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| Special Variation Application Form – Part B  Council application for 2015/16 |
| Ashfield Council  Date Submitted to IPART: 16 February 2015  Contact Person: Nellette Kettle, Director Corporate & Community Services  Contact Phone: 9716 1909  Contact Email: nellettek@ashfield.nsw.gov.au |

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ISBN

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# Introduction

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

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.

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

This application form consists of:

* Section 2 – Preliminaries
* Section 3 – Assessment criterion 1
* Section 4 – Assessment criterion 2
* Section 5 – Assessment criterion 3
* Section 6 – Assessment criterion 4
* Section 7 – Assessment criterion 5
* Section 8 – List of attachments
* Section 9 – Certification.

## Using the Council Portal to submit the application

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

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

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

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

We ask that councils also submit one hard copy of their application to us (with a table of contents and appropriate cross referencing of attachments). Note, early in 2015 IPART will be relocating to the following address:

Local Government Team  
Independent Pricing and Regulatory Tribunal  
PO Box 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. The IP&R documents will need to be publicly exhibited and adopted by the council prior to it submitting its application to us. Also refer to section 6 for a more detailed explanation.

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

## Key purpose of special variation

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

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

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

Council’s application is made under section 508A of the Local Government Act 1993. The application seeks a permanent increase in the rating base, to be implemented over four years as follows:

Year 1 – 2015/16 – 7.5% (including the 2.4% permissible State-wide increase)

Year 2 – 2016/17 – 8.2% (including an assumed 3% permissible State-wide increase)

Year 3 – 2017/18 – 8.9% (including an assumed 3% permissible State-wide increase)

Year 4 – 2018/19 – 9.3% (including an assumed 3% permissible State-wide increase)

The normal State-wide permissible increases will apply from 2019/20 onwards.

The additional income will:

1. fund loan repayments to undertake a $14 million redevelopment of the Ashfield Aquatic Centre, which will include an additional new 25 metre indoor pool, a new outdoor 50 metre pool, a new competition standard water-polo pool and a new grassed passive recreation area; and

2. provide an additional $2.7 million per year for the renewal of other infrastructure assets. Over the next 10 years, this $2.7 million will be spent in the following categories:

- $1 million for community buildings

- $1.1 million for roads and footpaths

- $500,000 for parks/sportsgrounds

- $100,000 for drainage

in accordance with Asset Management Plans (Attachment 10).

The Ashfield Community Strategic Plan, *Ashfield 2023: Our Place, Our Future*, (Attachment 1) prepared under the integrated planning and reporting framework was developed through extensive consultation and engagement and sets out the Ashfield community’s vision for the future of Ashfield.

*Ashfield 2023* outlines the community’s priorities and aspirations through seven key thematic outcomes:

1. Creative and inclusive community

2. Unique and distinctive neighbourhoods

3. Safe, connected and accessible places

4. Living sustainably

5. Thriving local economy

6. Attractive and lively Town Centre

7. Engaging and innovative local democracy

The re-development of the Ashfield Aquatic Centre is identified in *Ashfield 2023* as one of the strategic focus areas, (CSP, page 16) based on its current and growing demand and significance as a place for community connections and recreation. The Community Strategic Plan also indentifies the community’s aspirations for improved infrastructure in a range of areas.

The four year Council Plan 2015-19 (Delivery Program) (Attachment 2) details the principal activities to be undertaken by Council to implement the priorities established in the Community Strategic Plan; and the one year Operational Plan 2015/16 (Attachment 3) provides more detailed information on projects and services that will be undertaken in the 2015/16 financial year, both with and without the special rate variation.

***Council Plan 2015-19 - Outcomes relating to all proposed infrastructure improvements***

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Theme | SRV funded projects | Strategy | 2014/15[[1]](#footnote-1) | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| Creative and inclusive communities |  | Provide services and programs of the Ashfield Aquatic Centre | X | X | X | X | X |
|  | Maintain a range of community facilities and buildings | X | X | X | X | X |
| X | Upgrade the Aquatic Centre |  | X | X |  |  |
| X | Renew and upgrade community halls |  | X |  | X | X |
| X | Renew and install additional CCTV in and around community buildings |  |  | X | X | X |
| X | Build new sporting facility at Centenary Park |  | X | X |  |  |
| Unique and distinct neighbourhoods |  | Promote, develop and maintain community facilities | X |  |  |  |  |
|  | Maintain Council’s parks, reserves, sporting grounds and facilities | X | X | X | X | X |
|  | Review policy and procedures for parks, trees and reserves | X | X |  |  |  |
|  | Develop village precinct strategies | X |  |  |  |  |
|  | Implement village precinct public domain guidelines |  | X | X | X |  |
| X | Gardens infrastructure renewal program |  | X | X | X | X |
| X | Playground equipment renewal and upgrade |  | X | X |  |  |
| X | Sporting ground upgrade irrigation and drainage |  |  | X | X | X |
| X | Algie and Hammond Park sport field lighting upgrade | X |  |  |  |  |
|  | Construct a new pedestrian bridge over Dobroyd Canal | X | X | X |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Safe, connected and accessible places |  | Consult with the community to review infrastructure priorities and funding options | X |  |  |  |  |
|  | Seek out opportunities to fund construction of new sporting facilities at Centenary Park, Croydon | X | X | X |  |  |
|  | Implement a major renewal program of priority footpath renewal | X | X | X |  |  |
|  | Complete accelerated footpath program |  | X |  |  |  |
|  | Implement Council’s road re-sheeting program | X | X | X | X | X |
|  | Grow partnership strategies for enhancement of public domain | X | X | X | X |  |
|  | Implement the bus shelter/stop upgrade program | X | X | X | X | X |
|  | Develop and implement a Disability Action Plan\*[[2]](#footnote-2) | X | X | X | X | X |
|  | Implement strategies that improve community safety | X | X | X | X | X |
|  | Ensure building safety | X | X | X | X |  |
|  | Upgrade bike infrastructure plans and way finding signage | X | X | X |  |  |
|  | Manage local traffic facilities and parking measures | X | X | X | X | X |
|  | Maintain Council’s trees and parks assets | X |  |  |  |  |
|  | Consider options redevelopment of Ashfield Aquatic Centre | X | X | X | X |  |
| X | Accelerated road, kerb and gutter patching program |  | X | X | X | X |
| X | Dover Street reconstruction |  |  | X |  |  |
| X | Sloane Street reconstruction |  | X |  |  |  |
| X | Arthur Street reconstruction |  |  |  |  | X |
|  | Ensure Council facilities are energy and water efficient | X | X | X | X | X |
|  | Partner with SSROC Councils to deliver “Our Energy Future Plan” | X | X | X | X | X |
| Living sustainably |  | Implementation of the Integrated Water Management Plan for Ashfield | X | X | X | X | X |
|  | Manage Council’s stormwater assets\*[[3]](#footnote-3) | X | X | X | X | X |
|  | Continue with Floodplain Management process across LGA\*[[4]](#footnote-4) | X | X | X | X |  |
| X | Improve pipe and pit renewal of stormwater drains |  | X | X | X | X |
| X | Renew street furniture in village centres |  |  | X | X |  |
| X | Paving upgrade in Ashfield town centre |  | X | X | X |  |
| Thriving local economy | X | Upgrade Yeo Park Baby Health [missing word] and Richard Murden canteen for potential commercial use |  |  | X | X | X |
|  | Actively maintain the public domain of the Town Centre | X | X | X | X |  |
|  | Implement Town Centre Public Domain Strategy | X | X | X |  |  |
| Attractive and lovely town centre |  | Fox’s Lane upgrade |  | X |  |  |  |
|  | Gateway treatments |  | X | X |  |  |
|  | Hercules Street redevelopment |  |  | X | X |  |
|  | Esplanade redevelopment |  |  |  | X | X |
|  | Heritage audit of town centre properties |  |  | X | X |  |
|  | Promote pedestrian safety and awareness in the town centre | X | X | X | X | X |
| X | CBD public domain/master plan repaving |  | X | X | X | X |

Council’s Resourcing Strategy points to the need for a review of service levels and Council rates if Council is to meet the objectives of Ashfield 2023, particularly re-development of the Aquatic Centre, improvements to suburban/village town centres, and an overall increase in the standard of infrastructure for footpaths, roads, parks and community buildings. The situation is particularly critical following the expiry of a previous special rate variation (4% infrastructure levy), which contributed an additional $700,000 per year for infrastructure spending, which ended in June 2014.

