. Confirming asset renewal was of equal importance to our community, of the 504 residents surveyed, when asked about the issues that are of most importance to the Wollongong area at the moment, one in five residents (20.0%) indicated that the area could do with a revamp and some revitalisation. Statistically more residents highlighted the area's need for a revamp than any other issue. Similarly when asked about the improvements that residents feel should be made to make Wollongong LGA a better place to live, work and visit, the results showed that the focus should be on improving and maintaining infrastructure, for instance roads, footpaths and cycle ways. This response was mentioned by 22.1% of residents, significantly more than any other suggested improvement. Most of the responses under this theme were as follows: *'Roads need maintaining as well as footpaths', 'improving infrastructure'*, and *'more time and money spent on infrastructure'*, thus confirming Council's commitment to redirect operational funds to asset renewal. (WCC Community Vision Survey 2011)

The continued improvement in asset renewal capacity is reflected in the funds available for capital graph shown below. Operational Funds Available for Capital is a key measure Council uses to measure its ability to generate funds to replace and renew assets.

Graph 1: Operational Funds Available for Capital



Source: Revised Resourcing Strategy 2012-22

This increase in funding has led to a steep increase in the amount of capital works Council has been undertaking. The last five years of capital expenditure ie 2008-09 to 2012-13 totalling $390 million, is 110% higher than the previous five years, 2003-04 to 2006-07 (totalling $186 million).

These improvements, while increasing the amount of funds available for asset renewal are not sufficient in the long term. A further $21 million per annum is required to ensure we are able to adequately maintain and renew our infrastructure in the medium to long term.

It is noted that during this time additional and increased services have also come on line. These include Thirroul District Library and Community Centre, Southern Gateway, Customer Service Centre, regulatory and ranger services, development assessment services and extended Pool and Library opening hours.

Since the introduction of IP&R, Council's suite of planning documents have clearly recognised the asset dilemma facing the organisation and the city and identified that the challenge will require us to either increase our revenue, or make concessions on our services or levels of service. The continuation of a savings program was built into Council's ten year Resourcing Strategy 2012-22. At the time of adoption (2012), the Resourcing Strategy required an operational improvement of $3.3 million in 2012-13 and an annual savings totalling $12.4 million by 2022. As at June 2013, the target was $10.5 million in savings. Achievement of the savings target was intended to stabilise Council's operating deficit, though it did not set to achieve an operating surplus.

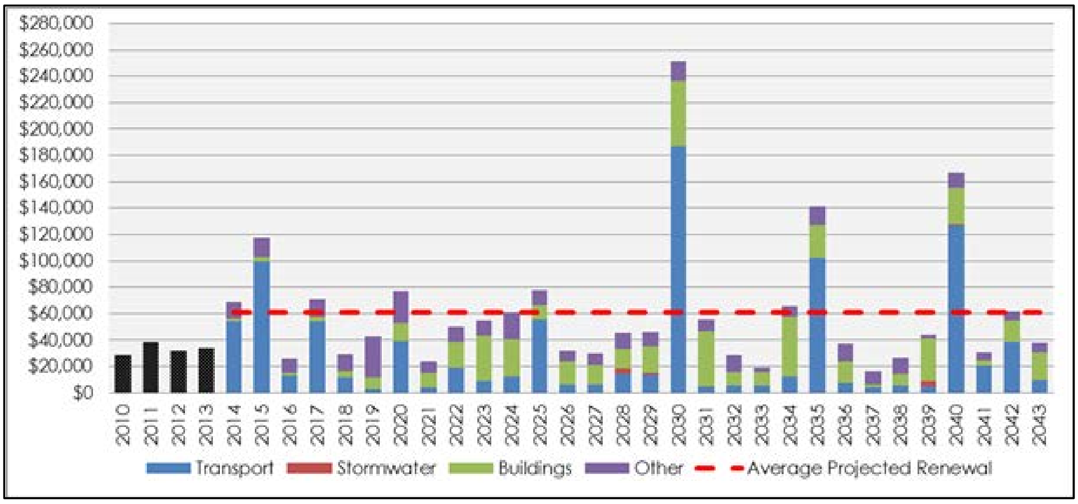
The original Long Term Financial Plan (2012) included a baseline plan that reflected existing policy and service levels at that time and identified that: *'Council will move forward with the baseline scenario, then will engage the community to explore the dilemma faced by the organisation with regard to its assets and review the options available into the future'.*

When Council endorsed the Annual (Operational) Plan for 2013-14 it included an annual deliverable to *'determine Council's position on rates to address the infrastructure shortfall'* (4.4.5.3). Scenarios 2 and 3 of the then Long Term Financial Plan (LTFP) incorporated rates increases, amongst other revenue generating activities, although the level rate was not yet determined. The LTFP acknowledged the scenarios required further modelling, and the 'elasticity' in the levels of change pertaining to revenue increases, service adjustments, and efficiency measures will depend on community and Council preferences for where change should occur.

It was with this agenda Council commenced the next phase of financial sustainability review by engaging the community. As part of this process the Resource Strategy 2012-2022 (inclusive of the LTFP, AMP and Workforce Management Strategy) and Delivery Program 2012-17 were revised and the draft revisions placed on exhibition between 11 December 2013 and 5 February 2014.

Council's Asset Management Plan (AMP) (Revised Resourcing Strategy 2012-22) identifies the impact that Council's ageing asset portfolio is having on managing the Council's long term financial sustainability. A significant proportion (>30%) of our infrastructure assets are more than 50 years old, and almost all of these assets are high cost/long-life assets (eg. transport and drainage infrastructure) that have an expected life of around 60-100 years (AMP, pg 65). Funding the projected renewal of these assets over the next 10-20 years is a significant challenge for Council. The spikes in renewal gaps as seen in the Graph below, are projected to commence at the end of this 10 year planning cycle.

Graph 2: Projected Renewals 2013-23



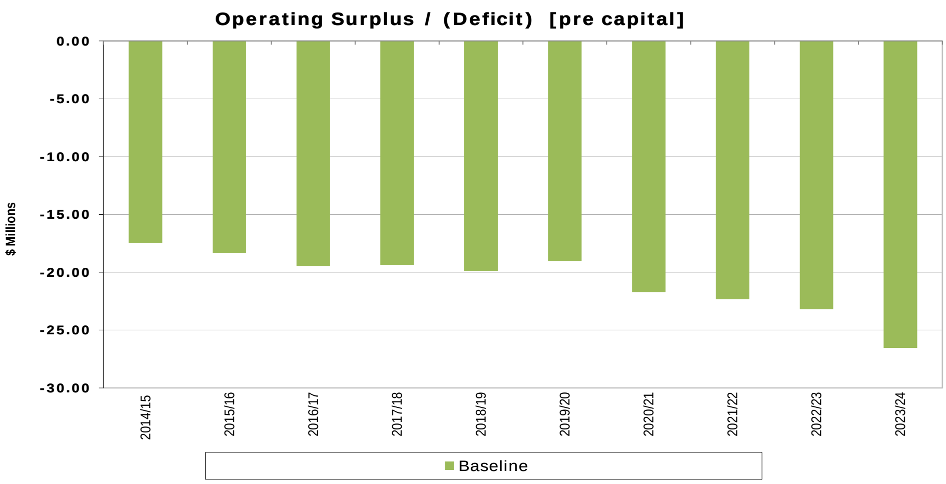
Pg 73, Asset Management Plan (AMP) (Revised Resourcing Strategy 2012-22)

The AMP outlines that the overall Lifecycle Sustainability Index of 0.55-0.66 indicates a shortfall in expenditure to match the optimum maintenance/operations and renewal expenditure required each year over the whole life of our assets (the benchmark is 1.0). If this continues, asset condition/performance is likely to continue to decline, resulting in lower levels of service.

The AMP also highlights the continuation of existing levels of service means the continuation of the gap in the long term between the average annual cost and average annual expenditure of managing our assets.

The operating result [pre capital] below represents the baseline long term financial model that is built on existing forecasts. Without change the baseline would not provide surplus budgets at any point in the future. The table illustrates, on average a $21 million annual gap to achieving an operating surplus. An additional $21 million per annum would allow Council to be able to maintain the serviceability of the existing stock of assets. These additional resources would be directly applied to increased renewal and replacement of assets.

Graph 3: Operating Surplus / (Deficit) [pre capital] Baseline



In August 2013 Council launched 'Securing our Future', a review to address the funding gap. This was an action required under Council's Delivery Program 2012-17 and Annual Plan 2013-14. The review involved internal business analyses across all Council services and involvement with internal staff, Councillors and the community in four stages to consider options to ensure Council can continue to provide high quality assets and services into the future.

The formation of a Citizens Panel informed a Council report in early November 2013 that included recommendations for service level adjustments, operational efficiency measures and revenue increases (including a rates increase). In November, Council engaged the community again by exhibiting these recommendations for broader community comment around the options available to addressing the funding challenge. Three alternative funding scenarios were developed on top of a baseline for the Revised Resourcing Strategy 2012-22 and Revised Delivery Program 2012-17. The AMP identifies:

> *Community Engagement specifically undertaken for the Securing our Future program included discussion on desired levels of service for each of our asset classes. Across the engagement, including the Citizens Panel engagement, it was clear that the community were supportive of the continuation of all asset services levels, and understood that this would mean greater investment over time in asset renewal. The results have informed the scenarios, and therefore distribution of capital funds within the capital program with a particular focus in Council's Draft Delivery Program on roads, footpaths and cycle ways and general asset renewal.*
>
> Asset Management Plan, Revised Resourcing Strategy 2012-22

Each of the scenarios achieves the $21 million operating gap using varying degrees of the options outlined above. A summary of each of the scenarios as contained within the exhibited draft Resource Strategy and Delivery Program are provided below:

> ***Baseline*** *– This is the continued operating position of the Council. This would not include any further efficiency savings (on top of the $20 million achieved since 2008). Continuation of the baseline scenario would mean Council would continue to operate with a $21 million average annual deficit. Council would not have the funds available for all assets requiring renewal, compounding Council's inability to maintain and renew its assets into the future. There would be increasing unplanned reduction in services due to asset failure over time. There would be minimal impacts on Council staffing.*
>
> ***Scenario 1*** *– is predominately the model proposed by the Citizens Panel. The scenario includes a significant improvement in organisational efficiency of $7 million that would require significant organisational change including higher level workplace, industrial, and delivery adjustment. The proposal would also require changes to the*

levels of service delivered of $4 million. The model proposes a rating adjustment of $8.4 million to be implemented over a 3 year period as recommended by the Citizens Panel. The rating adjustment would require an all up rate increase to most ratepayers of around 5.2% in the first year and 5.5% for the following two years (inclusive of the assumed annual rate peg of 2.7%, 3.0% and 3.0% respectively). Other revenue would be increased under this scenario by increasing and/or introducing fees in future periods above the baseline position. $1.6 million per annum is provided for increase fees.

***Scenario 2** – Using the Citizens Panel recommendations as a starting point, Scenario 2 reflects community feedback and analysis from officers. It identifies where community feedback indicates strong opposition to key change points, particularly service reductions, but balances this with analysis of data and information that maintains some of the Panel's key recommendations. This includes a slightly lower level target for operational efficiency that will still call for reduction in resources required to provide existing levels of services. It also includes some adjustments to existing service, and a rating adjustment of $13.4 million to be implemented over a three year period. The rating adjustment would require a rate increase to most ratepayers of around 6.7% in the first year and 7.0% for the following two years (inclusive of the assumed annual rate peg of 2.7%, 3.0% and 3.0% respectively).*

***Scenario 3** – This scenario explores the option to focus primarily on revenue (rates) and internal efficiencies. It provides for little or no discernible decrease in current service levels. This responds to the call by some members within the community to leave services as they are. The proposal includes targeted efficiency savings based on what are considered achievable lower impact goals. Based on the baseline forecasts and current indices, there is a need for additional rate revenue of $16.5 million per annum. The model proposes a rating adjustment of $16.5 million to be implemented over a three year period. The rating adjustment would require a rate increase to most ratepayers of around 7.7% in the first year and 8.0% for the following two years (inclusive of the assumed annual rate peg of 2.7%, 3.0% and 3.0% respectively).*

***Scenario 4** – A fourth scenario was scoped that included more extensive service adjustments and efficiencies beyond the level proposed by the Citizens Panel. This Scenario was not included in the Long Term Financial Plan due to the strong opposition to the Citizens Panel report and the proposed service reductions.*

Throughout the exhibition period 11 December 2013 to 5 February 2014 over 800 submissions were received by Council on these options, and relating to a specific service proposal. This is in addition to the 600 responses and one petition received at the time of exhibition of the Citizens Panel Report. What is evidenced by the community input is the desire of the community to maintain services, to see continued efforts for operational improvement via efficiencies, and a willingness to pay to improve Wollongong's ageing assets. Taking this into account, Council has adopted a preferred scenario and is seeking a special rate variation as part of our solution.

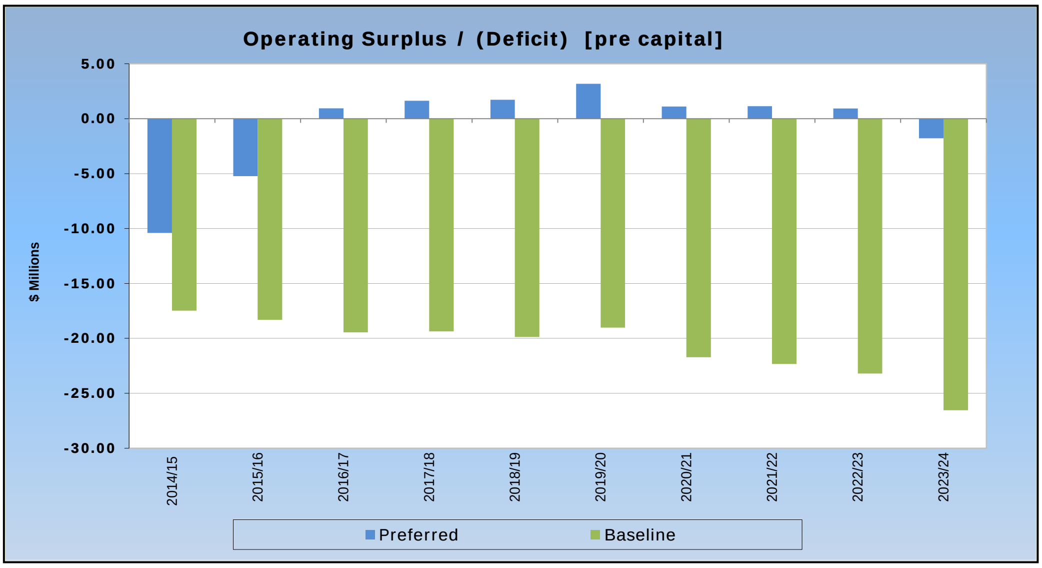
In keeping with the approach outlined in the Executive Summary of this application, Council's adopted preferred scenario includes:

- efficiency target of $4.5 million (minimum target),
- service level adjustments $1.5 million,
- iIncreased fees & charges $500,000 (minimum) and,
- a rate rise yielding $14.5 million.

This would be reflected by a 6.63% rate increase, to those properties impacted by the special rate variation, in each of the next three years inclusive of any rate peg. To achieve this, Council is therefore seeking an increase in 'General Revenue and Minimum Rate amounts' of 6.13% in 2014-15, 6.23% in 2015-16 and 6.24% in 2016-17.

The preferred scenario will address the current forecast operating deficit (pre-capital) as reflected in the following Graph:

Graph 4: Operating Surplus/(Deficit) [pre capital]



Source: Council Report 'Securing our Future' (adopted 17 February 2014)

Following Council's adoption of the preferred scenario, and relevant amendments to the exhibited draft documents on 17 February 2014, the Plans will be updated and finalised to reflect the adopted position. It is anticipated the Plans will be finalised and published within three weeks of this applications' submission and a copy provided to IPART. Attached for reference purposes are copies of the exhibited documents which outline the various scenarios upon which Council engaged the community. Council has adopted a scenario which, excluding the baseline, is within the minimum and maximum scenarios presented to the community.

References and Attachments

1 Securing Our Future Community Engagement Report February 2014
2 Wollongong 2022 Community Strategic Plan
3 Revised Delivery Program 2012-17
3 Revised Resourcing Strategy 2012-22
5 Citizens Panel Report 2013

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

Box 2.2.1 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.

N/A

[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.

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.

Council has been working alongside our community to understand the community's priorities, ambitions and vision for the city via the Community Strategic Planning process and the development of Wollongong 2022. Council engaged more people in the strategic management planning process than ever before. The engagement process was varied and widespread and included:

- a community reference panel held in 2011 to understand how the community wanted to communicate and engage with Council;
- intercept community vision surveys of children and adults;
- WCC Community Vision Survey 2011;
- community conversations at markets and fairs;
- a series of Town Hall talks with experts on aspects of the quadruple bottom line to inspire thoughts of future change;
- a two day community summit where the vision was written and first draft goals prepared;
- refining workshops with community and agency representatives; and
- exhibition of the draft documents.

In relation to the IRIS survey, the most popular response was that infrastructure and recreational activities will make Wollongong a better place to live, work and visit. When asked about current issues that the region is facing, participants of the vision survey indicated revitalisation of the City as a key issue (Vision Survey -20%). (Attachment 7 - WCC Community Vision Survey 2011). This was supported by the results of the intercept surveys conducted with children and adults.

In addition to the IP&R engagement, Council's biennial Community Survey undertaken in February 2012 provided Council with historical trend data on the levels of satisfaction and importance with regard to delivery of services and condition of assets. (Attachment 8 - WCC Community Survey 2012).

In February 2012, Wollongong residents' were asked about their level of agreement with the statement 'I am satisfied with the overall performance of Wollongong City Council over the last 12 months', to which almost three in five residents (56.3%) agreed to some extent. 18.3% of residents disagreed with this statement to varying degrees.

This resulted in a mean agreement score of 3.38 out of 5, which is considered to be a 'medium' level agreement score. This score is an improvement on the 2010 result achieved for this question and the highest score since surveying commenced in 1997.

The Community Survey also provides a broad understanding of the level of community feeling with regard to services. This information is presented in terms of the 'importance' placed on services and facilities by residents and the level of 'satisfaction' with these services and facilities. The performance gap is the difference between the actual scores for importance and satisfaction and can be used to establish the relative priority of the rating (i.e. the higher the gap the more significant the resulting interpretation). The survey covers services provided to the community and the assets that support them.

Respondents were asked to rate how important particular services and facilities were to them on a scale of 1 to 5, where 1 meant 'not at all important' and 5 meant 'very important'. Using the same set of services and facilities, the respondents were also asked to rate how satisfied they were, with 1 meaning 'not at all satisfied' and 5 meaning 'very satisfied'.

An in-depth analysis of importance and satisfaction ratings for Council services and facilities reveals where Council is performing well, and a number of priorities areas for improvement. These results show the areas where Council has been performing well over time. In 2012, Council performed well in the areas of ‘Regulation of traffic flow in local area’, ‘Regulation of traffic flow in city centre’, ‘Domestic, recycling and green waste collection’, ‘Waste disposal depot facilities,’ ‘Environmental programs and education’, ‘Botanic Garden’, and ‘Wollongong City Central Library’.

Whilst the survey highlighted those areas where Council is performing well, the feedback also identified the priority areas where, according to residents, Council should improve. Consistent with the feedback obtained through the 2011 Vision Survey, these are ‘Management of parking in city centre’, ‘Availability of parking in city centre’, ‘Maintenance of local roads’, ‘Standard of Council public toilets’, Availability of public toilets’, ‘Maintenance of footpaths’, ‘Services and/or facilities for children’, ‘Children’s playgrounds’, ‘Cycle ways/shared pathways’, ‘Parks/open spaces/sports fields for active sport or recreation activities’, and ‘Parks/open spaces/sports fields for passive recreation purposes’.

The table also shows which priority areas for improvement has been repeated over time.

Table 2: Time Series – Areas for Improvement

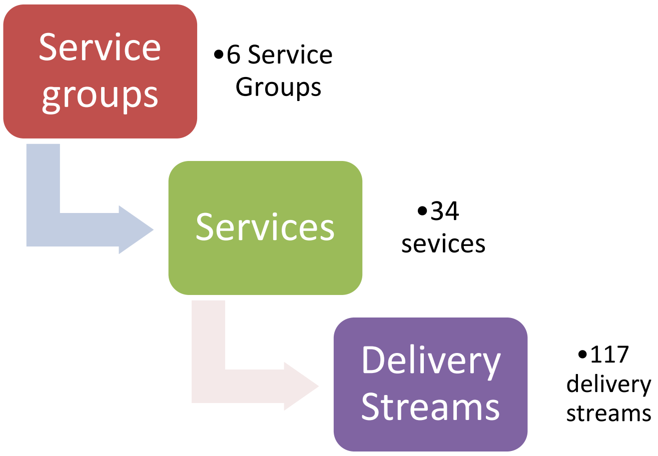
	Identified as not meeting resident expectations in both Quadrant and Gap Analysis…		
	2008	**2010**	**2012**
Maintenance of local roads	☑	☑	☑
Maintenance of footpaths	☑	☑	☑
Availability of parking in city centre	☑	☑	☑
Availability of public toilets	☑	☑	☑
Management of parking in city centre		☑	☑
Standard of Council public toilets		☑	☑
Services and/or facilities for children			☑
Children’s playgrounds			☑
Cycleways/shared pathways			☑
Parks/open space/sports fields for active sport or recreation activities			☑

Parks/open space/sport fields for passive recreation purposes			☑

Source: Wollongong City Council, Community Survey 2012

The community survey highlighted there are opportunities for continued improvement in relation to asset management and delivery and accordingly this feedback informed the direction outlined in the Resource Strategy and Delivery Program.

When Council commenced the most recent part of this process by setting up the Citizens Panel, it also began to document and detail a layer of services not previously presented to the community. Council's service structure is as follows:



Many of these services are supported by asset classes and in some cases (transport, stormwater) there is a one to one relationship between service and asset. A significant proportion of Council's assets support a range of services reflecting both the complexity of asset management and the move towards integrated services and facilities.

To support the Citizens Panel in understanding what it is Council delivers 117 Delivery Stream Specifications were produced as well as Asset Profiles for 13 service areas and the related Delivery Streams. The specifications included the people, budget and assets required to deliver the stream, as well as benchmark indicators, performance data and whether the service was mandated or discretionary. The Asset Profiles detailed alignment to delivery streams, performance gaps, asset condition and value.

Part of the deliberations of the Panel included consideration of service levels- including standards applied to assets that may alter i.e. extend the usable life of an asset and therefore adjust the funding gap target. Taking into account previous Community Survey Reports (2012) and the on-line survey conducted on behalf of the Panel, the Panel recommended one such change and that being to footpaths. $1 million is a proposed saving in depreciation from the extension of life on footpaths that will reduce the need for funds, but would lower the service standard of Council footpaths.

The Panel also considered the diversity of Council's asset portfolio, the utilisation of those assets by the community, the location and proximity between assets. This informed many of their recommendations such as:

- Reduction of parks, playgrounds, community facilities.
- Reduction of the number of rock pools maintained by Council.
- Divesting in various services and therefore assets such as the Cremator (nearing the end of its useful life), Lakeside Leisure Centre, and Unanderra Library.

As described further in Section 4.3 of this application, strong opposition to these suggestions was received from the community. In addition to the recommendations and feedback received, Council has considered the ongoing viability of some of these assets and balanced those with changing community needs, future growth areas in the city such as West Dapto and the overall financial sustainability of the organisation.

The Revised Delivery Program 2012-17 acknowledges the need for Council to review service levels, and its role in the provision of these services into the future. Ongoing integrated planning activities that will include detailed community engagement will assist and guide Council in the area. For instance, strategy preparation that considers Council's whole Aquatic Services portfolio including rock pools, and a Play Strategy that incorporates parks, sportsfields and playgrounds will direct action in this area.

Ongoing review of service levels has been factored into the target of $1.5 million worth of service adjustments.

The supporting Delivery Stream Specifications and Asset Information were made available on-line to the Panel and to the broader community. The information can be accessed via http://haveyoursaywollongong.com.au/financial-sustainability/documents.

Specific references throughout the IP&R documents relating to service delivery, asset management and provision, and the decision to apply for a special rate variation are included extensively throughout the IP&R documents. The Wollongong 2022 also clearly outlines the community's goals, objectives and strategies.

The Resource Strategy 2012-2022 outlined the issue of funding Council's ageing assets:

> *A challenge remains to decide if we should, and can, provide enough funding to renew long lived assets used in providing existing levels of service.*
>
> Long- Term Financial Plan, Revised Resourcing Strategy 2012-22

> *If not funded, concession needs to be made that the existing services may not be possible in the future without significant impact on a future generation*.
>
> Long- Term Financial Plan, Revised Resourcing Strategy 2012-22

The Delivery Program prescribes actions and deliverables the Council will carry out to address its asset maintenance and service delivery:

> *Pursue alternative funding options to deliver Council services.*
>
> Revised Delivery Program 2012-17 and Annual Plan 2013-14

> *Manage and maintain community infrastructure portfolio with a focus on asset renewal.*
>
> Revised Delivery Program 2012-17 and Annual Plan 2013-14

> *Improve the connectivity of the local government area through the upgrade in our network of footpaths and cycleways.*
>
> Revised Delivery Program 2012-17 and Annual Plan 2013-14

> *Use additional funds achieved through the Financial Sustainability Review to replace below standard playground facilities informed by the play strategy.*
>
> Revised Delivery Program 2012-17 and Annual Plan 2013-14

> *Use additional funds achieved through the Financial Sustainability Review to accelerate the footpath renewal program by about $4M.*
>
> Revised Delivery Program 2012-17 and Annual Plan 2013-14

> *Extend the average lives of footpaths to 80 years to create about $1M saving in depreciation annually.*
>
> Revised Delivery Program 2012-17 and Annual Plan 2013-14

> *Allocated approximately $6M of additional funds achieved through the Financial Sustainability Review to road resurfacing and reconstruction.*
>
> Revised Delivery Program 2012-17 and Annual Plan 2013-14

Following Council's adoption of the preferred scenario, and relevant amendments to the exhibited draft documents on 17 February, the Plans will now be updated and finalised to reflect the adopted position. It is anticipated the Plans will be finalised and published within three weeks of this applications' submission to IPART on 24 February 2014. Attached for reference purposes are copies of the exhibited documents which outline the various scenarios upon which Council engaged the community. Council has adopted a scenario which, excluding the baseline, is within the minimum and maximum scenarios presented to the community and reflective of the community's preferred levels of service.

References and Attachments

2 Wollongong 2022 Community Strategic Plan
3 Revised Delivery Program 2012-17
6 Wollongong 2022 Community Engagement Report 2012
8 WCC Community Survey 2012
9 WCC's exhibition material available via Council's webpage (weblinks provided)

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.

Financing options other than a Special Rate Variation have been considered and Council has consciously applied alternative actions to avoid a rating increase to date. In 2008, Council introduced its Financial Sustainability Program which had a particular focus on cost containment and internal efficiency measures. Since this time, as at June 2012, Council has made $20.3 million in annualised operational improvements. This has mainly been achieved through:

- ongoing harvesting of underspend within Divisions as part of Mini-Budget process,
- reshaping the workforce (i.e. staffing structures);
- renewed emphasis on grant applications to support and enhance core business;
- business improvement focus, including service/operational/management model reviews;
- fees for services;
- structure and operations of procurement; and
- asset rationalisation (focussing on surplus land rationalisation).

Savings and improvement programs have been included in Council's Strategic Management Plans for the last 10 years, and an annual operational savings target has been specifically included since 2008-09. Quarterly reports have monitored progress on these programs and further detail has also been reported to Council in the monthly financial report.

Detailed information regarding Council's achievements in efficiencies and increased revenue to date are included in *Section 7 - Assessment Criterion 5 Cost Containment and Productivity Strategies* of this application.

Whilst this process has achieved additional capital expenditure, it has not enabled Council to move to a surplus operating position, and will not provide a financial sustainability in the long term. Council will continue to increase its funds available for capital works, however the consumption of assets (depreciation) continues to outstrip the funding available for renewal, with the gap being about $21 million annually. The operating result [pre capital] shown below represents the baseline Long Term Financial model that is built on existing forecasts and, without adjustments, would not provide surplus budgets at any point in the future.

The Long Term Financial Plan 2012-17, however, highlights that 'it is not considered that there will be any substantial improvement in the level of funds available to Council in the future'. The Independent Local Government Review Panel's proposed reduction in some of these major grants programs or redistribution away from urban areas (toward smaller rural Councils who are less able to generate rates) would have a significant impact on our revenue base, and would be difficult to pass on to the ratepayer.

