|  |
| --- |
| Special Variation Application Form – Part BCouncil application for 2015/16 |
| Insert Name of Council: Mosman CouncilDate Submitted to IPART: 16 February 2015Council Contact Person: Diane LawrenceCouncil Contact Phone: 02 9978 4008Council Contact Email: d.lawrence@mosman.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 K35, Haymarket Post Shop NSW 1230

Level 15, 2-24 Rawson Place, 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

((Refer Attachments 5a, 5b, 6, 8a, 8b, 13)

2.3 Capital expenditure review 5

3 Assessment Criterion 1: Need for the variation 6

3.1 Case for special variation - community need 7

(Refer Attachments 2, 3a, 3b, 5a, 5b, 6, 10a-10e, 14, 15)

3.2 Financial sustainability 17

3.3 Financial indicators 21

3.4 Contribution plan costs above the cap 27

4 Assessment criterion 2: Community awareness and engagement 28

4.1 The consultation strategy 30

(Refer Attachments 2, 3a, 5a, 5b, 6, 10, 13)

4.2 Feedback from the community consultations 34

(Refer Attachment 6)

5 Assessment criterion 3: Impact on ratepayers 35

5.1 Impact on rates 35

5.2 Consideration of affordability and the community’s capacity and willingness to pay 37

(Refer Attachments 3a, 5b, 7)

5.3 Addressing hardship 42

(Refer Attachment 7)

6 Assessment criterion 4: Public exhibition of relevant IP&R documents 43

(Refer Attachments 2, 3a, 8a)

7 Assessment criterion 5: Productivity improvements and cost containment strategies 47

8 List of attachments 56

Attachment 1 - Extract from Mosman's Community Strategic Plan, MOSPLAN 2013-2023 - illustrating 10 year Strategic Directions and Strategies

(see www.mosman.nsw.gov.au/council/plans/MOSPLAN to access the full document)

Attachment 2 - Revised Delivery Program 2013-2017, as adopted by Council 3 February 2015

Attachment 3a - Long Term Financial Plan 2015-2025 with projected (General Fund) financial statements (Income, Cash Flow and Financial Position)

Attachment 3b - Projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format

Attachment 4 - TCorp report on financial sustainability

Attachment 5a - Media releases, public meeting notices, newspaper articles, advertisements, information brochures and online pages relating to the rate increase and special variation

(see also <http://yourvoicemosman.com.au/building-mosmans-future> for full 'Shaping Mosman's Future' website)

Attachment 5b - Public Information Package relating to the rate increase and special variation

Attachment 6 - Community feedback (including surveys and results if applicable)

Attachment 7 - Hardship Policy

Attachment 8a - Resolution to apply for the special variation (unanimous) - 3 February 2015, including report to Council

Attachment 8b - Resolution to notify intent to apply for a special variation (unanimous) - 2 December 2014, including report to Council

Attachment 9 - Certification

Attachment 10a - Roads Asset Management Plan

 *(note - included as a confidential upload due to portal size restrictions only)*

Attachment 10b - Stormwater Asset Management Plan

 *(note - included as a confidential upload due to portal size restrictions only)*

Attachment 10c - Parks and Open Space Asset Management Plan

 *(note - included as a confidential upload due to portal size restrictions only)*

Attachment 10d - Marine Structures Asset Management Plan

 *(note - included as a confidential upload due to portal size restrictions only)*

Attachment 10e - Buildings Asset Management Plan

 *(note - included as a confidential upload due to portal size restrictions only)*

Attachment 11 - Past Instrument of Approval - Community

Environmental Contract Levy

Attachment 12 - Resolution to adopt the revised 2013-2017 Delivery Program and Long Term Financial Plan 2015-2025 - 3 February 2015

Attachment 13 - Community Environmental Contract Achievements

Attachment 14 - Mosman Community Survey Report 2012

Attachment 15 - Mosman Community Survey Report 2014

9 Certification 59

(Refer Attachment 9)

# 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 K35,
Haymarket Post Shop NSW 1230

Level 15, 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 | X |
| Enhance financial sustainability | X  |
| Environmental services or works | [ ]  |
| Infrastructure maintenance / renewal | X |
| Reduce infrastructure backlogs | X  |
| 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.

Mosman Council is making application for a Special Rate Variation under s508(2) of the *Local Government Act 1993*.

The terms of the application are:

* A one-off, permanent increase in the rate base of 13%, including the rate peg, in 2015-16
* Expiry of the current temporary Community Environmental Contract Levy of 5%
* Special Variation to apply from 1 July 2015
* Additional funding to be used to:
* Address Mosman's current infrastructure backlog, effectively clearing the current $8.6 million backlog over the next 10 years
* Achieve increased service levels and provide a level of asset renewal and maintenance commensurate with community expectations
* Ensure the financial sustainability of Mosman Council in the short, medium and longer term
* Achieve financial results and indicators applicable to a 'Fit for the Future' Council

Without the rate increase proposed through the Special Rate Variation, Mosman Council can expect to be operating in deficit until at least 2024/25, and would need to consider service level reductions contrary to community expectations. The current infrastructure backlog would also continue to increase and is expected to increase to $12 million over the next 10 years.

Council’s consideration of how to best tackle the infrastructure challenge has been impacted particularly by the impending expiry of the 5% Community Environmental Contract levy. Council was originally granted approval for this temporary levy for 12 years in 2000 to undertake environmental infrastructure works and a five year extension was subsequently granted in 2011/12.

Over the life of this levy Council has been able to deliver a significant program of works including installation of stormwater improvement devices, creek reconstructions, seawall improvements, restoration of riparian habitats and conservation of heritage items.  A report on the outcomes achieved through the Community Environmental Contract levy (which was made available during community engagement on the proposed Special Rate Variation) can be found at Attachment 13 to this application. The levy has, as a revenue stream, also benefited Council's annual operating result.

The levy has now been in place for 15 years, and unless further renewed (or otherwise replaced) will expire at the end of 2016/17. The loss of this revenue stream will adversely impact Council's operating result and longer term financial sustainability and, as a consequence, will necessitate a reduction in service levels over time. Council therefore has chosen to pre-empt this expiry and seek a further Special Rate Variation which addresses both financial sustainability and improved service levels.

In reviewing its mid-term financial performance in October 2014, Council gave consideration to:

* the impending expiry of the Community Environmental Contract Levy
* projections of its longer-term financial performance
* community priorities identified through various stages of community engagement between 2012 and 2014
* advances in asset strategy, policy and planning since 2012
* the strategic objectives contained in its Community Strategic Plan (MOSPLAN) and its revised 2013-2017 Delivery Program.

As a consequence of that review Council determined to consult the Mosman community on three rating options, each reflecting the expiry of the temporary Community Environmental Contract levy at the end of 2014/15, with two options also demonstrating the opportunities and impacts associated with a special rate variation from 2015/16 of 8% and 13% respectively.

Extensive consultation materials were subsequently prepared (refer Attachments 5a and 5b), followed by a primary engagement phase of six weeks in October and November 2014 that resulted in 900 submissions to Council. Of the 884 'votes' for a preferred rating option recorded during the engagement period (not all submissions included a definitive 'vote'), 69.35% of respondents indicated their support for a rate increase above the rate peg, with support for a 13% Special Rate Variation marginally above that for both No Special Rate Variation (also assuming expiry of the Community Environmental Contract) and an 8% Special Rate Variation.

Section 4 of this application provides details of the engagement feedback, which is also covered more extensively in Attachment 6.

The results of the above engagement provided Council with further evidence of the community's desire for improved infrastructure, as well as its willingness to fund relevant service level improvements while also improving Council's longer term financial position. Council identified its preferred 13% Special Rate Variation option at its meeting of 2 December 2014 (refer Attachment 8b), after which its draft Long Term Financial Plan 2015-2025 and draft (revised) Delivery Plan were placed on public exhibition for five weeks from 8 December 2014.

This exhibition did not identify any significant shift in community sentiment to that expressed though the October - November 2014 consultation, and at its meeting of 3 February 2015 Council adopted the exhibited documents and resolved to proceed with this application (see Attachment 8a).

## 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? | 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.

**Community Needs and Desires - Service Delivery**

In 2012 and 2014 Council commissioned biennial Community Surveys to gauge the views of residents on local services, facilities and other issues. These surveys were conducted by telephone and involved 400 randomly-selected residents. The results of these surveys (see Attachments 14 and 15) demonstrated that infrastructure improvements, particularly in relation to roads, footpaths, car parking and public spaces required further attention from Council.

The 2012 Community Survey also formed part of a much more extensive period of community consultation undertaken during 2012 and 2013 as part of the development of Mosman's current Community Strategic Plan, MOSPLAN 2013-2023. As well as the survey, this engagement included an engagement panel of randomly selected residents, focus groups, community questionnaires, a postcard feedback project for primary and secondary school students, website and media promotion, information stalls and vox pops and articles in Council's quarterly newsletter to residents. This extended period of community engagement culminated in Council's adoption of its Community Strategic Plan, MOSPLAN 2013-2023, in June 2013. MOSPLAN includes the following 10 year Strategic Directions and Strategies of relevance to Council's subsequent decision to pursue further opportunities to improve its performance in asset management and financial sustainability:

**Governance and Risk: An organisation that is well governed, accountable and managed in a way that is responsible, sustainable and attuned to the needs of the community, elected members and staff**

* *Support the ongoing financial sustainability of Mosman Council by applying sound financial planning, principles and practices*
* *Sustainably manage local infrastructure through strategic asset planning and management*

**Built Environment: A unique urban environment that is maintained and protected through strong planning and regulatory practice, an appreciation of Mosman’s heritage and a commitment to high quality infrastructure and development**

* *Provide, maintain and sustainably manage Mosman’s public infrastructure including roads, footpaths, drainage and marine structures*

**Community Spaces: Public spaces and places that anticipate and respond to community needs, that promote opportunities to connect and that complement other local services and facilities**

* *Manage parklands, sporting fields and recreational facilities in a manner that is well maintained, well equipped and encourages healthy lifestyles*
* *Provide and maintain community buildings and facilities that are accessible, functional, fit-for-purpose and responsive to changing demographics and lifestyles*
* *Deliver civic and public spaces that promote community connections, complement Mosman’s character, foster vitality in local business precincts and incorporate safe, accessible, functional and well-designed facilities*

**Traffic and Transport: Transport infrastructure and services that are safe, efficient, provide Mosman-friendly solutions, and promote access and mobility.**

The 2013-2017 Delivery Program also adopted in June 2013 contained the following specific Key Initiative that pre-empted Council's formal consideration of the Special Rate Variation now proposed:

*"Prepare a case for conversion of the Community Environmental Contract to an Infrastructure Levy" (2014/15).*

In August 2013 Council also adopted a new Asset Management Policy and Strategy, together with Asset Management Plans that were progressively developed (with the assistance of external consultants) in 2012 and 2013 for buildings, roads and footpaths, parks and open space, marine structures and stormwater drainage. The asset management plans for each class of asset include required maintenance and renewal funding levels to ensure these assets are kept at a satisfactory standard and also include 10 year work plans.

The Asset Management Plans (refer Attachments 10a - 10e) contain a sound analysis of works required to address the infrastructure backlog and provide the means to sustainably manage Council’s total infrastructure portfolio valued at more than $450 million. Without an additional injection of funding, however, implementation of the Asset Management Plans will not be at a pace that adequately addresses the infrastructure backlog.