In this context, towards the end of 2013 the Council resolved to commence a conversation with the Ashfield community about infrastructure service levels, sustainability and ultimately affordability. A comprehensive program of community engagement was conducted in September and October of 2014, with Council resolving to submit this application for a special rate variation on 25 November 2014 after considering the feedback from the community.

## 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 |
| 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.

**3 Assessment Criterion 1: Need for variation**

**3.1 Case for special variation**

Community need, affordability and consultation

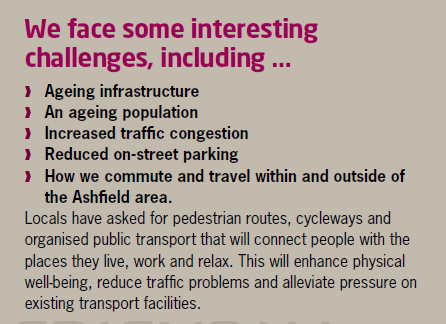
Extensive and meaningful community engagement was undertaken as part of Council’s IP&R processes and development of the Community Strategic Plan Ashfield 2023: Our Place, Our Future, which articulates the community’s priorities and the services expected to be delivered by Council to meet these. In particular, the continued operation of key community facilities, such as the Ashfield Aquatic Centre, and improvement to our town centres, footpaths and streets were identified as central to enhancing the local area. There are a number of values and strategies contributing to the long term vision for the area, described in Ashfield 2023, that are specific to asset renewal and maintenance:

**Community Strategic Plan extracts relevant to asset renewal and maintenance**

|  |  |  |  |
| --- | --- | --- | --- |
| **Theme** | **Value** | **Long-term Strategy** | **Page No.** |
| Creative & inclusive community | Develop recreation and cultural programs that respond to all ages and cultures | Creating places that connect people and facilities and public spaces that build community spirit through everyday use | 7 |
| Unique & distinctive neighbourhoods | Respect and care for our public domain: clean streets, and well-maintained community buildings, parks and sports fields that are valued and cared for | Delivering clean, attractive streets, well-maintained footpaths and street furniture that helps to promote pride in our neighbourhoods and create safe, pleasant places | 11 |
| Safe, connected and accessible places | Places will be accessed using safe and friendly cycle ways, pedestrian routes and public transport | Providing a wide a variety of facilities and places for recreation and community activities that promote a healthy lifestyle, including development of the new Aquatic Centre  Providing public places where people feel safe | 15-16 |
| Living sustainably | Ashfield Council will be a sustainable organisation and will act as a leader and role model to the wider community | Actively reducing stormwater pollution and promoting stormwater awareness in the community | 18-19 |
| Thriving local economy | Main streets that are welcoming, vibrant and desirable locations for locals and visitors | Creating main street economies that are vibrant and desirable locations for businesses, visitors and residents  Connectivity and accessibility for visitors to the area | 22 |
| Attractive and lively Town Centre | A place that provides shops and community service, whilst balancing the vehicular traffic to create a pleasant residential and pedestrian environment | Create an urban framework that balances access, using various forms of transport, with the need to develop an attractive, enjoyable and safe place | 25 |
| Engaging and innovative local democracy | The community actively participates in the governance of their local area and in determining the look and feel of Ashfield | Recognised for excellence in our community engagement and for listening to and responding to the needs and concerns of all residents  Recognised as open and accountable for the use of community resources | 27 |

Importantly, it was identified in *Ashfield 2023* identified that aging infrastructure is a key challenge facing Council.

**Extract from *Ashfield 2023: Our Place, Our Future*, p15**

******

Council’s Asset Management Strategy identified a number of capital works projects (footpath and street improvements, building maintenance and renewal of the Aquatic Centre) which require attention in the mid to long term in order to continue to meet community demand, expectations and to operate safely in the mid to long term/meet.

The suite of Asset Management Plans that make up Ashfield’s Asset Management Strategy identified the projected costs for the operation, maintenance and renewal for each asset group, over ten years. As shown in the table below, compared to the planned expenditure there is a funding shortfall of $3.38million per year, over ten years, without the proposed SRV funding.

**Infrastructure Funding Gap - without SRV**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Projected Outlays ($/year, over 10yrs) | Budget Expenditure ($/year, over 10yrs) | Funding shortfall (without SRV) ($/year, over 10yrs) |
| Transport | $7,533,000 | $7,128,000 | $405,000 |
| Footpaths | $295,000 | $135,000 | $160,000 |
| Stormwater | $370,000 | $320,000 | $50,000 |
| Aquatic Centre | $2,723,000 | $2,223,000 | $500,000 |
| Play spaces & Sporting Fields | $3,596,000 | $2,865,000 | $731,000 |
| Community Buildings | $1,627,000 | $1,494,000 | $133,000 |
| Total | **$16,144,400** | **$14,165,000** | **$1,979,000** |

Source: Table 5, Asset Management Strategy, page 15

The Ashfield Council Plan 2014-18 signalled to the community that achieving the strategic priorities would require significant funding and that Council would be engaging with the community about service levels, sustainability and affordability:

*“Overall, Council’s resourcing strategy points to the need for a review of service levels and Council rates if we are to meet the objectives of Ashfield 2023. Particularly:*

* *Redevelopment of the Aquatic Centre*
* *Improvements to our suburban/village town centres*
* *Overall increase in the standard of infrastructure – footpaths, roads, parks and community buildings.*

*This year Council will be talking with and listening to our community about service levels, sustainability and ultimately affordability.*

*...Over the next twelve months, we will be reviewing these plans and seeking community views about future priorities and service levels. Then we will consider funding options, including a special rate variation, borrowing money, selling assets, entering joint ventures, reducing services while increasing productivity and efficiency. Council has already resolved to consult with our community on a potential special rate variation with a view to lodging an application with IPART in February 2015.”*

* *(Extract from Ashfield Council Plan 2014 – 18, p 11)*

Decision to pursue SRV

Council has carried out a capital works program to arrest the backlog of infrastructure, funded through a previous SRV (4% infrastructure levy), which ended on 30 June 2014. With the cessation of the previous SRV, current financial environment and rising cost of services, Council is unable to continue delivering a capital works program in the medium to long term, at the community’s desired service levels, without additional funding.