The Long Term Financial Plan 2012-17 identified a program to achieve financial sustainability could include actions which see a continuation of efficiency gains, improving revenue streams and consideration of services and service levels. If rates increases were to be part of the picture it could be one measure amongst a range of other actions to improve the long term viability of the Council. Proposed additional actions include:

- service and operational reviews and adjustments – such reviews would consider service levels, pricing, productivity measures and benchmarking,
- internal budget harvesting, centrally controlling some expenditure and setting
- revised revenue and expenditure parameters,
- staff structures, establishment levels and delivery methods,
- continued redistribution of capital funds into renewal rather than creation of new assets,
- fees for services,
- asset rationalisation,
- review of subsidisation, grants and donations,
- entrepreneurial and shared service options,
- preparation for potential rate increase application.

In August 2013, Council agreed to convene a Citizens Panel to provide advice to Councillors and the community on how to find $21 million a year to ensure Council is financially sustainable over the long term. The Citizens Panel included 34 residents randomly selected by a third party research company to deliberate over the issues facing Council and the community. The Panel was a statistically valid and reliable sample group as it reflected the broad demographics of the population and it presented an alternative to a random sample telephone survey. Due to the level of detail required to effectively engage on this topic, a Citizens Panel is considered leading practice. The Panel considered all of the alternatives before them and after an intensive process produced a report containing recommendations for wider community feedback.

The Panel gave consideration to recommendations in response to the following three questions:

1. What are the priority services for Council to deliver and to what level should Council deliver these services?
2. What are the opportunities to achieve operational improvements?
3. How should Council fund the delivery of these services to the desired level?

Taking into account the potential actions list above, the Panel identified approximately $13M in savings through a mix of reduction to service levels, service delivery efficiencies and increased user fees and charges. Specific recommendations included:

- *Implement a minimum of $10 million (of the $13 million identified by the Panel) of suggested savings within 3 years.*
- *Cap a rate rise at a maximum of 7-7.5% (in addition to rate peg), to be introduced over 3 years.*
- *Challenge Council to bridge the gap by stretching for further efficiencies and savings.*

The Panel's recommendations included: a reduction of the number of rock pools; a 10% reduction in playgrounds and community facilities; sale of Lakeside Leisure Centre and the crematorium; closure of Unanderra Library and reduction of other services and programs i.e. cadets and apprenticeship program; reduction in the events program; cessation of the Crown Street Façade program; reduction in the pool season; reduction in street sweeping;

outsourcing of tourist parks; and changes to the Enterprise Agreement. (Attachment 5, Citizens Panel Report 2013).

Over 600 community responses were received as part of this step in Council's engagement process and based on this feedback further scenarios were developed. The overwhelming feedback from the community to maintain existing services meant the additional scenarios, like the Panel's proposal, included some form of rate increase over and above the rate peg, except for the baseline.

The exhibition of the baseline, again the Citizens Panel proposal and the two additional scenarios, further confirmed the importance of Council's services to the Wollongong community, the community's expectation assets would be maintained and a general willingness to pay (to varying degrees).

Further details on the alternative funding options are contained within the Revised Resource Strategy 2012-22 and Revised Delivery Program 2012-17.

The Long Term Financial Plan 2012-17 has subsequently been revised post exhibition to address the shortfall in funding to provide for a small surplus budget, and includes Council's preferred scenario to address this shortfall. Like all of the scenario's Council has engaged the community on, this scenario is based on the assumption that improvement needs to be delivered through a combination of:

- Efficiency improvements that allow Council to continue to provide the current or higher levels of service at a lower cost.
- Reductions to some current service levels that will allow more funds to be made available for higher priority services.
- Increased revenue through adjustments to rates, fees and charges and development of other income earning endeavours.
- A clear understanding and decision making process for new or enhanced assets that considers the priority of the new service or service level and the associated operational costs that will be incurred in future periods.

On 17 February 2014, Council adopted the preferred scenario as follows: efficiencies $4.5 million (minimum target), service level adjustments $1.5 million, increased fees & charges $500,000 (minimum) and a rate rise yielding $14.5 million. This would be reflected by a 6.63% rate increase, to those properties impacted by the special rate variation, in each of the next three years inclusive of any rate peg.

This preferred scenario proposed changes to the timing of the rate variations to create a flat rate increase across the three years.

To achieve these efficiency and service targets, Council will continue to explore areas for improvement and reviews of its service delivery models. This may include where appropriate: ongoing service reviews for best value; ongoing mini budget and expenditure reviews, ongoing commitment to grant funding where possible as a source of income; increases to fees and charges in accordance with industry benchmark; exploration of shared services and contract arrangements; business ventures which support Council's core business and will create revenue or efficiency improvements (following a feasibility assessment).

Council's position on debt and investment is addressed in *Section 3.3 The State of Financial Sustainability (pg 28).*

Information about Council's proposed productivity and cost containment going forward has been included in *Section 7 - Assessment Criterion 5 Cost Containment and Productivity Strategies.*

References and Attachments

1 Securing Our Future Community Engagement Report February 2014
3 Revised Delivery Program 2012-17
4 Revised Resourcing Strategy 2012-22
5 Citizens Panel Report

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.

Wollongong City Council is committed to the principles of financial sustainability. Financial sustainability is defined as where the planned, long term service and infrastructure levels and standards of Council can be met without unplanned increases in rates or disruptive cuts to service.

Excerpts from the IP&R documents explaining Council's current financial position are included below:

> *Council's short to medium term financial capacity is considered to be very sound. Council has:*
>
> - *a large portfolio of operational and community assets,*
> - *an ability to balance cash flows over the next ten years,*
> - *a positive Financial Asset position with low levels of debt, and*
> - *strong cash holdings that provide capacity to manage normal variations that occur in operational performance and to provide cash for investment opportunities that may arise.*
>
> *Council considers that it is well positioned financially to provide services in the short to medium term. This position appears to be supported by the TCorp Review. As outlined in the Introduction section of the Draft Resourcing Strategy, Council has stated that the challenge is to decide what services and associated assets Council and the community wish to have and can afford to have and maintain into the future. This is intended to be based on projected operational performance of Council and the willingness or capacity for the community to pay.*
>
> *It is considered that the renewal of high value, long lived assets such as roads, bridges, buildings, drains, public toilets and recreation facilities, generally needs to be funded over their life. If not funded in this way, concession needs to be made that there will be extreme imposts on ratepayers and customers in the future when renewal is required or asset and services fail.*
>
> *This challenge requires us, in financial terms, to create and maintain future surplus budgets [pre capital] and to be able to meet the capital renewal requirements to continue agreed service levels. Based on current information this will require an improvement against current actual estimated performance of approximately $21 million per annum.*
>
> Source: Revised Resourcing Strategy 2012-22

Through the planning process over a period of time Council has considered that this improvement could be delivered through a combination of:

- efficiency improvements that allow Council to continue to provide the current or higher levels of service at a lower cost,

- reductions to some current service levels that will allow more funds to be made available for higher priority services,
- increased revenue through adjustments to rates, fees and charges and development of other income earning endeavours.

While Council has not yet reached financially sustainable operating levels, the Revised Resourcing Strategy 2012-22 provides policy setting options (scenarios) to achieve this over the life of this and the next term of Council. The Resourcing Strategy outlines Council's baseline scenario and adopted scenario with an approved SRV.

Coupled with the need for change to create a financially sustainable future, Council acknowledges that it requires a clear understanding and decision making process for new or enhanced assets that considers the priority of the new service or service level and the associated operational costs that will be incurred in future periods.

The transition from the existing position to one of long term sustainability remains a substantial challenge. The most significant financial principles and targets of Council's Financial Strategy are described below including Council's key performance indicators to provide an overall view of Council's current position. A full copy of the Financial Strategy has been included in Attachment 10.

Council's Infrastructure Assets

Council's Balance Sheet shows the extent of assets managed by Council for the community. The written down value (WDV) for Property, Plant and Equipment of $2.4 billion represents the value of the assets after they have been depreciated since purchase or construction. These assets have a current replacement cost (CRC) in excess of $4.04 billion. Asset values as at 30 June 2013 were:

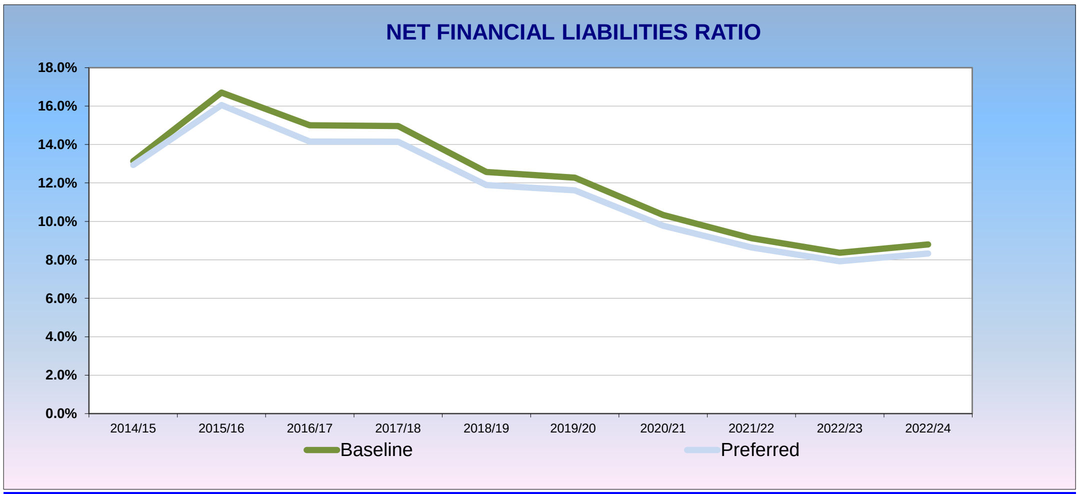
	WDV * $M	CRC $M
Non Depreciable assets		
Land	854.3	854.3
Heritage collection	11.4	11.4
Depreciable Assets		
Roads, Bridges & Footpaths	615.6	1,555.3
Stormwater & Drainage	495.2	827.0
Buildings	296.6	598.8
Plant & Equipment	25.4	46.5
Other Assets	61.7	137.5
Works In Progress	16.8	16.8
Total Assets	**2,377.0**	**4,047.6**

***WDV** – Written Down Value and **CRC** – Current Replacement Cost

These assets represent the community wealth that has been created over time. Council's stewardship role requires that those assets required for future service delivery be maintained for future generations at best value to the community.

Net Financial Assets/(Liabilities)

Net Financial Liabilities is considered a key financial indicator that shows what is owed by Council to others less the money held, invested or owed to Council. Council's Net Financial Liabilities is a positive financial indicator that reflects the capacity and flexibility that Council has in future. While NSW does not have a specific target for this ratio Queensland consider this a key measure and have set a target of less than 60%. Wollongong Council's ratio is at the low end of expectations, with low debt and reasonable levels of current assets.



Council's borrowings, shown as Interest Bearing Liabilities in the Balance Sheet, are projected to total $31.7 million at the end of 2014-15.

Council's low level of debt and cost of existing debt means that Council's Debt Service Ratio (the proportion of revenue required to repay borrowings) is estimated at less than 2.6% in 2014-15. Indicative local government benchmarks for councils similar to Wollongong suggest that a debt service ratio up to 10.0% is sustainable. Council's Financial Strategy states that *"Council will remain a low debt user by maintaining a debt service ratio (principal and interest repayments compared to operational revenue) below 4.0%".*

The debt levels permitted under this Financial Plan add flexibility to future programs where warranted. The 4.0% target makes provision for debt levels of around $65 million based on an interest payment of 5.5% and a ten year term. Higher levels could be achieved if Council were able to source further subsidised borrowings as with the West Dapto Access Strategy loan and LIRS.

Debt is often portrayed as the panacea to financial sustainability and repairing asset renewal issues in councils. Wollongong City Council considers that Debt is a financing mechanism that does not add to the funds available to Council over a long term plan. Debt, at a cost, can be used to smooth out the timing in the delivery of works to ensure asset renewal can be delivered when most economical to do so. It can also be used to invest in ventures or activities that could provide a return for Council or reduce future costs. Wollongong City Council's position is that debt will be considered as part of the Asset management Planning and Capital Delivery Plan process and will only be approved where there is an agreed economic, social, or environmental benefit from a project and other sources of funding are not available.

<u>Balanced Cash Flows - Funds Budget</u>

The short term stability of Council is underpinned by prudent financial planning that ensures that Council's spending in each year is limited by its revenue and other sources of funds used to make payments. This is expressed through Council's Fund Result that remains an important short term control to ensure Council has sufficient funds to meet its current debts.

Council's Financial Strategy states *"Council's annual allocations to operational and capital budgets will generally not exceed anticipated cash inflows".*

While Council has had an operating deficit before capital, it has been able to ensure that its funds result (cash inflows compared to cash outflows) has remained in balance. Short term stability requires that the annual budget is affordable and cash is managed to ensure that payments can be made as needed. By holding a level of available funds and planning for breakeven funds results, this position can be maintained. Until an operating surplus is achieved, additional funds will generally be directed towards deferred asset renewals or investments that are able to reduce future operational costs.

Funds results are set between zero and $300,000 excluding timing issues relating to the Federal Assistance Grant and other payments.

Cash and Investments

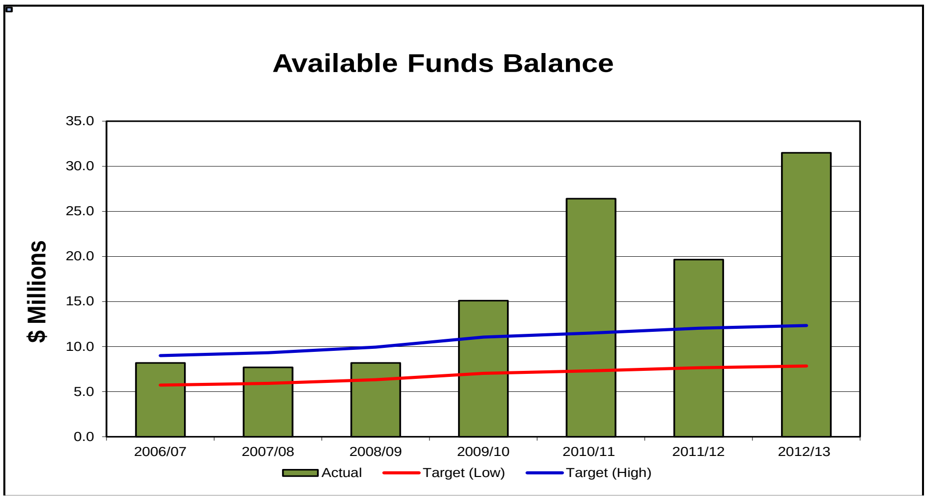
As a result of the planning and delivery of Council's funds budgets, Council has, and will maintain into the near future, an adequate cash and investment position. Cash and liquidity are important indicators of short term financial stability for an organisation.

Council's cash and investments include a large proportion of funds that have restrictions over their use. These restrictions can be externally impose, as is the case with government grants and developer contributions. In other cases, Council has internally restricted the funds for future purposes, such as future capital acquisition or specific operational expenditure in future periods.

The amount of funds that have not been allocated for specific purpose is reported by Council as Available Funds. Available Funds:

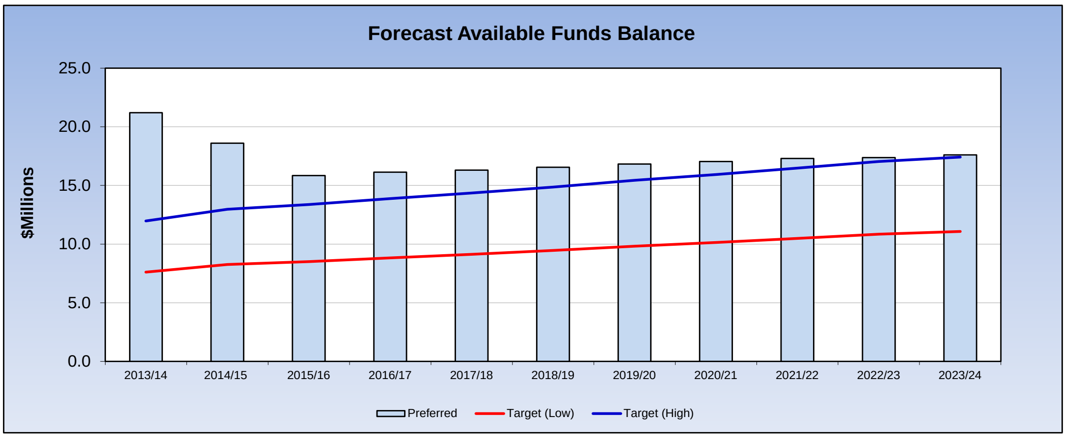
- are funds that have been earned but not allocated,
- act as a buffer in case of unexpected circumstances, and
- provide flexibility to take advantage of opportunities that may arise.

Council, through its Financial Strategy, sets a target for available funds in future periods expressed as an upper and lower limit of funds held in relation to operational revenue. The position and improvement over recent years is shown in the graph above against these upper and lower targets for Available Funds.



The Adopted Financial Strategy (February 2014) states *"Council will aim to maintain Available Funds (the unallocated portion of all future revenues) between 3.5% and 5.5% of operational revenue [pre capital]."*

The forecast Available Funds for the preferred scenario is as follows:

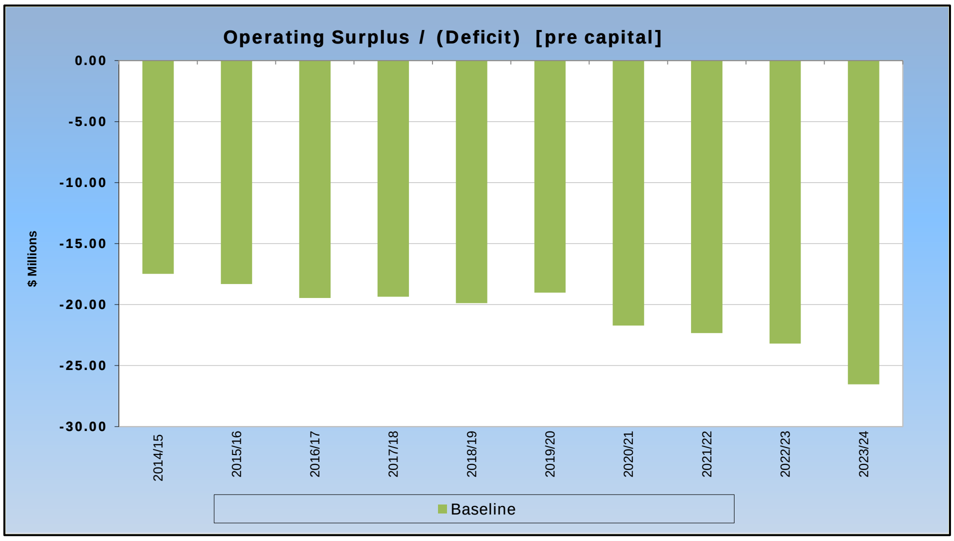


Operating Result [pre capital]

From a financial planning perspective, the operational performance of an organisation is the key to long term financial viability and sustainability. Council's position is that in general terms, if its operating result is not in surplus over a period of time, it indicates that it is not earning sufficient revenue to maintain its existing operations into the future. The Operating Result [pre capital] (that is, before capital grants and contributions for new assets) is used because capital income is not generally available for managing the existing services.

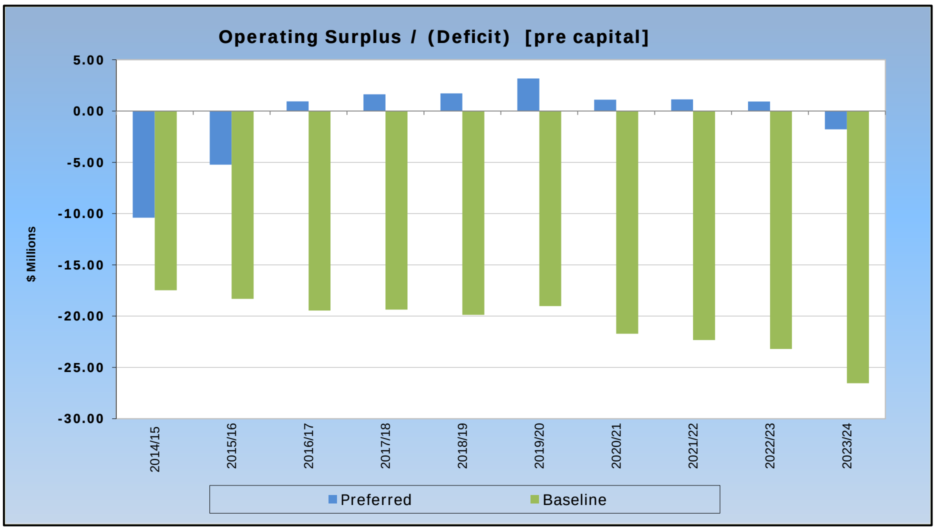
Council's financial results in recent years have shown a continuing deficit at around 6.0% of revenue. This has resulted in deterioration in the value of existing community assets of about $20 million a year.

The operating result [pre capital] shown below represents the baseline Long Term Financial model that is built on existing forecasts that would not provide surplus budgets at any point in the future. The scenarios proposed in the Resourcing Strategy 2012-17 provide a means to achieve financial sustainability in line with the Financial Strategy.



Council's Financial Strategy states that Council "will develop actions, in consultation with its community, to move towards and maintain small surplus budgets into the future." The preferred scenario in the Long Term Financial model provides on average for small surplus budgets over time. Fine tuning of annual budgets will allow movement around the surplus to manage annual flows as required.

The preferred Scenario Operating Result estimates are shown below against the forecast Baseline estimates.



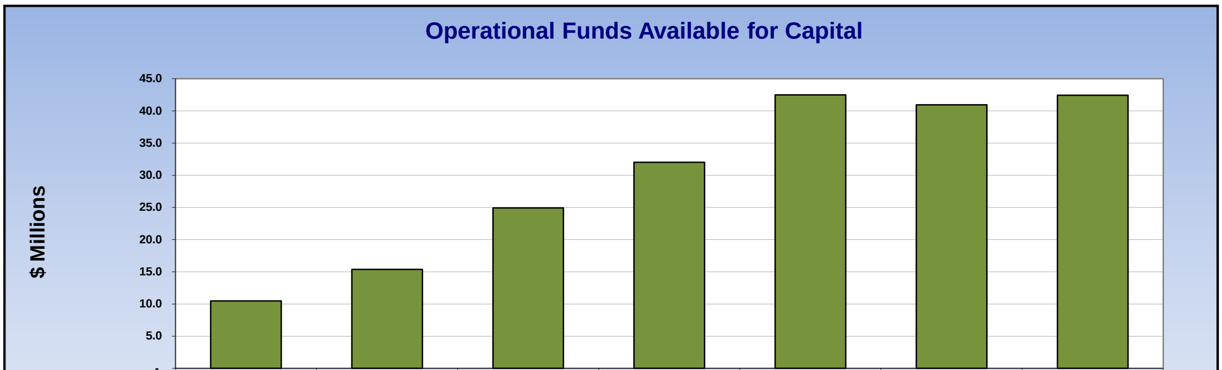
Operational Funds available for Capital

While the operating result is a key financial indicator of longer term viability, Wollongong City Council measures another more direct annual result that shows its ability to fund asset renewal from operations. The measure, Operational Funds Available for Capital, shows the amount of cash generated from operations after all the day to day services have been provided. Historically, Council had produced very low levels of funds in relation to the size and annual consumption of its assets.

In July 2008, Council commenced a Financial Sustainability Program to improve the level of Operational Funds Available for Capital and the Operating Result without having a negative impact on the community. The program utilised a number of strategies to achieve recurrent budget improvements including expenditure reviews, mini budget reviews, asset rationalisation, monthly salary reviews, revenue policy, reductions in staffing establishment, service reviews, a spot savings initiative and process documentation improvement. The total improvements achieved to date through this program are $20.3 million per annum.

While this program has been successful over the past six years, the organisation's ability to continue with savings in this way is now limited. It is considered that deeper cuts into organisational spending and increased revenue could not be realised without significant organisational transformation, service level impacts and some level of industrial change that requires further community and Council consideration.

The graph following shows the improvements achieved to date in operational funding available for capital over the last seven years that included the impact of operational savings above. These funds have been used predominately for asset renewal and have made a significant difference to the renewal programs implemented over that time. While the level of funds available has improved fourfold in that time, the required levels of funding have not yet been achieved.



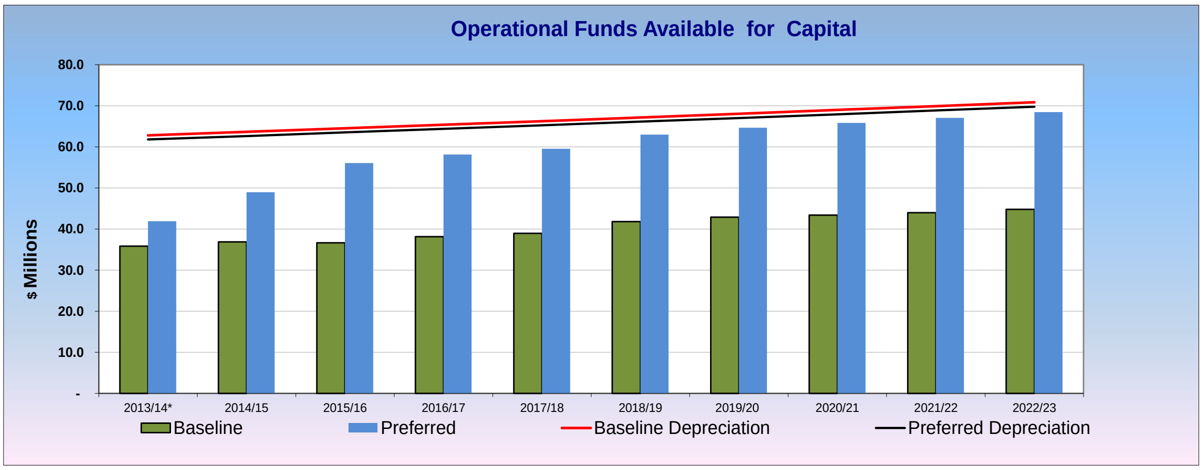
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Actual	10.48	15.38	24.94	32.03	42.50	40.95	42.44

The 2010-11 funds available for capital was higher than expected due to the early payment of $4.1 million of the 2011-12 year's Financial Assistance Grant.

Council's Financial Strategy sets to "develop actions in consultation with its community to move towards creating annual Operational Funds available for Capital equal to depreciation." Should the SRV be approved, Council will move towards creating annual Operational Funds available for Capital close to equalling depreciation. Council's underlying goal is to ensure that improvements in the Operating result lead to a situation where the funds available for capital are at least equal to the long term asset renewal requirements. The target to achieve a level equal to depreciation (the annual consumption of assets) provides a reasonable proxy for this intent over the long term.

The actual requirements for asset renewal in any one period may exceed or be below this level. It is also probable that many asset renewals will include some service enhancements to meet current standards and expectations. Service enhancements would require additional levels of funding and may incur increased operational costs in the future. It would also be probable that some asset renewals are funded from an external source that would lower the requirement for internal funds generation. At this stage these two elements are assumed to be equal.

The longer term position based on the preferred Scenario is shown below against the baseline position.