To put the content of these Plans into context, Council is currently responsible for managing over $463 million (written down value) worth of public assets including roads, parks and open space, buildings, stormwater drainage and marine structures. Some examples of the nature and scale of assets include:

* 90 km or 1,486,179 sqm of road pavement
* 14 at-grade and 2 multi-storey car parks
* 1,133 retaining structures
* 15 playgrounds
* 32 parks and reserves covering 172,383 sqm
* 22 bushland areas covering 313,917 sqm
* 62 km of stormwater drainage pipes
* 38 stormwater quality improvement devices
* 1 indoor swim centre, 2 harbour baths, 3 jetties and 1 natural ‘pool’ .

As part of the development of its Asset Management Plans, an Asset Management Reference Group comprising Council representatives and members of the local community assisted in the determination of appropriate “levels of service” in regard to the condition of Mosman’s assets. These standards, which were also reviewed by Council's Audit Committee, have been adopted across Council’s Asset Management Plans, with each plan defining appropriate condition intervention levels.

In addition to the community engagement referred to above, community consultation undertaken in October - November 2014 (specifically concerning rating options and outlined in detail elsewhere in this submission) further established the community's priority for improved infrastructure and subsequently its willingness to fund relevant service level improvements while also improving Council's longer term financial position. See section 4, and Attachments 5a, 5b and 6 for detail on this engagement and community feedback.

Notably, information circulated to the community during October and November 2014 included comprehensive detail in relation to Council's assets, infrastructure challenges and the impact on infrastructure resulting from the three rating options. See Attachment 5b for this information - specifically as provided in the General Information Brochure, Infrastructure Fact Sheet and Frequently Asked Questions. Council's online document library for the consultation also contained information on Community Environmental Contract levy achievements as well as the Asset Management Strategy and Policy and all adopted Asset Management Plans.

The draft Long Term Financial Plan 2015-2025 and draft (revised) Delivery Program 2013-2017 exhibited during December 2014 and January 2015 included a further level of detail regarding the nature and scope of infrastructure works possible under different rating options, including the 13% Special Rate Variation which is the subject of this application.

The level of community support for the proposed 13% Special Rate Variation during the above periods of engagement has illustrated both the value placed on local infrastructure by the community and its willingness to fund improved service levels to address the identified infrastructure gap.

**Examination of options**

The decision to seek higher revenues above the rate peg through this Special Rate Variation application has not been made in isolation, but rather has been a product of Council's ongoing cycle of planning and review. Council has actively explored a variety of other funding options as part of this ongoing cycle, particularly in light of the impending expiry of the Community Environmental Contract levy. These options, which will continue to remain relevant whether or not a Special Rate Variation is granted in 2015/16, include the following:

*Grant Funding*

Over the last 5 years, Mosman Council has successfully received operational and capital grants totalling $14.8 million. Recently funding opportunities through the Federal and State Government have been more difficult to obtain and this remains true for 2014/2015. Current external economic circumstances indicate that there are limited grant funding options available and this is unlikely to change for the foreseeable future. Council has also been advised that the Federal Government provided Financial Assistance Grant will no longer be indexed.

Additionally many grant opportunities require matching funding from Council and Council has limited capacity for fulfilling any such requirements without placing pressure on projects already prioritised in its works program.

In 2014/15 Council was unsuccessful in securing any first round funding through the Roads and Maritime Services for road safety and cycle works. Council was able to obtain some funding on subsequent appeal, however has been advised that the funding available will be reducing further in future. It was only in October 2014 that the Federal Government confirmed the extension of the Roads to Recovery program.

Council will continue to seek out grant opportunities as they arise. It is likely that if Council is able to secure additional grant funding, any such grants will be for one-off projects.

*Loans*

As at 30 June 2014 Council's loan portfolio stood at $10.966m, including two $2m Local Infrastructure Renewal Scheme (LIRS) loans. The current loans will be fully repaid by 2023.

Council has traditionally applied increases in parking revenues as the funding source for loan repayments. No new loans are to be taken up in 2014/15. Council's Debt Service ratio (the proportion of loan repayments to Operating Income) as at 30 June 2014 stands at 6.49% - well below the maximum benchmark of 20%. Loan funds are seen as a suitable funding source for infrastructure asset renewal as the cost of providing the renewed assets is spread across future beneficiaries.

The 10 year forecasts developed by Council, including those with and without the proposed Special Rate Variation, include a rolling annual $400,000 loans program from 2015/16 aimed at supplementing the reduction of the infrastructure backlog. These forecasts are based on loan interest amounting to 6.5% and, as current loans are repaid, it has been projected that loan repayment levels will be contained within current funding levels and will not be increasing.

*Pricing Policy Reviews*

Council annually establishes its fees and charges in accordance with the provisions of the *Local Government Act 1993*. Statutory fees are fixed by regulation, legislation or a State/Federal Authority. As such, Council has no influence on how statutory fee levels are determined nor do such statutory fees tend to increase by CPI or reflect the true cost of providing the service.

It is anticipated that, during the next Pricing Policy review, the remaining Council fees and charges will be increased at 3.0% - slightly more than the forecast CPI of 2.8%.

In the last five years Council has undertaken extensive reviews of its adopted Pricing Policy (Schedule of Fees and Charges) - particularly in the areas of pay and display parking; construction traffic related matters and the use of Council’s public areas, including community properties.

It is considered that the fees currently charged for the public to use Council's foreshore reserve car parks, which are partly used to offset the ever increasing maintenance of these areas, are at their upper limit being equal to or greater than the other Sydney Harbour and ocean front based Sydney Metropolitan Councils. Construction related fees are also at their upper limit.

*Review of rates of asset depreciation*

In the last three years significant investment has been undertaken in asset management planning in Mosman. Council has in place Asset Management Plans for all asset classes and has adopted an Asset Management Policy and Strategy. This work is a result of a combination of in-house expertise, the community-based Asset Management Reference Group and external consultants.

As part of this process, and in conjunction with Council's Independent Audit Committee, a new *Infrastructure Assets – Capitalisation, Revaluation and Disposal Policy* was adopted by Council in June 2013, whereby unit rates and useful lives of assets are reviewed annually. This work has resulted in a reduction in depreciation expenses of infrastructure assets since 2011 from $7.847m to $5.557m in 2014.

*Reserve Funding*

Council holds limited externally restricted financial reserves. Those held cover funds raised for domestic waste, Section 94 Developer Contributions and specific purpose grant funds. These reserves are only to be used for the purpose for which they were raised.

Internally restricted reserves include funds held under resolution of Council for such items as employee leave entitlements and plant and vehicle replacement. These funds are only to be used for the purpose for which they were resolved by Council.

The 2014 financial year financial reports Note 6 show that Externally Restricted Reserves amount to $4.475m and Internally Restricted Reserves amount to $4.362m.)

*Redirection of funds through service reductions and/or further productivity improvements*

If Council is unsuccessful in applying for a Special Rate Variation it will be required to review opportunities to reduce existing service levels and further explore any additional opportunities (considered limited) to improve productivity, operational efficiencies or to further contain costs. This would be in addition to the savings and efficiencies that have already been achieved (see *section 7* of this application) and that continue to be part of the way Council operates.

In this regard it is noted that all Councils in NSW are currently considering and responding to the NSW State Government's Fit for the Future package of reforms and future sustainability will also be impacted by the outcomes of these reforms.

Amid considerable community debate, Council in 2009 introduced parking fees on streets adjacent to its most popular public reserves providing a significant level of own source funding for its operating budget. These funds in part offset the expense of providing alternate transport options for residents and visitors to the reserves as well as contributing to the ongoing operational and maintenance costs of those reserves.

The level of the charge (peaking at $35.00 per day during the December - January) holiday period is approaching consumer resistance levels. It is considered any further increase in the fee above the CPI may not result in increased revenue. Additionally, parking revenues are impacted by weather patterns and on that basis can be adversely affected.

The legislative framework under which all Council's operate places limits on revenue raising options. Council considers all options each year during its budget process including reviewing new fees levied by other local government areas. However, there is limited opportunity to introduce new fees that would generate any significant revenue streams.

Council's operating budget is particularly tight. Without reducing services, there are insufficient funds available to meet the cost involved in establishing an ongoing borrowing program of the magnitude required to address the infrastructure backlog.

Without an injection of funds from the rating base, Council will be unable to improve its results as measured by both the financial performance ratios and asset infrastructure ratios. Council will not be able to sustain itself and will be unable to meet Fit for the Future criteria.

**Special Rate Variation as the appropriate option**

To reiterate, Council has introduced new fees and has actively pursued revenue opportunities, efficiencies and productivity improvements but recognises the limitations before it in introducing new significant revenue streams. Council cannot without an injection of additional rate revenue demonstrate a sustainable financial outlook or fund a significant rolling loan borrowing program of a magnitude that would address its infrastructure backlog.

**Impact of proposed Special Rate Variation on LTFP forecasts and relationship to identified need**

Council's financial goals, as identified in its Long Term Financial Plan are to achieve the following:

* modest operating surpluses in order to insulate Council from unforeseen events
* as a minimum, the provision of current service levels and where appropriate increase service levels to meet the needs of the community
* reduce or eliminate the infrastructure backlog
* maintain adequate levels of debt/equity funding
* a program of activity that sees Council’s assets leveraged appropriately for the long term benefit of the Mosman community

The forecasts included in the Long Term Financial Plan 2015-2025 attached to this submission illustrate that these financial goals cannot be met under Council's Base Model (refer Attachments 3a and 3b).

Under the Base Model the forecast Operating Results before capital Grants and Contributions for 2015/16 to 2024/25 are:

|  |
| --- |
| Base Model |
| Budget Year | Operating Result before Capital Grants and Contributions |
| 2014/15 Budget | (758,346)\* |
| 2015/16 Budget | (1,255,165) |
| 2016/17 Budget | (1,279,019) |
| 2017/18 Budget | (987,987) |
| 2018/19 Budget | (903,885) |
| 2019/20 Budget | (832,404) |
| 2020/21 Budget | (910,135) |
| 2021/22 Budget | (693,456) |
| 2022/23 Budget | (616,319) |
| 2023/24 Budget | (558,166) |
| 2024/25 Budget | (703,521) |

\* Following adoption of Revotes

Notably, the forecast Operating Results above are based on:

* cessation of the CEC levy in 2015/16 (5%)
* a resultant reduction in rate income of $801,660 in 2015/16 due to the cessation of the CEC levy and an equivalent reduction in the Capital Works Program
* election expenses in 2016/17 ($170k), 2020/21 ($180k) and 2024/25 ($190k)
* cessation of a $50,000 transfer to ELE Reserve as the Reserve represents 20% of liabilities
* establishing a continuing $400,000 annual loan borrowing program using an interest rate of 6.5% funded by the current reducing interest and principal loan repayments from 2016/17
* increased depreciation to reflect increased asset values following investment in infrastructure asset renewals
* a reduction in the level of Commonwealth Financial Assistance Grants due to the cessation of indexation

Under the Model proposed as part of this Special Rate Variation application, the forecast Operating Results before capital Grants and Contributions are:

|  |
| --- |
| Proposed SRV Model |
| Budget Year  | Operating Result before Capital Grants and Contributions |
| 2014/15 Budget | (758,346)\* |
| 2015/16 Budget | 146,425 |
| 2016/17 Budget | 105,752 |
| 2017/18 Budget | 379,516 |
| 2018/19 Budget | 443,664 |
| 2019/20 Budget | 494,599 |
| 2020/21 Budget | 395,400 |
| 2021/22 Budget | 590,022 |
| 2022/23 Budget | 644,502 |
| 2023/24 Budget | 679,378 |
| 2024/25 Budget | 510,104 |

\* Following adoption of Revotes

The forecast Operating Results above are based on:

* the current limited term 5% CEC levy expiring early and being replaced with a permanent 10% Levy plus an estimated 3.0% general rate peg
* cessation of the $50,000 transfer to ELE Reserve in 2014/15
* continuation of the increased level of legal expenses and workers compensation premiums
* election expenses in 2016/17 ($170k), 2020/21 ($180k) and 2024/25 ($190k).
* using the saving in the Transfer to ELE Reserve to fund a $400,000 loan for additional capital works interest rate of 6.5% (higher than current lending rates) in 2015/16
* establishing a continuing $400,000 annual loan borrowing program using an interest rate of 6.5% funded by the current reducing interest and principal loan repayments from 2016/17 and onwards
* increased depreciation to reflect increased asset values following investment in infrastructure asset renewals

Under this scenario Council will achieve a reasonable ongoing annual surplus while addressing the asset backlog and applying appropriate funding levels to infrastructure renewal and maintenance. The impact on the infrastructure backlog is summarised in the following graph *(n.b. Option 3 = Proposed Special Rate Variation*):



More specific detail on infrastructure spending both with and without the proposed Special Rate Variation is provided in the following table. Note that further detail again is included in Council's Long Term Financial Plan 2015-2025 and (Revised) Delivery Program 2013-2017, included with this application at Attachment 3a and Attachment 2 respectively.