Council has considered alternative funding options and where feasible, pursued alternatives to a SRV. These include:

* A successful application to the NSW Local Infrastructure Renewals Scheme for a loan to accelerate renewal of footpaths in very poor condition. This will substantially accelerate Council’s Footpath Improvement Program, address risks associated with poor condition assets in the public domain and reduce the overall capital cost to fund the program;
* Reviewing Section 94 and Section 94A Contributions Plans and adopting the Town Centre Public Domain Strategy, a Master Plan for improvements and capital works in the Ashfield Town Centre. This Strategy will guide a significant capital works program, funded where possible by S94 and S94A contributions, which will result in substantial work to improve conditions of footpaths, street infrastructure and the public domain in an area that will experience high population growth and development in the next 10 years, relative to the rest of the Ashfield LGA. Whilst developer contributions have been identified as a potential funding source, they cannot be relied upon as the only source of funding for infrastructure as Council has no control over the timing of the receipt of these funds and it could be many years before developments are completed and funds collected.

Council has also worked to realise over $2.3million in recurrent savings or new revenue through improved operational efficiencies, strategic procurement and resource management. An additional $800,000 in future recurrent savings or new income has been identified for implementation in 2015/16 and 2016/17, as detailed in Section 7 Assessment Criteria 5.

Regardless of these alternative funding mechanisms and operational improvements, a shortfall remains for critical asset renewal and maintenance. Council progressed a large body of work examining options, the capital works program and evaluating the costs and benefits of applying for a SRV from 2013 until mid 2014. When Council resolved to pursue a SRV, community consultation to determine a level of asset renewal and affordability that was acceptable to the community was paramount (Ordinary Meeting of Ashfield Council on 10 September 2013, Item 326/13).

The relationship between funding and condition of Council’s assets is crucial, particularly when considered over the long term. Council’s Asset Management Strategy identified the impact of two scenarios for investment in the asset portfolio: status quo and the proposed SRV-funded capital works program. The following diagrams provide a snapshot of the impact on the projected condition of Council’s key asset classes.

**Current and projected conditions of assets under two funding scenarios**

|  |  |  |
| --- | --- | --- |
| **Buildings – Current Condition** | **Asset condition in 10 yrs (Status quo)** | **Asset condition in 10 years (Status quo and Full SRV)** |
| Page 16 Buildings Asset Management Plan |  |  |
| **Parks & Playgrounds – Current Condition** | **Asset condition in 10 yrs (Status quo)** | **Asset condition in 10 years (Proposed SRV-funding)** |
| Page 16 Playspaces and Sporting Fields Asset Management Plan |  |  |
| **Stormwater – Current Condition** | **Asset condition in 10 yrs (Status quo)** | **Asset condition in 10 years (Proposed SRV-funding)** |
| Page 17 Stormwater Asset Management Plan |  |  |

|  |  |  |
| --- | --- | --- |
| **Transport – Current Condition** | **Asset condition in 10 yrs (Status quo)** | **Asset condition in 10 years (Proposed SRV-funding)** |
| Page 21 Transport Asset Management Plan |  |  |
| **Aquatic Centre – Current Condition** | **Asset condition in 10 yrs (Status quo)** | **Asset condition in 10 years (Proposed SRV-funding)** |
| Page 15 Aquatic Centre Asset Management Plan |  |  |

SRV is the most appropriate funding mechanism

A SRV is considered to be the most sustainable source of funding for infrastructure in the long term. If approved, it is a guaranteed source of funds, allowing for a staged, well-planned and strategic capital works program to be implemented. This would allow Council to plan projects for a financially sustainable future. In order to proceed, a majority of ratepayers must support the application and therefore demonstrate the community’s support for Council’s decision and long-term infrastructure plans. Addressing these long term issues now is fiscally responsible and has regard for the principles of intergenerational equity. Council is not unreasonably shifting today’s responsibilities onto future generations.

Impact on LTFP

The Long Term Financial Plan (2016-2025) considers three scenarios: base case, full SRV approved; partial SRV approved. These scenarios recognise the cost of maintaining, renewing and/or redeveloping assets and facilities in order to continue their safe and functional operations in accordance with the Asset Management Strategy. The LTFP also recognises the priorities of the community in continued delivery of Council’s service levels and operation of key community assets. These alternatives and Council’s long term projections for financial sustainability are detailed below.

## Financial sustainability

The special variation may be intended to improve the council’s underlying financial position, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council’s current and future financial sustainability and the assumptions it has made in coming to a view on its financial sustainability.

You should explain below:

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

Council’s financial sustainability

The LTFP (Attachment 4) models three alternative scenarios to inform Council’s long-term financial sustainability.

Scenario 1– Base Case assumes that Council maintains the current level of capital expenditure and service levels without raising additional revenue to complete capital works projects. This results in a financially unsustainable position after 2019. As shown in the Table below, in this scenario, the average Building & Infrastructure Renewals Ratio is 57%, which is well below the benchmark of 100%. Similarly, the Capital Expenditure Ratio is 68% and this is also well below the benchmark of 110%. In this environment, Council will be unable to improve or maintain the condition of assets and continue to deliver the service levels desired by the community into the future.

**Comparison of KPIs across three scenarios**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| KPI | Benchmark | Scenario 1 – Base Case | Scenario 2 – Full SRV approved | Scenario 3 – Partial SRV approved |
| Operating Performance Ratio | 0% | -1%  Trending upwards beyond 2020, however forecasts for outer years of plan are less reliable | 8%  Improves each year, moving towards benchmark from 2018 onwards | 6.4%  Trending upwards from 2018 onwards |
| Own Source Operating Revenue Ratio | 60% | 94% | 95% | 94% |
| Unrestricted Current Ratio | 1.50 | 2.10 | 1.60 | 2.90 |
| Debt Service Ratio (Principal & Interest) | 5% | 2.1% | 6%  Peaking in 2016, then trending below benchmark thereafter | 2.1% |
| Building & Infrastructure Renewals Ratio | 100% | 57% | 126%  Peaking with the Aquatic Centre re-development | 116% |
| Capital Expenditure Ratio | 110% | 68% | 155%  Peaking with the Aquatic Centre re-development | 119% |

Scenario 2 – Full SRV Approved - will allow Council to implement the proposed capital works program in full, including the Aquatic Centre redevelopment. This will be facilitated through a loan to fund the Aquatic Centre redevelopment, with the borrowings repaid through the SRV revenue. The outcome will be a healthy Building and Infrastructure Renewals ratio averaging 126.4% over a ten year period. This scenario achieves the highest Operating Performance, Own Source Operating Revenue, Building & Infrastructure Renewals and Capital Expenditure ratios of all three scenarios.

Scenario 3 – Approved partial SRV - for illustrative purposes assumes that IPART may approve a lower SRV than that proposed ($2.7million additional capital expenditure projects each year). Under this scenario, it is anticipated that a lower SRV would provide sufficient funding to address the infrastructure backlog associated with transport, stormwater, buildings and

playgrounds and parks over time. Under this level of SRV funding, there would not be sufficient revenue to support a redevelopment of the Aquatic Centre. Over time this highly valued community asset would decline in safety and functional operation and eventually need to be closed. The Working Funds ratio would be unsatisfactory from 2016 and improving from 2022 onwards. In this scenario, Council would be unable to meet the community’s expectation for the continued operation of the Aquatic Centre and its associated services.

A comparison of the Operating Performance Ratio, shown in the figure below, for the three scenarios shows Scenario 2 – Full SRV approved as the strongest scenario over time.

Benchmark: Minimum 0.00%

External assessment of Council’s financial sustainability

TCorp has assessed Council and ranked its current financial position as Sound, with a Neutral outlook. Council’s most recent (year ending 30 June 2014) External Auditor’s report, from Price Waterhouse Coopers, states that “Council’s indicators reflect a sound and stable financial position with most indicators better than industry benchmarks.”

