|  |
| --- |
| Special Variation Application Form – Part B  Council application for 2015/16 |
| Shoalhaven City Council:  Date Submitted to IPART:  Council Contact Person: Pamela Gokgur  Council Contact Phone: 0244293322  Council Contact Email:pamela.gokgur@shoalhaven.nsw.gov.au |

© Independent Pricing and Regulatory Tribunal of New South Wales 2014

This work is copyright. The *Copyright Act 1968* permits fair dealing for study, research, news reporting, criticism and review. Selected passages, tables or diagrams may be reproduced for such purposes provided acknowledgement of the source is included.

ISBN

The Tribunal members for this review are:

Dr Peter J. Boxall AO, Chairman

Ms Catherine Jones

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

Michael Seery (02) 9290 8421

Tony Camenzuli (02) 9113 7706

Kumi Cuthbertson (02) 9290 8479

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box Q290, QVB Post Office NSW 1230

Level 8, 1 Market Street, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au/)

Contents

1 Introduction 1

1.1 Completing the application form 1

1.2 Using the Council Portal to submit the application 2

2 Preliminaries 3

2.1 Focus on Integrated Planning and Reporting 3

2.2 Key purpose of special variation 3

2.3 Capital expenditure review 6

3 Assessment Criterion 1: Need for the variation 6

3.1 Case for special variation - community need 7

3.2 Financial sustainability 10

3.3 Financial indicators 13

3.4 Contribution plan costs above the cap 14

4 Assessment criterion 2: Community awareness and engagement 15

4.1 The consultation strategy 17

4.2 Feedback from the community consultations 19

5 Assessment criterion 3: Impact on ratepayers 23

5.1 Impact on rates 23

5.2 Consideration of affordability and the community’s capacity and willingness to pay 26

5.3 Addressing hardship 26

6 Assessment criterion 4: Public exhibition of relevant IP&R documents 28

7 Assessment criterion 5: Productivity improvements and cost containment strategies 32

8 List of attachments 35

9 Certification 37

# Introduction

IPART will assess each application against the criteria set out in the Office of Local Government’s (OLG) *Guidelines for the preparation of an application for a special variation to general income for 2015/2016* (the Guidelines). Councils should refer to these guidelines before completing this application form.[[1]](#footnote-1)

Each council must complete this Part B application form when applying for a special variation to general income either under section 508A or under section 508(2) of the *Local Government Act 1993*.

The Part B form must be completed together with the Part A (spreadsheet) form for both s508(2) and s508A applications. The Guidelines also require the council to have resolved to apply for a special variation. You must attach a copy of the council’s resolution to make a special variation application. IPART’s assessment of the application cannot commence without it.

## Completing the application form

This form is structured to provide guidance on the information we consider necessary to assess a special variation application. To complete the form, the council will need to respond to questions and insert text in the boxed area following each section or sub-section.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size of the variation sought. More complex applications or requests for a high cumulative percentage increase should be supported by stronger, more extensive evidence.

Councils may submit additional supporting documents as attachments to the application (refer to section 8). These 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. You should provide details of how we can access the complete publication should this be necessary.

We publish Fact Sheets on how IPART assesses special variations and on the nature of community engagement for special variation applications. These will assist in preparing the application. The latest Fact Sheets on these topics are dated October 2014 and are available on IPART’s website.[[2]](#footnote-2)

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 – Preliminaries
* 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 – List of attachments
* Section 9 – Certification.

## Using the Council Portal to submit the application

All councils intending to apply for a special variation must use the Council Portal on IPART’s website to register as an applicant council and to submit an application.

The Portal is at <http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt>. The [User Guide](http://www.ipart.nsw.gov.au/files/948b8fb1-2e6e-4647-b9d3-a10000a2552a/Local_Government_-_Council_Portal_User_Guide_-_November_2012.pdf) for the Portal will assist you with the registration and online submission process. If you experience difficulties please contact Himali Ranasinghe on (02) 9113 7710 or by email [himali\_ranasinghe@ipart.nsw.gov.au](mailto:himali_ranasinghe@ipart.nsw.gov.au)

Councils intending to submit an application under either section 508(2) or section 508A must notify us of their intention to apply by **COB Friday, 12 December 2014.**

Councils should submit their applications via the Portal. File size limits apply to each part of the application. For Part B the limit is 10MB. The limit for supporting documents is 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 ask that councils also submit one hard copy of their application to us (with a table of contents and appropriate cross referencing of attachments). Note, early in 2015 IPART will be relocating to the following address:

Local Government Team  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

2-24 Rawson Place, Sydney NSW 2000

We must receive your application via the Council Portal no later than **COB Monday, 16 February 2015.**

We will post all applications (excluding confidential content) on the IPART website. Confidential content may include part of a document that discloses the personal identity or other personal information pertaining to a member of the public or whole documents such as a council working document and/or a document that includes commercial-in-confidence content. Councils should ensure that documents provided to IPART do not expose confidential content.

Councils should also post their application on their own website for the community to access.

# Preliminaries

## Focus on Integrated Planning and Reporting

Councils must identify the need for a special variation to their General Fund’s rates revenue as part of their Integrated Planning and Reporting (IP&R) process.[[3]](#footnote-3) The IP&R documents will need to be publicly exhibited and adopted by the council prior to it submitting its application to us. Also refer to section 6 for a more detailed explanation.

The key IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, the Asset Management Plan. A council’s application may also include supplementary and/or background publications used within its IP&R processes. You should refer to these documents to support your application for a special variation where appropriate.

## Key purpose of special variation

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

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

You should summarise below the key aspects of the council’s application, including the purpose and the steps undertaken in reaching a decision to make an application.

Council has within the LGA a number of highly contentious ‘paper’ subdivisions. Jerberra Estate is a 1922 ‘paper’ subdivision which originally comprised 152 lots ranging in size from <1,000m2 to 1.7 ha. When zoning was introduced in 1964, Jerberra Estate was undeveloped bushland, without infrastructure. Accordingly it was zoned ‘rural’. This effectively prohibited residential development of the lots due to their small size.

Despite the rural zoning, the individual lots were sold to 140 landholders in 1986. Many of the landholders were from outside the Shoalhaven area and had a limited grasp of the planning system. Council understands that most landowners understood the individual lots did not have “dwelling entitlements” and their decision to purchase was based on a belief that the land might be rezoned.

In December 1992, Shoalhaven City Council resolved to investigate rezoning the land to allow residential development, subject to full cost recovery from the landowners (MIN 92.3656 – ATTACHMENT 18).

In 1999, the NSW Government held a Commission of Inquiry (COI) into another contentious ‘paper subdivision’ in the Jervis Bay area known as the ‘Heritage Estates’. One of the 12 recommendations made by the Heritage Estates COI was that the landowners would be required to pay all costs associated with the rezoning and subsequent infrastructure construction. The COI’s recommendation was consistent with Council’s position to apply the user-pays principle to Jerberra Estate.

Planning studies undertaken in the mid 1990’s recommended that only limited development was appropriate in Jerberra Estate. This did not resolve owners’ expectations and was not accepted by the Council at that time.

