Special Variation Application Form – Part B

Council application for 2015/16

Willoughby City Council

Date Submitted to IPART:

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ISBN

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# 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

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 | X |
| Reduce infrastructure backlogs |  |
| New infrastructure investment |  |
| 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.

**THE APPLICATION**

**PURPOSE**

This application is the culmination of a 2 year process involving professional staff, Councillors and a detailed community consultation with the ultimate aim of aligning Willoughby City Council’s annual infrastructure renewal funding with community expectations.

The application is based on a cumulative rate increase over 7 years (including the annual rate peg) of 27.14%.

Council has compiled a “Sustainable Service Case” which ensures that any infrastructure backlogs identified in asset management plans are funded and that infrastructure related services can be provided to the community, to a defined satisfactory standard over a 20 year planning period without compromising the financial sustainability of the Council.

Extensive community engagement informed the “Satisfactory” definition, and the process undertaken is documented in Council’s Asset Management Strategy. The standards themselves are documented within each individual Asset Management Plan. This case builds on the Base Case by identifying all additional expenditure required to meet target levels of service. Like any predictive model, the modelled scenarios for asset management rely on a range of assumptions, which are documented in Council’s Asset Management Strategy. The “Sustainable Case” was therefore entirely informed by funding gaps identified during the community engagement and asset management planning process.

Community consultation for a proposed Special Rate Variation occurred in the first instance for the financial year 2014/15, however following the passing of the then Mayor in January 2014 Council decided not to proceed with an application. This application follows consultation with the community for a proposed Special Rate Variation, referred to in consultation material as an Infrastructure Levy for 2015/16.

**STEPS IN PROCESS**

The following provides a timeline of the steps undertaken:

* November 2012 - commencement of engagement regarding assets and levels of service expected by the community.
* Extensive consultation in a variety of mediums culminated in a Citizens’ Panel Report to Council articulating their desired levels of service.
* Council adopted revised Asset Renewal Thresholds which considered recommendations from the Community Reference Panel together with internal professional expertise.
* The revised thresholds have been used in the predictive models to calculate asset expenditures indicating a long term average annual funding gap of $5.4M if Council is to meet the adopted service level targets.
* Resourcing Strategy identified the need for increased revenue to maintain assets and services to an acceptable level into the future in line with the expectations of the community.
* In 2013, a proposal for a Cumulative Special Rate Variation of 32.27% over 5 years was canvassed with the Community however, following the passing of the then Mayor, Council decided not to proceed with an application for 2014/2015.
* Council is currently undertaking a Service Review, whereby business efficiency improvements and increased revenue opportunities have been identified and which were discussed at a Council workshop on 19 July 2014. The value of these funds fell short of the annual “Sustainable Gap” required for asset renewal but Council took the view that these funds could be utilised to lessen the burden on ratepayers (ie a lower cumulative increase in rates would be preferable) should an application for a Special Rate Variation be approved.
* The Long Term Financial Plan was updated to reflect this projected additional funding.
* Asset sales to bridge the gap were discussed but dismissed at the Workshop as not being sound financial practice.
* On 21 July 2014 a suite of asset management documents were adopted at the Cultural and Civic Committee.
* Council resolved on 11 August 2014 to commence consultation to inform the community about the proposed Infrastructure Levy including: Holding Public meetings, inviting all members of the Citizens’ Panel to submit their written input to the proposal, efficiencies to be achieved in Council operations, and to advise the community what the levy is proposed to be spent on. This work was to focus and build on the extensive consultation conducted over the previous 2 years.
* Public meetings were held on 9 and 11 October 2014, together with a presentation to the Federation of Progress Associations meeting in October 2014.
* The main focus was the benefit to the community of Asset Management Planning shifting from being budget driven to service driven.
* 4 options were canvassed to the community (as detailed within the 3 November 2014 Council report) – Attachment 6b.
* Option 3 adopted by Council on 10 November 2014 provides for a cumulative rate increase of 27.37% (including rate peg) over 7 years (reduces to 27.14% following rate peg announcement for 2015/2016) and which compares very favourably to the 2013 planned 32.27% cumulative increase over 5 years.
* 1 December 2014 – Council adopts revised Delivery Program and Long Term Financial Plan (both amended to reflect Option 3) for exhibition over 6 weeks in December 2014 through January 2015.
* 2 February 2015 – Council adopts Delivery Program and Long Term Financial Plan.

## 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  | **No X** |
| If *Yes*, has a review been done and submitted to OLG? | N/A |  |

# 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.

**COMMUNITY’S NEEDS & DESIRES:**

In 2012, as a means to highlight the importance of community involvement in this detailed process, Council officers prepared the Community Engagement Plan (Additional Attachment 2) for Asset Planning & Funding with the objectives of the project specified as:

* To educate the community on asset provision and service delivery and our current position.
* To, in consultation with the community, determine levels of service on community assets.
* To identify future asset needs and gaps.
* To identify funding options for the maintenance, renewal and upgrade of existing assets and creation of new assets.

The formulation of the Citizens’ Panel was integral in achieving the objectives as set out above in the Community Engagement Plan.