In addition, TCorp’s 2013 Financial Assessment found that Council has been well managed over the review period and maintenance spending has been sufficient to maintain existing assets. Historically, Council’s liquidity and operating performance have been at or above benchmark levels. However, in terms of a longer term outlook, Council’s forecast operating result, excluding capital grants and contributions, shows a deteriorating position, without additional revenue (such as the proposed SRV). Council’s LTFP, as discussed above, shows a weakening financial position, with capital expenditure levels well below what is required to maintain assets at a satisfactory standard, without additional revenue provided by the proposed SRV.

Council’s view of the impact of SRV on its financial sustainability

As detailed in the Long Term Financial Plan, the provision of a SRV is crucial to Council’s long term financial sustainability where the services and community assets continue to operate at the level required by the community as expressed in the Community Strategic Plan.

## Financial indicators

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

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

Benchmark: Minimum 0.00%

* **Unrestricted current ratio**

Benchmark: Minimum 1.5

* **Rates and annual charges ratio**Benchmark: Minimum 60%
* **Debt service ratio** Benchmark: Minimum 5%
* **Asset renewal ratio**

Benchmark: Minimum 100%

## 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:

* a copy of the council’s section 94 contributions plan
* a copy of the Minister for Planning’s response to IPART’s review and details of how the council has subsequently amended the contributions plan
* details of any other funding sources that the council is proposing to use
* any reference to the proposed contributions (which were previously to be funded by developers) in the council’s planning documents (eg, LTFP and Asset Management Plan (AMP).

**3.4 Contribution plan costs above the cap**

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 (eg, waste management, water and sewer), especially if these are likely to exceed the increase in the CPI.

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

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

Former special variation

Council had a previous infrastructure levy that expired at the end of the 2013/14 financial year, resulting in a gap of one year between the former levy expiring and this new application whilst Council updated its asset management strategy and plans and undertook consultation with the community about service levels and affordability.

The former infrastructure levy was introduced in response to community feedback seeking better maintained roads, footpaths and streetscapes. This SRV represented a 5 year, 4% special rate variation, commencing in 2009/10 and ending in 2013/14.

This special rate variation contributed $650,000-700,000 each year to fund infrastructure renewal and maintenance. The following table shows the infrastructure projects undertaken with those funds over the 5 year period.

**Infrastructure Levy Projects 2009 - 2014**

|  |  |  |
| --- | --- | --- |
| **Roads and Streetscape** | | |
| Paving and parking Croydon Park, Georges River Road & Forbes Street | $ | 75,000 |
| Relay paving in Ashfield CBD Liverpool Road, extend kerb ramps | $ | 200,000 |
| Aerial bundling overhead power | $ | 175,000 |
| Integrated footpath & bike works – from bike plan | $ | 280,000 |
| Extra 20% road resurfacing (30yr cycle) | $ | 221,000 |
| Reconstruct roundabout Queen St & Norton Street | $ | 100,000 |
| Reconstruct Holden Street, Norton to Liverpool Road | $ | 160,000 |
| Croydon CBD – Streetscape enhancements | $ | 379,000 |
| Condition 4 road major patches | $ | 305,000 |
| Street furniture | $ | 45,000 |
| Condition 4 footpath replacement (2007 audit) | $ | 451,000 |
| **Traffic and Parking** | | |
| Local Area Traffic Management Scheme – Northcote St & Wolseley St | $ | 170,000 |
| Traffic Facilities & parking measures | $ | 185,000 |
| **Parks** | | |
| Cecile Herman Stage 4 | $ | 30,000 |
| **Building and Amenities** | | |
| Yeo Park Toilet Block | $ | 150,000 |
| Pratten Park change rooms | $ | 125,000 |
| Repairs and replacements | $ | 204,000 |
|  |  |  |
| **TOTAL** |  | **3,255,000** |

This funding provided a higher level of service than previously available and if not replaced would see service levels decline unless alternative sources of revenue were made available.

With this in mind and with the cessation of this funding Council set about to make some important choices and decisions about the future. Most importantly:

* a fresh appraisal of short, medium and long term infrastructure renewal and maintenance needs, including an assessment of the immediate impact of a reduction in asset renewal and maintenance corresponding to the cessation of the former SRV;
* the scope and available funding options for any redevelopment of the Ashfield Aquatic Centre;
* the impact these infrastructure needs will have on Council’s financial sustainability over the medium to long term; and
* other opportunities for funding infrastructure renewal and maintenance available to Council.

## 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.

**Community Engagement Strategy**

On August 19, 2014, Ashfield Council considered the options outlined in a report to the Works and Services Committee for community engagement to be carried out to seek feedback from residents, ratepayers and other interested stakeholders on a potential special rate variation.

This decision followed a resolution by Council in November 2013 to progress work towards a potential special rate variation (SRV) application during 2014/15. Council’s intention to engage in a conversation with the Ashfield community on medium to long term infrastructure needs was signalled in the Council Plan 2014/18 and in the June 2014 edition of Ashfield Council News, delivered to all households.

Council's resourcing strategy points to the need for a review of service levels and Council rates if Council is to meet the objectives of the Community Strategic Plan *Ashfield 2023*, particularly:

* redevelopment of the Aquatic Centre and the;
* improvements to suburban/village town centres; and
* an overall increase in the standard of infrastructure (footpaths, roads, parks and community buildings).

In order to effectively inform the community about any potential changes to their rates Council designed and implemented a public consultation and engagement campaign under the banner ‘Your Say, Your Future’.

The campaign was designed to aid Council in identifying the community’s willingness and capacity to support a special rate variation.

The aim of the engagement program was to explain to the community the issues Council was facing in bringing our assets to the standards that the community needs and expects, to reduce the risk to Council and the community of these assets failing and to inform the community about the future potential loss of amenity and services if Council failed to secure the financial sustainability of its infrastructure assets into the future.

The campaign employed a range of communication mediums, taking into account the demographics, cultural groups and social concerns of the community, while also focusing on the role of Councillors and staff in identifying the most appropriate level of funding required to meet the expressed needs of the community as reflected during Council’s significant planning and engagement processes over recent years.

In order to ensure effective community engagement, Council adapted the International Association for Public Participation (IAP2) model for use in the SRV engagement process, as shown:

Inform

One way balanced and objective information to help the Ashfield community understand issues, alternatives and opportunities.

Consult

Two way communications designed to obtain community feedback about ideas, alternatives and proposals to inform decision making.

Involve

Participatory processes designed to help identify issues and views to ensure that concerns and aspirations are understood and considered prior to decision making.

Council employs various methods of engagement as part of day to day operations. These methods have been encompassed when consulting with the community about the special rate variation, and have been supplemented by additional methods commensurate with the importance and appropriate reach for discussing long term infrastructure needs and affordability.

**Your Say, Your Future Campaign**

Council prepared a range of communications materials as part of the ‘Your Say, Your Future’ Campaign.

An integral part of ensuring that local residents were aware of the proposals being put forward by Council was to letterbox all 17,000 households with a letter from the General Manager outlining Council’s situation and articulating the options being put forward to the community. In addition, a brochure detailing four options was distributed to all households as well as a Reply Paid Postcard for residents to indicate to Council their preferred option.

Further 2,105 non-resident ratepayers were sent a letter from the General Manager outlining the proposals being put forward together with a brochure detailing the options and a Reply Paid postcard to indicate to Council their preferred option.

A separate letter from the General Manager was prepared and distributed to 601 business properties outlining the impact that the proposals would have on their rates together with a brochure specific to business owners detailing the options being put forward and a Reply Paid postcard for business owners to indicate to Council their preferred option.