*Infrastructure Spending / Work Program Impacts*

|  |  |  |
| --- | --- | --- |
|  | **Without SRV** | **With SRV** |
| Roads | Existing work plan which includes average annual capital expenditure of $2.2 million on road related assets | Existing work plan plus an additional $7.6 million spent over 10 years on road pavement, footpaths, kerb and gutter and retaining walls  |
| Marine Structures  | Existing work plan which includes average annual capital expenditure of $0.1 million on marine structures | Existing work plan plus an additional $1.1 million spent over 10 years on baths, jetties and seawalls  |
| Buildings | Existing work plan which includes average annual capital expenditure of $1.4 million on buildings | Existing work plan plus an additional $2.3 million spent over 10 years on Council buildings and amenity blocks |
| Parks and Open Space | Existing work plan which includes average annual capital expenditure of $0.5 million on parks and open spaces | Existing work plan plus an additional $2.3 million spent over 10 years on parks, reserves and sporting fields |
| Stormwater Drainage | Existing work plan which includes average annual capital expenditure of $0.8 million on stormwater drainage assets | Existing work plan plus an additional $1.1 million spent over 10 years on pipes, pits and creeks |
| Overall Impact on Infrastructure Spending/Work Program | Reduced capital works program with increase in current ‘infrastructure backlog’Estimated average annual works program - $5 million\*Estimated annual asset maintenance program - $2.98 million\* | Enhanced capital works and asset maintenance programs with ‘infrastructure backlog’ cleared within 10 yearsEstimated average annual works program - $6.5 million\*Estimated annual asset maintenance program - $3.03 million\* |

*\*over next 10 years*

The graphs shown below reflect the forecast condition profile of Council's infrastructure assets after 10 years under each of the rating options considered by Council. Option 1 is the Base Scenario and Option 3 is the 13% Special Rate Variation scenario relevant to this application.

Note that assets with condition 4 and 5 require renewal works and are considered Council's 'infrastructure backlog'. Further detail on forecast profiles for each asset class is provided in the Infrastructure Fact Sheet used during Council's community consultation and attached to this application as part of Attachment 5b.



Additionally, with the Special Rate Variation outlined in this application, Council will be in a position to be more responsive to unforeseen needs and emergencies and will more comprehensively meet Fit for the Future requirements.

**3.2 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, e.g., 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.

Current projections for Council's longer term financial outlook clearly indicate an unhealthy financial position. Unless there is capacity for a further injection of revenue or the achievement of significant cost savings, particularly following the expiry of the Community Environmental Contract levy, Council will be in an increasingly difficult position and will continue to operate in deficit over the next 10 year period. It will also be extremely difficult, if not impossible, to significantly reduce the current infrastructure backlog or to maintain the level of capital works achieved by the current Council.

On current projections Council will, with the expiry of the Community Environmental Contract levy, also be unable to meet the *Fit for the Future* financial criteria recently released by the NSW Government. Further, it will be unable to achieve an operating surplus before capital grants and contributions over the next 10 years.

The forecast Operating Result before capital Grants and Contributions is:

|  |
| --- |
| Base Model |
| Budget Year | Operating Result before Capital Grants and Contributions |
| 2014/15 Budget | (758,346)\* |
| 2015/16 Budget | (1,255,165) |
| 2016/17 Budget | (1,279,019) |
| 2017/18 Budget | (987,987) |
| 2018/19 Budget | (903,885) |
| 2019/20 Budget | (832,404) |
| 2020/21 Budget | (910,135) |
| 2021/22 Budget | (693,456) |
| 2022/23 Budget | (616,319) |
| 2023/24 Budget | (558,166) |
| 2024/25 Budget | (703,521) |

\* Following adoption of Revotes

For many years Mosman Council has prided itself on innovation and efficiency, with operating costs being kept under strict control. Council has also actively sought additional revenue opportunities through the Local Government Infrastructure Renewal Scheme (LIRS), major State and Federal Government Grant Schemes, loan borrowings, pricing policy reviews, and advertising revenues.

Other revenue streams in recent years, such as paid parking in foreshore areas have also contributed to Council's financial sustainability, as have efficiency measures including service contracting, joint procurement contracts, partnership programs with other Councils and internal service reviews. Council has also comprehensively reviewed its approach to asset management - including a revision of depreciation rates to provide a clear and rigorous assessment of future infrastructure needs and costs.

Notwithstanding the significant results achieved through these initiatives, and bearing in mind that revenue sources such as paid parking are likely to plateau over the next few years, opportunities for further substantial revenue generation are limited or at least uncertain in the foreseeable future.

Council rates have, since 1977, been subject to the State Government's rate peg. Mosman Council has worked within this rate peg and has at times applied to the State Government for special purpose levies to undertake programs of work for the local community.

The current Community Environmental Contract (CEC) levy is a fixed-term levy that will expire at the conclusion of 2016-17. Over the life of this levy Council has been able to deliver a significant program of environmental infrastructure works including installation of stormwater improvement devices, creek rehabilitation and reconstructions, seawall improvements, restoration of riparian habitats and conservation of heritage items. These assets require continued maintenance.

The CEC 5% levy has, as a revenue stream, also benefited Council's annual operating result. The loss of this revenue stream will adversely impact Council's operating result and longer term financial sustainability and, as a consequence, will likely necessitate a reduction in service levels over time.

In terms of its long term financial position, Council would like to achieve the following:

* modest operating surpluses in order to insulate Council from unforeseen events
* as a minimum, the provision of current service levels and where appropriate increase service levels to meet the needs of the community
* reduce or eliminate the infrastructure backlog
* maintain adequate levels of debt/equity funding
* a program of activity that sees Council’s assets leveraged appropriately for the long term benefit of the Mosman community

Council's audited financial reports for the year ended 30 June 2014 provide the following insight into Council's financial position:

|  |  |  |
| --- | --- | --- |
| Statement of Comprehensive Income | 2013/14$'000 | 2012/13$'000 |
| Revenue\* | 44,312 | 48,081 |
| Expenses | 38,972 | 38,635 |
| Net Operating Result for the Year | **5,340** | **9,446** |
| Net Operating result before Grants and Contributions provided for Capital Purposes | **2,418** | **6,672** |
|  |  |  |
| Statement of Financial Position (Balance Sheet) |  |  |
| Total Assets | 525,519 | 519,893 |
| Total Liabilities | 23,514 | 22,743 |
| Total Equity | **502,005** | **497,096** |
|  |  |  |
| Statement of Cash Flows |  |  |
| Cash and Cash Equivalents - Opening Balance | 9,624 | 3,609 |
| Cash and Cash Equivalents - Closing Balance# | 10,150 | 9,624 |
| Movement for Year | **526** | **6,015** |
|  |  |  |

\*Included in total revenue above are items that are excluded from the Financial Performance Indicator formulas which have the effect of reducing total revenue. The following table discloses how the adjusted revenue for these purposes is determined.

|  |  |  |
| --- | --- | --- |
|  | 2013/14($’000) | 2012/13($’000) |
| Revenue | 44,312 | 48,081 |
| Less: Grants and Capital Contributions | 2,922 | 2,774 |
|  Fair Value Adjustments | 2,286 | 3,387 |
|  Reversal of Revaluation Decrements |  | 4,571 |
| Adjusted Revenue | 39,104 | 37,348 |
| Expenses | 38,972 | 38,635 |
| Adjusted net Operating Result | 132 | (1,286) |

# Cash and Equivalents opening balance was low in 2012/13 due to the classification (as required under the accounting standard) in 2011/12 of investments held in excess of 90 days as not Cash and Equivalents. In 2012/13 and 2013/14 the majority of investments were held for periods of less than 90 days and therefore considered as cash. The funds held at 2013/14 year end comprise externally restricted reserves of $4.02m and moneys held in trust in respect of security deposits and bonds of $2m.

Whilst the year ending 30 June 2014 saw improvements in a number of areas including a significant spike in parking fees and fine revenue, the Annual Financial report did not directly address Council's financial future.

The early cessation of the CEC levy will see a reduction in rate revenue of $801,660 with an immediate detrimental impact on Council's Operating Performance Ratio falling back into negative.

Included within the audited Financial Reports are the following ratios which indicate Council's performance compared to the previous year, together with the Fit for the Future Benchmarks:

|  |  |  |  |
| --- | --- | --- | --- |
| Indicator | 2013/14 | 2012/13 | Benchmark |
| Unrestricted Current Ratio | 1.40 | 1.36 | 1.5 |
| Operating Performance  | 0.003 | -0.037 | 0.0 |
| Own Source Revenue | 88.3% | 86.8% | 60.0% |
| Building and Infrastructure Asset renewal | 137.6% | 85.8% | 100.0% |
| Infrastructure Backlog | 3.59% | 2.5% | 2.0% |
| Asset Maintenance Ratio | 94.4% | 112.3% | 100.0% |
| Debt Service Ratio | 6.49% | 5.24% | >0 <20% |
| Real Operating Expenditure per Capita | 1.11 | 1.15 | < previous year |

Council's Auditors noted improvements in the Unrestricted Current Ratio, Operating Performance and Own Source Revenue indicators above. Those improvements are expected to be short lived as the Long Term Financial Plan 2015-2025 prepared subsequent to the Audit has shown.

**NSW Treasury Corporation Report**

In September 2012 NSW Treasury Corporation (TCorp) undertook an independent assessment of Mosman Council’s financial capacity and its ability to undertake additional borrowings. An update to the September 2012 report was issued in March 2013.

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

* the underlying operating result (measured using EBITDA) has increased over the review period
* the own sourced operating revenue ratio has been consistently above benchmark each year
* revenues have been boosted by the introduction of two Special Rate Variations which aid infrastructure renewal and a program of environmental works
* alternative revenue sources have been generated as evidenced by the introduction of parking meters in 2009/2010
* Council has been proactive in seeking cost savings and efficiencies as evidenced through its membership of a regional body of four councils Shore Regional Organisation of Councils (“SHOROC”) which is seeking savings through joint tenders and regional purchasing, amongst a range of initiatives

At the time of the TCorp report, Council’s reported Infrastructure Backlog amounted to $25.6m in 2011 and represented 11.6% of its infrastructure asset value of $220.7m. Other observations included:

* the backlog has decreased over the four year period due to constant refining of valuation techniques
* the required asset renewal and maintenance benchmarks are not being met to keep the assets in their current condition, therefore the backlog may grow
* Council’s capital expenditure priorities in the last four years were influenced by the availability of grant funding
* a new asset valuation was completed in 2010, and a new SHOROC tender for civil works has been entered into resulting in cost efficiencies. These factors combined with a detailed review of condition and service intervention levels indicate that the Infrastructure Backlog could be reduced

In respect of the Benchmarking analysis TCorp compared the Council’s key ratios with other councils in OLG Group 2. The key observations were:

* Council’s financial flexibility as indicated by the Operating Ratio is generally below the group’s average, although the Operating Ratio is expected to improve in the medium term. The Own Source Operating Revenue Ratio has improved to be above the group average and is above the benchmark
* Council’s Debt Service Cover Ratio and Interest Cover Ratio are at or above the benchmark. In the medium term Council’s ratios are forecast to improve marginally.
* Council was in a sufficient liquidity position which is expected to continue in the medium term. Liquidity ratios are tracking slightly below benchmark and group averages
* Overall the Council has a higher Infrastructure Backlog Ratio than other councils in the group. It is below the group average and benchmark for spending on asset maintenance. Council's Capital Expenditure Ratio and Building and Infrastructure Asset Renewal Ratio have declined against the benchmark over the review period.