Attached are two documents:

1. Additional Attachment 5 – Asset Renewal Thresholds and Community Feedback
2. Additional Attachment 4 – Eye to The Future – Citizens’ Panel report presented to Council meeting on 12 August 2013

In summary, their conclusions around level of service included that:

* There was generally alignment between community and Council expectations, and that Council did not generally exceed community’s expectations, with most areas considered adequately serviced
* There was also recognition that there was a legal responsibility that Council may have to follow that was beyond community expectations

The community engagement undertaken for asset planning and funding built upon previous engagement during the 2012 review of the Willoughby City Strategy, along with the Customer Satisfaction Survey also undertaken in 2012.

A broad range of media and activities have been utilised for community engagement which have included on line information and surveys, presentations to community meetings, stalls in Chatswood Mall together with articles in the Willoughby City News to the Citizens’ Panel workshop sessions.

**DECISION TO SEEK HIGHER REVENUES ABOVE THE RATE PEG AND WHAT ALTERNATE OPTIONS WERE CONSIDERED**

Over the past 2 years and as outlined in Part 7 of this application, Council has implemented a number of productivity improvements and cost containment strategies which has assisted in the development of a stronger financial position.

In addition, as outlined above in 2.2, Council is currently undertaking a service review which has to date identified potential cost savings to budget together with the development of a number of additional income streams which have been utilised to lower the impact on ratepayers in relation to this application which will ensure asset renewal spend meets identified levels.

These included over the 7 year period of the application:

* Advertising on Bus Shelters (additional) $5.564M
* Parking in CBD (additional) $1.4M
* Car Parks (additional) $865K
* Advertising Bollards $2.717M
* Service Review Cost Savings – 15/16 $500K, 16/17 + $1M recurrent

Following community feedback, funding anticipated for the advertising on bollards of $2.717M is unlikely to be realised. This reinforces the need for the levy.

It has been determined that the Community would not accept significant service downsize which would be required to fund this infrastructure backlog.

As a means to “safeguard” Council’s income generating competitiveness in the marketplace, staff continually review their respective fees and charges against its competitors and make annual adjustments generally in line with CPI.

The decision to seek higher revenues above the rate peg was also highlighted within the “Eye to the Future” document, prepared by the Citizens’ Panel where the following comments were made:

The consensus was that there is an appetite to “pay” for the benefit of living in Willoughby City.

The report stated “The Panel would not be averse to a sustainable rates increase based on the community’s ability to pay, given that WCC rates are low comparative to other areas on the North Shore. However, this should be measured against the findings of the Panel expectations on Council’s maintenance of assets (as in some areas the Panel’s expectations were below that of Council).”

Council also noted and investigated The Panel’s commentary about possible revenue creation and saving measures for the Council (which included):

*Increasing Revenue:*

* Long Term Leases
* User Pays (Ovals, BBQ’s & Showers)
* Special Levies
* Donations
* Asset Sales (Although generally the community does not support the sale of assets where that asset has a positive value to future generations however review underperformers)
* Maximising developer revenue
* Leasing footpaths to cafes
* Debt financing of asset renewal subject to intergenerational equity considerations

*Saving Money:*

* Volunteer involvement in Council work (ie bushland)
* Take a more commercial approach to leasing
* Decrease services

**SPECIAL VARIATION THE MOST APPROPRIATE OPTION:**

Council considers that the best funding mechanism for increased Infrastructure Renewal requirements is a conservative increase funded from the rate base:

Council’s Asset Engineers have identified the following as being required to fund the infrastructure renewal gap.

15/16 $4.577M

16/17 $5.046M

17/18 $4.482M

18/19 $6.374M

19/20 $6.269M

20/21 $6.902M

21/22 $6.616M

22/23 $10.273M

23/24 $5.360M

24/25 $5.693M

It should be noted that as per the Sustainable Case option, Council utilises its available cash and cash equivalents as the funding source over the last 3 years (which has an adverse impact on its financial position).

User Charges & Fees provided $17.429M in 2013/2014 (14%) of Council’s income from continuing operations. Any significant increases above the CPI (as required in this case) would have a perceived significant negative impact on this income source as users would actively seek alternative options.

Council’s Principal on Loan borrowings was recorded at $47.786M at 30/6/14. Council has taken up a $2M (4% Interest Subsidised) Local Infrastructure Renewal Scheme Loan in order to bring forward Stormwater Renewal Works.

Council’s 3 year average Debt Service Ratio was 7.59% and is not supported as a funding source in this application.

**IMPACT ON THE LONG TERM FINANCIAL PLAN OF THE INFRASTRUCTURE LEVY AND HOW IT LINKS WITH THE GOAL OF THE APPLICATION**

As outlined within this application, the key focus is ensuring that future asset renewal funding levels meet the funding shortfalls identified in respect to Asset Management Plans and to meet community needs and expectations.

As shown in the Council’s audited financial statements for 2013/2014, its “specific” financial indicators are very strong however it is the asset related items which fail to meet recommended benchmarks.

The impact on these important Financial Indicators is quite marked, as outlined in the Long Term Financial Plan on Page 20 and as summarised below.

* Building and Infrastructure Renewal Ratio improves in the last year of the application by 85% ie 21/22 with the Base Case at 48%, Sustainable Case at 89%.
* Infrastructure Backlog Ratio sits at 0.08 in 21/22 in the Base Case and is eliminated in the Sustainable Case. This improvement is based on the impact of the additional asset funding and the impetus it will provide in the prioritisation of core infrastructure renewal spending over the period, in that asset funding will shift from being driven by budget parameters to being a driving force.
* Capital Expenditure Ratio sits at 0.85% in 21/22 in the Base Case and improves by 55% to 1.32% in the Sustainable Case.