The Campaign was designed to be instantly recognisable with all communication materials relating to the proposed SRV promoted under the logo ‘Your Say, Your Future’. The logo was used on all communication materials including letters to residents, brochures, outdoor banners, newspaper advertising and on Council’s website to ensure all the material relating to the proposed change was identifiable.

Council made a conscious decision in formulating its public consultation strategy to concentrate on traditional forms of communication given the unique and distinctive make up of the Ashfield community.

Ashfield Council has a large Chinese population and a large elderly Italian population the majority of whom do not engage with social media. For this reason it was determined to concentrate on printed materials and fact sheets being made available to the community rather than focusing on online discussion forums and other social media avenues.

Council established a dedicated website portal which residents could access directly from Council’s website landing page. The comprehensive information included on the site included detailed background to the proposals being put forward by Council, including pictures illustrating the current condition of Council’s assets.

Council’s dedicated website portal for the ‘Your Say, Your Future’ campaign provided detailed information to ratepayers on the following areas:

* What are the options?
* Impact on Residents
* Impact on Business
* What do your rates pay for?
* Condition of our infrastructure
* Recent infrastructure works
* Snapshot of Achievements
* State of our Assets
* Condition of the Aquatic Centre
* Proposed redevelopment of the Aquatic Centre
* Frequently Asked Questions
* Your Say, Your Future Campaign
* Chinese Translation
* Italian Translation
* Brochure in English

Council recorded 565 direct visits to the ‘Your Say, Your Future’ portal during the community consultation period from September 8, 2014 to October 31, 2014.

During this period Ashfield Council recorded a website audience overview of 136,134 page views. Information about the Special Rate Variation proposal was displayed prominently on the website and also in the newsroom which recorded 460 direct hits during this period.

The community open houses provided an important opportunity for residents to discuss the options being put forward with senior council staff and the General Manager, including an opportunity for the public to workshop with staff the ideas being put forward and to indicate their priorities for infrastructure and to listen to the options explained in detail.

The General Manager and senior staff were also on hand at a dedicated Council booth and listening post set up at the Summer Hill Neighbourhood Festival which was attended by thousands of local residents to talk to residents about the funding options being put forward. Brochures and other communication materials including answers to ‘Frequently Asked Questions’ were also available for residents.

Senior staff also briefed local business leaders and other key community representatives on the options being put forward by Council as part of the ‘Your Say, Your Future’ Campaign.

There was a high recognition rate for Council’s public consultation campaign as indicated during a targeted statistically valid community survey conducted by an independent research company which found that 45% of residents had prior knowledge of Council exploring the community’s opinion of an SRV with 91% of these residents being informed by a ‘mail out’.

A summary of the Communications materials developed by Council to inform the community about the proposals put forward by Council are outlined below.

**Communications Materials**

|  |  |
| --- | --- |
| **The 2013 Community Report** and the **June 2014 issue of Community News** which are delivered to all 17,000 households outlined the need for Council to have a conversation with the community to adequately plan to ensure infrastructure and services are properly planned and funded into the future. | 4.JPG |
| **Media Release** which provided a detailed brief on the proposals being put forward including the cost impact of any variation on ratepayers and business operators and information about the ‘Your Say, Your Future’ Campaign. The Release was distributed to media outlets, made available on Council’s news page of the website and also via the dedicated website portal ‘Your Say Your Future’. | media release.JPG |
| **Letter from the General Manager which was distributed to all residents** in the LGA via a letterbox drop to all 17,000 households which articulated the need to address future funding for infrastructure works. | letter to resident.JPG |
| **Brochure** distributed to all residents (17,000 households) outlining the proposed options and how residents would be affected by the options, where to access further information and information regarding the Community Open House events. | brochure.JPG |
| **Reply Paid postcard** distributed to all households in the LGA for residents to indicate which option they preferred.  The options clearly articulated the impact that any rate variation would have on residents. | voting card.JPG |
| **Letter from the General Manager which was distributed to all 601 businesses** in the LGA which included a brochure outlining the proposed changes and how business would be affected by the options, where to access further information and information regarding the Community Open House events. | ratepayer.JPG |
| **Reply Paid postcard for business** to indicate which option they preferred. This was posted out to all business operators in the LGA. | business postcard.JPG |
| **Letter from the General Manager which was distributed to 2,105 non resident ratepayers** in the LGA which included a brochure outlining the proposed changes and how they would be affected by the options, where to access further information and information regarding the community Open House event. | ratepayer.JPG |
| **Reply Paid postcard for non resident ratepayers** was posted out inviting them to indicate which option they preferred. | non res voting card.JPG |
| **Brochure in Italian** outlining the proposed changes and how residents would be affected which was made available online and at all customer service points, Community Open Houses and Ashfield and Haberfield Library. | italian brochure.JPG |
| **Brochure in Chinese** outlining the proposed changes and how residents would be affected which was made available online and at all customer service points, Community Open Houses and Ashfield and Haberfield Library. | chinese brochure.JPG |

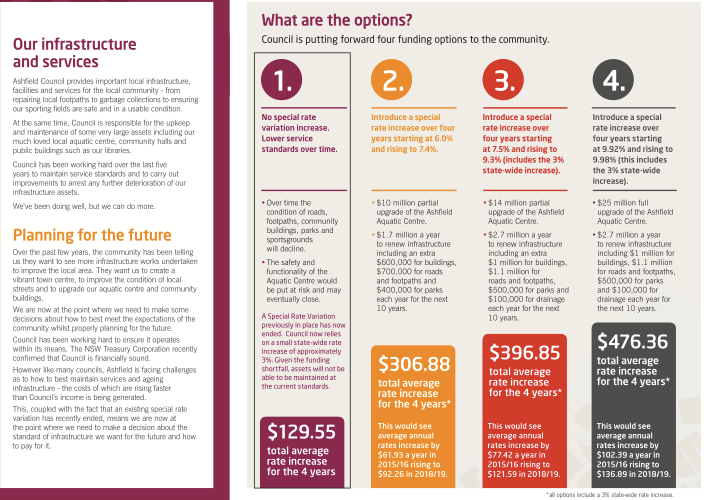
|  |  |
| --- | --- |
| **Advertisement in the local Inner West Courier**, informing residents of the campaign and inviting them to attend one of four Community Open House events to be held throughout the local area. | ad iwc.JPG |
| **Mayoral Column in the Inner West Courier** to explain the proposed options to the community and to invite them to participate in the campaign. | mayoral2.JPG |
| **Weekly notices in the Council section in the Inner West Courier** inviting the community to attend one of the Community Open House events and to encourage them to provide feedback on the proposals. | comm news.JPG |
| **Outdoor banners** were erected in four high visibility locations across the local area alerting residents to the campaign and calling on them to ‘Have their Say’. | banner.JPG |
| **Permanent displays** outlining the proposals being put forward by Council were erected at Haberfield Library, in the Customer Service area at the Ashfield Civic Centre and at the entrance to the Ashfield Aquatic Centre. | display boards.JPG |

|  |  |
| --- | --- |
| **A dedicated portal was established on Council’s website** which provided background material on the proposals as well as detailed information about the campaign, the options being put forward, infrastructure works including an outline of the vast range of services and works conducted by Council. The website also provided a ‘ready reckoner’ so that residents could determine against their current rates how they would be affected by the various options being put forward by Council. | C:\Users\laural\Desktop\Capture.PNG |
| **News updates** were posted on Council’s website as well as inviting residents to participate in the Campaign. During this period Ashfield Council recorded a website audience overview of 136,134 page views. Information about the Special Rate Variation proposal was displayed prominently on the website and also in the newsroom which recorded 460 direct hits during this period. | news update.JPG |
| **Four Open House events** were held at Haberfield Library, Ashfield Aquatic Centre, Ashfield Civic Centre and the Summer Hill Church. The Open Houses provided an opportunity for local residents to speak to senior Council Staff, view displays explaining the proposals being put forward and provide comments back to Council. |  |
| **A dedicated Council booth** was set up at the Summer Hill Neighbourhood Festival which was attended by thousands of local residents. The General Manager and Senior Staff were on hand to talk to residents about the funding options being put forward. Brochures and other communication materials including answers to ‘Frequently Asked Questions’ were available for residents. |  |
| **Community Survey**. Micromex were engaged to conduct a statistically valid Community Survey on behalf of Council. A full report of the Survey and its findings is contained at Attached 6. | Untitled.png |

**Alternatives to the special variation**

An integral part of Council’s community engagement process was to articulate to the community a range of options being put forward by Council for consideration as to how to address the issue of the future sustainability of Council’s services and infrastructure.