To ensure Council can maintain a sustainable position once achieved, Council's Financial Strategy identifies that "the full life cost of capital expenditure will be considered before capital projects are approved. Asset renewal, maintenance and operational costs impacting on future budgets will be included in forecasts as part of the capital budgeting process." Consideration of these costs and any potential revenue will be part of the initial evaluation and approval process and be recognised in future estimates to aid future planning

SOURCE: Long Term Financial Plan 2012-17, Revised Resourcing Strategy 2012-22

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

In 2012, the NSW Government commissioned the NSW Treasury Corporation (TCorp) to undertake an analysis of the financial sustainability of each of the 152 Councils in NSW. It found:

> *The majority of Councils are reporting operating deficits and a continuation of this trend is unsustainable.* Source: TCorp, April 2013

In terms of the individual assessment of Wollongong City Council, TCorp found the short to medium term financial capacity of Council as being sound, however the longer term outlook was not considered positive. TCorp identified that Council will have an operating deficit over the entire forecast period. TCorp found that the deteriorating operating results are:

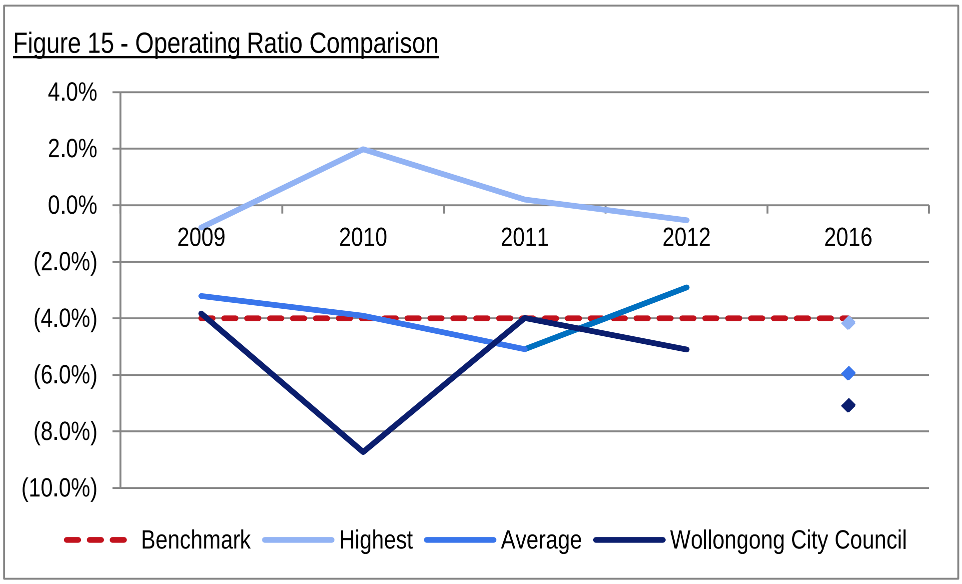
> *Primarily due to increasing depreciation and amortisation expenses', and that 'this is a significant issue that could impact the long term financial sustainability of the Council*.
>
> Source: TCorp, October 2012

Further ongoing cost controls or securing new or additional revenue in future years was recommended by TCorp to address the longer term negative operating position of the Council.

> *Council's performance in respect of asset maintenance, renewals and backlog was adverse to the benchmark*. *Council's capital expenditure was below the group average for most of the period and the asset maintenance ratio was below the group average and benchmark. Council's Building and Infrastructure Asset Renewal Ratio was around the group average but below the benchmark. Council's Infrastructure Backlog was higher than the group average.* Source: TCorp, February 2013
>
> (TCorp, Updated Section 5 Benchmarking and Comparisons with Other Councils – Financial Assessment and Benchmarking Report for Wollongong City Council, 28 February 2013).

While Council's approach to its financial sustainability has been driven by its internal requirements as opposed to comparisons with other Councils, the TCorp report did identify that Council was below benchmark on a number of key indicators that are the directly related to the reasoning behind Wollongong Council's Special rate Variation.

The indicators below, extracted from the TCorp report, indicated lower than average position in areas including the Operating Ratio, Capital Expenditure Ratio, Asset Maintenance Ratio., asset backlog and Buildings and Infrastructure Asset Maintenance Ratio.



Council's Operating Ratio was below average and at or below benchmark for most of the review period. The results deteriorated in 2012 and this is forecast to continue in the medium term to be below the group average and benchmark.

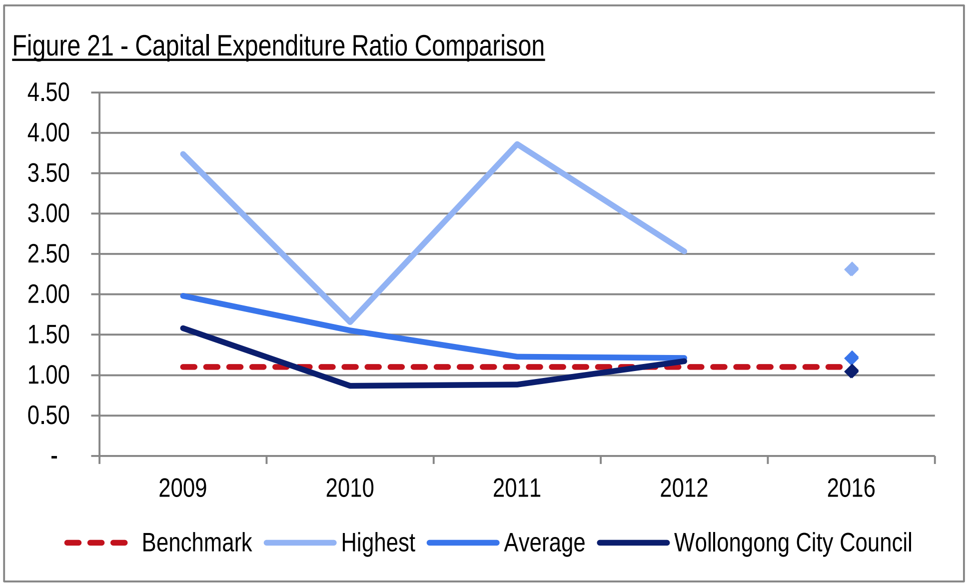


Figure 22 - Asset Maintenance Ratio Comparison

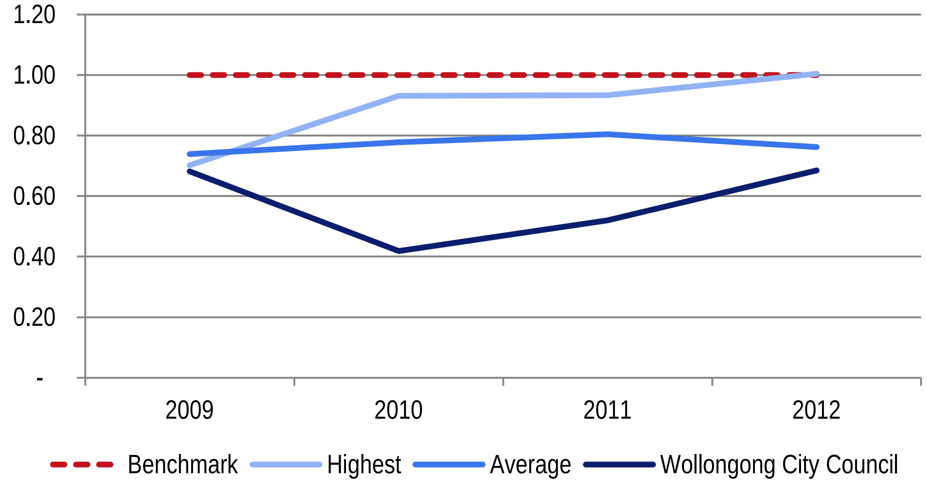


Figure 23- Infrastructure Backlog Ratio Comparison

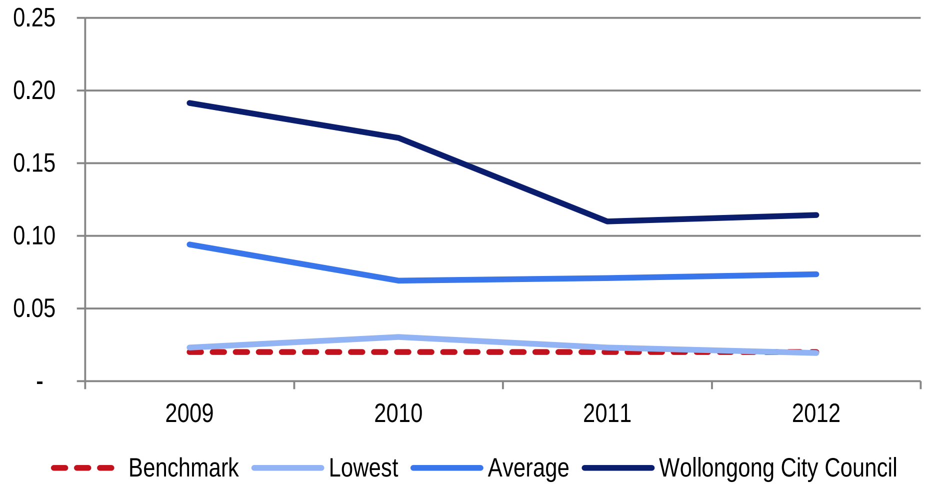
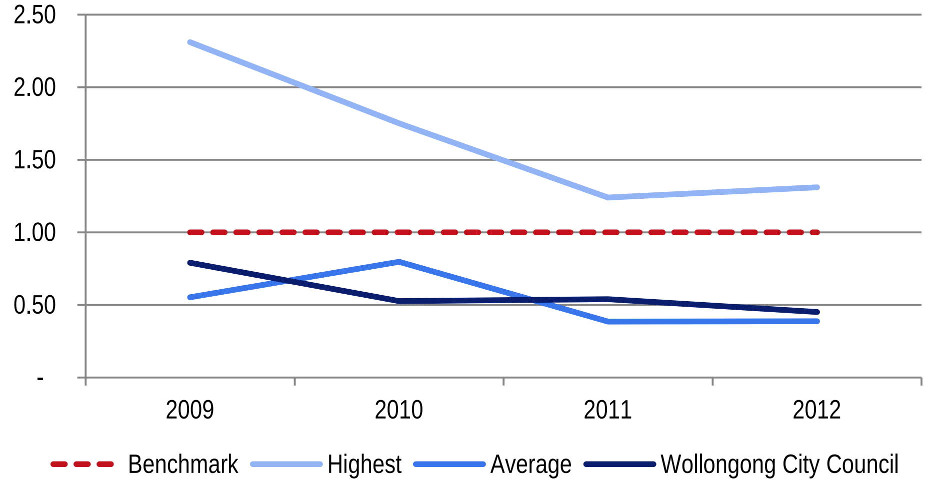


Figure 24 - Building and Infrastructure Asset Renewal Ratio



Overall, Council's performance in respect of asset maintenance, renewals and Backlog was adverse to benchmark.

Council's capital expenditure was below the group average for most of the period and the Asset Maintenance Ratio was below the group average and the benchmark.

Council's Building and Infrastructure Asset Renewal Ratio was around the group average but below the benchmark.

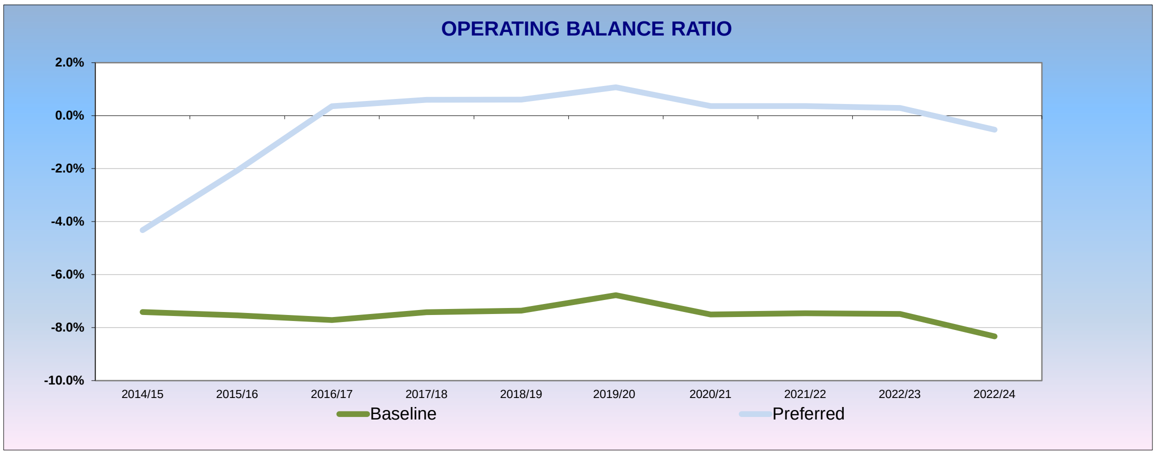
Council's Infrastructure Backlog is higher than the group average.

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

Council's Securing our Future proposal, which includes an element of rate increase to be considered through the Special Rate Variation, is aimed at providing improved long term financial sustainability. The indicators used by TCorp, as explained above, show that Council has been below benchmark and generally below the results of other councils in the same group. Application of the improvements to efficiency, some reduction in service levels, small increases in fees and charges and the rate rise will significantly improve Council's performance across the rang of indicators. The graphs below show the comparison between Council's Baseline and Preferred Scenario that indicate this potential improvement.

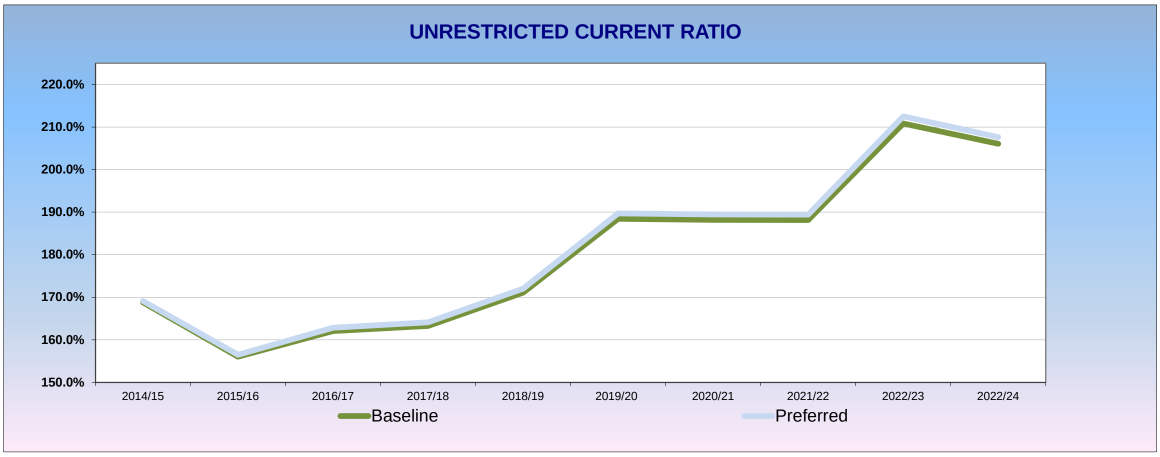
- Operating balance ratio excluding capital items (ie, net operating result before capital as percentage of operating revenue before capital grants and contributions)

Council's aim is to reach an annual operating result that is positive, the Operating Balance Ratio excluding capital items (ie. net operating result before capital as percentage of operating revenue before capital grants and contributions) shows that the Preferred Scenario achieves this generally over the period.



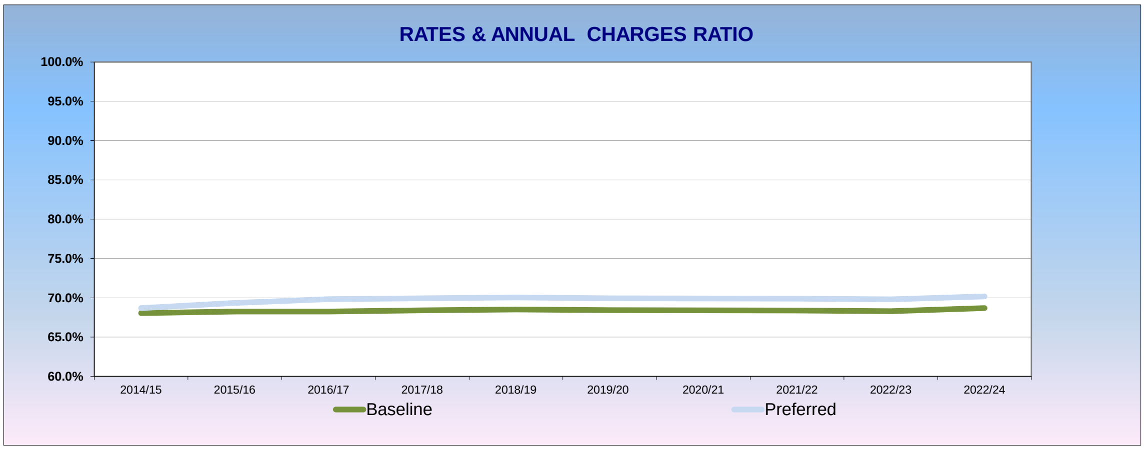
- Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities)

Unrestricted Current Ratio (the unrestricted current assets divided by unrestricted current liabilities) remains unchanged as Council's cash position is planned to remain relatively static over the period regardless of scenario. While cash or near cash would remain unchanged, asset values would deteriorate over the period under the Baseline model.



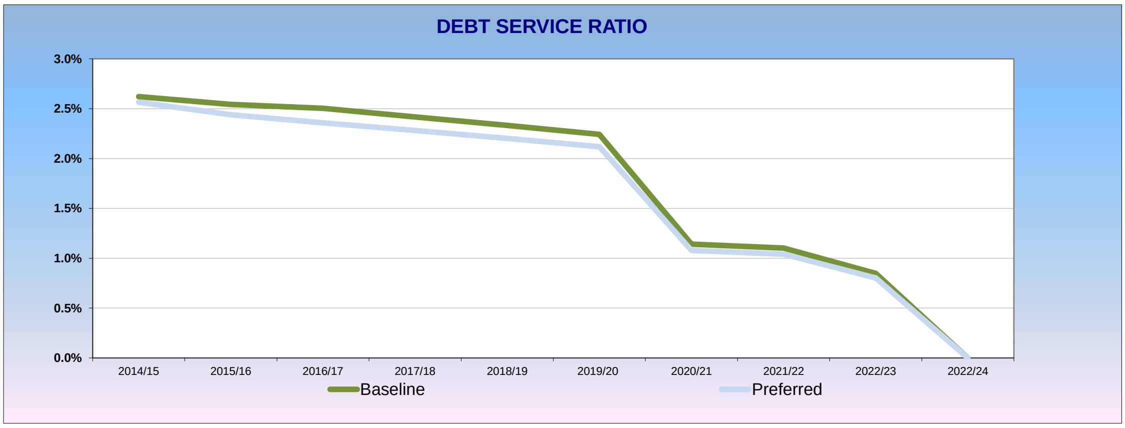
- Rates and annual charges ratio (rates and annual charges divided by operating revenue)

The Rates and Annual Charges Ratio (rates and annual charges divided by operating revenue) increases slightly due to the proposed increase in rates under the Preferred Scenario. This position adds to Council's own source revenue and therefore stability but is not considered significant.



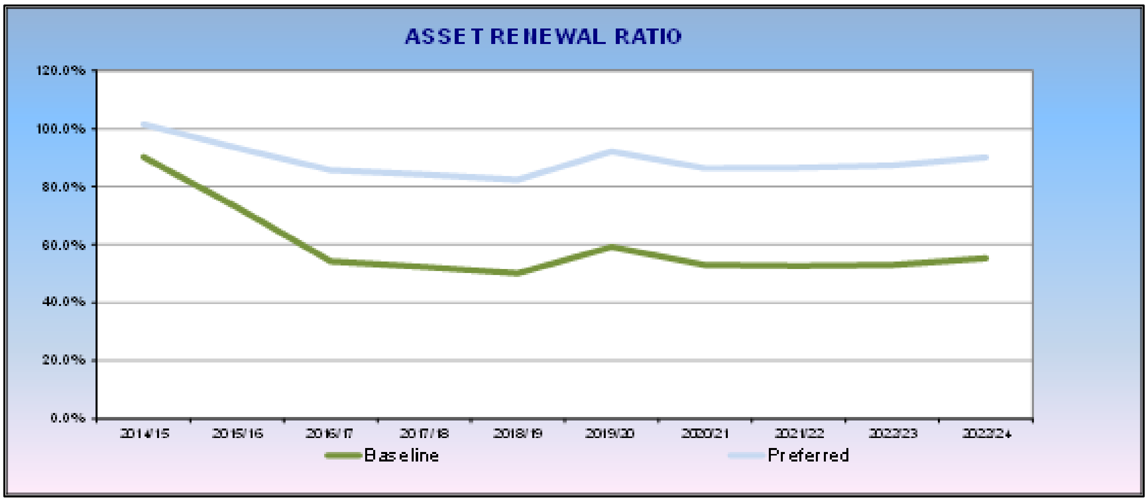
- Debt service ratio (net debt service cost divided by revenue from continuing operations)

The Debt Service Ratio (net debt service cost divided by revenue from continuing operations) reduces slightly due to improved revenue levels while debt at this stage has remained unchanged. Both Scenarios include the impact of existing loans, including a $26 million interest free loan for West Dapto and loans taken under Rounds 1 and 2 of the Local Infrastructure Renewal Scheme (LIRS) of $20 million and $4.3 million respectively. Council has recently applied for a loan subsidy under LIRS Round 3 for a loan of $21.5 million to compliment grant funds received for further construction for West Dapto Access. The potential impact of this is not included in either Scenario at this stage.



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

This shows the impact of additional revenue being added directly to asset renewal. The improvement from low levels of renewal towards Council's preferred position of 100% is made clear in the Graph below. Council will be able to achieve over 90% in the first two years due to external funding and injection of Available Funds. The Preferred Scenario provides Council with a clear improvement in the longer term against Baseline and is considered satisfactory. Council will continue to work towards achieving additional external funding and improved efficiency in delivery of renewal over time. Assumptions around this type of additional funding have not yet been included in Council's estimates, but have been included in targets.



Source: WCC Asset Management Plan 2012-22, Revised 1 December 2013

References and Attachments

4 Revised Resourcing Strategy 2012-22
10 WCC Financial Strategy (adopted 17 February 2014)
11 TCorp Reports – Executive Summary

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

This submission for a Special Rate Variation aims to free up funds available for asset renewal and does not to fund specific projects. Notwithstanding this, Council has made a submission for the Crown Street Mall under the Guidelines as it was unclear if it was exempt or not under the Guidelines. The exemption list covers most of Councils activities leaving only buildings.

According to our interpretation of the Guidelines it is possible Council may need to make a submission for the Warrawong Community Centre & Library. Discussions with the DLG in January 2014 have indicated that because the project is in concept phase, and is construction is not planned within the next 5 years (design for the facility features in Council's 5 year capital works plan), it is unlikely that a submission needs to be made at this time, however that one may be required in the future. At this time, Council will submit a Capital Expenditure Review as required.

$20 million of the $21 million annual improvement will create additional funds, the other $1 million is a proposed saving in depreciation from the extension of life on footpaths that will reduce the need for funds but would lower the service standard of Council footpaths. The additional $21 million is proposed to be spent on increased asset renewal and maintenance. The breakdown on how the funds will be spent is based on the projected renewal timeframes identified in the Asset Management Plan section of the Revised Resourcing Strategy 2012-22.

Based on the preferred scenario and the anticipated introduction of funding, the breakdown of expenditure of the additional annual funds over the 10 year life of the Revised Resourcing Strategy 2012-22 is as follows:

Table 3: Recommended Cumulative Allocation of Additional Funds for Capital Renewal Works

CUMULATIVE ALLOCATION OF ADDITIONAL FUNDS FOR CAPITAL RENEWAL WORKS - PREFERRED SCENARIO	
BUDGET AREA - Renewal/Replacement of	**2014-15 to 2023-24**
Public Transport Facilities (bus shelters etc)	$898,000
Roadworks - road resurfacing	$18,283,000
Roadworks - road reconstruction	$40,109,000
Bridges, Boardwalks and Jetties	$4,497,000
Footpaths	$42,123,000
Cycle/Shared Paths	$7,793,000
Carparks	$2,248,000
Community Buildings including Cultural Centres (IPAC, Gallery, Town Hall)	$52,352,000
Public Facilities (Shelters, Toilets etc)	$2,879,000
Crematorium/Cemetery Facilities	$449,000
Play Facilities	$4,855,000
Recreation Facilities	$4,314,000
Sporting Facilities	$3,147,000
Aquatic Facilities (Pools etc)	$6,295,000
Total	**$190,242,000**

*Community Buildings includes community centres and halls, the Art Gallery, Town Hall and IPAC

NOTE: Stormwater infrastructure is not included in the additional funds available as increased renewal works are not anticipated in the next 10 years.

Source: Council Report Securing Our Future – Financial Sustainability Review 9 Dec 2013

Examples of works that could be funded by the additional spend include:

- Road reconstruction projects including: Mt Keira Road, Mount Keira; Queens Parade, Wollongong; Bland Street, Port Kembla, Kulgoa Road, Woonona.
- Reconstruction of footpaths such as Flinders Street, Wollongong; Railway Street, Corrimal; Lawrence Hargrave Drive, Thirroul and Illawarra Street, Port Kembla.
- Replacement of the Stanwell Park Reserve and Mt Keira kiosks.
- Accelerated dune management works.
- An integrated Warrawong Library & Community Centre, Helensburgh Library replacement.
- Replacement of play facilities at Nicholson Park, Woonona, Lakeside Drive Reserve, Dapto; William Beach Park, Brownsville.

References and Attachments

12 Council Reports *Securing Our Future – Financial Sustainability Review* 9 December 2013 and 17 February 2014

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:

- 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.

---

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

Box 3.1.2 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.

The engagement process for the development and adoption of Wollongong 2022 for the original suite of IP&R documents has been referred to in Section 2 *Focus on Integrated Planning and Reporting.* The following section of the application will focus on the engagement process leading to the revision of the Resource Strategy and Delivery Program.

In accordance with the Delivery Program 2012-17 and Annual Plan 2013-14 and with reference to communities needs and desires about service delivery and asset maintenance abovementioned, *Securing our Future* commenced in August to directly address the infrastructure renewal funding gap. The program involved internal business analyses across all Council services involvement with internal staff, Councillors and the community in four stages to consider options to ensure Council can continue to provide high quality assets and services into the future.

Excerpts from the IP&R documents explaining Council's engagement strategy are included below:

> *We like many Council's, are finding that the services we are asked to offer continue to rise whilst ageing infrastructure, a reduction in funding from other tiers of government and the cap on revenue coming into Council has presented a financial gap.*
>
> General Managers Message, Revised Resourcing Strategy 2012-22

The engagement and communication methodology for the Securing our Future – Financial Sustainability Review has been broken down into four steps following Council's decision to use a deliberative engagement approach via a Citizens Panel at the front end of the process.

Step 1:

The community were invited to make submissions to the upcoming panel. Council asked the community to consider three key topics: operational and efficiency improvements, changes to service levels, and changes to funding sources.

The community were asked to make either online or paper submissions to the Panel as well as participate in online discussion forums.

The communication methods used for this part of the project including information provided on the Council's website, through bookmarks distributed at council facilities and the Neighbourhood Forums. Media briefings, releases and Council social media channels were used to broadly disseminate information.

Step 2:

A Consultant was hired to convene a Citizens Panel of randomly selected residents to undertake a deliberative process and review Council services, costs and revenue. The Community Panel prepared a report to Council on their recommendations.

In October the Council newsletter featuring the Securing Our Future project was delivered to 80 000 households in the local government area. Advertisements were placed in The Advertiser throughout the project. (Note The Advertiser is a free newspaper distributed to households weekly.)

Step 3:

The Citizens Panel recommendations were placed on public exhibition from 5-20 November 2013. The key engagement tool for Step 3 engagement was an online submission form on the 'Have your say' website.

This survey invited feedback from community members regarding the overview of the Citizens Panel findings and recommendations, recommended service level changes, recommended efficiencies and recommended revenue sources. The online submission closed with an option to provide any other feedback. Community members were also invited to email or write to Council to provide feedback.

On the 7 November 2013 Council staff convened a meeting with Neighbourhood Forum Convenors to discuss the process of the Citizens Panel and their report, requesting members consider the recommendations and provide feedback.

Council staff were at Viva La Gong on Saturday 9 November 2013 to distribute promotional material, answer questions and invite further feedback.

Email lists and databases developed through ongoing engagement processes, including community groups and networks were used to promote the engagement and online opportunity to have a say.

Information packs were produced and distributed at a number of Council sites throughout the local government area. The packs consisted of a cover sheet explaining the background to the project and how to have your say, the Citizens Panel report, a poster and promotional bookmarks.

An advertisement inviting the community to read the Citizens Panel Report and make a submission to Council appeared in The Advertiser three times during November and a media release distributed to local media on 5 November. A number of news articles have appeared in both print and broadcast media during the exhibition period, including use of the Illawarra Mercury's online comments facility (refer to Attachment 14)

The use of online media supported the engagement process during the exhibition period. The Securing our Future webpage was updated with messages about the process of the Citizens Panel as well as copies of key documents, a discussion form and submission process. The link to the Securing our Future webpage has been extensively shared and promoted via Council's Facebook page and Twitter feed.

Step 4:

During step 4 the draft Resourcing Strategy 2012-2022 (revised 1 December 2013) and draft Delivery Program 2012-17 (revised 1 December 2013) and baseline plus scenarios for securing the financial sustainability of the Council were put on public exhibition. The exhibition period was from 11 December 2013 until 5 February 2014.

The community were asked to consider the options and indicate their preference as well as review and comment on the draft strategies which explained the impacts of each option. Council explained to the community that the three options reflect the diversity of opinion obtained from the first round of consultation following the Panel's report.

Feedback was sought on different combinations of the following elements:

- Efficiencies including possible outsourcing and staff level changes.
- Service changes including possible cuts, closures or privatisation.
- Fees and charges increases.
- Rates increases of varying levels.