In summary, the Community will receive a twofold benefit in that its physical infrastructure assets will continue to improve in condition over time which may see a flow on improvement in property values together with the improvement in its asset related financial indicators.

## 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.

Willoughby Council is well managed financially and effective 30 June 2014 reported an Operating Surplus before Capital Grants and Contributions of $15.175M (although when eliminating a Fair Value increment on Investment Properties of $2.181M together with a one off payment from the RMS of $10.829M for a compulsory land acquisition), the “real” figure approximated $2.165M.

It recorded Cash & Investments in excess of $70M and a Working Fund Surplus of $1.790M,

Its Key Financial Indicators were strong in all areas excluding:

* Building & Infrastructure Renewals
* Infrastructure Backlog
* Asset Maintenance Ratio

Willoughby’s Base Case Long Term Financial Plan (LTFP) predicts a number of conservative operating surplus results prior to 2020/21 when a negative trend is recorded post that time. Its Own Source Revenue Ratio is very positive, together with its other pure “Financial” Indicators.

Post 2014/2015 it fails the test on all Asset related indicators & hence this forms the basis for this SRV application.

Council’s Auditor’s, PWC, described Council’s financial position at 30 June 2014 as “sound and stable”.

The TCORP Financial Assessment Report dated 2/10/12 stated:

*The Council had been well managed over the review period based on the following observations which included:*

*\*Own Source Revenue has been consistently above benchmark each year*

*\*Council has a strong understanding of debt management and tailoring debt products to match their financial needs*

*\*Council has shown a forward thinking approach to capital expenditure by combining new assets with revenue generating opportunities as evidenced by their work on the works depot and art studio*

*\*Council’s key financial performance indicators have all been above or near benchmark over the last 3 years.*

Amongst its conclusions and recommendations on page 31, the TCORP Report suggested, “***Council has acknowledged that their asset base is unsustainable under the current funding model. Council should seek further revenue sources or cost efficiencies to reduce or eliminate the forecast asset renewal funding gap”.***

This application addresses this very point, a combination of new/expanded revenue sources, “moderate” additional rate income and savings projected from an external consultant working with Council on the Better Services Program.

## 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).

Council’s Long Term Financial Plan submitted as part of the application sets out the impact of the success of the special variation application on a suite of Financial Indicators as opposed to those as set down in the Base Case (Business As Usual) on page 20.

Note 13 within Council’s 2013/2014 Audited Financial Accounts provides a very positive profile of the Council’s financial benchmarks at 30 June 2014 (with all but one indicator improving on the prior year).

Special Schedule 7 however shows the Infrastructure Backlog and Asset Maintenance ratio’s both falling as a comparison.

**Long Term Financial Plan:**

As shown on page 20, the following Financial Indicators are projected to improve over the 7 year period of a successful special variation application:

**Operating Performance Ratio:**

2014/2015 (5.93%)\*

2015/2016 0.88%

2021/2022 1.81%

*\* Negatively impacted by carry over funds (revotes) from 2013/2014 totalling $4.485M*

**Own Source Operating Revenue Ratio:**

2014/2015 89.37%

2021/2022 93.33%

**Building & Infrastructure Renewal Ratio**

2014/2015 114%\*

2015/2016 78%

2021/2022 89%

*\* Positively impacted by carry over funds (revotes) from 2013/2014 totalling $5.452M*

**Infrastructure Backlog Ratio**

2014/2015 0.063

2021/2022 .0.01

**Asset Maintenance Ratio**

2014/2015 0.63

2021/2022 0.72

**Capital Expenditure Ratio**

2014/2015 1.92\*

2015/2016 1.17

2021/2022 1.32

*\* Positively impacted by carry over funds (revotes) from 2013/2014 totalling $5.452M*

**Rates, Annual Charges, Extra Charges O/S**

Estimated to remain at greater than 98% collection under both Base & Sustainable Cases.

UCR & Cash Expense Cover Ratios although both meeting required benchmarks trend lower than the Base Case as the Sustainable Case shows Council allocating more to Asset renewal funding requirements that is covered by:

* Rate Increase
* Increased Revenues
* Savings

The trade-off is obviously the improvement in Asset Condition of the Infrastructure Stock.

**Broad Liabilities Ratio**

2014/2015 0.85%

2021/2022 0.37%

## 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).

Council is not seeking funding for contribution plan costs above the development contributions cap.

# 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.

Council conducted an extensive community consultation program in relation to community assets, expected levels of service, a Special Rate Variation and ultimately an Infrastructure Levy over a two year period. During this time Council staff investigated and carried out consultation in a number of formats including a random telephone survey, online surveys, discussion forums and Q & A sessions, a citizens’ panel, information stalls, social media activities as well as traditional forms of engagement.

Full details of Council’s consultation strategy are attached in two Council reports:

1. Council Report – Special Rate Variation Community Consultation Summary –
24 February 2014 (Attachment 6c)
2. Council Report – Infrastructure Levy Community Consultation Summary –
3 November 2014 (Attachment 6b)

An early ‘Asset Planning Funding’ consultation plan is also provided (Additional Attachment 2). This document was used as a guide at the start of the consultation process and was adapted and built upon as the consultation progressed.