Council has made significant advances in collating and reviewing asset management information since the TCorp review. Of particular note is the reduction in the level of depreciation charged against infrastructure assets and the review of service levels. However if Council is unable to secure a Special Rate Variation, combined with the cessation of the CEC levy, Council's position is unsustainable. Only the Building and Assets Renewal ratio shows any form of recovery from 2018/19.

Whilst it is noted Council has an excellent own source funding ratio this in reality reflects the falling support from other levels of Government. Government agencies are directing their funds to areas they see as areas of greater need, hence there is a strong need for Council to develop its own sources of revenue to fund its operations, bearing in mind the limitations as already discussed.

The preferred option, with an approved Special Rate Variation, will see Council moving to levels of sustainability in terms of both financial management and infrastructure asset management.

## 3.3 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, also known as the operating performance ratio, excluding capital items (i.e., 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).

The following data illustrates Mosman Council's projected performance against IPART's nominated key financial indicators (as well as others monitored by Council), both with and without the proposed Special Rate Variation:

**Operating Performance Ratio (also known as Operating Balance Ratio)**

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**Benchmark is > 0**

|  |  |  |
| --- | --- | --- |
|  | Without SRV | With SRV |
| 2015/16  | -3.14% | 0.35% |
| 2016/17  | -3.11% | 0.25% |
| 2017/18  | -2.33% | 0.86% |
| 2018/19  | -2.08% | 0.98% |
| 2019/20 | -1.86% | 1.06% |
| 2020/21  | -1.96% | 0.82% |
| 2021/22  | -1.47% | 1.20% |
| 2022/23  | -1.27% | 1.27% |
| 2023/24 | -1.12% | 1.30% |
| 2024/25 | -1.37% | 0.95% |

Clearly with no Special Rate Variation Council is looking at a future where there must be a reduction in services provided if it is to continue to operate. A Special Rate Variation will allow Council to become financially sustainable and over the longer term provide a level of flexibility to improve/enhance service levels or to consider introducing new services where a need is identified.

**Unrestricted Current Ratio**

This ratio assesses the adequacy of working capital and the ability to satisfy obligations in the short term for the unrestricted activities of Council.

**Benchmark is 1.5:1**

|  |  |  |
| --- | --- | --- |
|  | Without SRV | With SRV |
| 2015/16  | 1.28 | 1.27 |
| 2016/17  | 1.34 | 1.33 |
| 2017/18  | 1.34 | 1.33 |
| 2018/19  | 1.34 | 1.33 |
| 2019/20 | 1.38 | 1.36 |
| 2020/21  | 1.39 | 1.38 |
| 2021/22  | 1.48 | 1.46 |
| 2022/23  | 1.68 | 1.65 |
| 2023/24 | 1.81 | 1.78 |
| 2024/25 | 1.91 | 1.87 |

Given the quarterly rate collection cycle the benchmark is considered overly conservative. However towards the end of the long term projections Council meets the benchmark.

**Debt Service Ratio**

This ratio measures Council's ability to meet its loan borrowing commitments.

**Benchmark is >0 <20%**

|  |  |  |
| --- | --- | --- |
|  | Without SRV | With SRV |
| 2015/16  | **6.33%** | **6.07%** |
| 2016/17  | **5.52%** | **5.29%** |
| 2017/18  | **3.58%** | **3.43%** |
| 2018/19  | **3.26%** | **3.13%** |
| 2019/20 | **3.16%** | **3.03%** |
| 2020/21  | **2.49%** | **2.39%** |
| 2021/22  | **2.36%** | **2.27%** |
| 2022/23  | **1.83%** | **1.76%** |
| 2023/24 | **0.91%** | **0.87%** |
| 2024/25 | **0.99%** | **0.95%** |

Clearly this benchmark indicates that Council could borrow at a higher level. Without a Special Rate Variation Council does not have the funds available to cover loan repayments. With the Special Rate Variation, towards the end of the financial projections Council could consider increasing its levels of debt.

**Broad Liability Ratio**

This ratio discloses total debt plus cost to clear infrastructure backlogs as per Special Schedule 7 divided by operating revenue.The Benchmark has not been stated.

|  | Without SRV | With SRV |
| --- | --- | --- |
| 2015/16  | 42% | 39% |
| 2016/17  | 40% | 35% |
| 2017/18  | 39% | 31% |
| 2018/19  | 37% | 27% |
| 2019/20 | 35% | 23% |
| 2020/21  | 33% | 18% |
| 2021/22  | 31% | 15% |
| 2022/23  | 29% | 11% |
| 2023/24 | 28% | 8% |
| 2024/25 | 27% | 5% |

The ratio indicates that with a Special Rate Variation the backlog is being addressed at a reasonable rate as compared to the high level of backlog remaining at the end of the forecast where no Special Rate Variation has been applied.

**Asset Renewal Ratio**

This ratio is used to assess the rate at which these assets are being renewed relative to the rate at which they are depreciating**.**

 **Benchmark is > 100%**

|  |  |  |
| --- | --- | --- |
|  | Without SRV | With SRV |
| 2015/16  | 89.25% | 119.19% |
| 2016/17  | 89.83% | 118.66% |
| 2017/18  | 99.62% | 127.10% |
| 2018/19  | 100.29% | 126.48% |
| 2019/20 | 100.96% | 125.88% |
| 2020/21  | 101.58% | 125.26% |
| 2021/22  | 102.21% | 124.68% |
| 2022/23  | 102.84% | 124.12% |
| 2023/24 | 103.46% | 123.59% |
| 2024/25 | 104.08% | 123.08% |

This ratio indicates that without a Special Rate Variation Council is moving towards holding asset renewals at established levels with minor improvement over time towards the end of the long term projections. With the Special Rate Variation Council will be addressing the backlog with a significant increase in the funds available for asset renewals. This is confirmed by the Infrastructure Backlog Ratio below.

**Infrastructure Backlog Ratio**

This ratio shows what proportion the backlog is against the total value of Council's infrastructure.

**Benchmark is < 2%**

|  |  |  |
| --- | --- | --- |
|  | Without SRV | With SRV |
| 2015/16  | 4.3% | 3.9% |
| 2016/17  | 4.7% | 3.9% |
| 2017/18  | 5.1% | 3.8% |
| 2018/19  | 5.1% | 3.4% |
| 2019/20 | 5.2% | 2.9% |
| 2020/21  | 5.3% | 2.5% |
| 2021/22  | 5.2% | 1.9% |
| 2022/23  | 5.2% | 1.4% |
| 2023/24 | 5.1% | 0.7% |
| 2024/25 | 4.9% | 0.0% |

This ratio shows that without the Special Rate Variation the backlog remains significant. With the Special Rate Variation Council is addressing the backlog and meeting the benchmark in 2021/22.

**Asset Maintenance Ratio**

This ratio is to assess the actual maintenance versus required maintenance expenditure.

**Benchmark is >100%**

|  |  |  |
| --- | --- | --- |
|  | Without SRV | With SRV |
| 2015/16  | 94.9% | 100.0% |
| 2016/17  | 94.6% | 100.0% |
| 2017/18  | 94.9% | 100.0% |
| 2018/19  | 93.8% | 100.0% |
| 2019/20 | 93.2% | 100.0% |
| 2020/21  | 91.8% | 100.0% |
| 2021/22  | 92.1% | 100.0% |
| 2022/23  | 91.2% | 100.0% |
| 2023/24 | 90.9% | 100.0% |
| 2024/25 | 90.6% | 100.0% |

Without a Special Rate Variation Council cannot meet the asset maintenance benchmark. Asset condition will continue to deteriorate.

**Real Operating Expenditure per capita**

This measure is designed to assess productivity changes over time.

**Benchmark is decreasing over time (adjusted for inflation).**

|  | Without SRV | With SRV |
| --- | --- | --- |
| 2015/16  | $1,367 | $1,376 |
| 2016/17  | $1,353 | $1,364 |
| 2017/18  | $1,330 | $1,342 |
| 2018/19  | $1,313 | $1,328 |
| 2019/20 | $1,298 | $1,314 |
| 2020/21  | $1,297 | $1,314 |
| 2021/22  | $1,268 | $1,287 |
| 2022/23  | $1,253 | $1,273 |
| 2023/24 | $1,239 | $1,261 |
| 2024/25 | $1,230 | $1,253 |

The benchmark is met. It is noted that with higher levels of expenditure under the Special Rate Variation the per capita expenditure is higher.

**Own Source Revenue Ratio**

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

 **Benchmark is >60%**

|  |  |  |
| --- | --- | --- |
|  | Without SRV | With SRV |
| 2015/16  | 90.61% | 90.97% |
| 2016/17  | 90.68% | 91.04% |
| 2017/18  | 90.75% | 91.11% |
| 2018/19  | 90.83% | 91.18% |
| 2019/20 | 90.90% | 91.25% |
| 2020/21  | 90.94% | 91.29% |
| 2021/22  | 91.03% | 91.38% |
| 2022/23  | 91.09% | 91.44% |
| 2023/24 | 91.16% | 91.50% |
| 2024/25 | 91.22% | 91.56% |

This benchmark indicates that Council has increasingly relied on its own funding to continue to provide services. Support from higher levels of Government is decreasing for Mosman Council.

**Rates and Annual Charges Ratio**

This ratio also measures fiscal flexibility, by reflecting the level of rates and charges as a percentage of operating revenue. The Benchmark has not been stated.

|  | Without SRV | With SRV |
| --- | --- | --- |
| 2015/16  | 56.30% | 57.98% |
| 2016/17  | 56.37% | 58.05% |
| 2017/18  | 56.45% | 58.13% |
| 2018/19  | 56.52% | 58.20% |
| 2019/20 | 56.59% | 58.27% |
| 2020/21  | 56.41% | 58.09% |
| 2021/22  | 56.73% | 58.41% |
| 2022/23  | 56.80% | 58.48% |
| 2023/24 | 56.87% | 58.55% |
| 2024/25 | 56.93% | 58.61% |

As expected revenue is a higher percentage under the Special Rate Variation proposal which increases Council's fiscal flexibility.

Based on the above ratio information, Council would be unable to present itself as a sustainable entity into the future if the Special Rate Variation application was not approved. Council would be faced with increasing risk associated with being unable to address its infrastructure backlog issues. Service levels would have to be reduced. The community has indicated its acceptance of a rate increase in order that the infrastructure asset issues can be addressed.

## 3.4 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 (e.g., LTFP and Asset Management Plan (AMP).

Not applicable.

# 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 (e.g., 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 i.e., 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.