The options are summarised on the survey as follows:

Option 1: Citizens Panel recommendations including service cuts and outsourcing, moderate fee rise, small rate rise.
Option 2: Limited service cuts, moderate fee and rate rise, efficiencies including some outsourcing.
Option 3: More significant rate rise, efficiencies with low impact on services and staff.

The purpose of this step of engagement was to measure both the community's views of acceptable levels of service, and community capacity and appetite for a potential rate rise.

In addition to the exhibition materials for Steps 1-3, Step 4 featured updated Frequently Asked Questions, an information brochure outlining options and how to have your say, and the draft Resourcing Strategy 2012-2022 (revised 1 December 2013) and draft Delivery Program 2012-17 (revised 1 December 2013). The draft Resourcing Strategy 2012-2022 revised 1 December 2013 documents which were available to all community members laid out the baseline scenario and three alternate options in detail. The specific impacts of increases in rates under the three different options were outlined in respect to a range of properties located within small areas with significantly different Socio-Economic Indexes for Areas (SEIFA) indices. Detail was laid out regarding the three different scenarios but each scenario was broken into 7 different small areas (House and Strata property). This decision by Council was necessary in order to explain the impact on ratepayers affected by the proposed rate increases, given that the impact varies considerably across different categories of ratepayers. Information was also presented in a fact sheet and distributed at kiosks to explain in more depth what the rating options on exhibition mean. Comparative data was given from baseline and rate peg across each option. It also explained rating categories other than residential including commercially rated properties.

Information packs were produced and distributed at a number of Council sites throughout the Local Government Area including all Council libraries and Customer Service Centre. All of the information produced has been made available on Council's engagement web page.

A detailed brochure was distributed to more than 80,000 households in the Wollongong LGA commencing 13 January 2014. It outlined each of the three options including average rates impact per household, an outline of the problem Council is faced with and what we have done so far to find a solution. Finally the brochure explained the many ways the community could get involved in having their say and what happens when this step concludes in early February (refer to Attachment 15 – A copy of the household brochure).

A full page advertisement appeared in The Advertiser newspaper on 18 December 2013, 22 and 29 January 2014 and in the Illawarra Mercury on 18 January 2014. The advertisement outlined the problem and the three scenarios plus the baseline on exhibition. A media release was produced and sent through to local media outlets.

The use of online media again supported the engagement process. The Council website hosted a page for 'Securing Our Future' and all promotional materials, including a survey, videos and discussions boards were available. The link to the 'Securing our Future' webpage has been extensively shared and promoted via Council's Facebook page and Twitter feed. Advertising was also conducted via Facebook which linked to a video explaining the issue. A truncated version of this was also used as part of a television advertising campaign. (A link to the video is included in Attachment 9)

The engagement process aimed to provide the community with information and to provide several opportunities for input and comment on ways to fund the renewal gap and provide feedback on the option for a special rate variation. The story has been publicised through the local media including the local paper, the Illawarra Mercury and the number of submissions received in response to the process (outlined under the following Criterion) indicates that there is awareness to the proposal in the community.

Some of the images and documents used in the Securing Our Future Engagement process are included below. The full Securing Our Future Engagement Strategy and Report is included as Attachment 1 to this application. The documents detail the full methodology of engagement including the identification of specific stakeholders groups, engagement methods and results of the engagement approach. Reference should also be made to Wollongong City Council's website which canvasses extensive information to assist the community in considering the issue at:

http://haveyoursaywollongong.com.au/projects/financial-sustainability

[redacted]

Photo 1 - The Citizens Panel followed a deliberative process which considered a number of funding sources to address the long-term financial sustainability of the Council.

[redacted]

Photo 2 – A photograph taken of the Panel at one of the workshops held.

[redacted]

Photo 3 – Engagement kiosk at Wollongong Mall. Several kiosks were conducted throughout the Local Government Area.

Council has received significant coverage of the financial sustainability dilemma via various media outlets since 2012; however recent coverage has been extensive and far reaching. With the release of the Citizens Panel Report in November, Wollongong's services and supporting assets made national, state and local news. Supported by the household brochure and other information described above, Council has made every attempt to ensure a high level of community awareness and with over 5300 community members, business owners and representative bodies contributing their points of view it would appear this has been delivered.

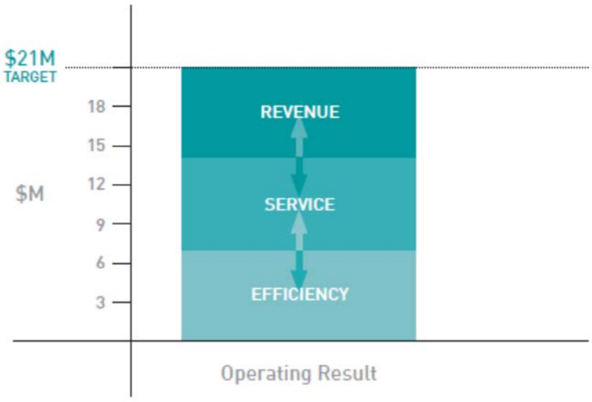
Attachments

1 Securing our Future Community Engagement Report February 2014
9 WCC's exhibition material available via Council's webpage (weblinks provided)
http://haveyoursaywollongong.com.au/projects/financial-sustainability
13 Securing our Future Communications and Community Engagement Strategy
14 Media articles and coverage

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 Citizens Panel, engaged by Council, considered the following elements to address financial sustainability:



In considering possible alternatives to address the funding gap the Panel was provided with the following:

Wollongong City Council

Securing Our Future: Financial Sustainability Review - October 2013

wollongong

city of innovation

CITIZENS' PANEL 2013

OPTIONS FOR FINANCIAL SUSTAINABILITY

Below are a number of options Council may consider implementing to improve its long term financial position. The list may form a basis - or a trigger- for discussion during the sessions:

1. **Service and operational reviews and adjustments** – such reviews would consider a change in service levels and how Council could operate more productively and efficiently.
2. **Internal budget "harvesting" (capturing underspend), centrally controlling some expenditure and setting revised revenue and expenditure parameters** – this is about being smarter at how we control our budgeting and setting targets and goals.
3. **Staff structures, establishment levels and delivery methods** – are there services that could operate with less staff? Are there opportunities to look at other ways of delivering our services, such as contracting our services out, or getting an external party to manage selected services?
4. **Continued redistribution of capital funds into renewal rather than creation of new assets** – this is about spending more money on renewing our infrastructure rather than spending it on new ones.
5. **Fees for services** – are there ways we could increase any of our fees and charges, such as hiring of community rooms, pool fees, library fines etc?
6. **Asset rationalisation** – are there options to reduce particular infrastructure items, ie sell them off? This means weighing up the gains that could be made in terms of expenditure on maintenance and renewal but potentially losing a service or facility that may be needed or desired by the community.
7. **Review of subsidisation, grants and donations** – could Council withdraw or reduce support to some individuals or organisations?
8. **Entrepreneurial and shared service options** – are there ways we could deliver services in partnership with the business or not-for-profit community, or through collaboration with other councils?
9. **Special Rate Variation** – is increasing rates an option?

Z13/186578 – 2/10/13 – V1

The Panel's Report informed a Council report in early November 2013 that included recommendations for service level adjustments, operational efficiency measures and revenue increases (including a rates increase). Council engaged the community again by exhibiting these recommendations for broader community comment around the options available to addressing the funding challenge. Three alternative funding scenarios were developed on top of a baseline for the revised Delivery Program and Resourcing Strategy.

Each of the scenarios achieves the $21 million operating gap using varying degrees of the options outlined above. A summary of each of the scenarios as contained within the exhibited Draft Resource Strategy and Delivery Program is provided below:

Baseline *– This is the continued operating position of the Council. This would not include any further efficiency savings (on top of the $20M achieved since 2008). Continuation of the baseline scenario would mean Council would continue to operate with a $21M average annual deficit. Council would not have the funds available for all assets requiring renewal, compounding Council's inability to maintain and renew its assets into the future. There would be increasing unplanned reduction in services due to asset failure over time. There would be minimal impacts on Council staffing.*

Scenario 1 *– is predominately the model proposed by the Citizens Panel. The scenario includes a significant improvement in organisational efficiency of $7 million that would require significant organisational change including higher level workplace, industrial, and delivery adjustment. The proposal would also require changes to the levels of service delivered of $4 million. The model proposes a rating adjustment of $8.4million to be implemented over a 3 year period as recommended by the Citizens Panel. The rating adjustment would require an all up rate increase to most ratepayers of around 5.2% in the first year and 5.5% for the following two years (inclusive of the assumed annual rate peg of 2.7%, 3.0% and 3.0% respectively). Other revenue would be increased under this scenario by increasing and/or introducing fees in future periods above the baseline position. $1.6 million per annum is provided for increase fees.*

Scenario 2 *– Using the Citizens Panel recommendations as a starting point, Scenario 2 reflects community feedback and analysis from officers. It identifies where community feedback indicates strong opposition to key change points, particularly service reductions, but balances this with analysis of data and information that maintains some of the Panel's key recommendations. This includes a slightly lower level target for operational efficiency that will still call for reduction in resources required to provide existing levels of services. It also includes some adjustments to existing service, and a rating adjustment $13.4 million to be implemented over a three year period. The rating adjustment would require a rate increase to most ratepayers of around 6.7% in the first year and 7.0% for the following two years (inclusive of the assumed annual rate peg of 2.7%, 3.0% and 3.0% respectively).*

Scenario 3 *– This scenario explores the option to focus primarily on revenue (rates) and internal efficiencies. It provides for little or no discernible decrease in current service levels. This responds to the call by some members within the community to leave services as they are. The proposal includes targeted efficiency savings based on what are considered achievable lower impact goals. Based on the baseline forecasts and current indices, there is a need for additional rate revenue of $16.5 million per annum. The model proposes a rating adjustment $16.5 million to be implemented over a three year period. The rating adjustment would require a rate increase to most ratepayers of around 7.7% in the first year and 8.0% for the following two years (inclusive of the assumed annual rate peg of 2.7%, 3.0% and 3.0% respectively).*

Scenario 4 *– A fourth scenario was scoped that included more extensive service adjustments and efficiencies beyond the level proposed by the Citizens Panel. This Scenario was not included in the Long Term Financial Plan due to the strong opposition to the Citizens Panel report and the proposed service reductions.*

This information was widely promoted and distributed in the various formats outlined in previous sections of this application.

After a series of workshops with Councillors to review the community feedback regarding the above scenarios, two distinct options were identified. The report presented to Council on 17 February 2014 outlined the two options as recommendations for consideration. Both options include a flat rate increase be applied each year for the three years of the proposed Special Rate Variation being 2014-15, 2015-16 and 2016-17 and were detailed in the Council agenda and business papers.

Council received broad media coverage of the options contained within the Business Paper, including but not limited to articles in the Illawarra Mercury on 15 February and 17 February, WIN TV coverage aired Friday 14 February and throughout the next week and interviews with the Lord Mayor airing on ABC radio the morning of the 17 February.

As a result of this promotion, 3 residents addressed Council via the Public Access forum speaking against the recommendation of Option 1.

Excerpts of the options are as follows:

Option 1:

a Endorse a financial sustainability approach that includes a minimum $4 million target for efficiencies, $1.5 million in service level adjustments, a minimum $500,000 in increased fees and charges and a Special Rate Variation for an increase in ‘General Revenue’ and minimum rate amounts. The increase in ‘General Revenue’ will provide additional revenue of approximately $15 million.

b The draft Resourcing Strategy 2012-22, draft Delivery Program 2012-17 (revised 1 December 2013) and revised Financial Strategy be adopted with the amendments outlined in the report and in Attachment 1 and to reflect the approach endorsed in Recommendation 1.

c Council lodge a Section 508A Special Rate Variation (SRV) by 24 February 2014 to the Independent Pricing and Regulatory Tribunal (IPART) for a SRV for an increase in ‘General Revenue and minimum rate amounts of 6.23% in 2014-15, 6.33% in 2015-16 and 6.34% in 2016-17.

d Subject to approval of a Special Rate Variation, Council’s Revenue Policy for the next three years include a proposed increase Business Subcategory Rates for ‘3C Regional’ and ‘Heavy 1 Activity 1’ and all special rates by 2.3%, 3.0% and 3.0% respectively in accordance with the proposed Resourcing Strategy, while other rates categories are to be increased by 6.76% in each of the next three years to achieve the permissible General Revenue.

h Adopt the draft Financial Strategy as per Attachment 3 confirming an additional $21 million per annum will be directed to asset renewal and/or works to extend the life of assets.

Option 2:

a Endorse a financial sustainability approach that includes a minimum $4.5 million target for efficiencies, $1.5 million in service level adjustments, a minimum $500,000 in increased fees and charges and a Special Rate Variation for an increase in ‘General Revenue’ and minimum rate amounts. The increase in ‘General Revenue’ will provide additional revenue of approximately $14.5 million.

b The draft Resourcing Strategy 2012-22, draft Delivery Program 2012-17 (revised December 2013) and revised Financial Strategy be adopted with the amendments outlined in the report and in Attachment 1 and to reflect the approach endorsed in Council’s resolution.

c Council lodge a Section 508A Special Rate Variation (SRV) by 24 February 2014 to the Independent Pricing and Regulatory Tribunal (IPART) for a SRV for an increase in ‘General Revenue’ and minimum rate amounts of 6.13% in 2014-15, 6.23% in 2015-16 and 6.24% in 2016-17.

d Subject to approval of a Special Rate Variation, Council’s Revenue Policy for the next three years include a proposed increase Business Subcategory Rates for ‘3C Regional’ and ‘Heavy 1 Activity 1’ and all special rates by 2.3%, 3.0% and 3.0% respectively in accordance with the proposed Resourcing Strategy, while other rates categories are to be increased by 6.63% in each of the next three years to achieve the permissible General Revenue.

h Adopt the draft Financial Strategy as per Attachment 3 confirming an additional $21 million per annum will be directed to asset renewal and/or works to extend the life of assets.

Option 2 was the adopted preferred scenario.

In follow up to this process, Council will update the community via a newsletter due to be distributed to 80,000 households in April this year and will again engage the community in the annual planning process between April and June. This will include further engagement on fees and charges and the efficiency program.

In recent years Council has also been actively pursuing grants to support the renewal of assets. Projects such as the Blue Mile (foreshore improvement program), Crown Street Mall Refurbishment, Grand Pacific Walk, Bald Hill all have an asset renewal element and have been successful in gaining State and Federal funding. Whilst Council has received some community criticism of its capital priorities as reflected in the attached Community Engagement Report, there is significant community support for investment of this nature, particularly when jointly funded by another agency.

Additional information relating to this Criteria is contained within Section 3, Assessment Criterion 1: Need for a Variation with particular reference to Section 3.2 Alternative funding options. Also, Section 7, Assessment Criterion 5: Productivity improvements and cost containment strategies.

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.

In September 2013, Council continued to engage the community in conversations about long-term financial sustainability. The conversations focused on options for improving financial security via a three tiered model of:

- operational and efficiency improvements,
- changes to service levels, and
- changes to funding sources.

Between September 2013 and February 2014, we actively engaged the community through four engagement processes:

- **Step 1:** call for submissions to inform a Citizens Panel in making their recommendations including an online survey.
- **Step 2**: convening a Citizens Panel of randomly selected residents to review Council services, costs and revenue.
- **Step 3**: exhibition of the Citizens Panel's report on recommended changes.
- **Step 4**: exhibition of 3 options based on financial scenarios, the revised draft Resourcing Strategy and revised draft Delivery Program.

Community awareness of this engagement process has been high throughout its 6 months. Hits on the specific engagement page for the project totalled more than 18 000. A community newsletter and brochure were distributed to more than 80 000 households in October 2013 and again in January 2014 as well as prominent advertisements in both local newspapers, The Advertiser and Illawarra Mercury. Media coverage throughout the project was extensive in all key local media outlets including Illawarra Mercury, The Advertiser, ABC Radio and Win TV. One thousand one hundred bookmarks were distributed between September and January at retail and dining premises to increase awareness of the project and opportunities to become involved. During kiosks held in January 2014 the majority of community members approached stated that they were aware of the project having seen the brochure, newspaper advertisements or articles.

The community were given a number of opportunities to participate in each step of the engagement including online discussion, quick polls and surveys, and kiosks at community locations in each ward. Community members also sent letters, emails and petitions. Total participation in the project is outlined in the following Table:

Table 4: Participation in engagement

Technique	Total
Web hits	18521
Online discussion	759
Online quick poll	268
Participation in kiosks and panel workshop	217
Submissions	1366
Petitions (N= signatures)	2732

Note: some community members may have participated in more than one engagement technique.

Basic demographics of aged, gender and suburb are included in each section of the report. It must be noted that many participants did not choose to provide this information and indeed only online and paper survey forms asked for it. Therefore the demographics provided in Sept 1, 3 and 4 are incomplete and inconclusive. Only the Citizens Panel in Step 2 includes a representative sample of the community. This technique was chosen in order to provide an opportunity to work deliberatively with a mini public that was representative of age, gender, suburb, ethnicity, home tenure and qualifications. By using a deliberative technique we ensured that detailed operational and financial data and community submissions could be considered without discussions being dominated by one participant, interest or pre-determined position. Deliberative techniques build community capacity as representatives are given access to a detailed understanding of organisational processes, constraints and can help create opportunities and varied solutions. They also offer the organisation an opportunity to learn what information the community feels is valuable and how opinions may change.

As the Panel membership needed to be representative of the Wollongong community Council prepared a social demographic profile and hired an independent agency, Taverner Research, to recruit between 30-40 residents. Taverner Research used the following indicators to ensure the panel was a mini-public, representing the broad demographics of the city. Current and former Councillors, state and federal MPs and current Council staff were the only exclusions from the panel. Neither Council staff nor Councillors selected the panel members.

Summary of each engagement step

Step 1: Community survey and submissions, September 20 - October 8 2013

Council wanted to have a conversation with the community around options regarding efficiency savings, priority services, service levels and funding sources. Council's engagement webpage included an online survey form and a discussion forum. The comments were in response to the question: "what are the top two things you want the Citizens Panel to think about?" The community also wrote open submissions to express their views.

Submissions received during September and October, to the Citizens Panel included **11** open submissions, **14** participants in an online discussion forum and **167** online surveys.

Key themes included:

- The majority of survey participants indicated a preference for existing service categories to remain the same. In the instances of Environmental Services and Natural Area Management, there was a marked preference for increasing the level of service to these areas.
  - There was a secondary preference for an increase in service areas of: (i) aged and disability services; (ii) botanic gardens and nursery; (iii) community programs; (iv) cultural services; and (v) transport services to increase.
  - There was a secondary preference for a decrease in the following services: (i) city centre management; (ii) corporate strategy; (iii) financial services; (iv) governance and administration; (v) human resources; (vi) leisure services; (vii) public relations; and (viii) tourist parks.
- The open ended survey responses suggest there are mixed attitudes in the community towards: (i) streamlining staff efficiencies and projects; (ii) conditional rate rises; (iii) user pays; (iv) environmental sustainability; (v) cultural community and arts development; (vi) the tourism and visitor economy; (vii) commercialisation partnerships and linkages; (viii) maintaining or changing services and assets; (ix) the involvement of community in projects and communications; (x) State and Federal Government funding; and (xi) supporting and attracting local business and volunteers.

<u>Step 2: Deliberative Citizens Panel, 26 September – 27 October 2013</u>

Council convened a representative group of 34 randomly selected community members to participate in a deliberative Citizens Panel. The Citizens Panel met across two evenings and two weekends during September and October 2013. They were given access to comprehensive information about Council service levels, costs and revenue sources. The results of the Step 1 community survey and submissions process were presented to the panel. They were led through a deliberative process by engagement consultants from Straight Talk Consulting.

The overall engagement process and the community's opportunity to be involved were publicised through Council's website, through bookmarks distributed through Council facilities including libraries, leisure centres, pools, tourist parks, community and youth centres, as well as Neighbourhood Forums. Bookmarks were also made available in a wide variety of community meeting places across the local government area. Media briefings, media releases and Council's social media channels were used to broadly disseminate information. In early October 2013, a Council newsletter about the Securing our Future project was delivered to more than 80 000 households in the local government area. Advertisements were placed in The Advertiser throughout the project.

The engagement page on Council's website: www.wollongong.nsw.gov.au/securingourfuture included survey and submission forms, background information, the fact sheets and community asset maps supplied to the panel participants and online discussion forums. During Step 1 and Step 2 engagement this page had **10,279** visits.

<u>Step 3: Exhibition of Panel Report, 5-20 November 2013</u>

Step 3 submissions **667** included **333** open submissions, **43** participants in an online discussion forum and **291** submissions via an online form. Four petitions were received with **600** (against closing Lakeside Leisure Centre), **13** (against closing Coalcliff Pool)**, 423** (against closing Unanderra Library), and **1,416** (against closing Gentleman's Pool) signatories respectively.

Table 5: Step 3 Submission Key Themes

Recommendation	Agree	Disagree
Service level changes		
Lakeside leisure centre, close and sell land Petition against:	3	39 600
Unanderra Library – close Petitions against:	4	55 423
Coalcliff/Scarborough beach season reduce	4	190
Playgrounds, centralise	3	39
Community pools reduce season	3	31
Ocean rock pools – reduce and run to fail Petition against closing Coalcliff Pool Petition against closing Gentleman's Pool, Wollongong	3	401 13 1416
Community facilities – demolish Coalcliff Hall	0	56
Efficiencies		
Russell Vale Golf Course - outsource	2	12
Tourism increase investment in assets/reduce marketing	6	13
GM & executive reduce	15	0
Human resources – reduce staffing levels	16	15
Library – shift to e-books and reduce book vote	7	17

Revenue sources	Agree	Disagree
Community pools – gold coin donation	9	23
Sports fields increase fees	5	19
Car parking increase fees	14	46
Rate rise	24	151

Note: this table incorporates late submissions that were not reported to Council in December 2013.

A number of participants N= 23 stated they would support a rate rise, in some instances higher than that proposed, as long as services were improved.

Step 4: Exhibition of options, draft Resourcing Strategy and draft Delivery Program, 13 December 2013-5 February 2014

Step 4 submissions totalled **800** which included **234** open submissions, **268** participants in an online quick poll, **20** hardcopy survey forms and **278** submissions via an online form. One (**1)** petition was received with **580** signatories.

Table 6: Step 4 Submission key themes

Support Option 1	Support Option 2	Support Option 3	Don't support any option	Don't specify an option
N= 178	N= 184	N= 260	N= 31	N= 141
22.5%	23%	32.5%	4%	18%

Themes	Agree
Don't close Lakeside Leisure Centre	20
Concerned about effect on employment	37
Support outsourcing	45
Support user pays	53
Don't close Unanderra Library	53
Don't support a rate rise	70
Don't agree with Council's infrastructure choices	71
Prefer to pay more rates to maintain services	82
Keep rock pools	95
Council needs to be more efficient	152

The community engagement process has raised an array of views and opinions that contribute to Council's consideration of this complex and challenging matter. Whilst the majority of submissions received support a level of rate increase, feedback indicates that there is not one recommended scenario. Some of the respondents suggested combinations be applied to the advertised scenarios. What is clear is that the majority of respondents wished to minimise change, maintain the current level of service and support some level of increase in rates to address the asset renewal gap.

The following section outlines community feedback on the three tiered model.

Summary of participant views across all 4 steps of engagement

Council commenced community conversations around service levels with a high-level look at delivery streams in Step 1. The majority of the 178 submissions in this step nominated that they preferred service levels to remain the same. Consistently participants in this step and step 3 expressed a desire that the following services are maintained at the same level: Aged and disability services; Aquatic services; Botanic Gardens and Nursery; Community facilities; Crematorium and cemeteries; Human resources; Library services; Leisure Services; Parks and Sports fields; and Waste management.

As part of the mix to achieve a $21 million per year the Citizens Panel recommended up to $4.351 million could be saved through changes to services. Twenty-five service changes were listed in the Panel's report. Proposed changes to Lakeside Leisure Centre, Unanderra Library and ocean rock pools elicited the most comment from the community. Removal of pensioner exemptions (rates), changes to Coalcliff/Scarborough beach lifeguard services, Community facilities – demolish Coalcliff hall, exit the Crematorium and halving the cadets, apprenticeships and trainee (CAT) program were also proposed by participants.

Table 7: Key themes on service changes

Recommendation	Agree	Disagree
Lakeside Leisure Centre, close and sell land	**9**	**659**
Unanderra Library – close	**10**	**1111**
Ocean rock pools – run to fail 2-3	**6**	**1926**
Coalcliff/Scarborough beach season reduce	**4**	**214**
Removal of pensioner exemptions (rates and waste)	**1**	**66**
Demolish Coalcliff Hall	**0**	**59**
Exit Cremator	**5**	**28**
Halve CATs program	**4**	**69**

Note: this data has been compiled from submissions and petitions to Steps 3 and 4, including late submissions to Step 3.

Consistently throughout the engagement process the most passion and debate has occurred around level of service and what is considered critical to the community, their way of life and their health and well-being. There is a degree of acceptance that some things need to change and as the city and its residents develop and change, so to must the services provided by Council.

The nine rock pools which Council maintain have had unprecedented national, state and local media coverage that they may be under threat and must be saved. At a local level 95 submissions have been received opposing any reduction in service including renewal to the rock pools currently maintained by Council. This is consistent with the engagement results in Step 3 when Council received 401 submissions (a significant proportion being by form letter) objecting to any reduction in rock pools currently serviced by Council, and a petition opposing any change to Coalcliff Rock Pool of 13 signatories and another opposing any change to the Wollongong Rock Pool with 1416 signatories.

Unanderra Library - Fifty three submissions were received in Step 4 opposing the closure of Unanderra Library, with a further 580 signatories received via petition in Step 3. This is consistent with the response regarding the Library since the beginning of the Securing our Future engagement, when Council received a petition with 423 signatories and 55 submissions opposing closure.

Some current users offered suggestions to Council to consider alternate scenarios for Unanderra Library such as reduced opening hours which would maintain community access whilst existing library services at Wollongong and Dapto would support a reduced level of service.

Lakeside Leisure Centre - Thirty submissions in Step 4 were received referring directly to the proposal to sell Lakeside Leisure Centre. Twenty of these opposed any sale. This is consistent where 39 submissions and one petition with 488 signatories were received in the earlier stages of engagement. There were alternate scenarios put forward including the suggestion that whilst it was important for the activities offered at this facility be maintained (squash courts, active seniors etc), it did not necessarily have to be Council who managed and operated the facility.

Other Services - Many other specific comments both in support of and, in opposition to changes to particular services did not result in large numbers in submissions (that is twenty or less specific statements of support or objection). In the final step of engagement, 141 specific submissions were received that provided no comment or recommended scenario for rates but raised objections, support or alternate suggestions regarding services.

A number of submissions were received seeking clarification of some of the service proposals. For instance the proposal regarding the Cremator only applies to an existing ageing asset. Memorialisation services, and the memorial gardens located at the Crematorium, have no proposal to change. In Step 3 of the 'Securing our Future' engagement Council received 28 submissions opposing the closure of the Cremator and in Step 4 when this proposal was further clarified, received nine.

Operational Improvement/Efficiency

Submissions received in response to both the Citizens Panel report (Step 3) and exhibition of the scenarios (Step 4) focused heavily on the need for Council to be more efficient. Over 150 specific comments were received via the submissions that raised inefficient and outdated work practice, high overheads, staffing levels and conditions, the need for improvement, benchmarking and review. A further 45 specific comments were received in support of some level of outsourcing although there were nine received against.

Thirty seven submissions were received regarding impacts on employment. Specifically, 16 comments were received that directly opposed any reduction to Council's Cadet, Apprenticeship and Trainee program. The rationale consistently presented in these submissions was concern about Wollongong's high unemployment, particularly for young people.

Participants also expressed concern that State and Federal governments transfer responsibility for various operations onto local government and that we should concentrate more on core business. Improvements in sustainability and waste reduction also featured under this theme. A dissatisfaction with infrastructure choices (N=71 against/12 support) was also expressed by some participants who commented that we were spending money on the wrong things. Feedback called for improved planning, budgeting, contract management, prioritization and decision making.

Council staff were also engaged in identifying ways to undertake Council business in a more efficient manner. In October 2013 a workshop was held with staff randomly selected to represent all divisions to continue to seek out operational efficiencies.

Fees and Charges

The Citizens Panel report recommended changes to a number of fees and charges and opportunities for additional review of up to $1.7 million per year. The top items the community commented on were a gold coin donation for community pools, increasing sports field fees and car parking fees. The majority of respondents were against these recommendations. During Step 4 when we asked the community to comment on three funding scenarios that suggested changes to fees and charges, 53 general comments were included in submissions supporting the principle of user pays plus an additional 54 comments were received on other fees and charges, notably, pay for entry at community pools.