The following attachments provide evidence of the range of methods used to inform and engage the community:

* Attachment 5b – Infrastructure Levy Brochure mailed to all ratepayers and distributed throughout the city
* Attachment 5c – Special Rate Variation Brochure (2014/15) mailed to all ratepayers and distributed throughout the city
* Attachments 5d,e,f – Three letters from the General Manager which were sent to all ratepayers
* Attachment 5g – Evidence of a high degree of coverage in the North Shore Times newspaper on the proposed SRV and Infrastructure Levy. This includes public notices, editorial articles and community feedback.
* Attachments 5h,i – Media Releases

In addition to the engagement activities listed above, Council also undertook a deliberative approach to consultation in the form of the *Willoughby Citizens’ Panel.*

Details of the Citizens’ Panel consultation can be found in the following attachments:

* Additional Attachment 3 – Citizens Panel – Infrastructure Levy Consultation Summary
* Additional Attachment 4 – Citizens Panel Report – Eye to the Future (This report was presented to Council by the Citizens’ Panel)
* Additional Attachment 5 – Asset Renewal Thresholds and Community Feedback

Council’s Delivery Program and Long Term Financial Plan were both updated to explain the proposed rate rises under the special variation. The documents (Attachments 2 and 3a) were placed on public exhibition and adopted by Council on 2 February 2015 (Attachment 9). An excerpt from the Community Strategic Plan which outlines approach to asset management (Attachment 1) as well as the updated Delivery Program (Additional Attachment 6) are included as part of this application.

An extract from Council’s Asset Management Policy and Improvement Strategy (Additional Attachment 10) references the need to apply for a special variation to address Council’s infrastructure backlog.

## 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.

A summary of responses and community feedback is provided in the attached documents:

1. Council Report – Special Rate Variation Community Consultation Summary – 24 February 2014 (Attachment 6c)
2. Council Report – Infrastructure Levy Community Consultation Summary – 3 November 2014 (Attachment 6b)

In addition, the following documents which provide further detail on community feedback are attached:

1. IRIS Research Telephone Survey Results (Attachment 6a)
2. Online submissions received through Have Your Say Willoughby on a Special Rate Variation 2014/15 (Attachment 6f)
3. Online submissions received through Have Your Say Willoughby on an Infrastructure Levy 2015/16 (Attachment 6e)
4. Online Activity Report – Infrastructure Levy (Attachment 6d)

Councillors were provided with a hard copy of all submissions received by mail, email and online at the conclusion of the consultation period for both the proposed Special Rate Variation and the Infrastructure Levy. These submissions can be provided to IPART if required.

A document outlining Frequently Asked Questions (Additional Attachment 7) which provides answers to commonly raised issues was made available through the online site *Have Your Say Willoughby*.

Throughout the consultation there appeared to be two issues which were of common concern for residents, Council spending on the construction of The Concourse performing arts centre, and also the impact a rate increase would have on pensioners and those experiencing difficulty to pay their rates.

Council’s response to these concerns is outlined below:

**The Concourse**

Funding for The Concourse was designed to have no impact on residential rates. In 2004, Council received approval for a 10 per cent special rate variation for CBD business rates - given the increase in commercial activity in the Chatswood CBD generated by the construction and opening of The Concourse. The construction of The Concourse was funded from existing Council reserves, property and car park sales, long term leases, Section 94 contributions, grants and loans. The loans are serviced by a $1 million debt servicing provision and $505,000 from parking control Council set aside as part of The Concourse funding plan, $613,000 in CBD rates as well as Section 94 contributions and operating surplus. All ongoing costs including maintenance are paid for with income generated by retail and commercial rent for premises on site at The Concourse. The proposed SRV application will not be used to pay for costs associated with The Concourse.

**Hardship Policy (Attachment 7)**

Willoughby City Council adopted an updated Hardship Policy in November 2013. The purpose of the policy is for Willoughby City Council to provide a statement on its commitment in preventing financial hardship to ratepayers in the payment of annual rates and charges. The objective of the policy is to:

* Be sympathetic and provide financial assistance to ratepayers who are experiencing genuine financial hardship with the payment of their annual rates and charges.
* Provide a decision making framework for the appropriate assessment of financial hardship applications.
* Fulfil the statutory requirements of the Local Government Act with respect to the recovery of rates debts.

This policy recognises that ratepayers may at times encounter difficulty in the payment of rates and charges. The Local Government Act, 1993, allows Council to provide assistance to those ratepayers under Act. Application for hardship must be made on the appropriate form which is available from Council’s website www.willoughby.nsw.gov.au. Hardship applications under this section are generally only for exceptional circumstances and are limited to residential properties.

**Eligible Pensioners**

Council has the ability to extend the pensioner concession, to an individual eligible pensioner, in order to avoid hardship, where it is satisfied that the person has paid or is likely to pay the whole of a rate or charge. Council may approve a full or partial extension of the rebate.

Council also commissioned an independent report from the Western Research Institute (Additional Attachment 1) which outlines the community’s capacity to pay for a special rate variation.

# 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.

**Impact on Ratepayers**

Willoughby City Council intends to retain the current rating structure as set out in the worksheets in Part A of this application.

The current structure includes a residential category, a general business category, a Chatswood Town Centre business sub category, two major retail business sub categories for our two large retail centres (Chatswood Chase and Chatswood Westfield) and a Strata Storage business sub category. Minimum rates apply to all categories and sub categories.

It is proposed that the minimum rate will increase with the special variation percentage.