In 1995 the State Government placed a moratorium on rezoning land in the Jervis Bay region for residential or rural residential use, pending completion of a settlement strategy for the area. This moratorium was lifted in 2003 when the Jervis Bay Settlement Strategy was completed by Council and endorsed by the State Government.

Council subsequently recommenced rezoning investigations by commissioning a new set of environmental and planning assessments in 2005. This work was funded by a special rate, which will cease after 2015/16. These planning assessments showed that the land had limited development potential. This was due largely to the land’s biodiversity values, the existing subdivision pattern, bushfire planning considerations, and the need to protect sensitive downstream environments of Moona Moona Creek and Jervis Bay.

Council’s attempts to get Government support for a ‘one dwelling per lot’ option were exhausted in 2009. Other options were considered, including a ‘land pooling / community title subdivision’ option that would have benefited all landowners. This option could not be pursued due to a lack of landowner support. In 2011 Council resolved to collaborate with the State Government on a ‘constrained development’ option that would balance the landowners’ desire to develop their land, with the requirements of the planning framework.

This work came to fruition in February 2014, with commencement of the Jerberra Estate Local Environmental Plan (LEP) and Development Control Plan (DCP). The Jerberra Estate planning controls provide the best available outcome while still protecting high conservation value land consistent with local, State and Federal planning strategies and legislation. Up to 87 dwellings can now potentially be approved, of which 36 will require two or more lots to be amalgamated. Due to constraints some lots (18 rates assessments) still cannot be developed.

The amalgamation requirement has been one of the most contentious aspects for the affected landowners, particularly those who still aspire to develop their individual lots and/or have a strong emotional attachment to their land. However, two amalgamations have already occurred and more will follow, particularly if the Estate’s infrastructure issues are resolved.

Further information from the rezoning investigations and outcomes is provided in the supporting document ATTACHMENT 14 – PIA awards nomination and on [Council’s website](http://shoalhaven.nsw.gov.au/Planning-amp-Building/Strategic-planning/Paper-subdivisions/Jerberra-Estate).

Landowners and Council now have clear direction in terms of the land’s zoning and development potential. However, the Estate cannot be properly and safely developed until essential infrastructure is provided.

Once this infrastructure is in place, landowners will be able to safely and legally develop their land. ***If the special rate variation is not approved the Estate will continue to remain in a state of limbo until such time a funding arrangement can be put into place.***

The estimated cost for providing essential infrastructure is $7.2m. Council has considered a range of cost recovery mechanisms and a special rate-funded loan is the only viable option.

On 28th October 2014 Council resolved to (ATTACHMENT 8):

**1. Authorise staff to notify IPART of its intention to prepare a Special Variation application for a $7.2m loan-funded special rate levy (‘Special Rate Variation’) so that Council can provide essential infrastructure in Jerberra Estate;**

**2. Further details of the proposed funding arrangement be refined in consultation with the affected landowners; and**

**3. Unless there are substantial changes to the details provided in this report, the Special Rate Variation application to IPART be submitted before the February 2015 deadline.**

This Special Rate Variation application seeks to gain approval for the introduction of a special rate under Section 508(2) of the Local Government Act 1993, to be levied solely on the landowners of this estate (138 in total) to fund the required infrastructure, including the electricity network, in order to allow development to commence. The special rate will be levied for a period of 10 years and will cease at the end of 2026. An existing Special Rate for Road construction will cease with the introduction of this new special rate and any monies remaining will be allocated against the new special rate for road construction.

## Capital expenditure review

You should complete this section if council is undertaking major capital projects that are required to comply with the OLG’s Capital Expenditure Guidelines, as outlined in OLG 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 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 council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010 | Yes | X |
| If *Yes*, has a review been done and submitted to OLG? | Yes | No |

# Assessment Criterion 1: Need for the variation

Criterion 1 within the OLG Guidelines is:

*The need for and purpose of a different revenue path for the council’s General Fund (as requested through the special variation) is clearly articulated and identified in the council’s IP&R documents, including its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:*

* *Baseline scenario – General Fund revenue and expenditure forecasts which reflect 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 General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.*

*Evidence to establish this criterion could include evidence of community need /desire for service levels/projects and limited council resourcing alternatives.*

*Evidence could also include the assessment of the council’s financial sustainability conducted by the NSW Treasury Corporation.*

The response to this criterion 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 (to a rates rise) and the assessment of its financial sustainability as conducted by the NSW Treasury Corporation (TCorp).

The criterion states that the need for the special variation must be identified and clearly articulated in the council’s IP&R documents especially the Long Term Financial Plan (LTFP) and the Delivery Program, and, where appropriate, the Asset Management Plan (AMP). The purpose of the special variation should also be consistent with the priorities of the Community Strategic Plan (CSP).

## Case for special variation - community need

Summarise and explain below:

* How the council identified and considered the community’s needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
* How the decision to seek higher revenues above the rate peg was made and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.
* Why the special variation is the most appropriate option. For example, typically other options would include introducing new or higher user charges and/or an increase in council loan borrowings, or private public partnerships or joint ventures.
* How the proposed special variation impacts the LTFP forecasts and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council’s LTFP forecasts.

In addressing this criterion, you should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

Council’s attempts to resolve the planning status of Jerberra Estate has a long history dating back to 1992. Since that time it has been Council’s position that the full cost of rezoning the land and providing the infrastructure is to be met by the landowners and this position has consistently been articulated to the landowners. For example, the Planning Proposal (rezoning) exhibited in 2012, indicated that a loan-funded special rate arrangement was Council’s preferred approach to funding the provision of infrastructure.

Council has never indicated that it would consider using the general fund to pay for the infrastructure and given the requirements of Fit for the Future, Council already has considerable work to do in order to be financially sustainable. Ultimately the benefit from the construction works will solely be gained by the landowners in this Estate.

Essential infrastructure was not provided before the subdivision was registered in 1922 (as it was not legally required at that time) and it had not been provided when the lots were individually sold in 1986.

Preferably from Council’s perspective, landowners or a developer acting on their behalf would coordinate the provision of essential infrastructure to enable the land’s development potential and value to be realised. Unfortunately this would be extremely difficult given the large number of landowners, and the size and complexity of the project. Therefore Council has undertaken to design and construct the proposed infrastructure on behalf of landowners subject to approval of the special rate variation, to ensure that the Estate can be properly and safely developed.

The Estate’s infrastructure requirements are set out in the Jerberra Estate Local Environmental Plan (LEP) and Shoalhaven Development Control Plan 2014 (DCP Chapters N20 – Jerberra Estate, and G11 – Subdivision of Land – Figures 2 and 3). A full copy of the DCP can be found at http://shoalhaven.nsw.gov.au/LepRegisterDocuments/Dcp/125/DevelopmentControlPlanNo125.pdf). Figures 2 and 3 from Chapter N20 are provided in ATTACHMENT 16. Electricity reticulation design requirements are determined by Endeavour Energy.