Rates

The Citizens Panel report recommended a rate increase of between 7-7.5% over three years. Whilst a small number of participants wrote in to say they preferred a rate increase to losing services (N=24), a large number of form letters and other submissions (N=151) were received opposing any rates increase. During Step 4 engagement again provided the community with information about the problem we are facing of a backlog of ageing infrastructure. In responses to the scenarios presented in the Step 4 engagement the majority of participants expressed a willingness to pay higher rates: 78% of the 800 participants chose one of the three scenarios, whilst only 4% specified that they did not support any of the options presented. 10.25% specified a preference to pay higher rates and maintain or increase services.

As a result of this feedback Council endorsed the following scenario on 17 February 2014:

- efficiencies $4.5 million (minimum target),
- service level adjustments $1.5 million,
- increased fees & charges $500,000 (minimum) and
- a rate rise yielding $14.5 million. This would be reflected by a 6.63% rate increase, to those properties impacted by the special rate variation, in each of the next three years inclusive of any rate peg.

The preferred scenario takes into account the strong community feedback to:

- Focus greater efforts on business improvement such as efficiency and productivity gains, and better value for money.
- Limit the need to reduce service levels considered to be core business by the community, and focus on the delivery of services which meet the changing needs of the Wollongong community.
- Investigate further options for user-pays where appropriate, to minimize the impact of higher rates on community members.
- Seek a special rate variation (SRV) in order to maintain the majority of Council services and deliver quality assets for the community today and for future generations, notwithstanding the points above.
- The SRV take into account the community's (including local businesses) capacity to pay and seek a moderate rate increase as opposed to the highest advertised rate proposed.

References and Attachments

1 Securing Our Future Community Engagement Report February 2014
4 Revised Resourcing Strategy 2012-22
9 WCC exhibition materials made available via Council's webpage (weblinks provided) http://haveyoursaywollongong.com.au/projects/financial-sustainability:
14 Media articles and coverage

4.4 Considering the impact on ratepayers

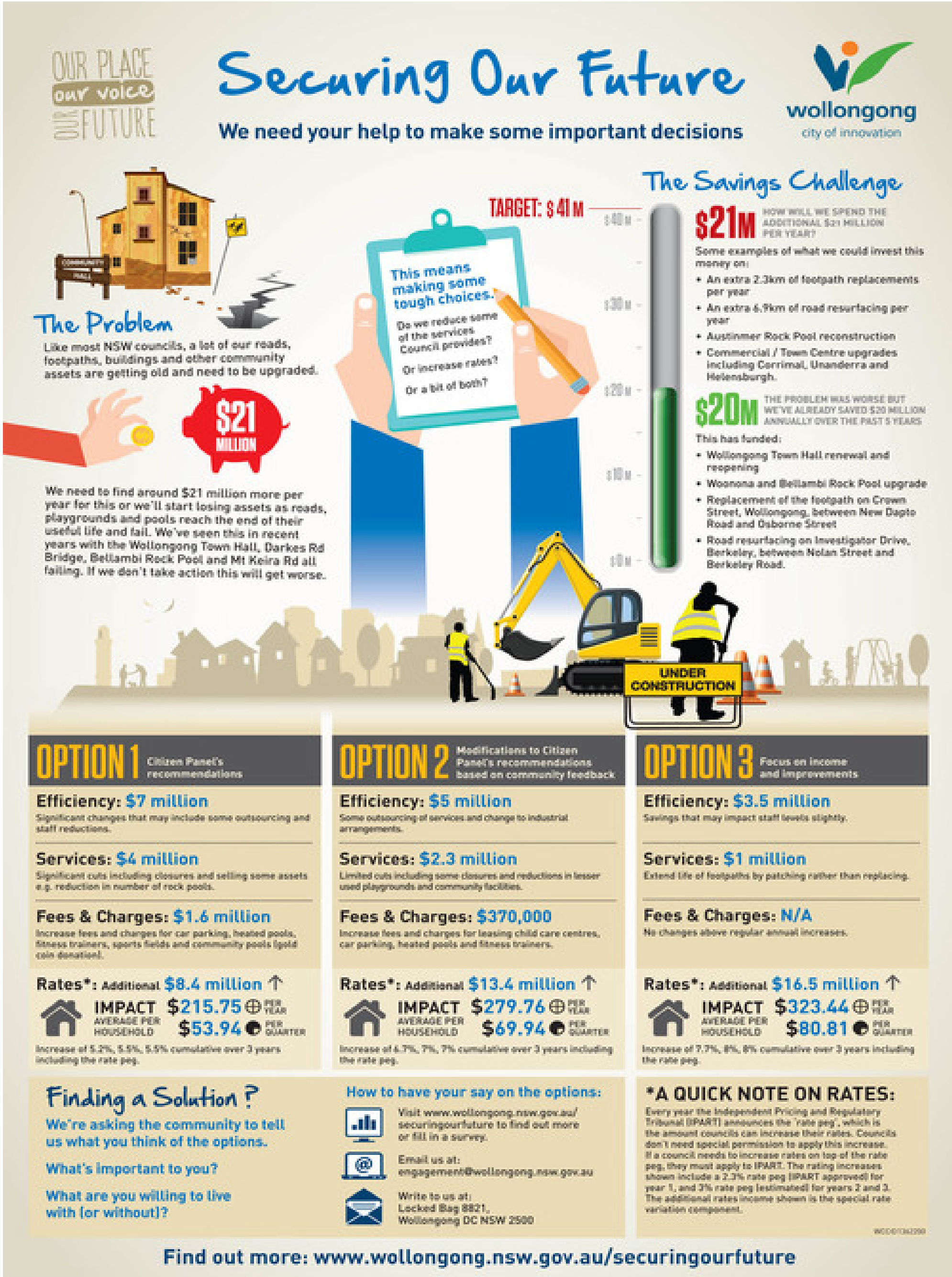
Indicate how the council assessed the impact of the special variation on ratepayers, and where this was addressed within the community awareness and engagement processes. Where the impact will vary across different categories and/or sub-categories of ratepayers, the council should consider the circumstances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

Council has attempted to maintain a consistent and understandable communication strategy by communicating the impact of the cumulative rate increase at the higher level. It was considered important that the community understood how their choice between efficiency, service delivery and revenue increase would impact their rates.

In exhibiting the three options, the promotional material set out the dollar and percentage impact on households (including average residential, house and strata), business and industry, farmland, and average pensioner rate. There were also suburb examples included in the exhibition material to reflect the upper and lower impacts based on property value (Refer to Attachment 11 Council Report 17 February 2014, see Attachment 2 of the Resourcing Strategy). In keeping with the Citizens Panel recommendations, the promotional material and exhibition documents aimed to *"communicate transparently to the community…the impact on rates- express the rate rise as a percentage and in dollars (both in terms of increase per year and per week) and clarify that the increase is on top of the expected CPI rise to be announced shortly by NSW Government"* (Citizens Panel Report 2012, Attachment 5).

Two examples of information made available to residents are included below:

Example 1 - Securing our Future Poster



80,000 households received a brochure detailing the 3 alternate scenarios. A copy of the household brochure is included in Attachment 15. The example below provided community and business with a further information and explanations.

Example 2 - Securing our Future Fact Sheet

OUR PLACE our voice OUR FUTURE

Securing Our Future

We need your help to make some important decisions

wollongong
city of innovation

What the rating options mean –

As a result of the 'Securing our Future' community consultations on Council's long term financial sustainability, three options or scenarios were developed to free up funds for asset renewal. Achieving this allows us to become more financially secure into the future, and means we can continue to provide safe, accessible and appropriate community assets. These scenarios are currently on exhibition for community feedback (until 5 February 2014).

Each of the scenarios includes a rating increase at varying levels. Along with 36 other councils in NSW, Wollongong City Council is proposing to apply to the Independent Pricing and Regulatory Tribunal for a Special Rate Variation (SRV) as part of the solution to secure additional funds. This Fact Sheet aims to show what each of the proposed rating options or scenarios mean for the average residential home and for businesses across the Wollongong LGA in greater detail.

For each scenario, the rating increase proposed is over a three year period. After the three years, the increase would remain and future increases would be inline with CPI (via rate peg).

Residential Rates

The table below provides a year by year breakdown of what the dollar increase would be for each year, in each of the scenarios, for the average residential household.

Rating Options: Average Residential Rate Increases - Baseline, Scenario 1, Scenario 2, Scenario 3

	Baseline			Scenario 1			Scenario 2			Scenario 3		
	Rate peg increase only			Includes rate peg SRV			Includes rate peg SRV			Includes rate peg SRV		
	Annual Rate increase	Annual Average Rate	Increase attributed to rate peg only	Annual Rate increase	Annual Average Rate	Increase attributed to rate peg only	Annual Rate increase	Annual Average Rate	Increase attributed to rate peg only	Annual Rate increase	Annual Average Rate	Increase attributed to rate peg only
	%	$	$	%	$	$	%	$	$	%	$	$
Current Rate		1,175			1,175			1,175			1,175	
2014/15	2.7%	1,207	32	5.2%	1,236	29	6.7%	1,254	47	7.7%	1,265	59
2015/16	3.0%	1,243	68	5.5%	1,304	61	7.0%	1,341	99	8.0%	1,367	124
2016/17	3.0%	1,280	105	5.5%	1,376	96	7.0%	1,435	155	8.0%	1,476	196
Total % Increase	8.95%			17.09%			22.16%			25.62%		

Other Rates

The table below shows total rate increases for the rating categories other than residential at the end of the three year period for each option.

Rating Options: Average Business Rate Increases % - Baseline, Scenario 1, Scenario 2, Scenario 3

	Baseline		Scenario 1	Scenario 2	Scenario 3
	Cents in the dollar 2013/14	Increase attributed to rate peg only	Total increase including Rate Peg + SRV	Total increase including Rate Peg + SRV	Total increase including Rate Peg + SRV
		%	%	%	%
Farmland	0.019886	8.95%	17.09%	22.16%	25.62%
Business	0.502653	8.95%	17.09%	22.16%	25.62%
Business - Light Industrial	1.264245	8.95%	17.09%	22.16%	25.62%
Business - Commercial	1.549898	8.95%	17.09%	22.16%	25.62%
Business - Heavy Industrial	1.811452	8.95%	17.09%	22.16%	25.62%
Business - Regional 3c	2.361820	8.95%	8.95%	8.95%	8.95%
Business - Heavy Industrial Activity 1	2.937984	8.95%	8.95%	8.95%	8.95%

Notes:

1. Average residential rate based on house and strata rates across the city.
2. Business and Industrial rates increases are shown in percentage increases as "average" rate information is not indicative due to the diverse nature and use of properties and the rates applicable.
3. The rate increase shown in each scenario for years 1, 2, and 3 is inclusive of an assumed 'rate peg' and additional rate adjustment (the SRV). The rate peg is the State Government's annual increase for rates that allows for inflation. Under requirements for the Special Rate Variation application, Council must include the assumed rate peg together with the SRV increase.
4. In all three scenarios, it assumed that only the rate peg estimate will apply for Regional 3c and Heavy Industrial Activity 1 Business sub categories. This is due to the substantially higher than average rates in the dollar already applied to the property values in these areas.
5. The special rates levy for Wollongong Mall and City Centre will only be subject to the estimated rate peg and not the special rate variation.
6. Council has now received the new valuations from the NSW State Government (Valuer General) to be applied for the 2014/15 rating period. The actual rating increases experienced by individual properties will vary based on the relative valuation changes between properties.

The Citizens Panel recommended that any rating increase be phased in over 3 years to reduce the impact on the ratepayer. This has been reflected across all three of the scenarios in the Long Term Financial Plan as seen in the promotional material above.

It is proposed that if Council is successful in its application for special variation for the three years from 2014-15 that the increase above the assumed rate peg will not be applied to the Business Sub-categories; 3C Regional Business and Heavy 1 Activity 1 or the two Special Rates; Wollongong Mall and City Centre. This information was included and noted in the exhibition material, including the website via Frequently Asked Questions and Fact Sheets. See Attachment 9.

The proposal to not increase the rates for these areas is based on the relatively high level of current rate differential applied to these categories and the changing business and economic conditions impacting on these areas. Results from the community engagement support this, noting the current economic climate and the need to continue to encourage recent increased activity and development in the city centre.

Reference is made Section 5.1 of this application for more information on addressing the impact on ratepayers.

References and Attachments

4 Revised Resourcing Strategy 2012-22

9 WCC's exhibition material available via Council's webpage (weblinks provided).

15 A copy of the Household Brochure.

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 community's capacity and willingness to pay have been considered in the development of the proposed rate increase-

Assessing the Community's Capacity to Pay

Wollongong City Council's proposal to seek a rate increase only came after a long and focused process to achieve financial sustainability through internal improvements and direct revenue adjustments without unduly impacting the general rate payments. Council's planning and consultation process has examined the community's desire to achieve a sound and sustainable financial balance through efficiencies (including changes to operating models, service reduction and/ or rate increases). The outcome of this process has concluded that there is a degree of increase in general rate preferred over further adjustment to the cost and delivery of services and facilities. The full details and results of the engagement process are included in Attachment 1.

In achieving this it is now considered that the increases proposed by Council are as low as they can be and a total average of $2.87 per week ($149.93 per year) the increases are responsibly modest. In finalising its approach to the proposed move towards financial sustainability Council was deliberate in spreading its transition over a three year period to lessen the impact in any one year without unduly delaying the improvement program.

Council is aware of and has considered the impacts of a rate increase on its community and the apparent capacity to pay for such adjustment. Council has also been very conscious of the size of the rate increase by ensuring that other alternatives have been examined, implemented and/or planned for in the future. Sections 3.2 and 4.2 of this report discusses those alternatives explored.

Council recognises the Wollongong Local Government Area is a socially diverse area with significant variations in the demographic profile across its suburbs, particularly in relation to household income and SEIFA indices. It also acknowledges there is a similarly significant variation in property values and rates payable between geographic areas within the city. As such an analysis of these variance by suburb has been undertaken and Council has been careful to examine and communicate the relative rate increase impacts between these areas to better understand ratepayer's capacity to pay for increases.

The following information is based on the Australian Bureau of Statistics 2011 Census and NSW Local Government Comparative Data 2011-12 compiled by the Division of Local Government. This is the most current benchmarking data of this nature available and as such may not reflect the rating increases obtained by other councils since this period.

Median Household Income

Overall, residents within the Wollongong LGA have a median weekly household income of $1,101. A comparison with Regional NSW indicates that Wollongong LGA has a greater number of higher income households compared to Regional NSW. Wollongong also has fewer households who are considered low income households.

- 15.8% of Wollongong households earned a high income (greater than $2,500 per week), compared to 11.3% of Regional NSW,
- 25.9% of Wollongong households fall within the low income households (less than $600 per week) compared to 27.1% Regional NSW.

Overall the major differences between the household incomes of Wollongong LGA and Regional NSW were:

- a *larger* percentage of households who earned $2500-$2999 (6.9% compared to 5.2%),
- a *smaller* percentage of households who earned $600-$799 (8.6% compared to 10.3%),
- a *smaller* percentage of households who earned $400-$599 (10.8% compared to 12.3%),
- a *smaller* percentage of households who earned $800-$999 (7.5% compared to 8.9%).

Source: Australian Bureau of Statistics, Census of Population and Housing 2011. Compiled and presented by .id

A breakdown by Ward highlights a significant variation in median household income across the local government area. For ease of comparison between Wards a suburb from each was selected by reflecting the diversity in SEIFA ratings across the Wards. These include Stanwell Park (Ward 1), West Wollongong (Ward 2) and Dapto (Ward 3). Cringila has also been identified due to this suburb reported as having one of the lowest SEIFA index in the local government area, indicating a high level of disadvantage:

- Stanwell Park – Median weekly household income = $2,135
- West Wollongong – Median weekly household income = $1,068
- Dapto – Median weekly household income = $1,051
- Cringila – Median weekly household income = $831.

Rates as a Percentage of Average Taxable Income

Wollongong average rates of 2.3% of taxable income are on par with average Category 5 councils as illustrated in the table below. This is calculated:

Average LGA Residential Rate

Average LGA Taxable Income ($)

Table 8 – 2011-12 Rates as Percentage of Taxable Income Category 5 Councils

Council	Percentage
Tweed	3.1%
Coffs Harbour	2.3%
Port Macquarie	2.3%
Wollongong	2.3%
Lake Macquarie	2.1%
Shoalhaven	2.1%
Newcastle	1.9%
Maitland	1.8%
Group 5 Average	**2.3%**

Outstanding Rates and Annual Charges

The outstanding rates and annual charges percentage is an indicator of a community's capacity to pay a proposed rate increase with a lower ratio indicating a better capacity to pay.

For Group 5 councils in 2011-12 the outstanding rates ratio ranged from 2.7% to 8.1% with an average of 6.1%. Wollongong Council's outstanding rate ratio of 6.1% is in line with the group average, and given the wide range of socio-economic wealth in the Wollongong LGA compared with other Group 5 councils, this is a positive indication. Of the eight councils in Group 5, four recorded less favourable outstanding rates ratio than Wollongong. It must be recognised that Wollongong City Council's outstanding rates figures include pensioner rates that, in accordance with Wollongong City Council's Pensioner Policy are not attempted to be recovered through legal recovery. This currently accounts for 22% of the Council's outstanding rates. The table below identifies the Outstanding Rates and Annual Charges percentages of Category 5 councils.

Table 9 – 2011-12 Outstanding Rates and Annual Charges Category 5 Councils

Council	Percentage
Port Macquarie	8.7%
Tweed	8.1%
Shoalhaven	7.4%
Coffs Harbour	6.5%
Wollongong	6.1%
Newcastle	5.9%
Lake Macquarie	3.3%
Maitland	2.7%
Group 5 Average	**6.1%**

Wollongong City Council has a long history of working with its ratepayers to ensure a fair and equitable system of recovery of rates is in place and its Council's policies and procedures recognise social justice objectives.

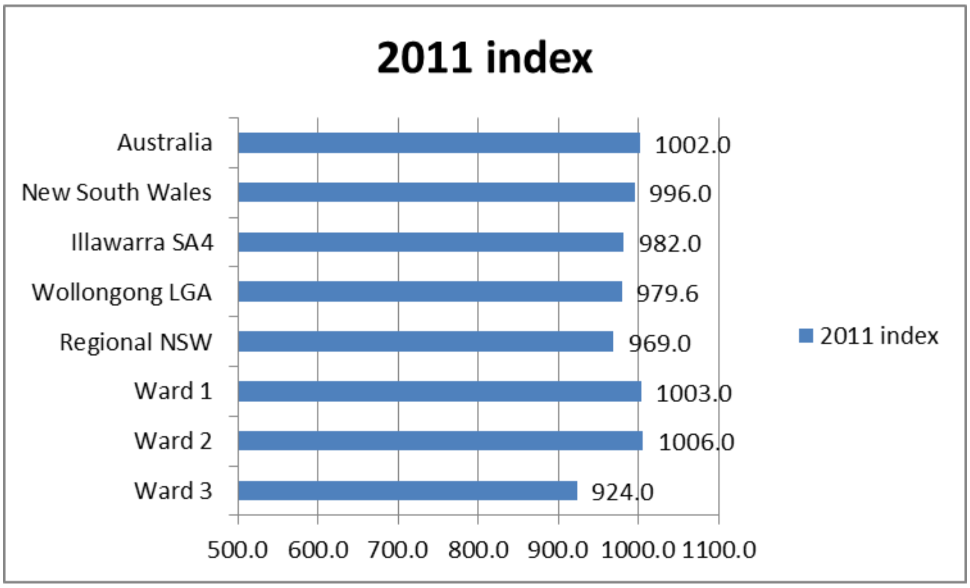
Land Values

Land values in the Wollongong Local Government Area vary considerably from high-end coastal properties to inland areas of low socio-economic wealth. As at July 2013 the total land value of the Wollongong LGA was approximately $20.49 billion. This has remained relatively steady since the July 2010 valuation of total land value of approximately $20.51 billion.

Socio-Economic Indexes for Areas (SEIFA)

In 2011, Wollongong LGA had a SEIFA Index of 979.6, compared to an index of 969.0 for Regional NSW; identifying Wollongong as less disadvantage than Regional NSW overall. A closer look at Wollongong by suburb highlights a varied SEIFA index with small areas having a significantly high index of 1098.0, and others significantly lower (752.0). Note a high SEIFA Index indicates a lower level of disadvantage.

Graph 5: 2011 Comparison of Wollongong LGA's SEIFA Index



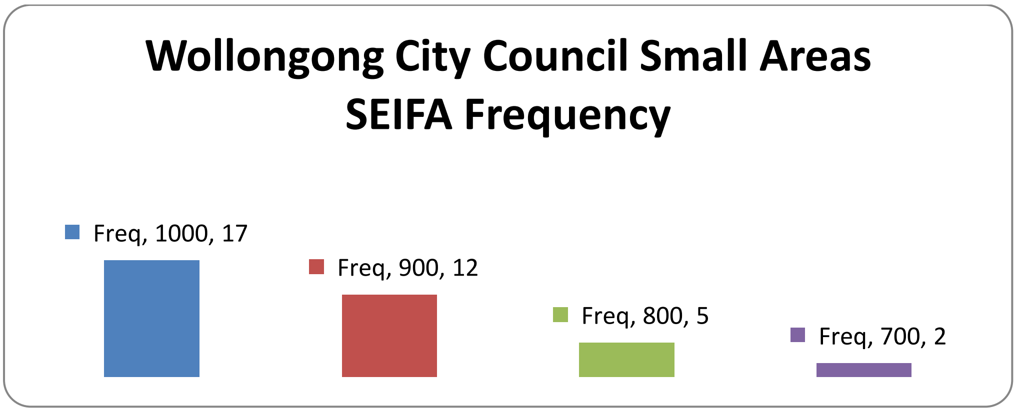
Source: Australian Bureau of Statistics, Census of Population and Housing 2011. Compiled and presented by Profile ID.

The SEIFA Index by Wollongong LGA's Wards varies from 1006.0 in Ward 2 (Central) and 1003.0 in Ward 1 (North) to 924.0 in Ward 3 (South); identifying Ward 3 as having a higher level of disadvantage than the other Wards. In particular suburbs, such as Warrawong (752), Cringila (789), and Koonawarra (837) registered low SEIFA Index of Disadvantage scores.

However in comparison, 17 out of the 36 categorised 'small areas' within the Wollongong LGA have a SEIFA index of 1,000 or higher indicating a low level of disadvantage (higher wealth). These include Stanwell Park/Stanwell Tops/Coalcliff (1098.0), Austinmer (1096.0), Cordeaux Heights/Mount Kembla/Kembla Heights (1089.0) and Mount Ousley/Mount Pleasant (1086.0).

The following table illustrates the SEIFA indices in the small areas within the Wollongong LGA. Notably there are more advantaged areas than disadvantaged areas. Thus indicating there is a higher capacity to pay increased rates within the Wollongong LGA. The majority of the suburbs with a low SEIFA have high levels of public housing (Berkeley, Warrawong, Koonawarra, Bellambi) where rating contributions are not passed on to the householder.

Graph 6: Wollongong City Council Small Areas SEIFA Frequency



Source: Australian Bureau of Statistics, Census of Population and Housing 2011. Compiled and presented by .id

Affordability

Council has also considered affordability of the rate increase in the context of the distribution of household income where “overall, 15.8% of the households in Wollongong earned a high income and 26.0% were low income households, compared with 11.3% and 27.2% respectively for Regional NSW.

Average Household Income

The distribution of household income demonstrates that Wollongong City has a greater number of higher income households compared to Regional NSW. Wollongong also has fewer households who are considered low income households.

- 15.8% of Wollongong households earned a high income (greater than $2,500 per week), compared to 11.3% of Regional NSW,
- 25.9% of Wollongong households fall within the low income households (less than $600 per week) compared to 27.1% Regional NSW.

With the variation in the SEIFA indices across the LGA, the following tables illustrate the average weekly increase of rates caused by the Special Rate Variation based upon property values in the various Wards. Other impacts have been reported that will be caused by the General revaluation that has occurred for the next rating period.

Table 10: Indicative Rating impact in the Preferred Scenario

PREFERRED SCENARIO – RESIDENTIAL (House and Strata Properties)							
Example Suburb: **CRINGILA** (property in Ward 3)							
	Avg Rate $	2014-2015 $	2015-2016 $	2016-2017 $	Cumulative Increase %	Cumulative Increase $	Average Weekly
Rate Peg (2.3, 3.0, 3.0%)	867	887	914	941	8.53	73.96	1.42
SRV (6.63, 6.63, 6.63%)		924	986	1,051	21.24	184.13	3.54
NET SRV INCREASE		**$38**	**$72**	**$110**		**$110.18**	**$2.12**
Example Suburb: **DAPTO** (property in Ward 3)							
	Avg Rate $	2014-2015 $	2015-2016 $	2016-2017 $	Cumulative Increase %	Cumulative Increase $	Average Weekly
Rate Peg (2.3, 3.0, 3.0%)	998	1,021	1,052	1,083	8.53	85.13	1.64
SRV (6.63, 6.63, 6.63%)		1,064	1,135	1,210	21.24	211.95	4.08
NET SRV INCREASE		**$43**	**$83**	**$127**		**$126.82**	**$2.44**
Example Suburb: **WEST WOLLONGONG** (property in Ward 2)							
	Avg Rate $	2014-2015 $	2015-2016 $	2016-2017 $	Cumulative Increase %	Cumulative Increase $	Average Weekly
Rate Peg (2.3, 3.0, 3.0%)	1,122	1,148	1,183	1,218	8.53	95.75	1.84
SRV (6.63, 6.63, 6.63%)		1,197	1,276	1,361	21.24	238.39	4.58
NET SRV INCREASE		**$49**	**$94**	**$143**		**$142.64**	**$2.74**
Example Suburb: **STANWELL PARK** (property in Ward 1)							
	Avg Rate $	2014-2015 $	2015-2016 $	2016-2017 $	Cumulative Increase %	Cumulative Increase $	Average Weekly
Rate Peg (2.3, 3.0, 3.0%)	2,701	2,763	2,846	2,932	8.53	230.43	4.43
SRV (6.63, 6.63, 6.63%)		2,880	3,071	3,275	21.24	573.71	11.03
NET SRV INCREASE		**$117**	**$225**	**$343**		**$343.28**	**$6.60**
Example: AVERAGE ALL SUBURBS							
	Avg Rate $	2014-2015 $	2015-2016 $	2016-2017 $	Cumulative Increase %	Cumulative Increase $	Average Weekly
Rate Peg (2.3, 3.0, 3.0%)	1,175	1,202	1,238	1,275	8.53	100.24	1.93
SRV (6.63, 6.63, 6.63%)		1,253	1,336	1,425	21.24	249.56	4.80
NET SRV INCREASE		**$51**	**$98**	**$149**		**$149.33**	**$2.87**

Note: Cringila has been included for comparative purposes due to the reference to it previously in this report. SRV figures are inclusive of the rate peg.

SCENARIO 3 – PENSIONER ON AVERAGE VALUE							
Example: AVERAGE ALL SUBURBS							
	Avg Rate $	2014-2015 $	2015-2016 $	2016-2017 $	Cumulative Increase %	Cumulative Increase $	Average Weekly
Rate Peg (2.3, 3.0, 3.0%)	1,175	1,202	1,238	1,275			
Less Pensioner Rebate	(250)	(250)	(250)	(250)			
NET RATE	**925**	**952**	**988**	**1,025**	**10.84%**	**$100.24**	**$1.93**
SRV (6.63, 6.63, 6.63%)		1,253	1,336	1,425			
Less Pensioner Rebate		(250)	(250)	(250)			
NET RATE		**1,003**	**1,086**	**1,175**	**26.98%**	**$249.56**	**$4.80**
DIFFERENCE		**$51**	**$98**	**$149**		**$149.33**	**$2.87**

The proposed changes in property rates in Ward 3 for an average residential property in Dapto results in an additional $2.44 per week by 2016-17 or $126.82 per year. This compared to higher valued properties in Ward 1 eg Stanwell Park where the average increase with the higher rates will be closer to an additional $6.60 per week or $343.28 per year. Thus, the average net SRV increase is $2.97 under this Scenario but this will not be the same for all residential properties.3

Assessing the Community's Willingness to Pay

Analysis of the community engagement results indicate at a high level there are common themes across all engagement, including the desire for Council to continue to find savings through operational efficiencies, and that for the most part, existing service levels should be maintained. The community has largely indicated there is a need to consider a rating increase, although the results indicate there is a spread with regard to the three rating scenarios presented.

Rates

Six hundred and twenty two (622) respondents selected one of the three scenarios advertised that included a rate increase. Eighty-two respondents stated they would prefer to pay more rates to maintain services.