The following table provides a snapshot of the impact of the proposed SRV over the next two years.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **2014/2015** | **2015/2016** | **Increase** | **2016/2017** | **Increase** |
| **Residential** |  |  |  |  |  |  |
| Minimum | Proposed SRV | $718.35 | $767.90 | $49.55 | $803.25 | $35.35 |
| Minimum | Rate peg only | $718.35 | $735.60 | $17.25 | $754.75 | $19.15 |
| Average | Proposed SRV | $887.50 | $949.13 | $61.63 | $992.79 | $43.66 |
| Average | Rate peg only | $887.50 | $909.10 | $21.60 | $932.73 | $23.63 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **2014/2015** | **2015/2016** | **Increase** | **2016/2017** | **Increase** |
| **Business** |  |  |  |  |  |  |
| Minimum | Proposed SRV | $1,025.85 | $1,096.65 | $70.80 | $1,147.10 | $50.45 |
| Minimum | Rate peg only | $1,025.85 | $1,050.45 | $24.60 | $1,077.80 | $27.35 |
| Average | Proposed SRV | $5,512.00 | $5,893.25 | $381.25 | $6,164.34 | $271.09 |
| Average | Rate peg only | $5,512.00 | $5,644.64 | $132.64 | $5,791.40 | $146.76 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **2014/2015** | **2015/2016** | **Increase** | **2016/2017** | **Increase** |
| **CTC** |   |   |   |   |   |   |
| Minimum | Proposed SRV | $1,091.05 | $1,166.35 | $75.30 | $1,220.00 | $53.65 |
| Minimum | Rate peg only | $1,091.05 | $1,117.25 | $26.20 | $1,146.30 | $29.05 |
| Average | Proposed SRV | $6,458.00 | $6,904.87 | $446.87 | $7,222.49 | $317.62 |
| Average | Rate peg only | $6,458.00 | $6,613.58 | $155.58 | $6,785.53 | $171.95 |

**Footnote – rate calculations without SRV in this application have not taken into account Council’s small catch up**

The impact for ratepayers paying the residential minimum rate under the SRV will be a $49.55 increase in 2015/2016 and $35.35 in 2016/2017 compared to $17.25 and $19.15 with only the rate peg. The increase above the rate peg for 2015/2016 and 2016/2017 is $32.30 and $16.20 respectively. Approximately 60% of residential ratepayers pay the minimum rate.

The impact for ratepayers paying the average residential rate under the SRV will be a $61.63 increase in 2015/2016 and $43.66 in 2016/2017 compared to $21.60 and $23.63 with only the rate peg. The increase above the rate peg for 2015/2016 and 2016/2017 is $40.03 and $20.03 respectively.

The impact for ratepayers paying the business minimum rate under the SRV will be a $70.80 increase in 2015/2016 and $50.45 in 2016/2017 compared to $24.60 and $27.35 with only the rate peg. The increase above the rate peg for 2015/2016 and 2016/2017 is $46.20 and $23.10 respectively.

The impact for ratepayers paying the average business rate under the SRV will be a $381.25 increase in 2015/2016 and $271.09 in 2016/2017 compared to $132.64 and $146.76 with only the rate peg. The increase above the rate peg for 2015/2016 and 2016/2017 is $248.61 and $124.33 respectively.

The impact for ratepayers paying the Chatswood Town Centre (CTC) minimum rate under the SRV will be a $75.30 increase in 2015/2016 and $53.65 in 2016/2017 compared to $26.20 and $29.05 with only the rate peg. The increase above the rate peg for 2015/2016 and 2016/2017 is $49.10 and $24.60 respectively.

The impact for ratepayers paying the average Chatswood Town Centre (CTC) rate under the SRV will be a $446.87 increase in 2015/2016 and $317.62 in 2016/2017 compared to $155.58 and $171.95 with only the rate peg. The increase above the rate peg for 2015/2016 and 2016/2017 is $291.29 and $145.67 respectively.

**Pensioners**

In 2012/2013, Council introduced a separate Domestic Waste Management (DWM) charge for all pensioners. The Pensioner Domestic Waste Management (PDWM) charge is currently set at $100.00 below the standard DWM fee. Council has approximately 2,200 pension rate accounts.

Council also provides a separate Domestic Waste Management charge for qualifying Self-Funded retirees. To qualify for the separate DWM charge, the applicant must own the property, have lived within the Willoughby City Council area for the past 15 years, reside in the property as the sole or principal place of abode, be aged 70 years or older and hold a current Commonwealth Seniors Health Card as at 1st July of the current rating year. Council has approximately 400 self-funded retiree rate accounts. The Self-Funded Retiree Domestic Waste Management (SFRDWM) charge is currently set at $100 below the standard DWM charge.

Council proposes to provide a further $25.00 in assistance to pensioners and self-funded retirees as part of the current proposal. The PDWM and SFRDWM fee is proposed to be set at $125.00 less than the standard DWM fee. The impact to the remaining ratepayers will be approximately $2.50 per assessment per annum.

In the proposed rating structure, Council will provide $375.00 in assistance to pensioners.