The infrastructure works involve a complex mix of environmental, safety, quality, time and cost risks that require experienced management. The landowners could form a consortium to have this work done, who could take on the risks of delivering the infrastructure. However, there would be a number of key factors to consider for each work area: they would require Section 138 permits, $20m public liability insurance, engineered approved design and engineered inspected and certified construction, designs would need to comply with all regulations and requirements, landowners would be responsible for paying the consultants and contractors directly, breaches/fines for safety and environmental regulations if work is not done correctly and work cover regulations would need to be adhered to. Obtaining agreement from all landowners to progress down this path would be the biggest risk to the work being completed, as some landowners are directly against the development work required.

A special rate is the only viable cost recovery mechanism for this situation. Council would be required to complete the infrastructure upfront. Cost recovery via Developer Contributions would not be financially sustainable for Council because landowners may not seek to develop their land for a number of years. There would be no certainty when Council would receive contribution payments, which in turn would impact on Council’s ability to repay the loan. Furthermore, each landowner would be required to pay their contribution payment in a lump sum at the time of development, unlike a special rate which allows the costs to be spread over a number of years.

Similarly, recoupment via a fees and/or charges is not a viable option due to the potential losses that would be incurred by Council. There has been interest from some landowners to make an upfront payment, in order to avoid future interest payments. However, it is not possible to charge a fee to all landowners, as a one off payment for the cost of the works would be out of reach for the majority.

In terms of the Long Term Financial Plan the additional revenue generated from the special rate will go against servicing the principle and interest repayments for the $7.2m loan, which will be required to be taken out. The loan funding will directly be utilised to contract out the works required. Any residual funds at the end of the project will be utilised to adjust the special rates being charged.

Given that the loan will be at a fixed interest rate and payments will be fixed, Councils intention was to not apply the rate peg to the Special Rate Variation. However after discussions with Tony Camenzuli from IPART it was decided to avoid an increase in permissible income when the rate peg was applied to these rates that a net present value calculation was required to reduce the upfront payments based on an annuity calculation, such that at the end of the loan period the rates collected will equal the principle and interest repayments. This method has been included in the financial calculations but does cause some concern from a Council perspective in terms of negative cash flows in the first few years, offset by positive cash flows in future years.

## 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 and the assumptions it has made in coming to a view on its financial sustainability.

You should explain below:

* The council’s understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.
* Any external assessment of the council’s financial sustainability, eg, by auditors or TCorp. Indicate how such assessments of the council’s financial sustainability is relevant to supporting the decision to apply for a special variation.
* The council’s view of the impact of the special variation on its financial sustainability.

The TCorp Report on Financial Assessment and Benchmarking completed in Oct 2012 provided an independent assessment of Shoalhaven City Council’s financial capacity, and its ability to undertake additional borrowings, based on historical performance, current financial performance and long term financial forecasts.

Overall the review found that Council has been well managed over the review period based on the following observations:

*• Whilst Council has incurred operating deficits (excluding grants and contributions for capital purposes), Council’s underlying operating result (measured using EBITDA) has improved from $40.3m in 2009 to $45.1m in 2011.*

*• Approximately 76% of the Council’s revenue base is derived from own sourced revenue (annual charges, and user charges and fees). They can rely upon these revenue streams on an ongoing basis for financial flexibility.*

*• The Council is facing pressure from rising employee costs, and material and contract costs above inflation but it has acknowledged the issue and is seeking to address this through expenditure review measures.*

*However the key observations from the review of the Council’s 10 year forecasts for its General Fund are:*

*• The forecast shows deficit positions excluding capital grants and contributions in all forecast years, this already has factored in Transformation Program savings year on year.*

*• The Council’s forecast liquidity position starts to weaken from 2015 when the Unrestricted Current Ratio falls to 1.74:1, limiting available funding.*

*• Council’s level of fiscal flexibility, as indicated by its above benchmark Own Source Operating Revenue Ratio, is sound when excluding the impact of internal transactions.*

*In addition to this Council has reported $43.1m of Infrastructure Backlog in 2011 which represents 2.3% of its infrastructure asset value of $1,873m and this backlog is trending upwards, particularly in the roads asset category (77.9% of the backlog).*

It should be recognised that the newly elected council in 2012 made a decision to increase rates and to also introduce an efficiency review. In response to this in February 2013 Blackadder Associates Pty Ltd prepared a report after an organisational structure and associated review, with an emphasis on savings and efficiencies and improvements to customer service. Council further sought direction on achieving financial sustainability. The review highlighted eight (8) areas for improvement:

• Alignment of Strategy to Operations

• Leadership

• Financial sustainability

• Asset Management

• Corporate Systems

• Project Management

• Organisational Culture

• Customer Service

More recently the Office of Local Government has released a roadmap for Stronger, Smarter Councils, where they have also announced funding for ensuring local government is Fit for the Future.

A Fit for the Future council should be:

• Sustainable

• Efficient

• Effectively manages infrastructure and delivers services for communities; and

• Has scale and capacity to engage effectively across community, industry and government.

Further to this the New Local Government Act will reflect that DP/OP guidelines will be amended to embed the principle of fiscal responsibility and improve financial and asset planning as part of IPR process from 2016.

The Office of Local Government recognise sustainable Councils as ones which:

• Saves money on bureaucracy and administration, freeing up funds for front-line services and community facilities

• Can contribute to projects and tackle issues that impact on its residents and extend beyond the council boundary:

• Has credibility and influence across councils, across government and with industry

With regard to Councils 10 year forecast for General Fund it highlighted the deficit positions excluding capital grants and contributions in all forecast years, and the fact that Council’s forecast liquidity position is weak, particularly from 2015 when the unrestricted current ratio falls to negative levels. This resulted in a negative outlook for Council. See attached TCORP report for full details at ATTACHMENT 4.

Council had been working on the future financial position of Council prior to the announcement of Fit for the Future. A report on the financial sustainability for Shoalhaven Local Government area was presented to Council in October 2014.

This report highlighted Councils current financial position and issues with the current mode of operation and opportunities to increase revenue and reduce costs further, with the main goals being:

Increase Revenue – rates, fees and charges and Value added services

Reduce Cost Structure – continuous improvement, outsourcing, use of technology, procurement initiatives, staff changes and conditions of employment and energy management.

Service Sustainability – review levels of service provided

Asset Utilisation – justification of projects, rationalisation of underutilised assets, selling off under-utilised assets, debtor/rates management

Borrowing capacity – introduce disciplines to guide decision making

Cultural Change – to develop a “can do” attitude for all staff

The full report is shown at ATTACHMENT 15.

Although Council has been consciously reducing its cost structure for a number of years now, it is not in a financial position to complete these works at Jerberra Estate without the introduction of a special rate, particularly given that only 138 property owners will benefit from the works, and given Councils long term financial projections.

If this work was to be completed without the introduction of a special rate, councils operating result would be adversely impacted by the interest repayments each year and cash flow would be impacted by the interest and principal repayments each year for the term of the loan.