Council first canvassed a special rate variation via the report produced by the Citizens Panel. The feedback received through 600 submissions and four petitions demonstrated the community's preference for alternative solutions to reducing services including a special rate variation.

It should also be noted that 141 specific submissions were received that provided no comment or recommended scenario for rates but raised objections, support or alternate suggestions regarding services.

The following table documents the breakdown of submissions received regarding the rating scenarios. These figures relate only to the final stage of engagement.

Table 11: Breakdown of Respondents by Scenario

Support Scenario 1	Support Scenario 2	Support Scenario 3	Don't support any Scenario	Don't specify any Scenario
N = 178	N = 184	N = 260	N = 31	N = 141
22.25%	23.0%	32.5%	4.0%	18.0%

3 The variations in increases have also been considered per suburb for Strata Properties in a similar manner. The entire collection of tables is available in the Revised Resourcing Strategy 2012-22 attachments.

The results would indicate that of the respondents there was a general acceptance of a rates increase being necessary. Some comments were included in submissions that rising costs means some rates rise is inevitable but that capacity to pay should be considered in determining the rating increase. Consistent with the conclusion made by the Citizens Panel the results obtained via the most recent engagement suggest that people are attracted to and willing to pay for services and assets to be maintained.

In keeping with this feedback Council has adopted a scenario which, excluding the baseline, is within the minimum and maximum scenarios presented to the community.

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.

Wollongong City Council's rating structure has remained unchanged since 1994 with the exception of introduction of and adjustment to Special Rates. The structure, as outlined below, is detailed in Council's Annual Plan 2013-14: Revenue Policy, Fees and Charges document. It is proposed that the structure will remain unchanged in 2014/15 while the proposed rate increases above the General Revenue increase will not be applied to a small number of Business Sub-categories or the Special Rates.

The current rating structure includes rates in all four categories of rate being: Residential, Farmland, Business and Mining, plus two Special Rates. The Business Rate has been subcategorised by areas of activity that reflected significantly varied business properties and uses across the city. Wollongong City Council area has some significant and high valued business properties including areas such as the port and heavy industrial areas at Port

Kembla, and the Central Business District (CBD) which is a regional centre. In addition two special rates are applied to areas in and around the CBD area.

Council's proposed rating structure, property numbers and anticipated yields are outlined in the table below.

Calculation of Notional General Income - Ordinary Rates

Rating Category (s514-518)	Name of sub-category	Number of Assess-ments	Ad Valorem Rate	Base Amount $	Base Amount %	Minimum Amount $	Number on Minimum	Land Value as at start of year	Land Value of Land on Minimum	Notional General Income
Residential		74,502.10	0.2737939	625.19	50.00%		0.00	17,013,552,209		93,159,769
Farmland		193.00	0.209531			810.07	7.00	208,171,000	927,000	439,911
Mining		14.00	3.02003			810.07	2.00	31,606,016	1,001	956,101
Business	Ordinary	279.00	0.37409			0.00	0.00	10,691,869		39,997
Business	Business Commercial	2,185.31	1.661232			810.07	214.27	982,202,586	5,164,577	16,404,441
Business	3C Regional	265.59	2.405519			777.17	7.00	245,118,730	112,960	5,899,101
Business	Light Industrial	922.00	1.357975			810.07	96.10	370,227,598	4,162,255	5,048,923
Business	Heavy Industrial	351.00	2.11641			810.07	15.00	269,032,381	215,121	5,701,426
Business	Heavy 1 Activity 1	37.00	3.29017			777.17	0.00	249,463,737		8,207,781

Calculation of Notional General Income - Special Rates

Special Rates (Name)	Number of Assess-ments	Ad Valorem Rate	Base Amount $	Base Amount %	Minimum Amount $	Number on Minimum	Land Value as at start of year	Land Value of Land on Minimum	Notional Income
Wollongong Mall Rate	72.00	0.930680131					107,337,880		998,972
City Centre Special Rate	667.00	0.093336611					411,109,929		383,716

Council's rates information has been included below:

Residential Rates

While Wollongong's rating structure has included Residential Rates since 1994 there was a change in the calculation of rates for Residential properties in 2001 when Council introduced a base charge to the rate calculation. Prior to this time Council and its ratepayers had experienced abnormal swings in the distribution of rates due to the variable nature of the market for properties along a very long but narrow coastline that abuts the Sydney metropolitan area in the north and small rural seaside towns in the south. Effectively Council experience large changes between property valuation in each valuation cycle from significantly increased values at one end of the city in one cycle and then the opposite in the next. This created large impacts on some individual rates from one revaluation to the next.

In 2001 Council introduced a Base Charge calculated on 50% (the maximum allowed under the LG Act 1993) of Residential yield. This had the impact of providing a fixed component of rate and reducing the impact of valuation swings on future rates. It is proposed that the application of the Base Charge will continue unchanged into the future.

Business Rates

All of Council's Business Rates (with the exception of Business Ordinary) have a Minimum Charge as opposed to a Base Charge. It is proposed that the Minimum Charges would continue to be applied to the Business Rates that currently have one at an increased level proportional to the proposed rate increase.

Farmland

Council has 193 farmland properties that enjoy a slightly lower rate in the dollar than other residential and business properties. Unlike Residential properties a Minimum rate applies rather than a base Charge. It is proposed that the Minimum Charges would continue to be applied to the Farmland Rates at an increased level proportional to the proposed rate increase.

Mining

Council has 14 Mining properties that have an ad valorem and Minimum Charge. It is proposed that the Minimum Charges would continue to be applied to the Farmland Rates at an increased level proportional to the proposed rate increase.

Rate Increase Distribution

It is proposed that if Council is successful in its application for special variation for the three years from 2014-15 that the increase above the assumed rate peg will not be applied to the Business Sub-categories; 3C Regional Business and Heavy 1 Activity 1 or the two Special Rates; Wollongong Mall and City Centre.

The consequence of not applying the Special Rate Variation to all categories is that the percentage increase applied for through IPART will not reflect the actual increase in individual rates. The requested General Revenue increase of 6.13% in 2014-15 will be reflected as a 6.63% increase in yield for each category where the increase is applied and a 2.3% increase in the areas where it is not. The impacts on individual ratepayers will also be impacted by variations created by the application of new values received in December 2013 as well as slight differences to yield increases due to changes in property categorisation, properties becoming exempt and any catch up or adjustments applied. Council has attempted to maintain a consistent and understandable communication strategy for ratepayers by communicating the impact of the rate increase at the higher level they will experience as opposed to the General Revenue percentage. It was considered important that the community understood how their choice between efficiency, service delivery and revenue increase would impact their rates.

The impact of the application of the General Revenue increase when applied to the individual rate categories and subcategories would be as follows:

	PREFERRED SCENARIO			
Rate Category - Subcategory	2014/15	2015/16	2016/17	Cumulative Increase %
RESIDENTIAL	6.63%	6.63%	6.63%	21.24%
BUSINESS	6.63%	6.63%	6.63%	21.24%
BUSINESS - LIGHT INDUSTRIAL	6.63%	6.63%	6.63%	21.24%
BUSINESS - COMMERCIAL	6.63%	6.63%	6.63%	21.24%
BUSINESS - HEAVY INDUSTRIAL	6.63%	6.63%	6.63%	21.24%
BUSINESS - REGIONAL 3c	2.30%	3.00%	3.00%	8.53%
BUSINESS - HEAVY INDUSTRIAL ACTIVITY 1	2.30%	3.00%	3.00%	8.53%
FARMLAND	6.63%	6.63%	6.63%	21.24%

The rationale for the Special Rates not increasing is straight forward. The special rates are directly applied for the purpose providing specific works and services for the benefit of the properties affected. The basis of Council's proposed rate increase is to achieve a financially sustainable balance between future revenues and the cost of agreed service provision. There is no proposal at this stage to vary the provision of service funded from the Special Rate and therefore no requirement to adjust the rate.

The proposal to not increase the rates for the 3c Regional Business and Heavy 1 Activity 1 Business rates (which is still subject to further community consultation through the annual planning process) is based on the relatively high level of current rate differential applied to these categories and the changing business and economic conditions impacting on these areas.

The 3C regional rate that applies to properties centred around the existing CBD area is currently rated at an ad valorem rate of 2.261820 cents in the dollar of valuation. This is 52% higher than other commercial property in the city. The 52% higher ad valorem rate is further exacerbated by the higher values of properties in the 3c Regional area creating a significant rate differential between commercial properties throughout the local government area. While it is acknowledged that there are differential impacts and service provision between areas of commerce the current differential is argued to be too high.

Similarly the Heavy I Activity 1 ad valorem rate of 2.937984 cents in the dollar is 62% higher than the Heavy Industrial rate and 132% higher than Light Industrial. Again there are differences in the impacts on Council services and the service provisions between these areas, however again the differential is argued to be too high in the current economy which is more difficult now than in the past for these heavy industrial areas.

The current differential rates between areas of activity in the business category is largely based in history and the continued application the existing structure and contribution to rate yields over a period of time. Council has examined the Business rating structure on a number of occasions and acknowledge that there is a possible need for change in these structures and the differential over time. It is considered that in the current situation with potential increases in rates to be applied through the special variation coupled with changes created by the General Revaluation of Wollongong properties the time is not right to fully engage the community in an additional discussion on the potential change that restructuring of the business rate would create. Council will continue to review its rating structure in future periods in consultation with the community.

General Valuation Impacts

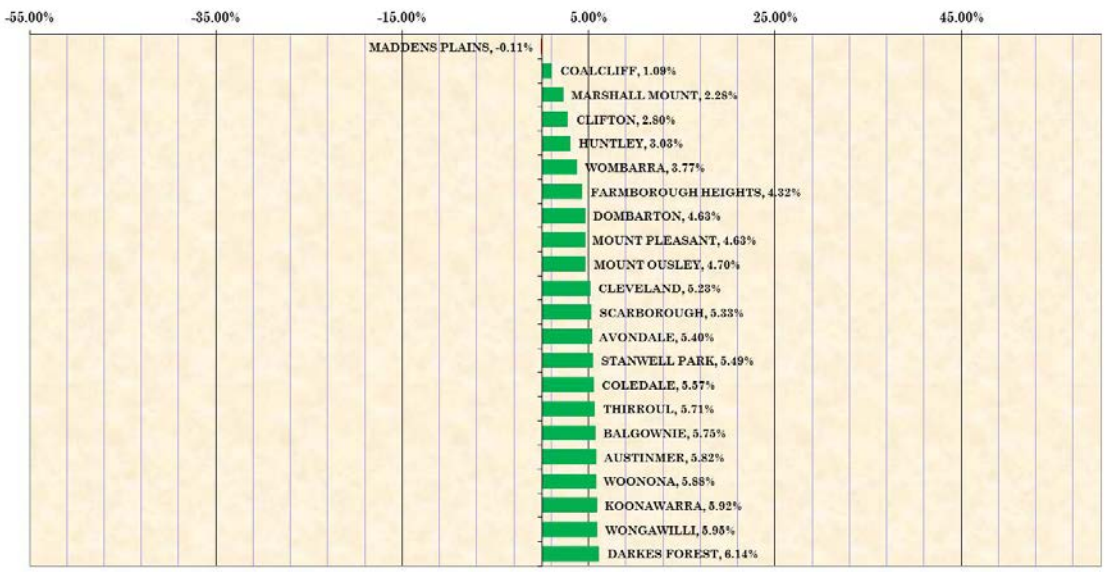
In addition to the proposed variations in General Revenue Wollongong City Council will have new land values for the 2014-15 rating year that will impact on the individual rate variations experienced by ratepayers. A general revaluation is usually received every three years in Wollongong and historically has had significant impacts both positive and negative on individual ratepayers. It has not been unusual in previous revaluations to see a large number of properties increase by more than 100% and similarly significant number of properties receive decreases in the rates payable. This level of variance was substantially reduced by the introduction of the Base Charge, although in 2008 we still experienced 276 properties with an increase greater than 50% in one year.

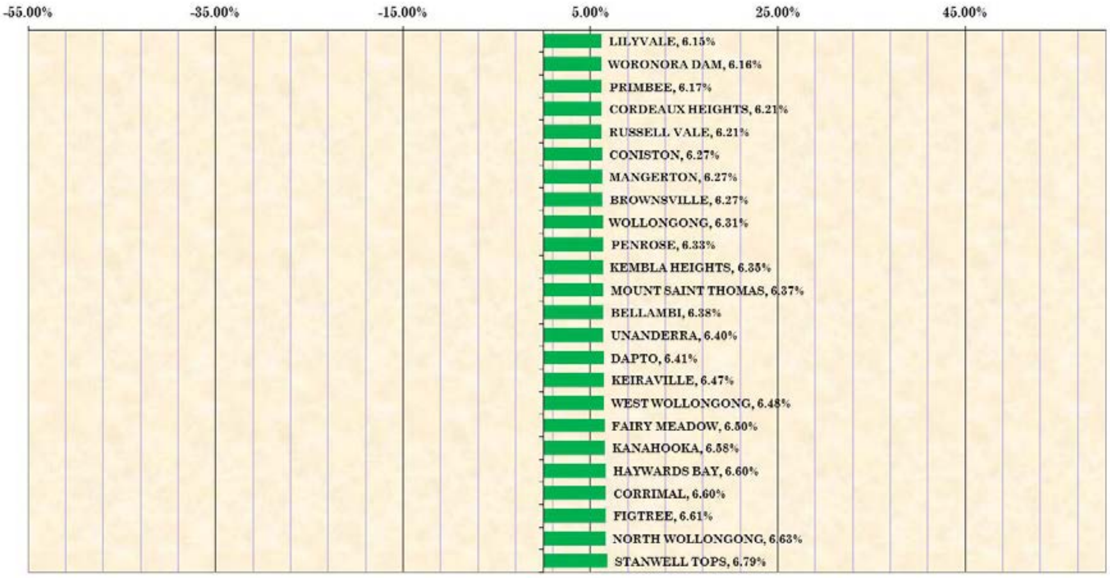
Council have separated the impacts of the Special Rate Variation from the General Revaluation impacts. In fact at the time of consultation for the majority of the Special rate Variation the General Valuation impacts in communication with the Council and the community were unknown.

While the valuation impacts will create further complexity in understanding the final result of any special rate increase is necessary in rating to ensure the basis of distribution is aligned to property valuations and if it were not to happen this year it would none the less happen at some point in a three year cycle.

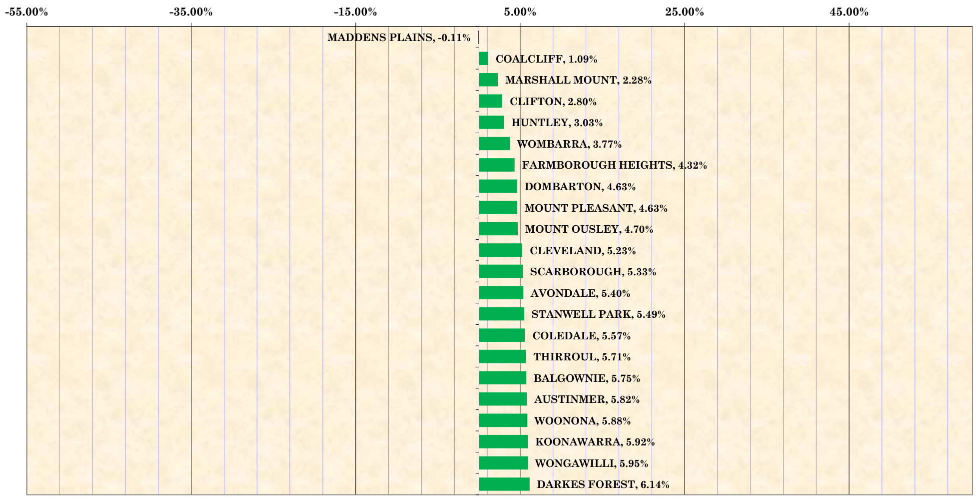
The combined average impacts of the Special Rate Variation and the Revaluation for 2014-15 at a suburb level is depicted in the graphs below:

RESIDENTIAL RATE AVERAGE PERCENTAGE INCREASE / DECREASE
By SUBURB
Impact of Revaluation and 6.63% SRV

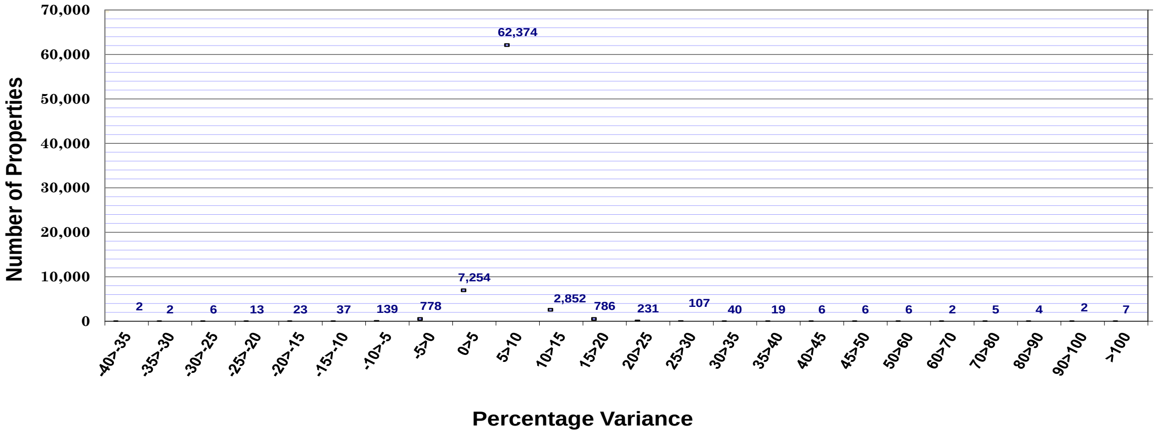



-55.00%
-35.00%
-15.00%
5.00%
25.00%
45.00%
LILYVALE, 6.15%
WORONORA DAM, 6.16%
PRIMBEE, 6.17%
CORDEAUX HEIGHTS, 6.21%
RUSSELL VALE, 6.21%
CONISTON, 6.27%
MANGERTON, 6.27%
BROWNSVILLE, 6.27%
WOLLONGONG, 6.31%
PENROSE, 6.33%
KEMBLA HEIGHTS, 6.35%
MOUNT SAINT THOMAS, 6.37%
BELLAMBI, 6.38%
UNANDERRA, 6.40%
DAPTO, 6.41%
KEIRAVILLE, 6.47%
WEST WOLLONGONG, 6.48%
FAIRY MEADOW, 6.50%
KANAHOOKA, 6.58%
HAYWARDS BAY, 6.60%
CORRIMAL, 6.60%
FIGTREE, 6.61%
NORTH WOLLONGONG, 6.63%
STANWELL TOPS, 6.79%


-55.00%


-55.00%
-35.00%
-15.00%
5.00%
25.00%
45.00%
MADDENS PLAINS, -0.11%
COALCLIFF, 1.09%
MARSHALL MOUNT, 2.28%
CLIFTON, 2.80%
HUNTLEY, 3.03%
WOMBARRA, 3.77%
FARMBOROUGH HEIGHTS, 4.32%
DOMBARTON, 4.63%
MOUNT PLEASANT, 4.63%
MOUNT OUSLEY, 4.70%
CLEVELAND, 5.23%
SCARBOROUGH, 5.33%
AVONDALE, 5.40%
STANWELL PARK, 5.49%
COLEDALE, 5.57%
THIRROUL, 5.71%
BALGOWNIE, 5.75%
AUSTINMER, 5.82%
WOONONA, 5.88%
KOONAWARRA, 5.92%
WONGAWILLI, 5.95%
DARKES FOREST, 6.14%

INDIVIDUAL RESIDENTIAL RATES INCREASES / DECREASES
Impact of Revaluation and 6.63% SRV



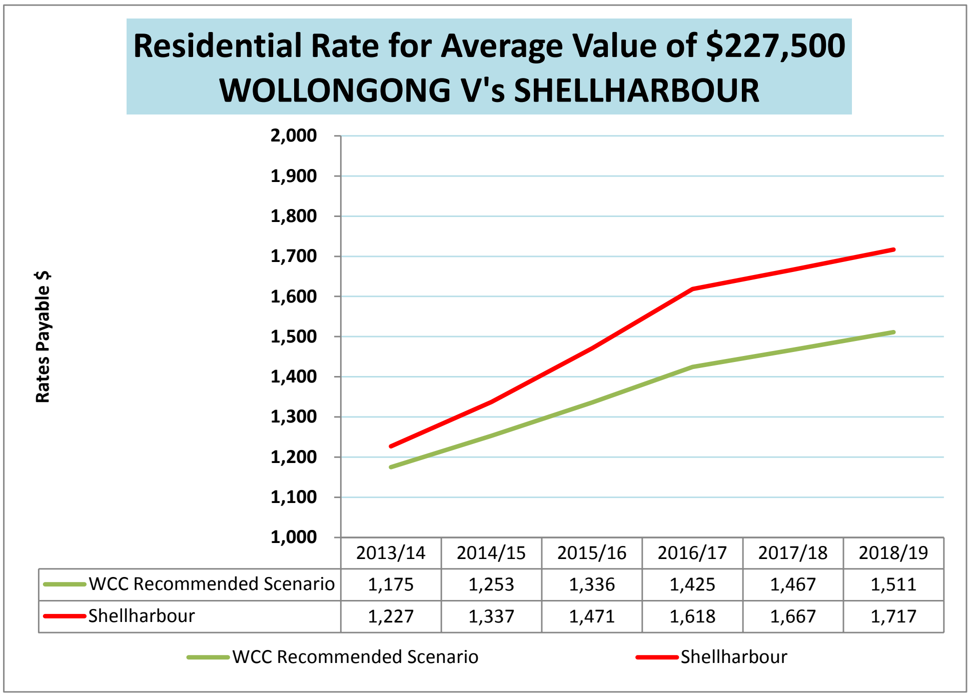
<u>Reasonableness</u>

As a result of the large range in SEIFA indices and range of advantage and disadvantage within the Wollongong LGA as outlined in Section 4.5 of this application, a fairer comparison between two properties of similar value within neighbouring Council LGAs is appropriate.

In 2013 Shellharbour Council received approval for a Special Rate Variation, so for the purposes of this case, the following example compares two properties, one in Shellharbour and one in Wollongong with a land value of $227,500[4].

Table 12 lays out the recommended scenario recommended in this report compared to the approved rate increases for Shellharbour.

Table 12



	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
WCC Recommended Scenario	1,175	1,253	1,336	1,425	1,467	1,511
Shellharbour	1,227	1,337	1,471	1,618	1,667	1,717

Source: Shellharbour IPART Application 2013-14 and WCC Fees and Charges 2013-14

[4] The average residential council rate for the Wollongong LGA for 2013-14 was $1,175 which represents the rates for a property valued at $227,500.

For the six year period 2013 to 2019, Shellharbour Council rates on a property valued at $227,500 are between 4% and 14% higher than Wollongong Council rates. The proposed increases to the Wollongong rates appear to be reasonable compared to other like properties in the Illawarra.

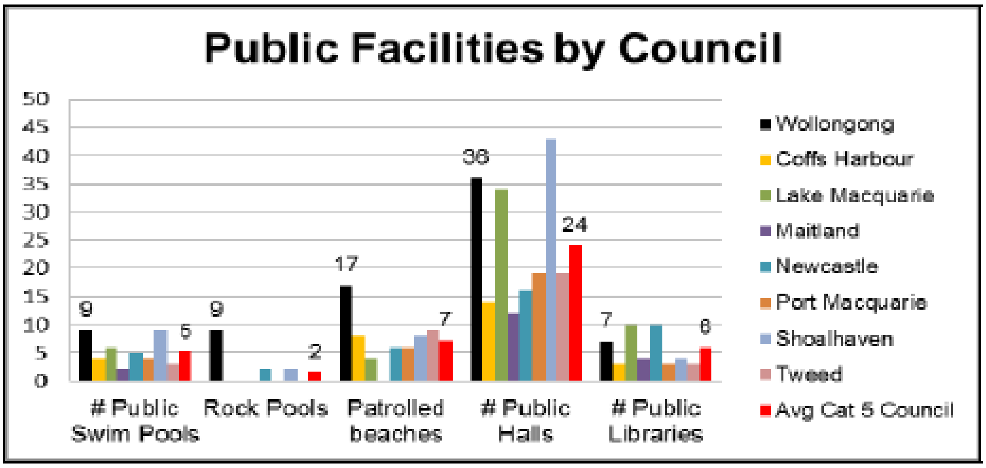
The Shellharbour increase over this six year period is 39.9% whereas the proposed Wollongong change is a 28.6% increase.

The results obtained via the most recent engagement suggest that people are attracted to and willing to pay for services. Wollongong is often incorrectly quoted as having the highest rates in NSW yet when taking into account the level of service provided to the community this is fairly balanced. For instance Council manages nine public swimming pools (staffed) and nine Rock Pools compared to the average of five and two for Category 5 Councils (Category 5 Councils are grouped as Regional Towns or Cities).

Wollongong City Council offers 36 Public Halls compared to 24 and seven Public Libraries compared to the average of six for Category 5 Councils. Coupled with this range of facilities, Wollongong City Council also has the largest beach life guard service in NSW with 17 patrolled beaches, the third largest in Australia.

The following diagram compares the number of public facilities offered by all Councils.

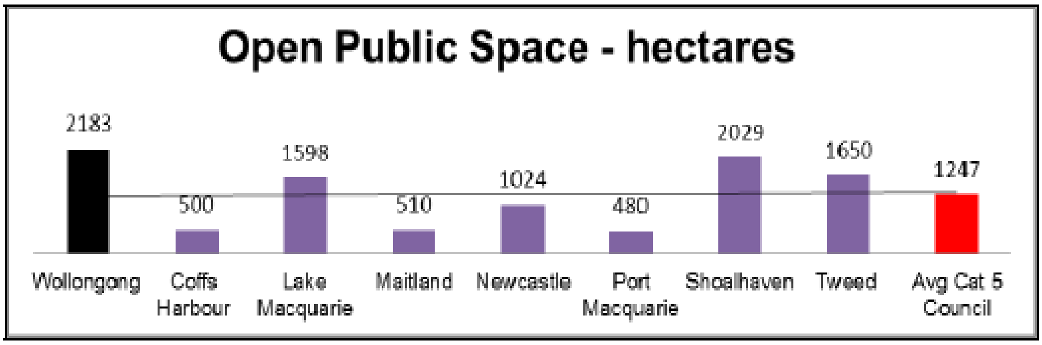
Table 13



Source: DLG Comparative Data 2011-12

Further to this, Wollongong has the largest open public space maintained, 75% more than the average Category 5 Council as illustrated below. Additionally Wollongong has 141 children's playgrounds including four skate parks.

Table 14



Source: DLG Comparative Data 2011-12

Wollongong has the highest number of public facilities ranging from rock pools to patrolled beaches, public swimming pools to open public spaces and public libraries, significantly higher than Coffs Harbour, Shoalhaven, Newcastle and all other Category 5 Councils.

While the potential impacts of the proposed increases appear to be reasonably modest Council understands that our ratepayer's capacity and impacts will vary. It is important to acknowledge 25 specific submissions, largely from self-identified pensioners were received objecting to a proposed rate increase on the basis on capacity to pay. Council has a range of policies to assist ratepayers who may have difficulty in meeting their obligations. These include the application pensioner rebates, special pensioner recovery provisions, and general hardship provisions, details of which are covered in Section 2.4.1 of the application.

5.1.1 Minimum Rates

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

Does the council have minimum rates?

Yes ☑ 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.

Council applies Minimum rates to all Business (other than Business Ordinary), Mining, and Farmland rates. It is proposed for all categories and Sub-categories that have a minimum rate that the rate will be increased proportionally to the rate increase applied to those categories.

The variation percentage of the minimum will equal the percentage increase in yield per category as follows:

	PREFERRED SCENARIO			
Rate Category - Subcategory	2014/15	2015/16	2016/17	Cumulative Increase %
BUSINESS	6.63%	6.63%	6.63%	21.24%
BUSINESS - LIGHT INDUSTRIAL	6.63%	6.63%	6.63%	21.24%
BUSINESS - COMMERCIAL	6.63%	6.63%	6.63%	21.24%
BUSINESS - HEAVY INDUSTRIAL	6.63%	6.63%	6.63%	21.24%
BUSINESS - REGIONAL 3c	2.30%	3.00%	3.00%	8.53%
BUSINESS - HEAVY INDUSTRIAL ACTIVITY 1	2.30%	3.00%	3.00%	8.53%

The proposed changes should have little impact on the number of properties that pay a minimum rate. The impact on those that do pay a minimum will be proportional to percentage increase paid by other ratepayers in each category. The application of this proportional approach is argued to be equitable and provides greater levels of understanding as all ratepayers will experience the same rate variation due to the special variation.