The following table compares proposed residential rates for pensioners over a range of land values for the next two years. The table includes Domestic Waste Charges and Stormwater Management Charges as the pension rebate reduction is apportioned across rates and domestic waste. The table includes the proposed $25.00 increased DWM assistance to pensioners for the SRV. The $25.00 reduces the impact of the SRV, particularly in 2015/2016.

|  |
| --- |
| **Impact of SRV on Pensioners** |
| **Land Value** | **2014/2015** | **2015/2016** | **2015/2016** | **2016/2017** | **2016/2017** | **Difference****Over 2 years\***  |
|   |   | SRV | Rate Peg | SRV | Rate Peg |  |
| Minimum | $885.85 | $910.42 | $903.09 | $945.74 | $922.22 | $23.52 |
| 700,000 | $998.00 | $1,029.44 | $1,017.63 | $1,069.67 | $1,039.41 | $30.26 |
| Average | $1,067.50 | $1,103.74 | $1,088.80 | $1,147.38 | $1,112.43 | $34.95 |
| 900,000  | $1,232.00 | $1,279.59 | $1,257.25 | $1,332.32 | $1,285.26 | $47.06 |
| 1,000,000  | $1,348.00 | $1,403.59 | $1,376.03 | $1,461.03 | $1,407.13 | $53.90 |
| 1,100,000  | $1,465.00 | $1,528.67 | $1,496.84 | $1,591.85 | $1,531.05 | $60.80 |

* The above table reflects the difference on rates between 2014/2015 and 2016/2017 between the SRV and Rate Peg increases

The impact for pensioners paying the residential minimum rate under the SRV will be a $24.57 increase in 2015/2016 and $35.32 in 2016/2017 compared to $17.24 and $19.13 with only the rate peg. The increase above the rate peg for 2015/2016 and 2016/2017 is $7.33 and $16.19 respectively. Approximately 51% of pensioners pay the minimum rate.

The impact for pensioners paying the average residential rate under the SRV will be a $36.24 increase in 2015/2016 and $43.64 in 2016/2017 compared to $21.30 and $23.63 with only the rate peg. The increase above the rate peg for 2015/2016 and 2016/2017 is $14.94 and $20.01 respectively.

### Minimum Rates

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

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

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

The rate peg percentage

The special variation percentage YES

Another amount [ ]  Indicate this amount \_\_\_\_\_\_\_\_\_\_\_\_\_

What will the residential minimum rate be after the increase? $767.90 in 15/16 ($49.55 increase) and $803.25 in 16/17 (a $35.35 increase on 15/16).

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. (See Table)

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.

**Proportion of ratepayers on the minimum rate**

Council is aware of the requirements of the Act in regard to minimum rates; however, Council feels that the limitations of the Act and regulations can inhibit fair and equitable methods of rating. Council has already demonstrated that Base Rating does not work in high rise development areas.

Considering the high number of strata units (office and residential) already within the City area coupled with the NSW Government’s Metropolitan Strategy for the inner north where Willoughby City Council is required to provide an additional 6,800 dwellings by 2031, it is inevitable that Council’s minimum rates will account for more than 50% of the residential ratepayers.

Council is of the opinion that Sutton v Blue Mountains CC (1977) 40 LGRA 51 is of limited relevance given difference in the density, housing make up and rating structure of the two Councils. Council is confident that the proposed SRV within the current rating structure is fair and equitable for the ratepayers of Council.

**Steps that have been taken** **to distribute the rate burden equitably**

Council has been proactive in ensuring that rating within Willoughby City is fair and equitable within the confines of the Local Government Act and Regulations.

In 2008/2009 Council introduced rating sub-categories for our large retail developments at Chatswood Chase and Westfield to avoid possible large fluctuations in rates payable as a result of revaluations. Large variations in valuation increases compared to properties in the Chatswood Town Centre would cause inequity in future rate levies within the City area. The sub-categories alleviate the possibility of any rating disadvantage to Chatswood Chase, Westfield and the Chatswood Town Centre sub categories.

In 2009/2010 Council introduced a Strata Storage Rating category to reduce the burden on ratepayers who invested in strata storage units. Under Council’s rate structure the storage units were subject to the minimum business rate. Introducing the new category enabled Council to levy a lower rate on these properties.

In 2012/2013, Council’s application to IPART to increase the minimum rates by 20% above the rate pegging limit was approved. Council’s income was not increased but rather the rate amount payable was redistributed amongst ratepayers to create a more equitable rating structure.

## 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.

The Council has taken a number of steps in assessing its community’s capacity and willingness to pay the proposed rate increase.

1. **EXTERNAL CONSULTANT**

During the community consultation process in 2013, Council staff developed 2 options for potential rate variations to fund the asset renewal gap as follows:

Option 1 – an increase of 2.3% in 2014/2015 and by 3% over 2015/2016 -2018/2019 (a cumulative increase of 15.14% over 5 years)

Option 2 – an increase of 8.3% in 2014/2015, 5.5% in 2015/2016 and by 5% between 2016/2017-2018/2019 (a cumulative increase of 32.27% over 5 years)

Council engaged Western Research Institute Limited to assess the impact of the proposed rate increases, with a final report (Additional Attachment 1) received by Council on 5 February 2014, advising that both Options were affordable for both residential ratepayers and businesses.

This application prepared for IPART is calculated on a 27.14% cumulative increase over 7 years. This proposed % increase is set between the rating parameters set out in Options 1 and 2 above and also conforms with the concepts of affordability and capacity to pay.

Western Research Institute asked the following questions:

* *Is the proposed rate increase comparable to other price and cost increases in Willoughby LGA?*
* *What is the impact of the proposed rates increase on household expenditure and business viability?*
* *What is the impact of the proposed rates increase on Willoughby LGA’s ranking relative to its peers in terms of personal income and socio-economic indicators?*

Whilst the Report itself provides detailed analysis of the impact on both of the proposed rate “variations” against key household and LGA financial indexes, there are some common themes to be highlighted.