## Financial indicators

How will the special variation affect the council’s key financial indicators (General Fund) over the 10-year planning period? Please provide an analysis of council’s performance based on key indicators (current and forecast) which may include:

* Operating balance ratio excluding capital items (ie, net operating result before capital grants and contributions as percentage of operating revenue before capital grants and contributions).
* Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities).
* Rates and annual charges ratio (rates and annual charges divided by operating revenue).
* Debt service ratio (principal and interest debt service costs divided by operating revenue excluding capital grants and contributions).
* Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs as per Special Schedule 7 divided by operating revenue).
* Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

Presented below are Council’s key financial indicators for the two scenarios as detailed in Council’s Long Term Financial Plan and Delivery Program:-

Scenario 1 – Original LTFP and Scenario 2 – with SRV for Jerberra



The key indicators demonstrate that there is little change under both scenarios. Council will maintain the same levels of financial sustainability, whilst making very little change to its operating mode.

The operating result and cash balance will be negatively impacted short term as the revenue from the special rate will be less that the principal and interest repayments for the $7.2m loan in the initial years and will play catch up in the later years to a breakeven position in year 10.

The profit and loss is impacted by the revenue from the special rates partially offset by the interest expensed and once the asset is commissioned, depreciation will be included in the P&L.

Council will ultimately have a maintenance liability for the road infrastructure works. Council will hand over the electricity assets to the Electricity authority upon completion of these works.

## Contribution plan costs above the cap

You should complete this section if the special variation seeks funding for contributions plan costs above the development contributions cap. Otherwise, leave this section blank.

Please explain how the council has established the need for a special variation to meet the shortfall in development contributions.

For costs above the cap in contributions plans, a council must provide:[[4]](#footnote-4)

* a copy of the council’s section 94 contributions plan
* a copy of the Minister for Planning’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 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 Plan (AMP).

|  |
| --- |
| This section is not required |

# Assessment criterion 2: Community awareness and engagement

Criterion 2 within the OLG Guidelines is:

*Evidence that the community is aware of the need for and extent of a rate rise. The IP&R documentation should clearly set out the extent of the General Fund rate rise under the special variation. The council’s community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure an opportunity for community awareness and input to occur.*

In responding to this criterion, the council must provide evidence that:

* it 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
* it provided opportunities for input and gathered input/feedback from the community about the proposal
* the IP&R documents clearly set out the extent of the requested rate increases.

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

* the proposed cumulative special variation rate increases including the rate peg for each rating category (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 and impact of any expiring special variation (see Box 4.1 below for further detail)
* the 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.

More information about how the council may engage the community is to be found in the OLG *Guidelines*, the IP&R manual, and IPART’s Fact Sheet *Community Awareness and Engagement for special variation applications*, October 2014.

|  |
| --- |
| Box 4.1 Where a council is renewing or replacing an expiring special variation |
| The council’s application should show how you have explained to its community:  There is a special variation due to expire at the end of the current financial year or during the period covered by the proposed special variation. This needs to include when the expiring special variation was originally approved, for what purpose and the percentage of (General Fund) general income originally approved.  The corresponding percentage of general income that the expiring special variation represents for the relevant year.  Whether the temporary expiring special variation is being replaced with another temporary or a permanent increase to the rate base.  The percentage value of any additional variation amount, above the rate peg, for which the council is applying for through a special variation.  If the proposed special variation was not approved ie, only the rate peg applies, the year-on-year change in rates would be lower, or that rates may fall.  The council also must attach, to its application to IPART, a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman. |
|  |

## The consultation strategy

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

The council is to provide relevant extracts of the IP&R documents that explain the proposed rate rises under the special variation and attach relevant samples of the council’s consultation material.

Landowners within Jerberra Estate and other similar ‘paper subdivisions’ have been consistently advised that the costs associated with rezoning the land and providing infrastructure will be met by the benefiting landowners. (This has been Council’s position since it initiated the rezoning process in 1992. See ATTACHMENTS 5d-5i for media releases.) Special rates have been approved in the past and used to fund the rezoning process and the construction of the gravel ‘spinal route’ through the Estate.

A significant level of consultation was undertaken with the landowners throughout the rezoning process via direct correspondence, e.g. whenever reports on the matter were considered by Council. Numerous meetings and information days were held. Landowner surveys were undertaken at critical stages in the process to ascertain the level of support for different rezoning options.

A dedicated project web page has been maintained on Council’s website since 2006 and this is updated as and when required with the latest information and quarterly expenditure summaries. The website can be accessed at: http://www.shoalhaven.nsw.gov.au/Planning-amp-Building/Strategic-planning/Paper-subdivisions/Jerberra-Estate. A further website has been set up for the consultation process for the special rate (http://www.shoalhaven.nsw.gov.au/My-Council/Current-Projects/Jerberra-Estate-infrastructure). A copy of both webpages is shown at ATTACHMENT 5c.

Relevant Council staff have been available to discuss the Estate’s planning status with community members. More recently finance staff have also been available to discuss the proposed introduction of the special rate in 2015/16 and this service is ongoing.

Two landowner information days have been held in relation to the proposed infrastructure and special rates. The first was held on Saturday 9 August 2014 to provide an opportunity for Jerberra landowners to view and comment on the design and cost estimates for the essential infrastructure. The following **information was available on the information day and can be down loaded from Council website** [**http://www.shoalhaven.nsw.gov.au/My-Council/Current-Projects/Jerberra-Estate-infrastructure**](http://www.shoalhaven.nsw.gov.au/My-Council/Current-Projects/Jerberra-Estate-infrastructure)

**• Preliminary cost estimates**

**• Plans and drawings for essential infrastructure**

**• Tree clearing required for provision of infrastructure**

**• Information on driveway crossings**

A questionnaire was distributed, which asked for feedback in relation to the cost and funding for the works.

The ratepayers who responded (only 6 in total) indicated that they are aware that the cost would be borne by the benefiting landowners and that this would be funded by a special rate, subject to approval by IPART.

Subsequent to this, a letter was forwarded to all relevant landowners advising that a report was going to Council on 14th October 2014 covering the Proposed Special Rate and the resolution to apply to IPART.

A subsequent letter was forwarded to all relevant landowners on 1st December 2014 covering progress of the discussions with IPART, highlighting changes to the Delivery Program and the Long Term financial plan along with the impact of the special rate.

The second landowner information day was held on Saturday 31st January 2015, giving landowners a further opportunity to discuss any concerns and ask questions about the proposed special rate. An invitation letter was sent to the landowners on 13th January 2015. This communication included individual rate estimates for 2015/16 if the special rate is introduced. It included existing rates plus calculations of the special rates for roads and electricity, and noted the expiration of the existing road construction special rate if the proposed special rate is approved. A detailed FAQ was also included, covering issues raised by those ratepayers who had phoned in consequence to the previous letter. It also included a survey to gauge the extent of support for the special rate.

The drop-in information day was also advertised in the local store at Tomerong and on Council’s website.

These community consultations conveyed the extent of the rate increase and provided the opportunity for landowners to seek clarification, raise concerns and to provide feedback.

An estimate of $4.5m was previously included in Council’s Delivery Program for 2013/14. The Delivery Program was revised and advertised to reflect the detailed cost estimate of $7.2m. Copies of the changes are attached at ATTACHMENTS 2 and 3. A copy of extracts from the Community Strategic Plan is at ATTACHMENT 1. (A full copy of the Community Strategic Plan can be found at the following website <http://shoalhaven.nsw.gov.au/My-Council/Community-strategic-plan/portalid/3#Community%20Strategic%20plan%20-%20correct>)

The exhibition period for the revised Delivery Program and Long Term Financial plan documents went from 19th December 2014 to 16th January 2015 (extra days to cater for the Christmas period).