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.)

Wollongong Council has a long history of working with its ratepayers to ensure a fair and equitable system of recovery of rates is in place. Council's policies and procedures recognise the social justice objectives that we as a council espouse.

Council's proposal to seek a rate increase only comes after a long and focused process to achieve financial sustainability through internal improvements and direct revenue adjustments without unduly impacting the general rate payments. Wollongong Council's planning and consultation process has examined the community's desire to achieve a sound and sustainable financial balance through efficiencies (including changes to operating models, service reduction and/ or rate increases). The outcome of this process has concluded that there is a degree of increase in general rate preferred over further adjustment to the cost and delivery side of the equation.

Reference is to be made to the sections in this application for Council's response to the criteria:

Criterion 2	Focus on Integrated Planning and Reporting outlines the role of the IP&R process in establishing the proposed special rate variation. It outlines that *Securing our Future* commenced in accordance with the Delivery Program 2012-17 and Annual Plan 2013-14 as a means to directly address the funding gap.
Criterion 3	Community Capacity and Willingness to Pay responds directly to this Criterion as it explores affordability and community capacity to pay with reference to community indicators including SEIFA rankings, land values, average taxable incomes. In determining the preferred scenario, it has been important to acknowledge and consider ratepayers ability to pay.

Council's Hardship Policy aims to assist community members in financial hardship. This Policy is attached as an Appendix to this application, and is discussed in detail on Criterion 4.3 below.

The full results of the engagement process as included in Attachment 1 to this application.

Attachments

1 Securing Our Future Community Engagement Report February 2014

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
If Yes, is it identified in the council's IP&R documents?	Yes
Please attach a copy of the Policy and explain who the potential beneficiaries are and how they are addressed.	See Attached
Does the council propose to introduce any measures to limit the impact of the proposed special variation on various groups?	Yes

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

Council recognises that Wollongong is a socially diverse area with significant variations in the disposable income of its ratepayers. It has also recognised over a long period of time that there is a similarly significant variation in property values and rates payable between geographic areas within the City. Council has been careful to examine and communicate the relative rate increase impacts between these areas to better understand ratepayer's capacity to pay for increases. Analysis at a suburb level show that the degree of variance between rates within the Wollongong City Council Area. The current average rate for Wollongong is $1175, while the average rate per annum in Cringila is $867 and the average at Coalcliff is $2,768. A rate increase will impact ratepayers equally as a proportion however the impact in dollar terms per resident is extremely variable.

Council is aware of and has considered the impacts of a rate increase on its community and the apparent capacity to pay for such adjustment. Council has also been very conscious of the size of the rate increase by ensuring that other alternatives have been examined and planned where broadly accepted by the community. In achieving this it is now considered that the increases proposed by Council are as low as they can be and at an average of $2.97 per week ($154.55 per year) the increases are responsibly modest. In finalising its approach to the proposed move towards financial sustainability Council was deliberate in spreading its transition over a three year period to lessen the impact in any one year without unduly delaying the improvement program.

While the potential impacts of the proposed increases appear to be reasonably modest Council understands that our ratepayer's capacity and impacts will vary. Council has a well tried and tested range of policies to assist ratepayers who may have difficulty in meeting their obligations. These include the application of pensioner rebates, special pensioner recovery provisions, and general hardship provisions.

Pensioner Rebates - Like all Council's. Wollongong City Council provides pensioner rebates to its eligible pensioners in accordance with the Local Government Act. These rebates are currently applied to 16,401 pensioner accounts at an estimated cost of $4 million. Council will receive a subsidy from other levels of government amounting to 55% of the cost, $2.2 million. In addition Council provides a voluntary rebate to eligible pensioners who were granted both a mandatory pension rebate under Section 575 of the Local Government Act 1993 and Council rebate under Section 582 of the Local Government Act 1993 prior to 1 January 1994. This rebate is indexed annually in line with increases in rates. The proposed rebate in line with the proposed rate would be $225.06 for each eligible pensioner account in 2014/15. The estimated cost of this rebate in 2014.15 is $0.7 million.

Pensioner Rate Recovery Provisions - Council's Pensioner Rates Policy in addition to providing additional rebates to pensioners provides assistance to eligible pensioners with the payment of their rates and charges and additional assistance to pensioners who are suffering financial hardship and are having difficulty paying their rates. Council waives interest charges for eligible pensioners who pay their rates and charges in full on or before 31 May of each financial year to allow greater flexibility and choice in how pensioners pay their rates.

Eligible pensioners who are suffering any financial hardship can apply to Council for assistance at any time within the current rating year if they are having difficulty paying their rates and charges. Options available for assistance are in accordance with Council's Hardship Policy.

In addition to the provisions in Council's specific Pensioner Policy, Council's Debt Recovery Policy has special provisions for eligible pensioners that exclude them from legal recovery actions. This has the effect of allowing Pensioners to choose to defer payment of the rates and charges until such time as they decide to pay, sell the property, or are otherwise no longer the owner of the property.

Hardship Policy - Wollongong City Council has in place an active and effective Hardship Policy to provide assistance to ratepayers suffering financial hardship with the payment of their rates and charges. The Local Government Act, 1993 provides Council with three options for providing assistance to ratepayers who are finding it difficult to pay their rates and charges because of financial hardship all of which have been adopted by Council. A summary of the options adopted by Council is as follows:

Section 601 LG Act, 1993 - Any ratepayer who incurs a rate increase in the first year following a revaluation of land values can apply to Council for rate relief if the increase in the amount of rates payable would cause them substantial hardship. Council has discretion to waive, reduce or defer the payment of the whole or any part of the increase in the amount of the rate payable. Where an application is made in the first year, an application can also be made in subsequent years of the valuation base date.

Section 582 LG Act, 1993 - Council can provide assistance to Pensioners under this Section. Council may defer payment of all or part of the rates and charges payable after rebates have been deducted. Rates and charges deferred under this Section will be interest free and will become a charge against the land.

Sections 564 and 567 LG Act, 1993 - Council can enter into payment agreements with ratepayers, who cannot meet their normal instalment payments as provided by the LG Act, 1993, and may write off interest charges. Any ratepayer who cannot pay their rates or charges for reason of financial hardship can apply to Council for this assistance at any time.

Wollongong City Council has a Hardship Committee, made up of representatives of Community Service, Legal Services, and Finance, that assesses each individual case on its merits and recommend to the General Manager the offer of assistance having regard to the circumstances of the applicant and the provisions of the LG Act, 1993. The criteria for assessment include the following:

- The amount of any rate increase when compared to the average rate increase for the rate category.
- The amount of rates levied compared to the average rate of the rate category.
- Income from all sources.

- Living expenses.
- Reason for financial hardship.
- Length of occupancy.

Once the General Manager has approved or not approved the Committee's recommendations the ratepayer is informed of the decision in writing and if not satisfied with the outcome can request the Council to reconsider its decision.

Attachments

16 Rate Hardship Policy

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 key assumptions that set out the Delivery Program and Long Term Financial Plan are:

Wollongong Council's IP&R documents were revised in response to the community engagement process involving over 5000 members of the community. The Community Engagement Report 2012 has been included as Attachment 6 to this report.

The IP&R documents also gave consideration to Council's biennial community survey conducted on behalf of Council by IRIS Research in 2012. The Community Survey provides Council with historical trend data on the levels of satisfaction and importance with regard to delivery of services and condition of assets. A copy of the survey is included as Attachment 8.

The Delivery Program and Annual Plan include information relating to each of Council's 34 Services, referred to as Service Plans, including: objectives, actions, performance indicators and future challenges. The Service Plans have formed a reference point for discussion with the community throughout the engagement process when considering the baseline scenario and existing levels of service and are supported by detailed Delivery Stream Specifications for all 117 of Council's Delivery Streams. These specifications were made available to the Panel in their decision making processes and have also been made available on the Council website for reference by the wider community. A copy of the Service Plans and Delivery Stream Specifications has been included in Attachment 17.

Council's Revised Resourcing Strategy 2012-22 sets out the Long Term Financial Plan Assumptions. The objective of Council's Long Term Financial Plan (LTFP) is to provide Council decision makers and the community with information that outlines the financial balance between aspirations and capacity. It also identifies future financial opportunities or challenges. The forecasts highlight the financial implications of Council's proposed activities and the funding estimated to be available based on existing and potential scenarios.

Like all forecasts, this Financial Plan is based on a broad range of assumptions that are detailed throughout the document and, more particularly, in the assumptions notes attached to the Plan. Council's ten year financial forecasts are reviewed on an ongoing basis so that information is made available continuously. Specific reporting against the forecast is made on a quarterly basis in conjunction with Council's quarterly reviews. The Assumptions, Indices and Measurements of the Long Term Financial Plan are included below.

Both the Baseline and Preferred Scenario are essentially based on the indices and assumptions that are discussed below. The Preferred Scenario differs in that it includes the impact of the proposed Special Rate Variation, revenue increases, efficiency improvements and services adjustments that are aimed achieving financial sustainability for our Council. The sustainability proposal represents a package of strategies that were developed through an intensive and broad community consultation process. The impact or relationship of these proposals to specific indices and assumptions will be discussed under the relevant areas.

The proposed revenue increases (other than rates), efficiency improvements and service adjustments (other than deprecation) are shown as specific line items in the Income and Expense Statement for the Preferred Scenario at this stage. These amounts will be reflected in the appropriate revenue and expense categories as specific programs are identified to implement these.

LONG TERM FINANCIAL PLAN

<u>Indices</u>

The financial forecasts that support the Long Term Financial Plan are comprised of both recurrent and non-recurrent income and expenditure. The non-recurrent items are addressed in the Long Term Financial Plan and have specified values and timing of delivery. Recurrent items may be subject to the application of indices, or may be set based on known commitments for expenditure such as loan repayments or may be adjusted for volume impacts or future pricing changes.

The following table provides a summary of the indices that support the Long Term Financial Plan.

Indices	2014/15 %	2015/16 %	2016/17 %	2017/18 + %
CPI - general expenditure	2.3	2.75	2.7	2.6
Expenditure growth	0.3	0.3	0.3	0.3
Fees and Charges				
-Commercial	3.0	3.0	3.0	3.0
-Other	3.0	3.0	3.0	3.0
Employee Costs				
-Wages costs	3.0	3.0	3.0	3.0
-Skills & Performance adjustments	0.3	0.3	0.3	0.3
-Superannuation levy increase	0.25	0.50	0.50	0.50
Rates Increase - rate peg*	2.30	3.00	3.00	3.00
Rates Increase - growth	0.20	0.40	0.40	0.40
Total Rate increase applied	2.50	3.40	3.40	3.40
Interest Rates (90 day bill rate)	3.00	4.10	4.70	4.70
Loan borrowing rate	6.9	7.5	7.6	7.6
Utilities				
-Electricity	7.0	7.0	7.0	7.0
-Other Utilities	3.3	3.7	3.7	3.6
-Street lighting	3.3	3.7	3.7	3.6

The above indices were derived from a number of publications including long term economic projections published by various banks, the Quarterly Economic Brief from Deloitte Access Economics and IPART recommendations for various utilities and rates pegging.

Variation in actual prices and cost to Council compared to these indices will impact financial results. The extent of this impact will depend on the size of the income or expenditure that is subject to the indices, the extent of variation and the degree to which Council is able to actively mitigate the variation. Council reviews its indices at least annually and analyses the impacts of these changes. Significant changes are addressed as they become known.

Much of the population growth is expected to be centred on new residential developments at West Dapto in Wollongong's south-west. Growth will also continue through increased density in some urban areas.

The underlying income growth assumption in the long term financial plan projections is that Council rates revenue will generally grow by 0.4% per annum. A lower estimate of 0.2% is provided for 2014-15 as the rate income projections for this year already include the growth in properties for part of the current financial year. Expenditure growth will be partially absorbed through economies of scale leaving a 0.3% increase provided for expansion in delivery of service to new development.

Growth in West Dapto will require significant new services supported by a substantial level of new infrastructure. The cost of services in this area is intended to be funded from additional rate revenue as properties are developed. Council's forecasts do not include the full extent of services expected from development in West Dapto as this is still in the planning phase. Council has made a decision to 'ring fence' additional rates revenue from West Dapto to be used in providing these services into the future.

<u>Consumer Price Index (CPI)</u>

Consumer price index has been applied to some expenditure within the Long Term Financial Plan where applicable. The estimated CPI has been based on the Quarterly Economic Brief from Deloitte Access Economics.

Employee Costs

Operational Employee costs represent 38.0% of Council's operating expenses and includes the payment of salary and wages, overtime, casual labour, labour on costs such as annual leave, superannuation, workers' compensation, long service leave, associated costs such as training, protective clothing and fringe benefits tax. The Long Term Financial Plan baseline projections are based on the current Employee Establishment and service levels. Additional labour costs related to specific non recurrent projects (where identified) are also included. The majority of staff is employed under a negotiated Enterprise Agreement that is subject to renewal every three years, with the next renewal period being 1 July 2015.

The cost of employees working on capital projects is allocated to specific projects as work is undertaken and not included in Operational Employee costs. This includes design, survey, project management and supervision, and construction staff. The budget includes an estimate of the annual employee allocation expected to be made to capital works and this is reflected in Internal Charges (labour) in the Income and Expense Statement.

Labour costs have been indexed by the Wage Cost Index while associated costs have generally been indexed by CPI. In addition to anticipated indexation increases, an additional 0.3% is provided for skills and performance payments as per Council's salary system that are assessed on an annual basis.

The Wage Cost Index reflects expected overall increases in labour costs and is based on a number of factors including Local Government (State) Award, potential outcome of the renewal of the current employee Enterprise Agreement, information from external forecasting bodies and movements in staff. Any material deviation from this assumption will have a significant impact on forecasts due to the overall quantum of this expense category.

Superannuation expenditure forecasts are determined by fund membership as well as expected wage increases. The majority of Council employees belong either to a defined benefits scheme, which ceased taking new members in 1991, or an accumulation scheme. Defined benefits scheme expenses are tied to employee contributions while accumulation scheme contributions are calculated at the current Superannuation Guarantee Levy of 9.5% of wages for those staff. Employee cost forecasts include the impact of an increase to the Superannuation Guarantee levy to 12.0% by 2020 that has now been approved by the Federal Government. Councils have been required to make an additional annual contribution of $1.8 million to the defined benefits scheme for a period of ten years to address the fund shortfall resulting from the GFC. The final payment of this top up is currently due in 2018-19.

Utility Cost

Projected increases for utility costs are generally based on Independent Pricing and Regulatory Tribunal (IPART) publications other than for electricity which also includes recognition of specific negotiated contracts that are in place for Council sites (large sites and street lighting until June 2016 and smaller sites June 2014).

Rates Increases (Rate Pegging)

Rate revenue projections in the Baseline Forecasts of long term financial plan are based on application of the maximum permissible increase and an allowance for growth in rateable properties.

Rate increases in NSW have been determined by the State Government since 1977 through an approach known as 'rate pegging'. In 2011, the responsibility for determining the annual rate pegging increase was delegated to IPART. Councils are advised of the permissible increase annually in December. The rate peg is based on previous year movement in the Local Government Cost Index that has been established by IPART, less a productivity coefficient.

The underlying income growth assumption in the long term financial plan projections is that Council rates revenue will generally grow by 0.4% per annum. This is based on historical trends and future expectations of growth and equates to approximately 420 additional properties A lower estimate of 0.2% is provided for 2014/15 as the rate income projections for this year already include the growth in properties for part of the current financial year. In addition, growth has also been built into the forecasts for expected development at West Dapto and this has been aligned to estimated staging of that release area.

The Preferred Scenario includes the proposed Special Rate Variation (SRV) that is inclusive of the rate peg and seeks an increase in General Revenue and minimum rates amount of 6.13% in 2014-15, 6.23% in 2015-16 and 6.24% in 2016-17. It is assumed that the estimated rate peg will apply for the years beyond 2016-17 which is consistent with the Baseline Scenario. It should be noted that the projections are based on the assumption that the Special Rate Variation will not be applied to Business Sub Category Rates for "3C Regional" and "Heavy 1 Activity1" or on special rates. It is assumed that these rate categories will only be increased by the rate peg applicable in each year. This means that rate categories other than these will be increased by 6.63% inclusive of rate peg in each of the next three years to achieve the permissible General Revenue. Information published through the community engagement process on average rate increases by area or suburb has been consistent with the above.

Borrowings

Loan borrowings are based on ten year Treasury bond rate + 1.5% margin. Details of specific loans are as follows:

Interest Free Loan

The operating expenses shown in Council's forecasts include a borrowing cost for an interest free loan that Council received in 2009-10 for the West Dapto Access Strategy from the Department of Planning & Infrastructure under the Local Infrastructure Fund program. As that loan is an interest free loan, it is accounted for at fair value. The value of the interest free loan in each period is the Net Present Value of the future repayments that will be made over the remaining life of the asset. The $26.05 million loan was originally recognised as a liability of only $17.3 million while the difference between that and the actual cash received was treated as income in 2009-10. There is a notional interest expense recorded each year to reflect the amortisation of this notional income and the increase in the Net Present Value (NPV) over the life of the loan.

WOLLONGONG CITY COUNCIL BUDGET ASSUMPTIONS PARAMETERS AND INDICES SUPPORT DATA			
	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000
Borrowing Cost on Interest Free Loan			
Recognise interest on interest free loan	1,004	872	730

Waste Facility Remediation

Council is required under its accounting standards to recognise the value of its waste facilities inclusive of remediation works that are required. The anticipated cost of the remediation is added to the value of the waste facility asset and also held as a provision (liability) against the asset. Both sides of this transaction are held at NPV. As the NPV increases over time, the increase in provision is transacted through the Income and Expense Statement as borrowing costs.

WOLLONGONG CITY COUNCIL BUDGET ASSUMPTIONS PARAMETERS AND INDICES SUPPORT DATA			
	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000
Borrowing Cost on Waste Remediation			
Interest on Tip Remediation	1,722	1,804	1,894

Local Infrastructure Renewal Scheme

The State Government announced the introduction of the Local Infrastructure Renewal Scheme (LIRS) in late 2011. The scheme initially provided a 4.0% interest subsidy and aims to provide an incentive to councils to make greater use of debt funding to accelerate investment in infrastructure backlogs and augment funding options already available to councils. Council received approval for a subsidised $20 million loan borrowing that will be used over a five year period to accelerate the Pathway Renewal program. The accelerated works have been included in the capital budget for completion in years to 2016-17.

An additional $4.3 million subsidised loans was approved under Round Two of the LIRS program to be used for building renewals. The subsidy in Round Two was reduced to 3.0%.

An application has now been made under Round Three for a $21.5m subsidised loan to compliment the $22.5m grant approved under the Restart NSW Illawarra Infrastructure Fund for West Dapto Access – Princes Highway/Fowlers Road to Fairwater Drive project which has a total estimated cost of $45.4m. As the final financing strategy for Council's contribution towards this project has not been determined and the application for LIRS support is in the early stages the potential impact of this is not included in either the Baseline or Preferred Scenario financial projections.

WOLLONGONG CITY COUNCIL BUDGET ASSUMPTIONS PARAMETERS AND INDICES SUPPORT DATA			
	2014/15 Forecast $'000	2015/16 Forecast $'000	2016/17 Forecast $'000
Borrowing Cost on LIRS			
Borrowing Costs	1,190	1,075	955

<u>Investment Returns</u>

Council's anticipated cash holdings are drawn from the forecast revenues and expenditures and anticipated internal and external restricted cash balances and will fluctuate over the life of the long term financial plan. It is expected that the average annual portfolio over the ten years will be in the vicinity of $90 million. Investment returns are based on anticipated cash holdings, forecast 90 day bill rates and current investment strategies. Council is required to restrict any interest attributed to Section 94 developer contributions, domestic waste management and a number of grants.

<u>Grants & Contributions</u>

Grants and contributions provide a significant source of revenue for Council. These can be of a capital or operational nature and may be provided for general or specific purposes.

Operational Grants

Operational grant income for 2014-15 is estimated at $26.6 million and represents approximately 11.3% of operational revenue. The major general purpose or untied grants are the Financial Assistance Grant (FAG) and Pensioner Rate subsidy.

The FAG is funded by the Federal Government and distributed to councils through the States and although it is comprised of two components, general purpose and roads component, it is an unconditional grant. Distribution criteria include population changes, changes in standard costs, disability measures, local roads and bridges lengths and changes in property values. The projected income for the FAG grant for 2014-15 is $17.9 million. Subsequent year's indexation is predominantly based on expected CPI without the timing distortion of the early payment.

The Pensioner Rate Subsidy is provided by the State Government to offset the cost of the mandatory pensioner rebate. It is expected that Council will receive $2.2 million income for this in 2014-15. In addition, Council expects to receive a number of recurrent operational grants that are tied to specific service deliveries or outcomes.

Operational grant forecasts include annual funding of approximately $3 million from Federal and State sources for community transport and social support programs. Council has been delivering these services to the community for over twenty years. and, in the last five years those services have been operating at cost neutral to council. The Federal Government has recently commenced a reform of aged and disability services that will impact on how these services may be delivered in the future and on what Council's role may be. The programs are funded till June 2015. Council is in the process of evaluating the impact of the reforms on the delivery of our service, and exploring potential service and governance models for delivery of these programs in the future. The financial projections in both the Baseline and Preferred Scenario assume that these services will continue to be delivered within a similar funding arrangement. It should be noted that the current service model recovers all operational costs associated with this service delivery from external funding including accommodation costs, administrative support, use of IT facilities etc. In the event that council no longer provides this service, there may be a negative impact if the operational costs that were attributed to this cannot be fully reduced. In addition the current service has a number of long term employees that have been involved with the direct delivery of this service that may need redeployment.

There has also been a change in funding availability from the Waste and Sustainability Improvement Program (WASIP). Under this program funds were allocated from State Government levies on waste and cover material at landfills. This grant ceased in 2012-13 and provided over $1.3 million for additional environmental and waste focused tasks. The State finalised this program and had implemented a transitional arrangement that provided Council one more year in 2013-14 of funding that was received in 2012-13. Additional funds may become available through the Waste Less Recycle More grants that will replace WASIP allocations from the Waste Levy. Estimates of funding have not been made available at this stage.

Capital Grants & Contributions

The Long Term Financial Plan also includes an estimate for unconfirmed capital grants and contributions that are expected to be received in future years. This capital income comes mainly from developer contributions (Section 94) or grants from other tiers of government. Grant income is tied to specific works while developer contributions are related to individual Contribution Plans and are based on historical receipts for city wide and estimated land lot production and release for West Dapto. Any changes in the quantum or timing in the availability of these grants and contributions will have a direct impact on the capital works program. Impacts may include changes in timing of projects pending as alternate sources of funding or substitution of Council funding which may result in a delay in non-funded projects. Projects that are heavily reliant on external funding include West Dapto access projects and the repayment of the interest free loan for West Dapto Access Strategy that is supported by expected Section 94 receipts.

It should be noted that both the Baseline and Preferred Scenario projections do not include the potential impact of the Restart NSW Illawarra Infrastructure Fund grants that were recently announced. These grants include funding for Bald Hill Reserve upgrade $2.9 million, Grand Pacific Walk $5 million and West Dapto Access – Princes Highway/Fowlers Road to Fairwater Drive $22.5 million. These grants, nor the associated capital works and future operational cost have not been included in the financial estimates at this stage as construction programs and funding agreements are currently being finalised.

<u>Waste Facility</u>

Waste facility costs are impacted by a range of external factors including increased industry regulation, state government environmental levies and carbon pricing. The current financial forecast is based on an assumption that Council will continue to incur the full impact of carbon pricing and that this will be recouped through charges to users of the waste facilities. Changes to legislation and/or the development and implementation of new technologies may mitigate this impact in the future. Carbon pricing is currently based on the assumption that waste collected today will create emissions for many years. Operators of waste facilities that meet the carbon emission threshold will need to ensure that sufficient cash is collected through the annual fee structure so that future liabilities can be met. The carbon price will be paid in arrears and unspent fund will be shown in the balance sheet as a liability. This requirement creates a future financial risk if insufficient funds are collected, and conversely opportunity for reduced cost if the legislation is repealed.

Waste facilities operations are more significantly impacted by the requirement to pay an Environmental Levy on waste that goes to land fill and on any cover materials used to manage waste that are sourced externally. The cost of the levy for 2014-15 is anticipated to be $120.50 per tonne and is expected to increase by approximately $11 + CPI each year up until a threshold of at which CPI will apply. Current operational expenditure forecasts and fee structures propose that Council will be able to source an amount of cover materials onsite to reduce the overall cost of this levy.

<u>Domestic Waste</u>

Under the Local Government Act, Council must not apply income from an ordinary rate towards the cost of providing Domestic Waste Management Services. Income obtained from charges for Domestic Waste Management must be calculated so as to not exceed the reasonable cost to the council of providing those services. The charge calculated for 2014-15 and beyond will be based on the full recovery of the service, including appropriate charge for the Domestic Waste tipping fees at Whyte's Gully. The Waste Facility tipping charge includes pricing for future capital costs associated with management of the facility, long term site remediation, increased environmental levies for landfill and carbon price. The future charges could also be impacted by the changes to the long term cost of the landfill and recycling activities.

The financial projections in both the Baseline and Preferred Scenario assume a breakeven position. The income and expenditure estimates that support this are of a preliminary nature and are largely based on application of indices. A more detailed budget will be developed for the Annual Plan that will need to address changes in collections and waste treatment contracts that are currently being renewed, changes to Waste Levy and any implications in legislation including possible changes to Carbon Price legislation. For the purposes of Part A of the SRV application (Worksheet 5a) an average annual increase of approximately 7.5%.has been included for the Domestic Waste Management Services Annual Charge that is higher than indices applied to the estimate included in the financial projections. The increase in the individual charges shown in Part A is based on prior year trends and is indicative only. Actual charges will be determined later in the process as additional information becomes available.

<u>Climate Change</u>

Local Government is considered to be on the frontline facing the impact of climate change on communities. The Federal Government has indicated that councils have a role in early planning to identify and prepare for the risk from climate change and help protect the wellbeing of communities, local economies and the built and natural environment, and to contribute to a low pollution future. In addition to a planning role, councils also own or directly manage a range of assets that potentially will be impacted by climate change. Additional expenditure for this role or potential eventualities have not been specifically included in current forecasts. Increased emphasis on climate change related activities may require a redirection of funding.

Restricted Assets

The level of available or untied cash is expressed as cash and investment holdings after allowance for restricted assets. Assets, generally cash, may be externally or internally restricted. External restrictions are usually imposed by an external or legislative requirement that funds be spent for a specific purpose. This may include unspent grant funds that have been provided to Council for the delivery of a particular project or service, funds collected as developer contribution under Section 94 or surpluses achieved in the delivery of domestic waste. In some of these instances, Council is also required to restrict investment earnings that are generated by these cash holdings. Internal restrictions are funds that Council has determined will be used for a specific future purpose such as the future replacement of waste facilities. A comprehensive review of internal restrictions was undertaken in 2009 that resulted in Council resolving to rationalise a number of internally restricted assets. This approach was consistent with the introduction of improved management of capital works through a centralised process and a longer term planning focus. The current Long Term Financial Plan maintains this approach.