This Special Rate Variation application reflects the outcomes of a series of consultations to ascertain broader community expectations and priorities, as well as to specifically determine community sentiment on rating increases as a means to deliver improved service levels - particularly in the area of infrastrucrure. The nature and results of the Community Engagement Strategy rolled out during the primary engagement phase for the Special Rate Variation in October-November 2014 is included as Attachment 6 to this submission. Also attached to this submission are materials circulated to the community between October 2014 and January 2015, illustrating how key messages were delivered through both IP&R documents as well as through other, extensive communications (Refer Attachments 2, 3a, 5a, 5b, 10 and 13).

Prior to the primary engagement phase for the Special Rate Variation proposal, Council made use of regular community research, particularly its biennial Community Survey, to ascertain community priorities. In both 2012 and 2014 Council commissioned independently facilitated Community Surveys to gauge the views of residents on local services, facilities and other issues. These surveys were conducted by telephone and involved 400 randomly-selected residents. The results of these surveys demonstrated community expectations that infrastructure improvements, particularly in relation to roads, footpaths, car parking and public spaces, required further attention from Council.

In the June 2012 Community Survey results, services and facilities that illustrated the largest ‘performance gap’ between importance and satisfaction included footpaths, traffic management and car parking. Respondents also rated traffic, car parking and maintenance and upgrade of roads and footpaths among the top issues of concern over the next 10 years. The performance gaps identified in the June 2014 Community Survey again were most significant for key items of infrastructure including roads, footpaths, car parking and public amenities. A significant gap was also identified in relation to Council engaging with the community. Areas for Council to foster and maintain resident satisfaction also included the cleanliness, appearance and management of public spaces and the management of drainage and local flooding. Council information, and support and engagement of the community was also identified for ongoing attention or improvement. In the 2014 Community Survey, top issues of local concern included traffic, the adequacy of infrastructure, car parking and maintenance of roads and footpaths.

Of the 400 respondents to the June 2014 Community Survey, 68% stated that they wanted to see increased levels of servicing above what is currently provided. Of these responses 76% wanted an increase in services and facilities, with the most commonly quoted services and facilities being waste management, the community bus service, footpaths and walking trails and maintenance of public areas.

In the same survey, 62% of respondents were also at least ‘somewhat supportive’ of paying an additional $2 per week to Council to improve the services and facilities it provides for the community.

In October 2014, following a review of its mid-term financial position, as well as community feedback and issues of longer term financial sustainability, Council resolved to engage the Mosman community on three rating options which would have varying impacts on Council’s capacity to address the infrastructure backlog as well as the delivery of other services to the Mosman community. Engaging on these three options was predicated on the understanding that each option would deliver different results for Council’s long term financial sustainability and service levels, and have different impacts on rates payable by both residential and business ratepayers.

The three rating options explored through the engagement phase in October-November 2014 were:

* *Option 1* - No special rate variation and cessation of the temporary Community Environmental Contract levy (i.e. 5%) in 2015–16. Annual rate increase limited to estimated rate peg of 3%.
* *Option 2* - A one-off special rate variation in 2015–2016 of 8% (5% plus estimated annual rate peg of 3%).
* *Option 3* - A one-off special rate variation in 2015–2016 of 13% (10% plus estimated annual rate peg of 3%).

Consultation materials (see Attachments 5a and 5b) demonstrated that, in relation Options 2 and 3, the associated rate increase would be retained permanently in the rate base. Council was also particularly mindful of ensuring that the community was well aware of the impact of not proceeding with a Special Rate Variation in lieu of the expiring CEC - namely that this option would result in a reduction in rates in 2015/16.

Over the five week period concluding 16 November 2014, the following engagement activities were undertaken:

* Information Brochures and reply-paid feedback cards letterboxed to 12,500 residents and businesses, and mailed to all non-residential ratepayers. These feedback cards enabled residents and ratepayers to register a ‘vote’ for their preferred option
* Three media releases circulated to local media
* Public exhibition displays and Information packages available at Mosman Civic Centre and Mosman Library
* Public Meeting chaired by Mayor Peter Abelson held at Mosman Civic Centre
* Information Stall staffed by Council’s Executive Team conducted at Mosman Markets
* Dedicated engagement website comprising detailed information on rating options and opportunities to register preferred options, make online submissions and/or participate in online discussions
* Regular social media postings on facebook and Twitter
* Attendance at Mosman Chamber of Commerce business networking function, distribution of information to businesses and news article in Chamber of Commerce e-newsletter
* Special edition of Council’s ‘Mosman Now’ e-newsletter to 1,700 subscribers
* Random intercept street surveys along Mosman’s primary shopping precinct and Balmoral Beach for a total of 30 hours
* Five advertisements in the Mosman Daily
* Posters on community noticeboards and LED screens at Mosman Civic Centre and Mosman Library
* A Mayoral Message from Mayor Peter Abelson in the Mosman Daily

At the close of the engagement period, the above activities resulted in a total of 900 submissions (including a total of 884 ‘votes’ for a preferred option) being made to Council. This included 608 feedback cards (most of which included a ‘vote’ for a preferred option, with some also including additional comments), 22 votes via Council’s online survey, 25 votes and/or other comments received by email, online submission forms or regular mail. A further 245 votes were logged during the random intercept street survey of residents and ratepayers conducted on 7, 8 and 9 November 2014.

Of the total 884 votes submitted by 16 November 2014, Options 1–3 received the following number of votes:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Feedback cards, online submission form and regular mail | Online Survey | Intercept Survey | TOTAL | TOTAL % |
| Option 1 | 199 | 7 | 65 | 271 | 30.65% |
| Option 2 | 202 | 4 | 91 | 297 | 33.60% |
| Option 3 | 216 | 11 | 89 | 316 | 35.75% |
| TOTAL | 617 | 22 | 245 | 884 | 100% |

Comments and submissions supporting Option 1 commonly quoted issues such as:

* Council should work within its revenue
* Council should reduce costs
* Rates are already high enough
* There should be an option for the same services at lower cost
* Council is not spending its money on the most appropriate services.

Those received in support of Option 2 or 3 raised matters such as:

* Thanks for the good work Council is doing
* Option 2 is a good middle ground
* Option 3 will make Mosman financially sustainable
* Good budget and infrastructure result.

A more detailed summary of the engagement activities including the votes lodged and comments made during the October-November 2014 engagement phase is attached to this application (Refer Attachment 6).

The above community feedback indicated support generally for a rate increase above the rate peg (i.e. totalling 69.35% of total votes), with support for Option 3 marginally above that for both Option 1 and Option 2.

On 2 December 2014 Council resolved to exhibit its draft 2015-2025 Long Term Financial Plan and draft (revised) Delivery Program 2013-2017, reflecting its preferred Special Rate Variation of 13% including the rate peg in 2015–2016 (i.e. Option 3).

Subsequent to this resolution, further engagement was undertaken for six weeks commencing 8 December 2014 and concluding 18 January 2015. It is noted that the material exhibited as part of Council's draft IP&R documents during this time provided a further level of detail regarding the rationale for a proposed Special Rate Variation, as well as detailed information on the level and specific nature of capital works achievable with or without a Special Rate Variation. These documents are attached to this submission (see Attachments 2 and 3a).

During December 2014 and January 2015 public exhibition of the draft IP&R documents entailed:

* Consultation page with explanatory information, copies of documentation and online submission form on Council's website - 8 December 2014 - 18 January 2015
* Documentation on display and available for review at Council's Civic Centre and Mosman Library - 8 December 2014 - 18 January 2015
* Advertisements in Mosman Daily newspaper - 11 December and 18 December 2014
* Media release to Mosman Daily - 12 December 2014
* News article (Mayoral Message) Council website - 12 December 2014
* News article - Mosman Now Summer Edition 14-15 newsletter delivered to approximately 12,500 local households and businesses - week commencing 15 December 2014, as well as distributed electronically to 1,700 newsletter subscribers - 17 December 2014

During the exhibition period there was also news coverage of the proposed Special Rate Variation in the Mosman Daily. Furthermore, the metropolitan press and national television networks have covered the Special Rate Variations proposed by Mosman and other NSW councils.

The consultation period from 8 December 2014 to 18 January 2015 resulted in two submissions, one in favour, and one against the proposed Special Rate Variation. At Council's meeting held on 3 February 2015 Council further considered its position in relation to the proposed Special Rate Variation and the relevant integrated planning and reporting documentation. It was subsequently resolved that the Long Term Financial Plan 2015-2015 and (revised) Delivery Program 2013–2017 be adopted and that Council make application for a Special Rate Variation of 13% (refer Attachment 8a).

## 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.

The response provided in section 4.1, above, provides a summarised account of community feedback received as a result of community consultations undertaken between 2012 and 2015. A detailed account of feedback received during the primary engagement phase from October to November 2014 can be found in Attachment 6. In relation to the two submissions received during exhibition of IP&R documents during December 2014 - January 2015, it is noted that the content of these submission was as follows:

| **Submission No.** | **Content** |
| --- | --- |
| 1 | The sample size of 900 is not statistically valid. Also 63% of respondents wanted 3% or at most 8%. I think council would be better advised looking at combining with North Sydney and reducing duplication of services and improving efficiency rather than simply increasing rates. |
| 2 | I strongly support Option 3 as the only option that puts the council in a sustainable position and able to provide a small buffer against unforeseen events while properly maintaining and renewing assets. Operating costs in real term continue to decline showing a continued push for productivity. The asset renewal ratio depends on the split of new and renewal expenditure in the infrastructure expenditure and will be lower if more expenditure is enhancements rather than just renewal. It does not appear that the borrowing program of $400,000 for the last three years is required and that capacity may be better reserved for a major capital project or to cover unforeseen events rather than borrowed and held in cash. The impact on rate payers although stated at 13 % is really only 5% above the rate cap as the current environmental levy is being phased out. The delivery program clearly outlines the plans and expenditure. |

# 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.

There is no proposal to change Council's current rating structure as part of this Special Rate Variation application.

Council's rating structure will remain the same as currently established. This involves a combination of a base amount and a rate in the dollar. For the residential rate the base amount levied as a flat charge against all residential properties will recover 50% of the levy with the remainder recovered with an ad valorem rate in the dollar. For the business rate the base amount levied as a flat charge against all business properties recovers 40% of the levy with the remainder recovered with an ad valorem rate in the dollar.

### 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.

Not applicable - Council does not levy minimum rates.

## 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.

Council's consideration of a proposed Special Rate Variation has had due regard for the issues of affordability, capacity and willingness to pay. These matters are dealt with in some length in the Long Term Financial Plan 2015-2025 which was exhibited for community comment in December 2014 - January 2015 and was subsequently adopted by Council on 3 February 2015 (see Attachment 3a). As the information below demonstrates, Council's consideration of these issues has taken into account a range of externally sourced statistical data, as well as information obtained directly from the Mosman community through the 2014 Community Survey:

**Affordability and Capacity to Pay**

The 2011 Census shows significantly higher median weekly income for residents of Mosman aged 15 years and over (virtually double the NSW average) with personal income at $1,117 compared with $561 for NSW; family income at $2,838 compared with $1,477 for NSW; and household income at $2,465 compared with $1,237 for NSW.



It is acknowledged that the 2011 Census does also indicate that 20.4% of Mosman households had a weekly income of $999 or less (less than $52,000 per annum). Households earning $599 or less per week (less than $31,148 per annum) represented 11.1% of Mosman households.

For income support on selected government pensions and allowances at 30 June 2010, Mosman had 1,198 people on the Centrelink Aged Pension (full and part) and 184 people on the Disability Support Pension (Australian Bureau of Statistics, ‘Selected Government Pensions and Allowances’, National Regional Profile, 2006-2010).

The Index of Relative Socio-Economic disadvantage or SEIFA measures the relative level of socio economic disadvantage in an area based on a range of census statistics. It is derived from attributes such as low income, low educational attainment, high unemployment, jobs in relatively unskilled occupations and variables that reflect disadvantage rather than measure specific aspects of disadvantage. The higher the score, the lower the level of disadvantage.