## Feedback from the community consultations

Summarise the outcomes and feedback from the council’s community engagement activities. 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 special variation 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, the application should set out the views expressed in those submissions. Please refer to Section 1.2 concerning how the council should handle confidential content in feedback received from the community. The council should also identify and document any action that it has taken, or will take, to address issues of common concern within the community.

In response to Council’s letter dated 1st December 2014, there were 10 telephone responses from residents, 6 of these against the introduction of the new rate and the other 4 in favour, but concerned about the magnitude of the rates. As a result of landowner feedback the options for the loan period were revised. The five (5) year loan originally proposed was subsequently replaced by a 20 year option.

The following concerns were raised by ratepayers in the Estate during the exhibition period for the revised Delivery Program:

1. Concerns over the need to amalgamate blocks before any building plan can be approved, with neither neighbour wishing to sell their block. They argue that they cannot take advantage of any infrastructure within the Estate, and therefore question why they should pay the proposed special rate. **Comment:** the amount each ratepayer would be required to pay will be influenced by the VG’s valuation, which should reflect its development potential under the new planning controls.

2. Concerns over what previous special rates have paid for. **Comment:** quarterly expenditure statements have been provided on the Jerberra Estate webpage since the other special rates were introduced in 2006. Any unspent funds from these other Jerberra projects will be transferred to the Jerberra infrastructure project.

3. That the proposed rates are out of the reach of most residents of the Estate. **Comment:** this is discussed in detail later in this application.

4. If the proposed special rate is imposed, who will buy the land with such high rates in the coming years? **Comment:** it is expected that the rates will influence the land’s market value.

5. Issues with needing to pay rates when there is no building permit for some blocks now zoned as E2 – Environmental Conservation. **Comment:** properties that still cannot be developed under the Estate’s new planning controls have substantially lower VG valuations. Furthermore, they will not be levied for electricity infrastructure and the road component has been separated out and reduced for these properties in recognition of the planning status of these properties.

Between 50 and 60 landowners attended the Information Day on 31st January 2015. The mood on the day was quite hostile. The majority of landowners were vehemently opposed to the proposed infrastructure works and special rates.

A full copy of the survey and results (excluding names) can be found at ATTACHMENT 6, along with landowner letters at ATTACHMENTS 6a. The survey tried to gauge the support of the special rate and the associated loan period. 55 copies of the survey were completed, which is over one third of landowners.

The majority of survey respondents (ie approx. 70%) have held their land for over 20 years (most were the original purchasers from 1986). This might help to explain the high level of frustration that landowners have towards Council and the importance of bringing this matter to a conclusion, so that landowners can have certainty and to enable the Estate to be developed.

The Estates zoning can be viewed online at: <http://www.legislation.nsw.gov.au/map/6950_PCT_LZN_001_005_20140116.pdf?id=a27d63bb-bb8e-47c0-b83c-d901d86c63c8>.

Of the 55 survey respondents:

- 58% own land zoned ‘E4 - Environmental Living’ (many of which can potentially develop without having to amalgamate);

- 24% own land zoned ‘E3 - Environmental Management’, (where amalgamation of two or more lots is generally required to enable development to be approved); and

- 18% own land zoned ‘E2 - Environmental Conservation’ (generally where development is not possible).

The landowners most opposed to the proposed rates are those whose land either needs to be amalgamated before it can be developed, or cannot be developed. Refer to previous comments about the VG valuations.

100% of the respondents had read the FAQ. Feedback was that the FAQ and supporting information was clear and comprehensive.

78% of all respondents disagreed or strongly disagreed that they should meet the costs of providing the infrastructure, even though Council has consistently advised that the landowners would need to meet the full infrastructure costs. Of those who responded negatively to meeting the infrastructure costs, 94% did agree or acknowledge that the special rates if imposed, would apply for the length of the loan.

Of the 62% of landowners who responded to the question with regard to the preferred loan period; 26% opted for a 10 year loan, 15% requested a 15 year loan and 59% would prefer a 20 year loan. Note that another 6 people verbally indicated an interest/desire to pay upfront to avoid paying interest.

There were many comments and accompanying letters to the survey highlighting landowners concerns, and are provided in full at ATTACHMENTS 6a and 6b. The key themes running through these responses were:

- They are Council roads and Council should upgrade them.

- The rates are too high and unaffordable for many.

- This has been going on for almost 30 years and Council have held up the process, so Council should pay for part or all of the works.

- Many owners are pensioners and cannot afford the rates (one wants to surrender their land as they cannot afford to pay).

- Costs quoted for the road works and electricity are extreme.

- They have been paying rates for years with nothing to show for it.

- Why does the electricity infrastructure need to be underground (more expensive)?

- The rest of Council ratepayers should be paying the rates.

- What happens to those lots with court orders to move out, why are they allowed to continue to live illegally?

- Why should properties with no building entitlement pay any rates?

From the 18 phone calls received with regard to the letters and survey, there were a number of landowners who wanted to know what the upfront payment might be if they wanted to avoid the interest component of the loan. Some wanted to know what the market values might be after the work was done. Those who need to amalgamate raised concerns about not having the funds to buy out their neighbour or vice versa. They said that without amalgamation nothing can be done with the land, so why should they pay the rates? There were also a number of questions around the original zoning of blocks.

Many of the above issues have been addressed as part of the FAQ or in other Council documentation.

Council is cognisant of the cost and affordability of the essential infrastructure and has undertaken that any unspent funds after the work is completed will be reconciled and special rates in subsequent years will be revised accordingly. However, it is important that the infrastructure design conforms to minimum acceptable standards.

As a result of landowner feedback, the allocation of road rates for those properties which have no prospect of the land being developed (excluding properties that can be developed or amalgamated with one or more others) have been reduced by 50% in recognition of the land’s planning limitations.

Although it seems that there are many disgruntled landowners in the Estate, approval of the special rate variation and provision of essential infrastructure will give landowners certainty and an opportunity to resolve the future of the land. There is no alternative solution and if the application is not approved, this estate will remain in a state of limbo.

Although 59% of survey respondents preferred a 20 year loan and only 41% preferred a shorter time frame of 10 to 15 years, Council’s preferred option is for a 10 year loan period for the following reasons:

1. There will a lower interest component with a shorter term loan.

2. The longer the loan period the greater the negative cash flow for Council, until the loan is fully paid off (based on NPV calculations). This would then have a negative impact on all other ratepayers.

3. The NPV calculation means that the proposed special rate variation has reduced from 1.71% to 1.49%, which equates to a 13% decrease in special rates in the first year, based on a 10 year loan. Therefore the special rates will be lower than the estimates previously provided to land owners by Council.