Council widely consulted with the community on the four options being put forward to the community.

All four funding options and the impact it would have on ratepayers were equally advertised and promoted throughout the engagement processes as detailed below:

**Option 1. No special rate variation increase. Lower service standards over time. Increase in rates subject to permissible state-wide increase.**

Total average increase over four years $129.55.

A Special Rate Variation Council previously had in place has now ended leaving Council to rely on a small state-wide rate increase of approximately 3% per annum. Assets will not be able to be maintained at the current standards and over time the condition of roads, footpaths, community buildings, parks and sportsgrounds will decline. The safety and functionality of the Aquatic Centre will be put at risk and it may eventually have to close.

**Option 2. Introduce a special rate increase over four years starting at 6.0% and rising to 7.4% (includes the 3% state-wide rate increase)**

Total average increase in rates over four years $306.88

Council would undertake a $10 million partial upgrade of the Ashfield Aquatic Centre. An additional $1.7 million a year would be allocated to renew infrastructure including an extra $600,000 for buildings, $700,000 for roads and footpaths and $400,000 for parks each year for the next 10 years

**Option 3. Introduce a special rate increase over four years starting at 7.5% and rising to 9.3% (includes the 3% state-wide increase)**

Total average increase in rates over four years $396.85

Council would undertake a $14 million partial upgrade of the Ashfield Aquatic Centre and build a new water polo pool. Additional funding would be allocated to renew infrastructure including an extra $1million for buildings, $1.1 million for roads and footpaths, $500,000 for parks and $100,000 for drainage each year for the next 10 years.

**Option 4. Introduce a special rate increase over four years starting at 9.92% and rising to 9.98% (this includes the 3% state-wide increase)**

Total average increase in rates over four years $476.36

Council would undertake a $25 million upgrade of the Ashfield Aquatic Centre. Additional funding would be allocated to renew infrastructure including an extra $1 million for buildings, $1.1 million for roads and footpaths and $500,000 for parks and $100,000 for drainage each year for the next 10 years.

**Estimated Impact on Average Rates**

The following table shows the estimated impact on average rates for each option in the first five years.

|  |  |  |  |
| --- | --- | --- | --- |
| Option 1 | No Special Rate Variation Only State-wide increase | Average annual increase $ Residential | Average increase $ Business |
| 2015/16 | 3.0% | $30.97 | $140.53 |
| 2016/17 | 3.0% | $31.89 | $144.75 |
| 2017/18 | 3.0% | $32.85 | $149.09 |
| 2018/19 | 3.0% | $33.84 | $153.56 |
| 2019/20 | 3.0% | $34.85 | $158.17 |

|  |  |  |  |
| --- | --- | --- | --- |
| Option 2 | Annual % increase\* | Average annual increase $ Residential | Average increase $ Business |
| 2015/16 | 6.0% | $61.93 | $281.07 |
| 2016/17 | 6.5% | $71.12 | $322.76 |
| 2017/18 | 7.0% | $81.57 | $370.18 |
| 2018/19 | 7.4% | $92.26 | $418.72 |
| 2019/20 | 3.0% (back to state-wide increase) | $40.17 | $182.31 |

|  |  |  |  |
| --- | --- | --- | --- |
| Option 3 | Annual % increase\* | Average annual increase $ Residential | Average increase $ Business |
| 2015/16 | 7.5% | $77.42 | $351.33 |
| 2016/17 | 8.2% | $90.99 | $412.93 |
| 2017/18 | 8.9% | $106.85 | $484.93 |
| 2018/19 | 9.3% | $121.59 | $551.83 |
| 2019/20 | 3.0% (back to state-wide increase) | $42.87 | $194.56 |

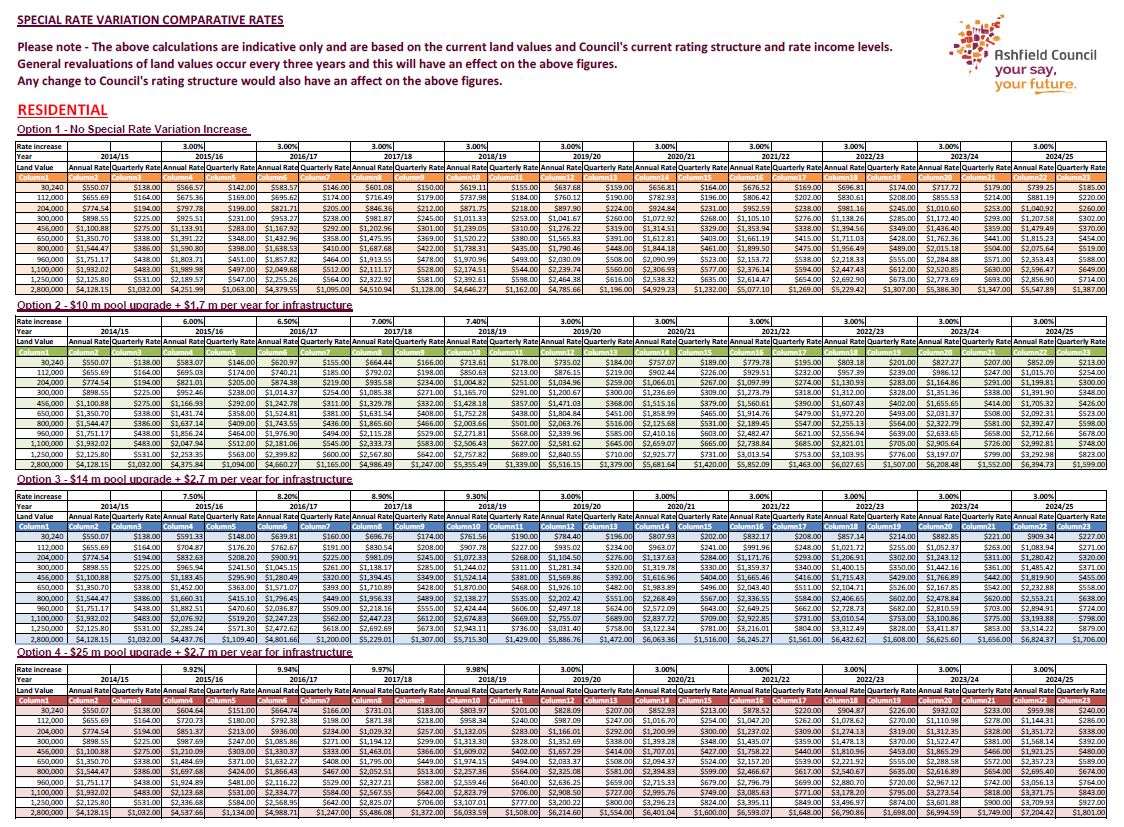
|  |  |  |  |
| --- | --- | --- | --- |
| Option 4 | Annual % increase\* | Average annual increase $ Residential | Average increase $ Business |
| 2015/16 | 9.92% | $102.39 | $464.69 |
| 2016/17 | 9.94% | $112.78 | $511.82 |
| 2017/18 | 9.97% | $124.30 | $564.11 |
| 2018/19 | 9.98% | $136.89 | $621.26 |
| 2019/20 | 3% (back to state-wide increase) | $45.26 | $205.39 |

\*assumes a 3% permissible increase each year

**Individual impact on Rates Ready Reckoner**

In addition to the information provided to residents regarding the average annual impact any variation would have, Council developed a ‘Ready Reckoner’ to give the specific impact that a rate increase would have for a range of land values.