For the SEIFA index, Mosman has the second highest index score in Sydney at 1110.7 (with scores even higher in some Mosman localities), indicating a very significant lack of disadvantage and a relatively good capacity to pay. The SEIFA index is commonly used in State government planning and resource allocation for community and health services.

The following table provides a comparison of the SEIFA Index for Mosman and that of other Local Government Areas in Sydney classified as 'OLG Group 2' by the NSW Office of Local Government:

|  |  |
| --- | --- |
| Local Government Area (OLG Group 2) | SEIFA Index 2011 |
| Ashfield | 1015.4 |
| Botany Bay | 975.7 |
| Burwood | 996.1 |
| Hunters Hill  | 1092.2 |
| Kogarah | 1036.2 |
| Lane Cove | 1106.9 |
| Leichhardt | 1078.9 |
| Manly | 1099.4 |
| Mosman | 1110.7 |
| North Sydney | 1104.8 |
| Pittwater | 1094.4 |
| Strathfield | 1022.1 |
| Waverley | 1079.6 |
| Woollahra | 1107.0 |

A similar comparison can also be made in relation to the SEIFA Index for all Local Government Areas in the Shore Regional Organisation of Councils (SHOROC), Greater Sydney and NSW:

|  |  |
| --- | --- |
| Area | SEIFA Index 2011 |
| SHOROC Region | 1087.4 |
| Greater Sydney | 1011.3 |
| New South Wales | 995.8 |
| Mosman | 1110.7 |

Despite Mosman's extremely positive position on the SEIFA Index, it is understood that not all ratepayers have an equivalent capacity to pay. Council's position in relation to dealing with hardship faced by ratepayers is contained in two long-standing policy documents which are detailed in section 5.3, below and provided in consolidated form in Attachment 7 to this application.

Comparing Average Rates across the 14 OLG Group 2 Councils (2012/13), Mosman's Average Residential Rates are higher than the Group Average and its Average Business Rates are lower than the Group Average. It is noted that Average Rates vary significantly across the Group, with Mosman placed third overall for the level of Average Residential Rates and 11th overall for the level of Average Business Rates.

It is also noted that, of the 14 Councils in OLG Group 2, four have successfully applied for a Special Rate Variation or Minimum Rate increase for the rating years 2013/14 and 2014/15.

| Local Government Area (OLG Group 2) | Av. Residential Rate 2012/13 $ | Av. Business Rate 2012/13 $ |
| --- | --- | --- |
| Ashfield | 979.74 | 4443.51 |
| Botany Bay | 614.00 | 8477.48 |
| Burwood | 956.95 | 5150.37 |
| Hunters Hill  | 1379.15 | 863.51 |
| Kogarah | 943.74 | 2205.45 |
| Lane Cove | 1130.89 | 4157.15 |
| Leichhardt | 1106.71 | 6567.21 |
| Manly | 1128.62 | 3899.05 |
| Mosman | 1181.45 | 2593.59 |
| North Sydney | 513.40 | 2961.57 |
| Pittwater | 1351.82 | 2027.98 |
| Strathfield | 802.71 | 4910.61 |
| Waverley | 893.74 | 5337.92 |
| Woollahra | 1055.25 | 3099.02 |
| Group Average | 1002.72 | 4049.60 |

*Source: Comparative Information on NSW Local Government 2012/13*

The level of outstanding rates and charges also provides some indication of the community's ability to pay. A comparison of outstanding rates and charges for Councils in the OLG Group 2 is provided below. Mosman performs well against the Group Average, having the third lowest percentage of outstanding rates and charges in the 2012/13 financial year.

|  |  |
| --- | --- |
| Local Government Area (OLG Group 2) | Outstanding Rates and Annual Charges 2012/13 % |
| Ashfield | 2.9 |
| Botany Bay | 6.4 |
| Burwood | 2.7 |
| Hunters Hill  | 2.9 |
| Kogarah | 3.3 |
| Lane Cove | 1.9 |
| Leichhardt | 7.5 |
| Manly | 3.8 |
| Mosman | 2.2 |
| North Sydney | 0.9 |
| Pittwater | 5.3 |
| Strathfield | 5.5 |
| Waverley | 2.7 |
| Woollahra | 4.7 |
| Group Average | 3.8 |

*Source: Comparative Information on NSW Local Government 2012/13*

Mosman Council has continued to achieve an excellent record for recovery of rates, annual charges, interest and extra charges, with an outstanding percentage of only 1.55% in 2013/14 being one of the lowest in NSW.

For Council's base case scenario and the rate increase subject to this Special Rate Variation application, the impact on Mosman's average residential and average business rates (over the next four years) would be as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| AVERAGE RESIDENTIAL RATES |  2014/15  |  2015/16  |  2016/17  |  2017/18  | 2018/19 |  Total rate increase over 4 years  |
| Without SRV (Base Case) - 5% CEC Expires; 3% rate peg applied |  1,256.75  |  1,235.16  |  1,272.22  |  1,310.39  |  1,349.70  |   |
| Annual increase/decrease |   | -$21.59 | $37.06 | $38.17 | $39.31 | $92.95 |
| With SRV - 13% SRV incl. 10% increase and 3% rate peg |  1,256.75  |  1,355.08  |  1,395.74  |  1,437.61  |  1,480.74  |   |
| Annual increase |   | $98.33 | $40.06 | $41.87 | $43.13 | $223.39 |
|  |  |  |  |  |  |  |
| AVERAGE BUSINESS RATES |  2014/15  |  2015/16  |  2016/17  |  2017/18  | 2018/19 |  Total rate increase over 4 years  |
| Without SRV (Base Case) - 5% CEC Expires; 3% rate peg applied |  2,793.24  |  2,745.25  |  2,827.61  |  2,912.44  |  2,999.81  |   |
| Annual increase/(decrease) |  | -$47.99 | $82.36 | $84.83 | $87.37 | $206.57 |
| Wit With SRV - 13% SRV incl. 10% increase and 3% rate peg |  2,793.24  |  3,011.78  |  3,102.13  |  3,195.20  |  3,291.05  |   |
| Annual increase |   | $218.54 | $90.35 | $93.07 | $95.85 | $497.81 |

It is noted that the above information was provided in Council's consultation materials (together with information on an 8% Special Rate Variation Option) to ensure that the community had a clear understanding of the potential impact of a Special Rate Variation. Importantly, this material demonstrated that there would be a reduction in rates in 2015/16 if a Special Rate Variation was not to proceed, and the Community Environmental Contract levy allowed to expire. More detailed information was also provided on rating impacts dependent on property valuations and 2014/15 rates, and this is included in the Public Information Package at Attachment 5b.

**Willingness to Pay**

In June 2014 Council commissioned its biennial Community Survey to gauge the views of residents on local services, facilities and other issues. The survey was conducted by telephone and involved 400 randomly-selected residents. Of the respondents, 62% stated that they were at least 'somewhat supportive' of paying an additional $2 per week to Council to improve the services and facilities it provides for the community.

In October-November 2014 Council further engaged the Mosman community on three rating options with varying impacts on Council's capacity to address the infrastructure backlog as well as the delivery of other services to the Mosman community, Council's long term financial sustainability and rates payable by both residential and business ratepayers.

The results of this engagement, as well as the subsequent exhibition of Council's IP&R documents in December 2014-January 2015, indicate a willingness on behalf of the Mosman community to support an increase above the rate peg to deal with the current infrastructure backlog and to improve Council's longer term financial sustainability.

## 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 (i.e. not beyond existing measures) |

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's position in relation to dealing with hardship faced by ratepayers is contained in two long-standing policy documents attached (in consolidated form) to this submission - *Rates - Pensioner deferment* and *Rates - Rebates for Pensioners*. The first of these policies (*Rates - Pensioner deferment*) provides as follows:

*"Council not write off or reduce rates or extra charges payable by pensioners pursuant to section 582 of the Local Government Act 1993, but that if any aged pensioner who is eligible for a rebate of rates under section 575 or is a War Widow pensioner if upon completion on an annual basis of an "Application for Hardship Rate Relief Order", Council is satisfied that the payment of the full amount of rates and charges levied on a property owned by and is the principal place of residence of the applicant pensioner would cause hardship, such balance of rates excluding the domestic waste service charge (after deducting the rebates under section 575 (if any) of the Local Government Act) be permitted to accumulate during the lifetime of the pensioner and be recouped by Council on the sale of the property or at the time of death of the pensioner ratepayer. The current domestic waste service charge being required to be paid annually."*

The *Rates - Rebates for Pensioners Policy* provides an avenue for considering a write off or reduction of rates and charges payable by eligible pensioners in cases of extreme financial hardship. This policy, in part, provides as follows:

*"(c) Council not write off or reduce rates and charges payable by eligible pensioners, pursuant to section 582 of the Local Government Act 1993 unless after completion of a hardship rate relief application, the General Manager (under delegated authority) is satisfied that the payment of the full amount would cause extreme financial hardship."*

Council has only received one application for hardship rate relief in the last two years and it was approved. Together with another application which was approved in 2012, this equates to a total of two ratepayers receiving hardship rate relief through the deferment of their rates.

Council also offers a special rebate to war widows who do not qualify for the standard pensioner rebate. This “Australia Remembers” rebate is 50% of the rebate provided to qualifying pensioners.

For ease of reference the above policies have been consolidated and can be found at Attachment 7 to this application.

# 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's IP&R processes reflect an ongoing program of planning and reporting that takes into consideration research, consultation and community feedback, financial planning and review, asset and workforce planning and continuous improvement. The ongoing planning and financial review cycle in 2014, coupled with community feedback, the impending expiry of a long-term special levy and several years of improvements in asset policy and planning culminated in a series of Councillor workshops which subsequently resulted in formal consideration of possible future rating options at Council's meeting of 7 October 2014.

At that meeting Council resolved as follows to proceed with a Community Engagement Strategy with the specific purpose of gauging community sentiment on three rating options for Mosman's future:

That:

1. Council consult the community, with a view to considering an application to the Independent Pricing and Regulatory Tribunal for a Special Rate Variation commencing 1 July 2015 under s508(2) of the *Local Government Act 1993*
2. The attached Community Engagement Strategy be endorsed
3. Options 1-3, as outlined in this report, form the basis of rating options on which the community will be consulted
4. A further report on this matter be presented to the Council meeting of 2 December 2014

The decision to proceed with this engagement was in keeping with the strategic objectives of Council's Community Strategic Plan adopted in June 2014. It was also in keeping with the Council's adopted Delivery Program 2013 -2017 and 2014-15 Operational Plan which include the following as a Key Initiative for the 2014-15 financial year.

*"Prepare a case for conversion of the Community Environmental Contract to an Infrastructure Levy".*

Council, at its meeting of 2 December 2014, considered a report on a proposed Special Rate Variation in 2015-16, following a period of extensive community consultation on future rating options. A copy of the report presented to Council at that meeting is included in Attachment 8b.

It was subsequently resolved (unanimously) by Council as follows:

That:

1. Council advise the Independent Pricing and Regulatory Tribunal of its intention to make application for a Special Rate Variation in 2015-16 under s508(2) of the *Local Government Act 1993*
2. The draft Long Term Financial Plan 2015-2025 and draft (revised) 2013-2017 Delivery Program attached to this report be revised to reflect Council's preferred Special Rate Variation of 13%, including the rate peg, in 2015-2016
3. Council place the draft Long Term Financial Plan 2015-2025 and draft (revised) 2013-2017 Delivery Program (as revised in accordance with 2, above) on public exhibition for six weeks concluding on Sunday 18 January 2015
4. This matter again be considered by Council at its meeting of 3 February 2015, including submissions received during the above exhibition period.