4. The loan will be paid off quicker and land will become unencumbered sooner.

# Assessment criterion 3: Impact on ratepayers

Criterion 3 within the OLG Guidelines 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. The IP&R processes should:*

* *clearly show the impact of any rises upon the community*
* *include the council’s consideration of the community’s capacity and willingness to pay rates and*
* *establish that the proposed rate increases are affordable having regard to the local community’s capacity to pay.*

The impact of the council’s proposed special variation on ratepayers must be reasonable. To do this, we take into account current rate levels, the existing ratepayer base and the purpose of the special variation. We also review how the council’s IP&R processes have assessed whether that the proposed rate rises are affordable having regard to the community’s capacity and willingness to pay.

## Impact on rates

Much of the quantitative information we need on the impact of the special variation on (General Fund) rate levels will already be contained in Worksheet 5a and 5b 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 may differ from the current rating structure, or that 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. If so, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

Councils should also indicate the impact of any other anticipated changes in the rating structure.

The introduction of this special rate will have a significant financial impact on the Jerberra Estate landowners. There will be no impact on the broader rating community, ie no other rating categories will be affected and rate increases will be at rate peg.

The average estimated rates for those property owners in the Jerberra Estate, with developable land (including those that need to be amalgamated to enable development) are shown in Group A below. For those property owners who do not own developable land, the average rates are estimated as those shown in Group B below. Both scenarios are dependent upon the loan period of 10 years and assuming the annuity calculations for the repayments, which means they will increase by rate peg each year.



The proposed rate increase has been split into 3 components – Road Infrastructure (Group A), Road Infrastructure (Group B) and Electrical Infrastructure. Both components will be levied on those properties that are developable (see Group A above). Properties that are not developable will only be levied the road construction special rate at a reduced rate (Group B). The rationale behind this distinction is the electricity infrastructure will only benefit those properties that can potentially form part of a developable lot, whereas the road infrastructure will benefit all properties in the Estate, but to a lesser extent those properties which are not developable. See ATTACHMENT 16 which shows clearly the developable outcomes for the estate. A full copy of the DCP can be found at <http://dcp2014.shoalhaven.nsw.gov.au/sites/dcp2014.shoalhaven.nsw.gov.au/files/Chapter%20N20.pdf>

Section 495 of the Local Government Act 1993 (LG Act) provides the basis for the levying of special rates. It states:

(1) A council may make a special rate for or towards meeting the cost of any works, services, facilities or activities provided or undertaken, or proposed to be provided or undertaken, by the council within the whole or any part of the council’s area, other than domestic waste management services.

(2) The special rate is to be levied on such rateable land in the council’s area as, in the council’s opinion:

(a) benefits or will benefit from the works, services, facilities or activities, or

(b) contributes or will contribute to the need for the works, services, facilities or activities, or

(c) has or will have access to the works, services, facilities or activities.

The proposed special rates are consistent with the above legal provisions and therefore clearly show why the special rate can only be applied to landowners within this Estate. There are no other proposed changes for other rating categories within this Special Rate Variation.

In addition to the above, the Valuer General’s valuations for Group A properties are generally considerably higher than for Group B properties, and this influences the magnitude of the respective special rates.

### Minimum Rates

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

|  |  |  |
| --- | --- | --- |
| Does the council have residential minimum rates? | Yes | No X |

If *Yes*, Does the council propose to increase the minimum residential rate by:

The rate peg percentage

The special variation percentage

Another amount  Indicate this amount \_\_\_\_\_\_\_\_\_\_\_\_\_

What will the residential minimum rate be after the increase? \_\_\_\_\_\_\_\_\_

The council must 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 rating categories that will occur as a result.

You should also explain the types of ratepayers or properties currently paying minimum rates, and the rationale for the application of the special variation to minimum rate levels.

NA

## Consideration of affordability and the community’s capacity and willingness to pay

The council is required to provide evidence through its IP&R processes, and in its application, of how it assessed the community’s capacity and willingness to pay the proposed rate increases. This is to include an explanation of how the council established that the proposed rate rises are affordable for the community.

Evidence about 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 or neighbouring 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.

We may also consider how the council’s hardship policy (see Section 5.3 below) might reduce the impact on socio-economically disadvantaged ratepayers.

It is acknowledged that the introduction of the proposed special rates will have a significant impact on the Jerberra Estate landowners.

Independent valuation advice obtained by Council indicates that the total value of the land once the essential infrastructure is provided will exceed $15m. Land values in the estate have recently been revalued down by the LPI by approximately 50% from $8.1m to $4m. The estimated future market value of the land exceeds the total combined costs of the estimated infrastructure costs and the current land value.

It is also acknowledged that some owners may not have the financial means to develop their land, despite the rezoning allowing it. It is likely that a proportion of landowners would not be able to afford a modest rate increase, due to their personal financial circumstances. Owners in this situation may need to consider selling their land and the current market uncertainty should be reduced once arrangements are in place to provide the essential infrastructure.

Where lot amalgamation is necessary but no one owner has the financial capacity to purchase the other required lot(s), to maximise their return, the owners could collectively sell their land (on the basis that the combined area would have a dwelling entitlement).

Alternatively, where two lots need to be amalgamated into one, a dual occupancy development on the amalgamated lot (ie duplex) could potentially be a means of providing a dwelling for both owners, if the site is suitable.

The SEIFA ranking for the Shoalhaven Council area is 954.6 with the ranking for the Huskisson/Tomerong area of 1007.10. It is difficult to use these rankings for any analysis in relation to the landowners at Jerberra as the majority of property owners live outside the Local Government Area. Of the 138 properties only 40 landowners live in the Shoalhaven Local Government area, the remaining 98 are from outside the area with 6 coming from interstate.

Average rates – a comparison of the average rates for the residential rating category is shown below, compared to the proposed special rates (including residential rates) for Jerberra estate residents.

Residential category average rates levied are $970

Jerberra - Group A rates within the estate will be $7,600

Jerberra - Group B rates within the estate will be $1,322

Disposable incomes – Feedback from a number of the ratepayers in the Estate is that they will not be able to afford the estimated rates. Indications from them are that a number of other ratepayers will not be able to afford the rates either. Given the wide demographic of landowners it is difficult to gauge what their financial capacity is. For the majority spoken to, these properties appear to have been purchased as an investment many years ago, knowing that the land could not be built upon. Many landowners have indicated that they are waiting to see what returns will be available on their land.

Currently Council has outstanding rates in the Jerberra Estate of only $7.5k, relating to only a few landowners. This would infer that the rates are currently at an affordable level and people have the income to pay existing rates.

It is difficult to do any further comparatives with regards to rates as this is a very unique situation. The increase is over and above any normal increase due to the circumstances of the “paper estate”.

## Addressing hardship

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

|  |  |  |
| --- | --- | --- |
| Does the council have a Hardship Policy? | Yes x | No |
| If Yes, is an interest charge applied to late rate payments? | Yes x | No |
| Does the council propose to introduce any measures to limit the impact of the proposed special variation on specific groups in the community? | Yes | No x |

You should attach a copy of the Hardship Policy and explain below who the potential beneficiaries are and how they are assisted.

Please provide details of any other measures addressing hardship to be adopted, or alternatively, explain why no measures are proposed.

The council is also to indicate whether the policy or other measures are referenced in the council’s IP&R documents (with relevant page reference or extract provided).