The following table shows anticipated restrictions:

3 YEAR RESTRICTED CASH SUMMARY

PURPOSE OF RESTRICTED CASH	OPENING BALANCE 1/07/14	2014/15 Forecast $'000 Transfer In	2014/15 Transfer Out	2014/15 Balance 30/06/15	2015/16 Forecast $'000 Transfer In	2015/16 Transfer Out	2015/16 Balance 30/06/16	2016/17 Forecast $'000 Transfer In	2016/17 Transfer Out	2016/17 Balance 30/06/17
Internally Restricted Cash										
Community Infrastructure	3,348			3,348			3,348			3,348
MacCabe Park Development	540	150		690	150		840	150		990
City Parking Strategy	717	386	50	1,053	369	300	1,122	352	300	1,175
Sports Priority Program	466	267	150	583	267	150	699	267	150	816
Telecommunications Revenue	207	34	33	208	34	33	209	35	33	211
West Dapto Rates (additional)	287	391	1,723	(1,045)	563	1,790	(2,272)	800		(1,472)
Darcy Wentworth Park	100	33		133	34		166	35		201
Waste Disposal Facilities ***	15,841	4,020	8,413	11,449	3,883	3,327	12,005	3,818	1,420	14,403
Total Internal Restricted Cash	**21,506**	**5,281**	**10,369**	**16,418**	**5,300**	**5,600**	**16,119**	**5,457**	**1,903**	**19,672**
Externally Restricted Cash										
Section 94	13,069	9,236	6,756	15,549	8,972	9,176	15,346	11,162	11,396	15,112
Grants	8,886	8,513	11,370	6,029	6,874	5,783	7,120	6,446	6,119	7,447
Loan Repayment	31,453		15,188	16,265		7,961	8,305		1,005	7,299
Carbon Pricing	4,509	3,134	508	7,135	3,293	730	9,698	3,711	982	12,427
Domestic Waste Management	8,223	1,022		9,245	327	255	9,317	335	855	8,797
External Service Charges to Restricted Assets	47	49		96	50		146	51		197
Other Contributions	1,919	523	592	1,850	533	607	1,776	542	584	1,735
Special Rates Levies - City Centre + Mall	225	1,388	1,419	195	1,423	1,457	161	1,459	1,496	123
Stormwater Management	659	1,729	2,012	376	1,736	1,566	545	1,743	2,181	107
Total External Restricted Cash	**68,991**	**25,594**	**37,845**	**56,739**	**23,208**	**27,534**	**52,413**	**25,450**	**24,618**	**53,244**
Grand Total	**90,497**	**30,875**	**48,214**	**73,157**	**28,508**	**33,134**	**68,531**	**30,906**	**26,521**	**72,917**

***** The Waste Disposal Facilities Restricted Asset is held for the development and renewal of assets within Council's waste facilities and for the rehabilitation of the sites at the end of their lives. Council's Waste Strategy and Master Plan for facilities is currently being reviewed and will potentially change the life and capital requirements of the facilities. While this review is being progressed the forward capital works program only includes specific works that are not impacted by a revised strategy. Adjustments to the works program will be made where necessary following completion of the review program. Cash collections have been estimated in accordance with the current program.**

Asset Management – Valuation and Asset Lives

As an industry, Local Government has recognised it is faced with an asset maintenance shortfall and has a need to provide for ongoing asset replacement. The consumption of these assets is represented by deprecation which is based on expected asset lives, condition assessments and valuations. While the maturity of this information is improving many of the assumptions are unproven due to the nature of this exercise. For example, it is difficult to estimate asset lives in relatively new cities such as Wollongong where there may not be historical data available or comparability with other cities due to differing environmental factors and construction approaches. In addition, changing technologies may impact on renewal and maintenance costs. Ongoing refinement of these forecasts may result in revised useful lives which would impact on deprecation expenditure in either direction.

West Dapto Development

Some aspects of the West Dapto release area have been progressed to a stage where they can be introduced into Council's Long Term Financial Plan. In particular, the development of the road works as outlined in the West Dapto Access Strategy was introduced in part in the 2010-11 capital budget and future years. The project, as included, is funded from existing Section 94 Funds, Building Better Regional Cities Grant, Council revenue, and the interest free loan from the Department of Planning and Infrastructure.

Loan repayments have been set by the Department of Planning over a 10 year period. It is intended that for the most part the loan repayment will be funded by future Section 94 Funds and rates revenue from West Dapto. Estimates have been included for Section 94 Income from West Dapto based on current lot development projections and current estimated pricing for the West Dapto Section 94 Plan. These prices are subject to review and approval by the Department of Planning.

In accordance with Council's Financial Strategy, additional rate revenue raised through subdivisions in the West Dapto release area will be transferred to an internal restriction and used to assist in funding West Dapto works. Funding has been applied to debt repayments over the first ten years.

No other expenditures relating to the release area have been included. There is significant planning and analysis required in estimating the financial impacts of the development which cannot be satisfactorily completed until there is greater certainty in relation to development from service and assets plans for the area.

Section 94 Income (Excluding West Dapto)

Section 94 income projections are based on the adopted plan and anticipated timing of receipts. The recent economic climate has had a significant impact on projected income. There are a range of projects that have been included in the Delivery Program that are dependent on funding from this source. The timing and capacity to deliver these will need to be monitored in the context of ability to achieve income projections.

Property Sales and Investment

The current base line forecast includes one provision for property sales of $3.6 million in the Year 2013-14. While Council is actively pursuing the sale of some properties, a decision has been made not to forecast sale dates or values due to uncertainty in delivery. As property sales become more certain they will be added to budgeted sources of funding. Consideration of advancing existing projects or investing in new assets to be funded from sales will be given at that time.

The current financial information has a number of recognised limitations as follows that will require adjustment over a period of time:

West Dapto Development

Residential development in the West Dapto release area started in 2011/12. The current capital works program includes part of the West Dapto Access Strategy valued at $48 million predominately funded by an interest free loan, Section 94 contributions and a grant. Estimates for anticipated Section 94 contributions have been included based on projected development rates (residential lots) and approved Section 94 levy rates. Rate revenue increases have also been estimated based on the current development projections. Depreciation expense based on the planned capital program is included.

There is significant planning and analysis required in estimating the financial impacts of the development which cannot be satisfactorily completed until there is greater certainty in relation to service and assets planned for the area.

Restart NSW Illawarra Infrastructure

Both the Baseline and Preferred Scenario projections do not include the potential impact of the Restart NSW Infrastructure Fund grants that were recently announced. These grants include funding for Bald Hill Reserve upgrade $2.9M, Grand Pacific Walk $5M and West Dapto Access – Princes Highway/Fowlers Road to Fairwater Drive $22.5M. These grants, associated capital works and future operational cost have not been included in the financial estimates at this stage as construction programs and funding agreements are currently being finalised. The grants provide a contribution to the cost of the nominated projects and Council will need to determine how to accommodate the remaining expenditure. This may include changes in capital program priorities and use of other funding sources including loans. An application has been made under Round 3 of the LIRS program for a loan subsidy to support the West Dapto Access project.

Lake Illawarra

It is proposed that the management of Lake Illawarra and foreshore areas be transferred to Wollongong and Shellharbour councils. This area was previously managed by the Lake Illawarra Authority and Council provided an annual contribution in the vicinity of $500K as part of its operational budget. Under the current proposal it is expected that Council will inherit approximately $6M of assets on the finalisation of the transfer with an estimated annual depreciation expense of $200K. It is expected that the existing budget will be sufficient to address ongoing maintenance but not necessarily renewal or replacement of assets. No adjustment has been made to either the Baseline or Preferred Scenario projections as the proposal has not been finalised.

Internal Charging

There have been continuing efforts to better reflect the costs of capital and services by distributing the cost of internal assets and services. There are existing charges for buildings, plant, vehicles, desktop computing, marketing, printing, waste tipping fees, insurances, Fringe Benefits Tax (FBT), cost of capital (plant and vehicles only), and internal labour services. There has been some change in the current plan to provide greater levels of service cost understanding by increasing the use of internal charging to include other asset classes where assets are used in specific services but are managed and maintained by another area. This has included such things as roads, bridges and footpaths in parks, tourist parks, crematorium and cemeteries, and recreation assets that were not previously captured against that service.

Contributed Assets

Council's estimates do not currently provide fully for potential assets that may be contributed or donated to Council over time. Improvements to Council's Asset Management Plans identify an objective to 'Improve the information, processes and systems supporting the management of our assets'

The full Resourcing Strategy is included in Attachment 4.

Attachments

4 Revised Resourcing Strategy 2012-22
8 WCC Community Survey 2012

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.

Over the last seven years, Wollongong City Council has embarked on a journey of business improvement in order to become as efficient as possible. A summary of the process used to improve productivity and achieve efficiency is summarised below followed by Council's achievements to date.

In 2007, Council commissioned a Financial Sustainability Review that concluded Council had an infrastructure renewal backlog of $192 million. The review recommended that Council should address its backlog by generating additional funding through increasing rates and fees and charges, reducing expenditure, increasing developer charges and introducing loan borrowings. Under Administration, the Council did not elect to address sustainability as recommended at that time, and chose to adopt a less aggressive approach that did not reduce the level of service provided to the community.

In July 2008, Council commenced a Financial Sustainability Program to achieve a recurrent reduction in operational expenditure without having a negative impact on the community. The program also involved a review of Council's Financial Strategy in 2009, to provide direction and context for decision-making in the allocation, management and use of Council's financial resources.

The result of this process has been significant savings, improved organisational performance and the accomplishment of a lean organisation. Total savings achieved to date through this program are $20.3M through a number of strategies (see following page). Together with this, additional and increased services have been achieved where suitable including Thirroul District Library and Community Centre, Southern Gateway, regulatory and ranger services, development assessment services and pool and library opening hours.

The chart and table below provides a summary of the improvements made by the Council over the last five years.

Chart 1: Improvements from Productivity and Cost Containment Strategies $ ('000)

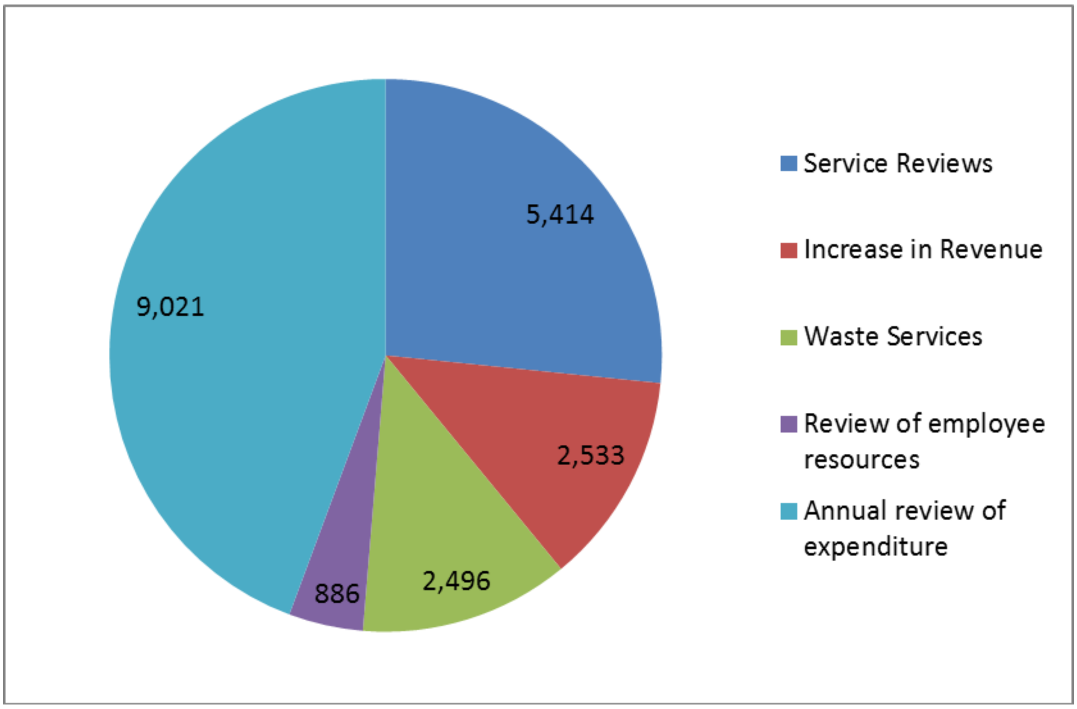


Table 15: Summary of Productivity and Cost Containment Strategies

Productivity and Cost Containment Strategy	How we achieved our improvements
Annual Review of Expenditure	The expenditure and mini-budget review tracks budget trends over time and involved identification of surplus and discretionary funds to be offered as one-off or recurrent savings. It involves rigorous review and internal audit of divisional expenditure in the previous financial year. Significant improvements resulting from the annual review process involved: a decrease to the organisational training budgets ($482K), closure of the Corporate Gym ($100K p.a.), reduction in overtime budgets ($200K) and a reduction in conferences and seminars budgets ($300K p.a.)
Increase in revenue	The Revenue Policy 2013/14 identifies the revenue sources available to Council. These include: rates and annual charges, grants and contributions, user fees and charges and other revenue, and interest and investments. As Council has worked to improve performance a number of opportunities for additional revenue have been identified. A specific effort has been made to obtain grant and funding sources where possible to further assist the organisation in increase the funds available for capital expenditure. Council is a large recipient of the Funding Assistance Grants program (particularly the roads component) and the Roads to Recovery Program. In 2012/13 Council received $32.5M in grants, including $16.831M in FAG grants and $498K Regional Development Australia grant for Wollongong City Mall refurbishment, with a further $4.478M to be received. Major expenditure of grants revenue over the last 5 years has predominantly been on asset renewal. Examples include $2M from the Department of Arts, Sports & Recreation for Wollongong Town Hall Renewal in 2008/9; $1.45M paid for Community Infrastructure Program for Cliff Road Promenade Renewal in 2009/110 and; $863K from the
Increase in revenue continued	Regional & Local Community Infrastructure Program for North Beach Bathers Pavilion in 2010/11. Some significant increases in revenue included: development Assessment Service implemented a process improvement with the checking of development application cost estimate with Cordell's Guide saving ($546, 000), Federal Assistance Grant 2010/11 ($815K), an increase in commercial waste income of ($420K), and Tourist Park income 2008/09 ($335K).
Waste Services	Improvements have been made which has led to a reduction in expenditure and increases in income across Waste Services. Approximately $2.5M relates specifically to waste facility operations, predominantly Whytes Gully and was the result of restraint of expenditure through the review of the planned delivery of services and other initiatives some of which were related to expected changes in legislative requirements. The initiatives included changes in employee rostering, delivery of some outcomes with existing resources, review of use of cover materials, re-focusing contracts, implementation of cost saving technology etc. A further $2.1M was achieved through the review of other waste related services including closure of Helensburgh waste facility, revision of commercial waste disposal charges and the use of internal resources.

Productivity and Cost Containment Strategy	How we achieved our improvements
Service and operational reviews	Council has undertaken a number of operational and efficiency service reviews to assist with its ongoing commitment to continuous improvement and review. These reviews have been carried out as: (1) a holistic review of an entire service, (2) a review of a specific task or function, and (3) continuous improvement. Recommendations from service reviews have included technological improvements, process and efficiency opportunities, reduced spend, and income gain, alternate service models as well as long term strategies to ensure resources will support the immediate savings as well as proposed savings through business improvement or longer term methods such as workforce planning and change management. The majority of reviews have offered a cost or efficiency improvement, however in some instances the reviews have identified that additional resources are required to provide best value. Table 16 on the following page lists Council's formal reviews. In addition to the above, Council has continuously reviewed the way it delivers services and made changes to ensure best value and the most appropriate delivery service method. A few examples of Council's continuous review of services include: 1. In 2010, Council came to a junction point where Council either needed to build a new pound or outsource the service. At this time, Council agreed to outsource the pound to the RSPCA and Council now undertakes its impounding activities in accordance with a Deed of Agreement with the RSPCA. 2. The implementation of car parking metres was a decision made in 2010 by the Administrators as part of the Wollongong City Centre Strategy. The implementation of car parking metres came in response to projections that by 2026 there will be 6000 new residents and 10,000 new jobs in the CBD which will increase demand for car parking in the city centre. In addition to this, before paid parking in March 2010, 70% of parking spaces in the CBD (640 of 840) were being used by all day parkers (i.e. workers in the CBD) which was creating difficulty for visitors to the city centre to find a parking spot. Parking meters aimed to address both of these issues and at the same time generate additional income to be used provision of parking facilities 3. Each year Council reviews its fees and charges as part of its annual planning processes. A strategy was implemented to increase fees associated with commercial activities beyond CPI for period of 5 years to bring these into line with market rates. Commercial fees were increased by 5% up to the end of June 2012. . 4. Council is currently reviewing contract management of the Town Hall in order to integrate this facility into the Arts Precinct. This is an important strategy in further establishing and enhancing the Arts Precinct as a key destination and cultural hub within the city. The approach will also enable a more cost effective and efficient management model of the Town Hall and IPAC.
Review of employee resources	This Organisational Reform Approach consisted of a preliminary workforce planning approach. The review involved a review of the process used to manage staff vacancies and a restructuring of resources where necessary to support priorities across the organisation. Wollongong City Council's maintains a low average population per council staff member. Wollongong City Council's average population per council staff member is 180 where the NSW Councils average is 138 and the Australian Councils average is 123 however takes into consideration the greater number of services offered to the community as per Section # of this application.

Table 16: List of Formal Service Reviews 2008 - 2013

Service Review Name	Improvement		
	Cost Reduction	Efficiency Improvement	Income Gain
Procurement Review was an external review focused on internal customer supplies which recommended a 'centre-led' supply function to manage contracts and a number of changes to improve the planning and operations side of the service. The project has identified the potential for $1.4 – $2.6m in savings over 7 years.	✓	✓	
Graffiti Management recommended greater integration of the graffiti prevention and graffiti removal programs and a review of staffing.	✓	✓	
Mobile Libraries and Home Based Services was an external review the service that recommended for cessation of the Mobile Library service with alternative delivery and access options for the community. Operational savings of $22,000 p.a. were harvested from the sale of the vehicle.	✓	✓	
Aquatic Services involved an external review resulting in identification of efficiency and operational improvements as well as recommendations for service changes. The review identified that Wollongong City Council services beaches and pools than any other Local Government Area in New South Wales and the review continues to be a conversation point with the community.		✓	
Leisure Centres was an external review was undertaken which identified revenue opportunities through membership and realignment of pricing, payment methods and discounts. Operational efficiencies and workforce planning recommendations offered savings of $20, 000 p.a.		✓	✓
Beach Lifeguard Services reviewed beach lifeguard services including assets and costs of service resulted in cost savings through reduction of staff numbers including shifting of workforce agreements and lease agreements and subsidies negotiated.	✓	✓	
Environmental Programs resulted in recommendations for a reduction in budget by $155, 000 reduction staff by natural attrition and implementation of operational and efficiency improvements.	✓	✓	
Turf Wicket Management reviewed the operations, costs, asset requirements, utilisation, staffing and level of service required for the provision, maintenance and management of 11 turf wickets over 9 locations. Recommendations included operational and workforce changes including conversion of staffing from permanent to seasonal offering $89, 000 in savings.	✓	✓	
Stationery Review looked at the purchasing of stationery across the Council resulted in implementation of process improvements as well as a reduction to the stationery budget by $36,000 p.a.	✓	✓	
Subscriptions Publications, Memberships Review considered all subscriptions, publications and memberships identified business improvement measures including a centralised database and through the Procurement service. The review resulted in a cost saving of $61,039.	✓	✓	
Street and Gutter Cleaning Review recommended reduction of service level and staffing plus two items of plant offering a saving of $249, 000.	✓	✓	
Marketing and Design Review looked at Council's marketing, graphic design, sign writing, multimedia production and printing performed resulted in changes to staffing structure, redistribution of resourcing and improvement in technologies to facilitate cost and efficiency savings. Savings + $275, 000	✓	✓	
On-Call after Hours Service resulted in centralisation of the service as well as process and technological improvements. The savings offered from the improvements were $118,000 from an expenditure of $441,137 pa including associated overtime costs.	✓	✓	

Service Review Name	Improvement		
	Cost Reduction	Efficiency Improvement	Income Gain
Insurance Brokerage and Premiums examined adequacy of insurance cover and mechanisms for obtaining insurances including: continuing the current arrangements; going to tender; and seeking membership of a mutual pool. R*ealised savings to 17 June 2010 $386K.* The review recommended Council join Westpool for the provision of insurances. This was achieved in 2012 and it is anticipated that the establishment of this will result in further savings.	✓	✓	
Book Procurement - Library Services involved an external review was undertaken which recommended a cost effective model for book procurement. Recommendations included cost neutral savings options, including staffing restructure, capital funding reduction and grant funding application as well as collaborative procurement with neighbouring libraries in a 'purchasing consortium' arrangement. Savings identified of $141K.	✓	✓	
Home and Community Care (HACC) Services recommended ongoing delivery of services to frail older people, people with a disability and their carers by the HACC Services Branch with the cost neutral delivery and reduced financial input into community transport project buses and expenses of the Coledale and Berkeley Centre-based Day Cares.	✓	✓	
Parks Maintenance reviewed the management and resourcing of Council's maintenance of parks and sportsfield led to recommendations for activity specifications based on National Standards (AUSPEC 6A), levels of service and an efficient model for service delivery.		✓	
Rangers Review consisted of a review of Council's Ranger service identified opportunities for efficiency and process improvements, restructuring of the division and opportunities for additional revenue.		✓	
Wollongong Botanic Garden Nursery Service Review resulted in recommendations to shift operations form commercial to conservation, obtain a business improvement focus on native and local plants and exit of exotic plant business, reduced production costs and review of the Workforce Plan. Immediate overtime savings $10,000 pa		✓	
Interpreter Services recommended continuation of the service with no change.		✓	
Crematoriums Business Review recommended consideration of alternative methods of delivery with long term consideration of the services provision. This review is ongoing.	✓	✓	
Affiliates - Art Gallery, Affiliate - City Centre Ltd, Affiliates - IPAC, Affiliate- Tourism Wollongong – reviews into each of Council's affiliate arrangements resulted in significant change. Both the Art Gallery and Wollongong City Centre Ltd as companies were wound up and management and delivery brought back under Council control. This has resulted in higher levels of service, improved governance and probity management and greater economies of scale with other Council services. Changes resulting from reviews into IPAC and Tourism Wollongong (now Destination Wollongong) have resulted in constitutional change, improved governance responsibilities including reporting and monitoring and increased outputs and outcomes for the community.	✓	✓	
Glennifer Brae Review of the financial and utilisation aspect of existing uses, including part of the Manor House by Council for weddings/events, and the balance of the site leased by the Conservatorium of Music.	✓	✓	✓
WCC events, functions, sponsorship and sister cities This 2008 review of all events including staff costs, materials and associated expenses resulted in an ongoing revised schedule of events with a focus on more medium sized events that would appeal to the wider community. Review identified savings of 33% of the budget i.e. $345,000.	✓	✓	

Service Review Name	Improvement		
	Cost Reduction	Efficiency Improvement	Income Gain
Environmental Education This 2008 Review focused on identifying Council's future levels of service and investment in environmental education activities. The two options explored were a "Maintain Strategy" and a "Refocus Strategy". It was identified that the remaining services within the environment program needed to be undertaken before a final direction could be taken.	✓	✓	
Glennifer Brae - The historic nature of this Manor House has led to significant engagement with the community to establish the management options for the WCC asset. A Public Hearing on the Draft Planning Proposal for Gleniffer Brae was held in September 2012. Recommendations includes: •Cease Council managed weddings and events service; •Move Conservatorium of Music administration function and prestige teaching out to accommodate new tenants at greater income; •investigate mid-week coffees/refreshments (via lease) and tour packages.	✓	✓	✓
Tourist Parks – ongoing review of Council's three directly managed tourist parks. Interrogation of existing data and examination of various alternative models of management. Research and benchmarking of local government and private operator delivery models. External advice and internal project team input. Further decision on the future of the parks pending.	✓	✓	✓

Proposed Productivity and Cost Containment Strategies

Council's commitment to identifying and achieving efficiency improvements and cost savings is ongoing. Wollongong City Council's Revised Resourcing Strategy 2012-22 and Revised Delivery Program 2012-2017 outline Council's expanded approach to financial sustainability.

The Revised Delivery Program 2012-2017 includes 5 year actions that support the implementation Council's resolution of 17 February 2014.

Excerpts from the document are included below:

Strategy	5 Year Action	Document Reference
4.3.2 Finances are managed effectively to ensure long term financial sustainability	Review and implement a revised library service model for Unanderra and surrounding suburbs.	Pg 40, Delivery Program 2012-2017 (adopted February 2014)
4.4.2 Working together, services continuously improve and offer best value for money	Investigate provision of cremation services across the region and determine Council's role in the market.	Pg 41, Delivery Program 2012-2017 (adopted February 2014)
4.4.5 Finances are managed effectively to ensure long term financial sustainability	Achieve an operational savings as a part of Council's Financial Sustainability Review with savings to be directed to asset renewal.	Pg 42, Delivery Program 2012-2017 (adopted February 2014)

Strategy	5 Year Action	Document Reference
4.4.5 continued	Achieve an operational savings as a part of Council's Financial Sustainability Review by reducing Council discretionary operational spend (excluding assets), with savings to be directed to asset renewal.	Pg 42, Delivery Program 2012-2017 (adopted February 2014)
	Undertake a review of Council's employment conditions including the consideration of more flexible employment conditions and Enterprise Agreement.	Pg 42, Delivery Program 2012-2017 (adopted February 2014)
	Continue to pursue alternative funding option to deliver financially sustainable services and facilities.	Pg 43, Delivery Program 2012-2017 (adopted February 2014)
	Review and increase Council's fees and charges to ensure the financial sustainability of service provision.	Pg 43, Delivery Program 2012-2017 (adopted February 2014)
	Continue to actively seek grants and contributions to deliver core community infrastructure and services.	Pg 43, Delivery Program 2012-2017 (adopted February 2014)
	Apply for a special rate variation of 6.13% in 2014-15, 6.23% in 2015-16 and 6.24% in 2016-17 with additional funds to be directed to asset renewal.	Pg 43, Delivery Program 2012-2017 (adopted February 2014)
	Explore innovative options to increase revenue at Council facilities.	Pg 44, Delivery Program 2012-2017 (adopted February 2014)
	Improve the efficiency of supply management in order to achieve operational efficiencies.	Pg 44, Delivery Program 2012-2017 (adopted February 2014)

To support the Delivery Program actions, an efficiency program will be developed as part of the annual planning process. The preferred scenario requires Council to proceed with strategic decision making with regards to the composition and structure of the workforce needed to deliver services and service levels and to achieve efficiencies. Opportunities to look at other ways of resourcing our services, including changing staff structures, establishment levels or delivery methods will be important in developing these strategies.

The Revised Long Term Financial Plan demonstrates there will be some level of impact on the workforce in terms of change to work practice, delivery models, management models and a continued focus on increased productivity and cost containment. Council has a documented change process detailed within the Enterprise Agreement and is committed to working with staff and staff representatives in the implementation of any changes impacting the workforce.

References and Attachments

10 WCC's Financial Strategy (adopted 17 February 2014)

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.

N/A

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.

Increased reporting to the community will be required on how additional funds are spent and what additional community benefit is derived from increased asset renewal. Additional detail will be made available to the community via the Annual Planning process due to commence in March 2014.

Council's progress in implementing the capital renewal program will also be reported in the Quarterly Review to Council. An Annual Report prepared at the end of each financial year will also report on Council's implementation of the Delivery Program and Annual Plan which includes Council's financial sustainability program and annual capital program. All reports will be available at Council's website www.wollongong.nsw.gov.au.

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.

COUNCIL'S RESOLUTION of 17 February 2014, - MOVED Councillor Blicavs seconded Councillor Dorahy that Council endorse the following –

1 A financial sustainability approach that includes a minimum $4.5 million target for efficiencies, $1.5 million in service level adjustments, a minimum $500,000 in increased fees and charges and a Special Rate Variation for an increase in 'General Revenue' and minimum rate amounts. The increase in 'General Revenue' will provide additional revenue of approximately $14.5 million.

2 The draft Resourcing Strategy 2012-22, draft Delivery Program 2012- 17 (revised 1 December 2013) and revised Financial Strategy be adopted with the amendments outlined in the report and in Attachment 1 of the report, and to reflect the approach endorsed in Council's resolution.

3 Council lodge a Section 508A Special Rate Variation (SRV) by 24 February 2014 to the Independent Pricing and Regulatory Tribunal (IPART) for a SRV for an increase in 'General Revenue' and minimum rate amounts of 6.13% in 2014-15, 6.23% in 2015-16 and 6.24% in 2016-17.

4 Subject to approval of a Special Rate Variation, Council's Revenue Policy for the next three years include a proposed increase Business Subcategory Rates for '3C Regional' and 'Heavy 1 Activity 1' and all special rates by 2.3%, 3.0% and 3.0% respectively in accordance with the proposed Resourcing Strategy, while other rates categories are to be increased by 6.63% in each of the next three years to achieve the permissible General Revenue.

5 As per the Planning and Reporting Guidelines for Local Government in NSW (2010), a copy of the adopted Resourcing Strategy and Delivery Program be provided to the Director General of the NSW Division of Local Government, Department of Premier and Cabinet within 28 days of it being endorsed by the Council.

6 The General Manager be authorised to make any minor changes as requested by resolution of the Council or the NSW Division of Local Government.

7 Receive and note Attachment 2 of the report – Community Engagement Report February 2014, and acknowledge the extensive contribution of community members to the 'Securing our Future' – Financial Sustainability Review since August 2013.

8 Adopt the draft Financial Strategy, as per Attachment 3 of the report, confirming an additional $21 million per annum will be directed to asset renewal and/or works to extend the life of assets.

9 Council investigate ways so a ceiling could be put on the maximum amount payable by residential landowners on land where they have their primary place of residence.

10 Council also investigate what would be considered a reasonable maximum that could be levied.

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: Wollongong City Council

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

General Manager (name): David Farmer

Signature and Date:

24/2/14

Responsible Accounting Officer (name): Brian Jenkins

Signature and Date:

24/2/2014

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.