The Independent Pricing and Regulatory Tribunal (IPART) was subsequently advised of Council's intention to apply for a Special Rate Variation in 2015-16 on 8 December 2014. This letter was made publicly available on the IPART website on 9 December 2014.

The draft Long Term Financial Plan 2015-2025 and draft (revised) 2013-2017 Delivery Program reflecting Council's preferred Special Rate Variation of 13%, including the rate peg, in 2015-2016, was also exhibited for six weeks commencing 8 December 2014 and concluding 18 January 2015.

The material exhibited as part of Council's draft IP&R documents during this time provided a further level of detail regarding the rationale for a proposed Special Rate Variation, as well as detailed information on the level and specific nature of capital works achievable with or without a Special Rate Variation. The draft (revised) 2013-2017 Delivery Program also provided specific details on the linkages between Council's Community Strategic Plan, adopted in June 2013, and the action proposed by Council in relation to seeking a Special Rate Variation to achieve specific outcomes - especially in the area of infrastructure renewal. These documents are attached to this application (refer Attachments 2 and 3a).

The public exhibition of these documents included:

* Consultation page with explanatory information, copies of documentation and online submission form on Council's website - 8 December 2014 - 18 January 2015
* Documentation on display and available for review at Council's Civic Centre and Mosman Library - 8 December 2014 - 18 January 2015
* Advertisements in Mosman Daily newspaper - 11 December and 18 December 2014
* Media release to Mosman Daily - 12 December 2014
* News article (Mayoral Message) Council website - 12 December 2014
* News article - Mosman Now Summer Edition 14-15 newsletter delivered to approximately 12,500 local households and businesses - week commencing 15 December 2014, as well as distributed electronically to 1,700 newsletter subscribers - 17 December 2014

During the exhibition period there was also news coverage of the proposed Special Rate Variation in the Mosman Daily. Furthermore, the metropolitan press and national television networks have covered the Special Rate Variations proposed by Mosman and other NSW councils.

This period of public exhibition was in addition to the intensive five week engagement period undertaken during October/November 2014, resulting in an overall community consultation of some 11 weeks.

In addition to the 900 submissions received during October - November 2014, two further submissions were received during the December 2014/January 2015 consultation period. The content of these two latter submissions, one in favour of and one against Council's proposed Special Rate Variation, has been reproduced in Council's response to section 4.2, above.

Council noted at its meeting of 3 February 2015 that exhibition of the draft Long Term Financial Plan 2015-2025 and the draft (revised) 2013-2017 Delivery Program had not recorded any material shift in community sentiment on Council's preferred Special Rate Variation in 2015-16, compared to the previous engagement phase in October - November 2014. It was subsequently resolved (unanimously) by Council that:

1. Council adopt the Long Term Financial Plan 2015-2025 and the (revised) 2013-2017 Delivery Program.
2. Council make formal application to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation in 2015-16 under s508(2) of the *Local Government Act 1993*.
3. The application for a Special Rate Variation include a proposed 13% rate increase in 2015-16 comprising a 10.6% increase that remains permanently in the rate base, plus the 2.4% rate peg announced by IPART for the 2015-16 financial year.

A copy of the above resolution is included as Attachment 8a to this application.

# 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 e.g., user charges. Identify if the proposed initiatives (i.e., cost savings), have been factored into the council’s resourcing strategy (e.g., 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.

Mosman Council has made numerous advances in terms of operational efficiencies and productivity improvements in recent years. Our commitment to improving the way we do business, including containing costs and exploring additional revenue streams to deliver required levels of service, will continue to be a feature of future operations. The information below provides an overview of the nature and scope of productivity improvements, efficiencies and cost containment initiatives achieved by Council.

**Productivity and Efficiencies**

Joint Cooperation Delivering Efficiencies and Cost Savings

*Shorelink Library Network*

The Shorelink Library Network was established in 1983 and comprises the Councils of Mosman, Lane Cove, Manly, North Sydney and Willoughby Councils. Our communities have access to the resources of all the libraries (more than 830,000 items).

Shorelink demonstrates the benefits of cooperation which include significant cost savings in the areas of the Library Management System (which was the subject of a new joint contract in 2012-2013), the telecommunications infrastructure (which supports public access Internet and Wi-Fi) and the two specialist staff that the five libraries share. The cost of running a standalone system would be considerably higher, and Council would lose the advantage of shared expertise which extends beyond the Library Management System to areas such as strategic planning, information technology, collection management and customer service.

Other areas where the Shorelink libraries share costs include cooperative purchasing of resources (e.g. eBooks), and a daily courier service between the libraries.

The cost of Mosman's membership of the Shorelink Library Network between 2011 and 2015 has been:

* 2011-2012 - $75,714  (13% of total members’ costs)
* 2012-2013 - $66,224   (13% of total members’ costs)
* 2014-2015 - $63,418   (12% of total members’ costs)

The reduction in costs over this period reflect the excellent result achieved through the Library Management System tender process in 2012-2013, combined with a small cumulative increase in loans/membership at Lane Cove and Willoughby libraries which has subsequently reduced the proportionate membership fee payable by Mosman.

*Kimbriki Recycling and Waste Disposal Centre*

Council is a shareholder in the Kimbriki Recycling and Waste Disposal Centre along with Warringah, Manly and Pittwater Councils. Kimbriki is a recycling and non-putrescible waste disposal site operating since the late 1960s. It is one of only a few landfills in Sydney which has a long-term capacity and has a clear policy of maximising resource recovery and minimising waste disposal to landfill. It also operates at a profit, returning to the respective councils dividends according to their shareholdings.

This example of resource sharing has been of significant importance to Council’s sustainability over many years providing a landfill site in reasonable proximity to Mosman, guaranteeing its residents access to the centre at discounted rates and providing income to Council.

*Internal Audit Function*

In 2009, Mosman Council was the initiating Council for the establishment of the North Shore Councils Internal Audit Group comprising Mosman, Manly, North Sydney, Willoughby, Lane Cove and Hunters Hill Councils. The Group has employed a Head of Internal Audit and two Auditors who undertake a planned audit program agreed to by all General Managers and their respective Audit Committees. This has enabled the participating Councils to set up an effective internal audit function which they would not otherwise have been able to appropriately resource.

*Joint Procurement*

In order to obtain procurement scale benefits, where available, Council participates in joint tendering services with other Councils. As part of the Shore Regional Organisation of Councils (SHOROC) Council has entered into the following joint contracts with Warringah, Manly and Pittwater Councils:

* Civil Works
* Stormwater Works
* External Audit Services
* Banking Services
* Ticket Parking Machines Supply and Maintenance
* Supply and Lay Turf

The savings to Mosman Council resulting from its participation in the SHOROC Joint Procurement project have been estimated at $780,250 for the period 2010/11 to 2013/14.

Given Mosman’s size and relative purchasing power, the ability to participate in these larger contracts with other organisations provides large scale cost benefits. SHOROC now also offers a centralised procurement and contract management service for Councils across northern Sydney (as well as the SHOROC Councils of Mosman, Manly and Pittwater, participants now include Hornsby, Hunters Hill, Lane Cove, Ku-ring-gai, Ryde and Willoughby Councils), further enhancing Mosman's purchasing power.

Council has also used other procurement agencies including Local Government Procurement, State Government Contracts, SSROC and HunterRoc’s Regional Procurement Initiatives to enter into contracts such as:

* Telecommunications
* IT Hardware and Software
* Printing and Stationery
* Cash Collection Services
* Road Pavement Resealing
* Line Marking and Signage
* Hygienic Services
* Fire Services Maintenance
* Plant Hire
* Air Conditioning Maintenance
* Electricity Supply and Street Lighting

*Other Joint Arrangements currently under consideration*

Council's Community Services team has been participating in ongoing discussions with neighbouring Councils and service providers regarding alternate service delivery models across a range of social support services. These discussions are continuing in relation to regional administration of immunisation services and alternate operating arrangements for both community transport and food services. Future operating models for the latter two services are somewhat dependent on the outcomes of funding reviews being implemented at State and Federal government level.

Council continues to explore opportunities for joint procurement most recently including Hunters Hill and Ku-ring-gai Council in the SHOROC Stormwater Maintenance Tender. Current procurement opportunities currently being explored with SHOROC include Marine Structure Maintenance and Building Trades Work.

Organisational Efficiencies and Productivity Improvements

*Contracting Services*

Mosman Council has a long history of contracting services in order to obtain cost efficiencies. In the early 1990s Council made a crucial decision to take the competitive tendering approach for the provision of its major services and construction works including all its cleansing operations, tree lopping, parks, gardens and oval maintenance and building and property maintenance services. These complemented the pre-existing waste management contract.

This resulted in Council being able to rationalise its operations and over a short period of time it was able to significantly downsize its works staff from over one hundred employees to its current complement of six. Further significant savings occurred through the rationalisation of its depot facilities and the sale of surplus plant and equipment which were no longer required. Council was able to sell its main works depot site and plant nursery for residential development and also to eliminate the need to conduct a works store holding for construction and maintenance materials.

Mosman Council's lengthy operation as a 'Contracting Council' has allowed it to periodically put its services to tender in order to contain costs and provide those services at the lowest prices offered in the open market. As mentioned above the number of unskilled positions within Council has been reduced to the absolute minimum.

As a consequence, this means that the average full time employee cost increases due to the skills and qualifications required for the established workforce. Simply, Council has no outdoor staff for services such as garbage collection or parks and reserves maintenance and cleaning. Our contracting costs conversely are higher, albeit regularly market tested via the tender process.

*Service Contract Reviews*

Council continues to look for opportunities to improve cost efficiencies through existing service contracts. In the past Council has engaged expert consultants to review contract specifications including the recent Parks and Sportsfield Management Contract. All specifications for major service contracts upon renewal are reported to Council for review and approval prior to tendering for that service.

*Service Reviews*

In 2013 Council undertook a comprehensive review of costs and service levels relating to its community bus, the 'Mosman Rider'. As a result of this review, service delivery times were reduced to focus on peak demand and a saving of $36,000 per annum was achieved. Council has recently undertaken a further review of this service which will result in a further per annum saving of $44,000 from July 2015.

Other service reviews completed or proceeding in 2014-15 include those relating to:

* Communications
* Compliance
* Customer Service
* Records
* Assets and Services

The objective of these reviews is to deliver improvements in both service levels and efficiencies.

*Expenditure Review Committee*

In May 2013 an Expenditure Review Committee was established to provide a further level of rigour to Council's financial planning and budgeting processes and to contribute to periodic reviews of services and expenditure. Specifically, Council resolved that the Committee be formed:

* to participate in the optimum allocation of the council’s resources for the benefit of the area
* to review the performance of the council and its delivery of services, and the delivery program and revenue policies of the council

Matters dealt with by the Committee to date include:

* review of proposed expenditure allocations in pre-budget phase
* re-casting of budget formatting to provide better information for decision making
* review of contract specifications including those for parks and gardens management and sporting field management
* review of the Mosman Rider Service

The Committee will also be reviewing in detail Council’s Fees and Charges prior to the exhibition of the 2015/16 Fees and Charges Schedule.

*Council Vehicle Fleet*

Council has reduced the number of passenger vehicles in its fleet from 40 vehicles (mostly with private use benefits) in 2000 to 32 in 2006 and subsequently to 10 non private use passenger vehicles in 2014. This has resulted in significant savings from loss at resale, vehicle running costs and insurance costs as well as capital holding savings. Savings achieved are in excess of $120,000 per annum compared to 1999/2000.