Council does have a hardship policy, which is at ATTACHMENT 7. This policy does not apply to investment properties or vacant land. Currently the policy does not apply to the majority of Jerberra estate properties. This will change over time as development approvals are issued by Council.

Council also has a debt recovery policy, shown at ATTACHMENT 13, which clearly covers the guidelines for the efficient and consistent collection of all outstanding property rate accounts. If rates are in arrears the landowner can enter into an agreement with Council or Council’s Debt Recovery Agency to repay the rates and charges within twelve months, including interest.

This may not assist some landowners, who do not have capacity to pay, therefore if property owners cannot afford to pay their rates they have one of two options, they can surrender their land to Council or they can sell their land. If requested by an owner in paper subdivisions such as Jerberra Estate, Council may accept the transfer of land within 'paper subdivisions' in lieu of unpaid rates in accordance with Council's policy titled “[Small Lot Rural Subdivisions – Transfer of Land in Lieu of Unpaid Rates](http://doc.shoalhaven.nsw.gov.au/displaydoc.aspx?record=POL08/411)”. In such circumstances, Council will meet all legal costs associated with the transfer of the land.

Further to this, under Section 713 of the Local Government Act 1993, Council can sell the land if any rates and charges are outstanding for more than five years.

There is no specific reference in the Delivery Program to the hardship policy, however, there is reference to the Rates and Charges policies in general.

# Assessment criterion 4: Public exhibition of relevant IP&R documents

Criterion 4 within the OLG Guidelines is:

*The relevant IP&R documents[[5]](#footnote-5) must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.*

Briefly outline the significant IP&R processes the council has undertaken to reach the decision to apply for a special variation. Include the details of and dates for key document revisions, public exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.

You should also include extracts from council minutes as evidence that the documents were adopted.

The council is reminded that amendments to the Community Strategic Plan and Delivery Program require public exhibition for at least 28 days prior to adoption, while amendments to the Long Term Financial Plan and Asset Management Plan/s do not require public exhibition.[[6]](#footnote-6)

Council placed their Delivery Program and Operating Plan for 2014/15 on public exhibition on 28th April 2014, which was formally adopted by Council on 24th June 2014. See copy of minute below.

**399. (Item 1, page 1) Draft Delivery Program 2013 - 2017 and Operational Plan 2014 - 2015: Consideration of Submissions File 48367E**

Conflict of Interest Declaration - Clr Anstiss - pecuniary interest – she is the Managing Director of Slice of Life who leases Reflections Café at the Worrigee Lawn Cemetery and may have a potential financial gain or loss - left the room, did not take part in discussion or vote.

MOTION: Moved: Wells / Second: white

**That Council adopts the Draft Delivery Program 2013 – 2017 and Operational Plan 2014 – 2015 with the changes as detailed in this report.**

CARRIED

FOR: Tribe, Robertson, White, Wells, Baptist, Watson, McCrudden, Gash

AGAINST: Findley, Guile, Kitchener

This Delivery Program and Operating Plan included $4.5m towards the infrastructure works required at Jerberra Estate. Given the substantial change in estimates for this work from $4.5m to $7.2m it was necessary to revise the program, and add some additional commentary around the work required and the impact on rate payers in general and specifically in relation to Jerberra landowners.

The Long Term Financial Plan was also modified to include an additional scenario for the increase from $4.5m to $7.2m for the work required. The total cost of $7.2m, comprises $5.4m for road infrastructure and $1.8m for electricity infrastructure. These amounts include contingencies, so if the actual cost is less, the special rates will be adjusted downwards once the work is completed. The rate has been split into the three components to ensure consistency with Section 495 of the Local Government Act 1993.

The DP/OP and additional LTFP scenario were placed on exhibition with the changes for a period of 35 days (to compensate for the Christmas period). Council endorsed the revisions at the Policy and Resources Meeting of 9th December 2014. Advertisements were placed in the South Coast Register on 15th, 17th of December 2014 and 7th January 2015, in the Milton Ulladulla Times on 17th December 2014 and 7th January 2015, as well as on free radio stations. Documents were placed at all Admin Centres and Libraries as well as a copy being placed at the store at Tomerong which is in close vicinity to the Jerberra Estate. Prior to the exhibition period a letter was sent to Jerberra landowners, highlighting the report content and preliminary detail on loan options and rate amounts.

Council at its Ordinary Meeting of 28th October 2014 adopted the following recommendations to in relation to Jerberra Estate:

756. Jerberra Special Rates File 31944E

**That Council adopts the following recommendations:**

**a) Authorise staff to notify IPART of its intention to prepare a Special Variation application for a $7.2m loan-funded special rate levy (‘Special Rate Variation’) so that Council can provide essential infrastructure in Jerberra Estate;**

**b) Further details of the proposed funding arrangement be refined in consultation with the affected landowners; and**

**c) Unless there are substantial changes to the details provided in this report, the Special Rate Variation application to IPART be submitted before the February 2015 deadline.**

A further report was put to Council on 27th January to formally adopt the changes to the Delivery Program and Long Term Financial Plan, taking into consideration the above submissions. This was adopted and the minute is shown below:

(See Minute 15.46 at ATTACHMENT 12)

ADOPTED AT COUNCIL MEETING HELD ON TUESDAY 27 JANUARY 2015

46. Draft Revised Delivery Program 2014 - 2017 and Long Term Financial Plan, re. Jerberra Estate: Consideration of Submissions File 48367E

MOTION: Moved: Kearney / Second: Baptist

That Council adopts the Revised Delivery Program 2014 – 2017 and Long Term Financial Plan with no changes to the report.

CARRIED

# Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 within the OLG Guidelines is:

*The IP&R document or the council’s application must explain 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, you must provide details of any productivity improvements and cost containment strategies that you have implemented in the last two years (or longer) and any plans for productivity improvements and cost containment during the period of the special variation.

These strategies, which may be capital or recurrent in nature, must be aimed at reducing costs and/or improving efficiency. Indicate if any initiatives are to increase revenue eg, user charges. Identify if the proposed initiatives (ie, cost savings), have been factored into the council’s resourcing strategy (eg, LTFP and AMP).

Where possible, the council is to quantify in dollar terms the past and future productivity improvements and cost savings.

The council may also provide indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and OLG data provided to us.

As mentioned in Section 3.2 Council has put in place a transformation program which has a total of 44 projects to be implemented in order to reduce overall cost structures.

Further to this the financial sustainability document presented to Council on 28th October 2014 highlighted the need to make financial improvements over and above these savings, which amounted to $82.5m over the next ten years. This improvement does require the introduction of a special rate in future years. But along with this the recommendation included increasing volumes and prices on fees and charges to improve revenue generation. From a cost structure perspective Council will look at introducing lean methodologies, at the same time addressing cultural issues. Council will look to outsource functions where it makes sense to do so or alternatively cut services in areas where we may be overproviding. Technology will play a big part in Council’s future and optimisation of technology will allow enablement of re-engineered processes and ultimate monetary savings. Full details of this plan will be incorporated in the Fit for the Future submission, so firm estimates in terms of dollars are not available at present.