The Executive Summary suggests that for both Options:

\*”Overall household expenditure will not be unduly compromised”

\*”insignificant impact on business viability”

Under Option 2 it states:

“Despite relatively high residential rates/household expenditure ratios for some household groups, the proposed rate increases are not expected to impose a significant burden on households, as they will change household expenditure on rates by less than one percentage point (for all households)”.

“For businesses, the proposed rate increases will leave rates as a proportion of business value added below 1%”.

It also states “that under both rate increase options, Willoughby residential rates will be below neighbouring LGA levels in 2018/2019 and Business rates will be below rates in neighbouring LGAs.”

Importantly, in relation to the analysis of reasonableness, the following comments are drawn from the Report:

“The rate increases proposed under both rates increase options pass reasonableness tests in terms of its impact on households and the financial bottom line of business”.

“The reasonableness tests are passed when comparing Willoughby residential rates with respective LGA’s rates”.

“The reasonableness test is partially passed in terms of comparing Willoughby business rates with peers’ rates”.

1. **AVERAGE RESIDENTIAL RATES (ARR) COMPARISON 2012/2013**

The following information comparing how Willoughby’s average residential rates for 2012/2013 compares with its neighbours has been extracted from the 2012/2013 Comparative Data Publication from The Office of Local Government:

Hornsby $999.74

Hunters Hill $1,379.15

Ku-Ring-Gai $600.28

Lane Cove $1,130.89

Mosman $1,181.45

North Sydney $513.40

Ryde $645.62

Willoughby $828.97

It should be noted that Willoughby sat below the $909.93 average.

1. **RATES, ANNUAL CHARGES, INTEREST AND EXTRA CHARGES OUTSTANDING PERCENTAGE**

A review of Note 13 within Council’s 2013/2014 Annual Financial Statements reveals that the Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage for the last 3 years is:

2012 2.77%

2013 2.04%

2014 1.43%

This suggests than on average Council has collected 97.92% of its collectibles which strengthens the capacity to pay argument.

1. **CITIZEN PANEL REPORT “An Eye to the Future”**

Community panel’s comments:

“The consensus was that there is an appetite to “pay” for the benefit of living in Willoughby City”.

“The Panel would not be averse to a sustainable rates increase based on the community’s ability to pay, given the WCC rates are low compared to other areas on the North Shore. However, this should be measured against the findings of the Panel expectations on Council’s maintenance of assets (as in some areas the Panel’s expectations were below that of Council)”.

In summary it is considered that Council has adequately assessed the concepts of affordability, capacity and willingness to pay as outlined above.

## 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 X | No [ ]  |

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).

**Hardship Policy**

Council’s Hardship Policy is available on Council’s website and can be found as Attachment 7.

**Additional Hardship**

Council is always willing to provide assistance to ratepayers if they experience difficulty in meeting their rate payments. On the back of Council’s rate, instalment and overdue notice, ratepayers experiencing difficulty in meeting their payments are advised to contact Council’s Rates Department to discuss alternative arrangements. Our legal action warning letters also advise ratepayers to contact Council to make an arrangement to pay.

Council currently has approximately fifty ratepayers on a periodical rate payment arrangement. Council has not had any application for hardship since the policy was adopted in November 2013. Council does have two pensioner assessments deferring their rates.

# 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)

As part of an in-depth and extensive consultation on Willoughby’s Community Strategic Plan, the Willoughby City Strategy, stakeholders outlined the vision for the future of Willoughby. As part of this exercise, community members, Councillors and staff identified their priorities for the City including general observations about the levels of service expected from Council. This engagement process shaped the Willoughby City Strategy and formed the basis to continue more specific engagement around Council’s assets and the associated expected levels of service from the community.

While the Willoughby City Strategy outlines the vision for Willoughby and the Delivery Program details how Council will attain this vision, Council’s Resourcing Strategy provides detailed information which identifies potential shortfalls in funding to maintain assets over the long term and provides a framework to address gaps. Council officers continue to update and maintain the Asset Management Policy and Plans, the Long Term Financial Plan and the Workforce Plan to ensure Council is placed in the best position going forward. As such there have been a number of iterations of these documents in preparation for applying for a Special Rate Variation.

Council’s Community Strategic Plan was adopted on 27 May 2013 (Additional Attachment 8) following public exhibition from 3 April 2013 – 3 May 2013.

Council’s Delivery Program, including the Operational Plan, plus the Long Term Financial Plan, was adopted (Attachment 12) on 2 February 2015 following public exhibition from 10 December 2014 to 16 January 2015.

Council’s Asset Management Policy, Improvement Strategy and Plans were adopted on 21 July 2014.

# 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.

Willoughby Council is a leader in the Local Government industry and is consistently reviewing its budgets and programs for improvement in productivity and cost containment strategies.

A review of the “Fit for the Future” Real Operating Expenditure per Capita benchmark result over the past 5 years is reflective of the strategies that have been put in place:

2009/2010 1.10

2010/2011 1.17

2011/2012 1.23

2012/2013 1.16

2013/2014 1.12

A reduction in this indicator between 2011/2012 and 2013/2014 of 8.9% highlights this strategy.