*Web/On-line Technologies*

In recent years Mosman Council has significantly increased its online presence with multiple websites and social media platforms. This has enabled administrative cost savings associated with the printing and distribution of materials as well as providing more accessible services to residents and ratepayers.

A review of Council's local newspaper advertising in 2013 also consolidated and improved previous advertising layout and procedures, and reductions in newspaper advertising have been achieved overall, particularly with on-line job advertising now being given priority.

*New customer technologies - Mosman Library*

The introduction of self-checkout facilities since 2012 has resulted in improvements to the customer service delivery model at Mosman Library. The high take up by customers of the self - checkout option resulted in the introduction in January 2014 of the Roving Reference Service. The focus of this service is on getting staff out from behind the Customer Desk to provide more personalised service in accordance with contemporary customer needs and expectations.

The implementation of RFID has enabled automatic returns and the introduction of a concierge desk in 2015 will further enhance customer service and productivity by enabling staff to spend more time assisting customers to meet the increasing demand for one-on-one staff assistance with reading selection and use of the Library’s e-resources. It will also free up staff to spend more time on collection development including item processing and reducing the time lag between receiving an item and having it shelf ready and available for the customers. Staff will also be able to be redeployed to improve access to Council's Local Studies collection through creating content for publishing online.

*Policy, Corporate Practice and Procedures Panel*

In February 2014 a panel consisting of the Executive Team, Manager Governance and the Chief Financial Officer was set up to schedule and review all of Council’s existing policies, procedures and corporate practices. Once approved by the panel these documents are referred to the General Manager or Council for approval. The purpose of this Panel is to ensure that corporate documents reflect current legislative requirements, are up to date in accordance with best practice and are in a standard format.

Increasing Revenue Streams

*Introduction of On-Street Pay Paying Parking Ticket Machines*

In 2009, Council installed 30 on-street pay and display ticket parking machines at Balmoral, The Spit, adjacent Rosherville Reserve and on Bradleys Head Road resulting in significant funds being generated for asset-related purposes. These were in addition to the 11 machines that were already installed in off-street foreshore car parks. The budgeted income from all ticket parking machines for 2014/15 is $3.415 million.

*Review and leverage of Council owned assets*

In 2010, an Investment Properties Business Plan was adopted by Council. The objective of the plan is to assess the purpose, risks and benefits for the Council and includes:

* Overview of the activity
* Management and governance of the portfolio
* Financial considerations
* Cost/benefit analysis
* Site specific issues
* Summary of recommended actions

Council’s investment property portfolio comprises the following properties and is reported upon as a declared business activity for the purposes of National Competition Policy:

|  |  |
| --- | --- |
| * 573 Military Road
 | Mosman Square Shops 1 to 9 |
| * 601 Military Road
 | Library Walk Shops 1 to 10 |
| * 601 Military Road
 | Library Walk Flats 1 to 5 |
| * 624 Military Road
 | Boronia |
| * 2 The Esplanade
 | Watermark Restaurant, Balmoral Baths |
| * 4 The Esplanade
 | Balmoral Bathers Pavilion |
| * 90 Vista Street
 | Cafe, Mosman Swim Centre |

These properties have been specifically acquired or developed to provide a financial return to the Council with the objective of contributing to Council’s financial sustainability.

In the past three years Council has sought to maximise the return on many of its assets. Significant examples include:

1. Bridgepoint signage VPA

In August 2012, after lengthy negotiations, Council entered into a Voluntary Planning Agreement to provide advertising on the footbridge from the Bridgepoint Shopping Centre across Military Road, Mosman. This has resulted in significant income to Council for asset related works which in 2014/15 will provide Council a net GST inclusive income of $483,794.52.

1. Civic Centre Site and Raglan Street West Carpark site

Council is currently in the process of reviewing potential development options for both these sites, with a view to providing a net return to Council as well as improved car parking and community facilities in the Mosman business precinct. Due to the lead time for these projects and an extensive planning approvals process, Council's financial forecasts do not include any projected income from this source.

*Cultural Grants and Donations*

While the availability of, and access to, external grant funding has become more challenging in recent years, a concerted effort by Council's Cultural Services team has delivered some excellent results for the Mosman Art Gallery over the last few years. From a $0 base in 2010, Council now receives approximately $100,000 per year in government grants for arts and cultural programs, including an annual programming grant of $75,000 from Arts NSW.

Cash Sponsorship of arts programming has also increased over the last three years by 300% (from approximately $5,000 to $20,000 per annum) and a philanthropy program has been established in the last three years with the aim of developing regular long term giving by the community.

The Creative Circle, an initiative of the philanthropy program, currently has over 20 members, who each donate $1,000 per year to the Mosman Art Gallery. Donation of artworks has been a major area of asset based (noncash) income to the Mosman Art Gallery. Over the past three years artworks valued at over $1.5 million have been donated.

*Retail Outlets*

In 2012 a retail outlet was established at Mosman Art Gallery and is now generating income of approximately $30,000 per annum.

**Cost Containment**

Delivering Improved Services with existing resources

*Major Website Redesign*

In 2013-2014 Council's website was redesigned to deliver more opportunities for community participation and communication online and increased functionality on both desktop and mobile platforms. The entire project was undertaken in-house by Council's Web and Graphic Design Teams, delivering significant cost savings as well as complete control over future development and enhancements.

*Other recent service improvements*

Mosman Library has been able to expand the number and range of programs it offers in recent years without an increase in staff resources as a result of the use of technology to free staff from mundane tasks. Technology Tuesday Talks, Monday Matters, Write@Mosman Library, more Book Clubs facilitated by Library staff and increased Local Studies exhibitions are examples of new and expanded programs introduced over the last few years.

Similarly, new programs such as Council's Youth Volunteer Programs, the Mosman Youth Forum and the Saturday Respite Service have been implemented in the last two years, effectively within existing budgets. Mosman Council also coordinates an extensive program of 440 volunteers and it is conservatively estimated, on current figures, that this program represents an annual saving of more than $600,000.

*Asset Management Reviews*

In 2010, Council engaged G Creber and Associates Pty Ltd to undertake a strategic review of current asset management practices and to assist Council to identify necessary asset management improvements with a view to advancing asset management at Council.

As a result second generation Asset Management Plans were developed for all infrastructure assets with the assistance of Cardno P/L and Opus International to include more robust lifecycle management strategies and financial forecasts. The Asset Management Reference Group including resident representatives was also formed to better inform and establish the community’s desired level of service.

In 2013, GHD Consultants were engaged to review Council’s progress in asset management and update its Asset Management Strategy and Policy. Council has a clear and informed expenditure profile to optimise asset related services to the community at a cost and risk that is acceptable.

*Bus Shelter Contract*

In 2002, it was evident that many of Council’s existing bus shelters were approaching the end of their economic life and were costing significant funds in maintenance and in the removal of graffiti and repairing vandalism. An environmental impact study was undertaken in relation to replacing these shelters with shelters containing commercial advertising.

Following a community consultation process and assessment Council resolved to seek public tenders for the removal of the existing shelters and the supply, installation and maintenance of 27 new shelters. In accepting the successful tender Council benefited by not having the capital cost to replace the shelters and ongoing savings for 15 years in operational costs as the shelters are required to be fully maintained by the supplier, including cleaning and repair. At the end of the contract, ownership of the shelters will be transferred to Council. In addition, a new revenue stream was created through income from the advertising which in 2013/14 generated $290,000. Since 2002 more than $3,000,000 in revenue has been received from this source.

*Agreements with Sporting Bodies*

In 2013 and 2014 Council undertook extensive consultation with sporting bodies in relation to the operation and use of Council's main ovals. The outcome of this consultation resulted in a new Sporting Field Policy, a staged increase in user fees and the Mosman Rugby Club agreeing to provide over $100,000 in funding to improve Rawson Oval.

*Sustainable Energy Initiatives*

Over the last 5 years Council has implemented many sustainable energy initiatives with a view to reducing long term costs and providing benefits to the community. These include:

* Installation of Solar Panels at the Marie Bashir Sport Centre resulting in an annual saving of $4,000 in electricity costs
* Lighting Retrofit of Vista Street Car Park, Mosman Library and the Civic Centre building resulting in an annual saving of $40,000 in electricity costs
* Installation of variable speed drives in exhaust extraction fans linked to carbon monoxide monitoring system in Vista Street Park resulting in an annual saving of $40,000 in electricity costs
* Construction of large rainwater re-use tanks in Botanic Road and Cross Street resulting in a water saving of approximately 12,000kL or $30,000 over five years

# 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 e.g., 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)  | ☑ |
| Part B Application form (Word document) – this document | ☑ |
| Attachment 1: Relevant extracts from the Community Strategic Plan | ☑ |
| Attachment 2: Delivery Program | ☑ |
| Attachment 3: Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format  | ☑ |
| Attachment 4: TCorp report on financial sustainability | ☑ |
| Attachment 5: Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation | ☑ |
| Attachment 6: Community feedback (including surveys and results if applicable) | ☑ |
| Attachment 7: Hardship Policy | ☑ |
| Attachment 8: Resolution to apply for the special variation | ☑ |
| Attachment 9: Certification | ☑ |
| **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 | ☑ |
| Attachment 13: Other (please specify) - See full listing below | ☑ |
| **Full List of Attachments:** |  |
|  |  |
| Attachment 1: Extract from Mosman's Community Strategic Plan, MOSPLAN 2013-2023 - illustrating 10 year Strategic Directions and Strategies(see [www.mosman.nsw.gov.au/council/plans/MOSPLAN](http://www.mosman.nsw.gov.au/council/plans/MOSPLAN) to access the full document) |  |
| Attachment 2: Revised Delivery Program 2013-2017, as adopted by Council 3 February 2015 |  |
| Attachment 3a: Long Term Financial Plan 2015-2025 with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) Attachment 3b: Projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format  |  |
| Attachment 4: TCorp report on financial sustainability |  |
| Attachment 5a: Media releases, public meeting notices, newspaper articles, advertisements, information brochures and online pages relating to the rate increase and special variation(see also <http://yourvoicemosman.com.au/building-mosmans-future> for full 'Shaping Mosman's Future' website)Attachment 5b: Public Information Package relating to the rate increase and special variation |  |
| Attachment 6: Community feedback (including surveys and results if applicable) |  |
| Attachment 7: Hardship Policy |  |
| Attachment 8a: Resolution to apply for the special variation (unanimous) - 3 February 2015, including report to CouncilAttachment 8b: Resolution to notify intent to apply for a special variation (unanimous) - 2 December 2014, including report to Council |  |
| Attachment 9: Certification |  |
| Attachment 10a: Roads Asset Management Plan *(note - included as a confidential upload due to portal size restrictions only)*Attachment 10b: Stormwater Asset Management Plan*(note - included as a confidential upload due to portal size restrictions only)*Attachment 10c: Parks and Open Space Asset Management Plan*(note - included as a confidential upload due to portal size restrictions only)*Attachment 10d: Marine Structures Asset Management Plan*(note - included as a confidential upload due to portal size restrictions only)*Attachment 10e: Buildings Asset Management Plan*(note - included as a confidential upload due to portal size restrictions only)* |  |
| Attachment 11: Past Instrument of Approval - Community Environmental Contract Levy |  |
| Attachment 12: Resolution to adopt the revised 2013-2017 Delivery Program and Long Term Financial Plan 2015-2025 - 3 February 2015 |  |
| Attachment 13: Community Environmental Contract Achievements |  |

Attachment 14: Mosman Community Survey Report 2012

Attachment 15: Mosman Community Survey Report 2014

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

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

Name of council: Mosman Municipal Council

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

General Manager (name): Veronica Lee

Signature and Date:

Responsible Accounting Officer (name): Gary Mills

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)