Procurement will be a further focus to improve the bottom line by combining with other nearby Council to optimise certain contracts and achieve volume discounts. Given that energy is a big cost to Council, it will be another area of focus.

Another key focus to reduce costs is by optimising the use of our existing assets, rationalising where possible, consolidation of facilities if possible or selling of any surplus to requirements. Council will also review some of its policies to make better use of our current assets ie our Pensioner deferral scheme to improve debtor management.

As mentioned at the start of this section the Transformation program includes a number of areas. The actual Transformation Savings to date amount to $2.6m, with operational savings amounting to $1.7m, the plan for the future is to maintain $5.5m ongoing reductions in expenditure. Some of the key projects in relation to this program are:

A full review of Staff Structure began in 2013 with a total saving to date of $2.5m due to a reduction in the number of directorates, and a subsequent reduction in directors. Section Manager positions were reduced and a review of the next level down in the structure resulted in a further reduction of headcount. This review also addressed role clarity issues, accountabilities, delegations and leadership capability.

A further recommendation was to review our business planning methodologies and to introduce some consistent processes and documents. This also applied to project management and capital expenditure requests in order to optimise resources.

One of the key enablers for Council achieving some substantial cost savings is with the introduction of a new Council wide system, unfortunately there have been delays with the implementation but we should have a determination by mid February as to when the implementation might occur.

Leases and Licences - Council has historically had peppercorn rent agreements and below market value lease arrangements for commercial properties, as part of the Transformation project these leases are being review and the increased revenue will be realised when leases come up for renewal.

Telecommunication towers service review with the key outcome being to optimise financial performance of the towers.

The Service review of Internal Audit resulted in a number of recommendations with a core one being to focus audits on increasing productivity and improving processes.

Shoalhaven Entertainment Centre, Council Catering and the Nowra Visitor Information Centre underwent a full service review by external parties. Key outcomes were to focus on improving utilisation of the Entertainment Centre, increase marketing and improve brand awareness to increase patronage. The Council Canteen has subsequently been merged with the Entertainment Centre catering with the future possibility of merging the Visitor Information Centre into the Entertainment Centre as well. This has improved internal operation costs and will result in improved staff utilisation in the future.

Another area where a full External Service review was carried out was Information Technology. The main recommendations from this review were to centralise a program/project management office, to align the IT strategy to the business plan and to ensure that staff had the right capabilities. Further to this a definite plan for the technical architecture needed to be developed and implemented and to create a steering committee to define future IT direction.

A full review of Allowances, including “on-call”, “telephone” and “first-aid” was carried out with a recommendation to cease payments that can no longer be justified for operational needs. These changes are progressively being rolled out, which will result in a reduction to wages overall.

The use of casuals was also reviewed with a number of recommendations to reduce costs and appoint some people to positions where workload is ongoing. The overall saving in this area is estimated at $250k.

The procurement and stores review highlighted a number of internal issues which needed to be addressed but in addition to these the focus is on stock management, simplification of the process by the introduction of credit cards where appropriate and review of major purchase items to ensure the best pricing is being achieved.

A full review of Fleet and Plant functions was completed with recommendations on utilisation, reduction in fuel consumption, GPS tracking and reduced costs of vehicles being the critical areas to address.

A full review of customer service is being carried out with the view to a one stop customer service shop to be implemented, focusing on process improvement, online efficiencies for information, creation of a knowledge base and self-help type functionality, all in conjunction with system improvements.

A further project team looked at fees and charges and opportunities to improve process and increase revenue, at this stage there are no definite dollars marked for improved revenue but the recommendations from the team once implemented should result in improvements to the bottom line.

The Payroll service review made a number of recommendations, the key one being to implement a time and attendance system which should see a payback within 12 months and improve staff management and reduce staffing costs ongoing. Further to this further utilisation of our existing payroll system is recommended in order to achieve efficiency gains through workflow and electronic capture of information with regard to training, WHS, recruitment etc. The overall savings estimated for this project are approximately $200k per annum.

A number of other service reviews are planned for 2015 including mechanical services, electrical services, pump fitters, village cleaning and mowing, noxious weeds spraying, flora and fauna inspections, family day care, graphic design, printing, corporate training, records and events.

A Fit for the Future project team has been assigned to focus on bringing all these initiatives together and fully costing all benefits to achieve the Fit for the Future KPI’s by 2020. This project team will work closely with other surrounding Councils to investigate any shared service options and will share ideas for improved efficiencies and revenue streams.

# List of attachments

The following is a list of the supporting documents to include with your application. Some of these attachments will be mandatory to all special variation applications eg, Attachment 1, extracts from the Community Strategic Plan. Other attachments will be required from some, but not all, councils. For example, Attachment 10, extracts from the Asset Management Plan, would be required from a council seeking approval of a special variation to fund infrastructure. Councils should submit their application forms and attachments online through the Council Portal in the following order.

|  |  |
| --- | --- |
| Item | Included? |
| **Mandatory forms and Attachments** |  |
| Part A Section 508A and Section 508(2) Application form (Excel spreadsheet) | X |
| Part B Application form (Word document) – this document | X |
| Attachment 1: Relevant extracts from the Community Strategic Plan | X |
| Attachment 2: Delivery Program | X |
| Attachment 3: Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format | X |
| Attachment 4: TCorp report on financial sustainability | X |
| Attachment 5: Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation | X |
| Attachment 6: Community feedback (including surveys and results if applicable) | X |
| Attachment 6a: Community feedback (landowners letters) | X |
| Attachment 8: Resolution to apply for the special variation | X |
| Attachment 9: Certification | X |
| **Other Attachments** |  |
| Attachment 10: Relevant extracts from the Asset Management Plan |  |
| Attachment 11: Past Instruments of Approval (if applicable) |  |
| Attachment 12: Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program | X |
| Attachment 13: Debt Recovery Policy | X |
| Attachment 14: Planning Proposal & Supporting Information | X |
| Attachment 15: Financial Sustainability report | X |
| Attachment 16: DCP Chapter N20 – Figures 2 and 3 | X |
| Attachment 17: Jerberra Estate zoning | X |
| Attachment 18: MIN92.3656 re. initial funding for the estate | X |

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

**To be completed by General Manager and Responsible Accounting Officer**

Name of council: Shoalhaven City Council

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

General Manager (name):  Russ Pigg

Signature and Date:

Responsible Accounting Officer (name):  Pamela Gokgur

Signature and Date:

Once completed, please scan the signed certification and attach it as a public supporting document online via the Council Portal on IPART’s website.

1. The Guidelines are available at [www.olg.nsw.gov.au](http://www.olg.nsw.gov.au) [↑](#footnote-ref-1)
2. See [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au). [↑](#footnote-ref-2)
3. The OLG’s October 2014 *Guidelines* and the IP&R Manual outline this link between the special variation and the IP&R process. [↑](#footnote-ref-3)
4. See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://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. [↑](#footnote-ref-4)
5. Relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan. [↑](#footnote-ref-5)
6. Office of Local Government (the then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5 - 6. See http://www.olg.nsw.gov.au/sites/default/files/Intergrated-Planning-and-Reporting-Manual-March-2013.pdf [↑](#footnote-ref-6)