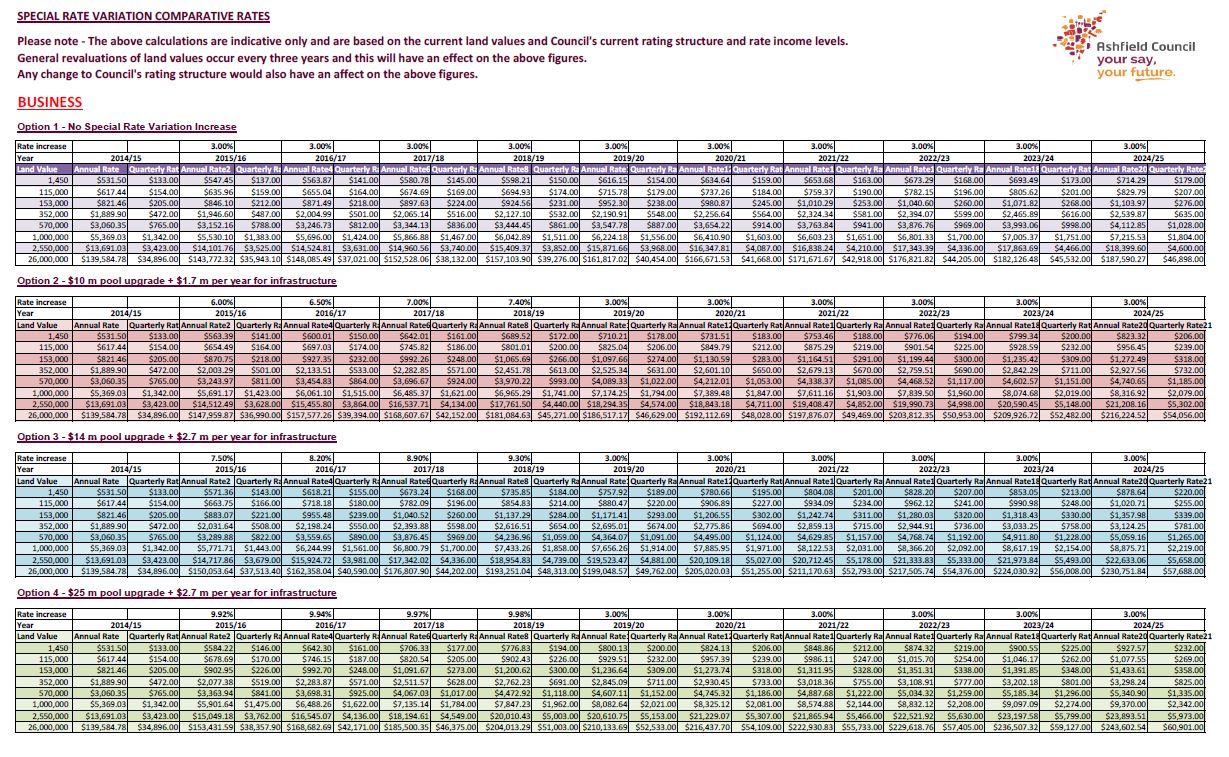
The Ready Reckoner was on display at the Community Open Houses, at Council’s information stand at it’s major community event and was available to view or download via Council’s dedicated website portal as part of the community consultation campaign.

****

**Impact on Business**

All four funding options and the impact they would have on business operators were equally advertised and promoted throughout the engagement processes.

**Individual impact on Business Rates Ready Reckoner Rates Calculator**

In addition to the information provided to residents regarding the average annual impact any variation would have, Council developed a ‘Ready Reckoner’ rates comparison specifically for business owners. The Ready Reckoner was on display at Council’s Community Open House events, at Council’s information stand at it’s major community event and was available to view or download via Council’s dedicated website portal as part of the community consultation campaign.

## 

## 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.

**Feedback received**

**Telephone enquiries**

Telephone enquiries received by Council on the rates proposal were mainly dealt with by Council’s Rates section staff, as the majority of calls included discussion of the specific impact of the proposed rate increase on individual ratepayer’s properties. Specialist staff responded as required to other issues which were raised by callers.

A ‘ready reckoner’ rates calculator was developed to enable staff to answer enquiries relating to the impact of the rates proposal on individual ratepayers. This tool was used by Rates section staff to respond to telephone enquiries and to provide specific information to attendees at the Community Open Houses.

**Open Houses**

Over 70 people attended the Open Houses. There was a very positive response to the sessions. The majority of attendees provided feedback to staff that they appreciated the opportunity to have senior staff on hand to inform and answer questions on the proposals being put forward.

Four Open House sessions were held in Haberfield, Ashfield, the Aquatic Centre and Summer Hill. The Open House sessions provided visual displays of the proposals, including how infrastructure renewal was identified as a priority, examples of the condition of some items of community infrastructure in the area, and where the funds will be spent in terms of infrastructure.

Detailed information boards on the proposal to upgrade the Ashfield Aquatic Centre were also available as well as information on the impacts on average residential rates (both on a weekly and annual basis) was clearly outlined as well as the impact on business. A rates ready reckoner was also available to give residents the specific impact rate a rate increase would have compared to their current rates.

**Postcard returns**

Council received a very high percentage rate of feedback from the community to the campaign. A total of 1,749 postcard returns were received. 47 of these cards were not included in the overall tally below as no voting preference was indicated or the respondent’s intentions were unclear.

The results of the postcard preferences received by Council are detailed in the table below.

|  |  |  |  |
| --- | --- | --- | --- |
| OPTION 1 | OPTION 2 | OPTION 3 | OPTION 4 |
| Community 832 | Community 319 | Community 240 | Community 277 |
| Business 30 | Business 3 | Business 1 | Business 0 |
| Total Option 1 = 862 | Total Option 2 = 322 | Total Option 3 = 241 | Total Option 4 = 277 |

*n=1702*

**Written submissions**

Council also received 58 written submissions with respect to the Your Say, Your Future campaign. Many of these submissions did not indicate a preference, but rather made comments or asked questions about various matters relating to infrastructure priorities and Council funding. Those that did indicate a preference generally favoured Option 1. See below for a breakdown.

Option 1: 28

Option 2: 4

Option 3: 3

Option 4: 2

Other: 21

**Information provided in response to submissions**

All written submissions received on the proposed funding strategy and rate increase were answered by an individual letter. In addition to providing information relating to the main comments of the submission on the rates proposal, these letters also provided a response to any other issues raised in the submission.

**Form Letters**

Council became aware of an active campaign by a number of community members who do not support a special rate variation throughout the engagement process. Council was advised that residents across the LGA had been letterbox dropped a form letter in opposition to the SRV. At the time of closing the community engagement process at the end of October 2014, Council had received the following from the campaign:

Form letter #1 - Council received 152 form letters objecting to the introduction of a special rate variation.