Council is committed to striving towards sustainability, by providing leadership and working with the community to foster a vision of Willoughby becoming a sustainable city. This commitment is reflected in the Willoughby City Strategy which is underpinned by the principles of sustainability and the Sustainability Action Plan which guides the work undertaken with e.restore funding. As set out in the 2013/2014 Annual Report, the Sustainable Action Plan Report Card provides numerous indicators of efficiencies that have resulted in financial savings to Council:

* Numerous sustainable works projects on Council buildings contributed to electricity consumption reductions saving Council over $30K in 2013/2014 (factored into Council’s Long Term Financial Plan)
* The Chatswood Solar Farm now has 166kw installed and provides clean electricity to both the Devonshire Street Childcare Centre and the Dougherty Community Centre. In 2013/2014 the solar farm produced 231,723kWh which is the equivalent of supplying 100% solar power to 28 Willoughby homes for a whole year. It also saved around 250 tonnes of greenhouse gas emissions and close to a saving of $60K in electricity costs (factored into the Council’s Long Term Financial Plan).

In addition to the above, a review of staffing requirements over the last 12-18 months has seen a conservative saving to Council of $350K per annum and the new Domestic Waste Service Collection contract costs Council approximately $500K less per annum in 2013/2014 than it did in 2010/2011.

Productivity improvements and sustainable business models have been implemented at a number of recreation and sporting facilities within the Willoughby LGA. Council’s approach has been to consider opportunities to reduce the cost to it for that facility and identify possible income streams and future prospects. Examples include:

* The Willis Recreation and Sports Centre - Council facility. Prior to 2013, the site was managed and operated by a tennis club with a lease. The facility had not been adequately maintained and no capital works had been completed in the proceeding 10 years. Council subsequently changed the business model and resumed responsibility for the overall management of the site. The resultant action was an operating profit to Council of in excess of $250K in 2013/2014.
* Cleland Park Tennis Courts – Council facility. Before 2014 the site was operated and managed by two tennis clubs with a lease. The facility’s access to the wider community was poor and capital works were not being addressed. Council changed the business model and assumed responsibility for the overall management with licence agreements for the tennis clubs access and a professional tennis organisation to run programs. The forecasted operating profit in 2014/2015 is $50K.
* Northbridge Baths lease was discontinued with a cost saving to Council of $20K per annum. The facility is now free and open to all of the community to access and use.

Council is also heavily involved with the Northern Sydney Regional Organisation of Councils (NSROC) and, in more recent times, the Shore Regional Organisation of Councils (SHOROC), whereby joint purchasing power across its neighbouring Councils has been utilised to gain market benefit in areas such as External and Internal Audit, Cash Collection and Road Resealing.

In 2012/2013, Council took advantage of the State Government’s offer of subsidised Infrastructure borrowing when it made application for a $2M loan to undertake Stormwater Works under the Local Infrastructure Renewal Scheme and which will save Council $446K in interest payments over 10 years.

As detailed above, Council is currently undertaking a Service Review and where anticipated savings in 2015/2016 of $500K and a recurrent $1M each year following, have been factored into its financial model.

Council’s IT Manager has recently advised that Council’s telephony contract has been upgraded with a saving to Council of $55K per annum from January 2015 onward.

Other significant income streams surplus to amounts budgeted for within the previous Long Term Financial Plan have been identified by staff. The total anticipated to be received over the next 7 years, which has been used to reduce the impact on the proposed rate increase, is:

Bus Shelters $5.564M

Parking In CBD $1.4M

Car Parks $865K

Council has also recently awarded a tender for the replacement of an existing child care centre that had reached the end of its useful life. The tender includes the demolition of the existing centre (a former residence), the construction of a purpose build centre catering for double the number of children, and in excess of $300K in annual income, indexed over 30 years. These monies will be set aside for future spending on additional childcare services. This further amplifies the work being undertaken by Council to provide benefit to its community.

# 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)  | Y |
| Part B Application form (Word document) – this document | Y |
| Attachment 1: Relevant extracts from the Community Strategic Plan | Y |
| Attachment 2: Delivery Program | Y |
| Attachment 3: Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format  | Y |
| Attachment 4: TCorp report on financial sustainability | Y |
| Attachment 5: Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation | Y |
| Attachment 6: Community feedback (including surveys and results if applicable) | Y |
| Attachment 7: Hardship Policy | Y |
| Attachment 8: Resolution to apply for the special variation | Y |
| Attachment 9: Certification | Y |
| **Other Attachments** |  |
| Attachment 10: Relevant extracts from the Asset Management Plan  | Y |
| Attachment 11: Past Instruments of Approval (if applicable) | N |
| Attachment 12: Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program | Y |
|  |  |

Additional Attachment 1: WRI Consultant Report Y

Additional Attachment 2: Asset Planning & Funding-Community Action Plan Y

Additional Attachment 3: Asset Thresholds & Community Feedback Y

Additional Attachment 4: Eye to the Future-Citizens Panel Submission Y

Additional Attachment 5: Council Report 4/11/13 Asset Renewal Thresholds Y

Additional Attachment 6: Revised Delivery Program Document-Rate Peg 2.4% Y

Additional Attachment 7: FAQ’s Y

Additional Attachment 8: Council Resolution 27/5/13 City Strategy Y

Additional Attachment 9: Council Resolution Asset Management Policy adoption Y

Additional Attachment 10: Examples of Works to be undertaken with funds Y

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

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

Name of council:

**Willoughby City Council**

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

**General Manager: Debra Just**

Signature and Date:

**Responsible Accounting Officer: Tony Pizzuto**

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)