Form letter #2 - This form letter listed the four options with respondents ticking which option they supported. 37 of these form letters were received and the responses were as follows:

Option 1: 23

Option 2: 3

Option 3: 1

Option 4: 2

Other: 8 (no increase in rates at all, i.e. state-wide increase or SRV)

Ashfield has a highly engaged and active community with strong levels of involvement and participation in Council Process. Despite this information falling outside the formal channels of engagement, we have as we always do recorded and reported this information to assist in Council’s deliberations.

**Petition**

Council received one petition in relation to the ‘Your Say, Your Future’ campaign, objecting to a special rate increase. The petition contained 8 signatures.

**Community Survey**

Micromex Research, together with Ashfield Council, developed the questionnaire for the community survey. The telephone (CATI) interviews were conducted during the period 7th to 13th October 2014.

**Sample**

N=401 interviews were conducted.

A sample size of 401 provides a maximum sampling error of plus or minus 4.9% at 95% confidence.

This means that if the survey was replicated with a new universe of n=401 residents, that 19 times out of 20 we would expect to see the same results, i.e. +/- 4.9%.

Therefore, the research findings documented in this report should be interpreted as not just the opinions of 401 residents, but as an accurate and robust measure of the entire community’s attitudes.

**Interviewing**

Interviewing was conducted in accordance with IQCA (Interviewer Quality Control Australia) Standards and the Market Research Society Code of Professional Conduct. Where applicable, the issues in each question were systematically rearranged for each respondent.

**Percentages**

All percentages are calculated to the nearest whole number and therefore the total may not exactly equal 100%.

Sample profile

**Attitudes**

Council services/facilities are considered at least ‘somewhat important’ by 98% of residents.

**Findings**

Residents have strong levels of satisfaction with the current levels of servicing and facilities provided by Council.

Residents indicated they believe it is highly important that Council continues to improve facilities and services.

45% of residents were aware that Council was exploring community sentiment towards a rate variation; the majority were informed by Ashfield Council’s mail out.

**Level of Support**

The highest level of support was for Option 2, which is to increase rates by way of an SRV by 6% to 7.4% over a 4 year period. 74% of residents were at least ‘somewhat supportive’ of this plan. 47% of residents nominated Option 2 as their preferred Option.

**Preferred option**

**Conclusions**

Residents have strong levels of satisfaction with the current levels of servicing and facilities provided by Council.

Residents indicated they believe it is highly important that Council continues to improve facilities and services.

Residents were supportive of Council pursuing a Special Rate Variation. The survey found 47% of residents supported Option 2 to Maintain Services and Increase Rates and 74% of residents were at least ‘somewhat supportive’ of Ashfield Council proceeding with with this option.

In total 59% of residents selected Option 3 as their first or second preferred option.

Only 23% nominated Option 1 as their preferred option. In total 45% of residents nominated this option as their least preferred option.

The community was generally supportive of Council making an application to IPART in order to seek a special rate variation. Residents were most supportive of Option 2 and Option 3.

There was general support in the community for Council to proceed with an application for a Special Rate Variation with ratepayers clearly indicating that they want to see infrastructure improvements in the local area.

Following consideration of the community feedback, Ashfield Councillors have determined that the best Option in order to best maintain services and Council’s ageing infrastructure and meet the demands of the future is to progress with an application to IPART for Option 3. This Option is considered the most suitable longer term funding option which will not only enable Council to renew existing assets and to carry out essential works to the Ashfield Aquatic Centre, a key focus area identified in the Community Strategic Plan, Ashfield 2023.

**Considering the impact on ratepayers**

**Affordability & Hardship**

Council recently updated its Rates Hardship Policy in order to ensure that it has suitable provisions in place to assist ratepayers who are experiencing hardship.

The policy provides assistance in accordance with the requirements of the Local Government Act and is premised on a reasonable and compassionate approach to hardship. The Policy makes provisions for payment arrangements; deferral of rates and for the writing off of interest in some circumstances.

**Special assistance for pensioners**

Pensioners are often amongst the most vulnerable members of the community in terms of their financial capacity. Ashfield Council prides itself on taking care of the most vulnerable members of the community, including pensioners, and most recently demonstrated this by introducing in 2013/14 an additional voluntary pensioner rebate of $25.

Council has once again reviewed options for assistance to pensioners and should a special rate variation be introduced, Council will:

* Triple the existing voluntary pensioner rebate, from $25 to $75 from 2015/16
* Provide free year round access to resident pensioners to the Ashfield Aquatic Centre and its programs

It is hoped that this initiative, whilst providing some financial assistance, will also encourage increased attendance and use of the Centre and its programs amongst pensioners leading to increased health, recreation and social benefits.

The feedback from the community survey, open house events, written submissions and voting cards indicate that the community is generally supportive of the introduction of a Special Rate Variation.

# Assessment criterion 3: Impact on ratepayers

Criterion 3 within the OLG Guidelines is:

*The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The IP&R processes should:*

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

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

## Impact on rates

Much of the quantitative information we need on the impact of the special variation on (General Fund) rate levels will already be contained in Worksheet 5a and 5b of Part A of the application.

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

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

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

The proposed SRV will be retained permanently in the rate base. As Council is not proposing to change its rating structure, the impact of the proposed increases will be spread evenly across all ratepayers (residential and business).

Council proposes to continue to levy 20% of its rate yield from Business properties and 80% of its rate yield from Residential properties. Council has conducted extensive modelling to provide evidence the rating structure should remain as is.

The following proposed increases are the percentage increases, (including rate pegging amounts), required across the four year period of introduction:

* 7.5% in 2015/16
* 8.2% in 2016/17
* 8.9% in 2017/18
* 9.3% in 2018/19

Based on the information supplied to IPART in part A of the application form the cumulative increase, over the four year period of introduction of the proposed SRV would be 38.45%. If the subject SRV application is unsuccessful the approved increase for 2015/16 would remain at 2.4%.

Council’s future estimates have used 3% as the rate pegging increase. The cumulative increase of the 2.4% effective increase in 2015/16 and 3% for years two, three and four which would be equal to 11.9% over the four year period.

The cumulative increases are distributed evenly across all rating categories. The current (2014/15) average residential and business rates are:

* Residential: $1,028.55
* Business:$4,589.38

**With SRV**

If the SRV is successful, the average rates would rise to $1,423.98 (residential) and $6,353.90 (business) respectively in the fourth year of the SRV. This would equate to a cumulative increase of $395.43 (residential) and $1,764.52 (business) over the four year period.

**Without SRV**

If the SRV is unsuccessful, the average rates would rise to $1,150.91 (residential) and $5,135.29 (business) respectively in the fourth year of the SRV. This would equate to a cumulative increase of $122.36 (residential) and $545.91 (business) over the four year period.

**General Revaluation**

Council will be applying new land values supplied by the NSW Valuer General (base date 1 July 2016) commencing in the 2017/18 rating year (Year 3).

### Minimum Rates

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

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

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.

Council does not apply minimum rates to the residential category. Minimum rates only apply to the business category. The increases in minimum rates for the business category will be at the same percentage as the SRV percentage applied for each of the four years.

The current minimum rate for the business rating category is: $531.50

**With SRV**

If the SRV is successful minimum business rates would increase by year four of the SRV to $735.80.

This equates to a cumulative percentage increase in minimum rates over the four year introduction of the SRV of 38.44%.

**Without SRV**

If the SRV is unsuccessful the minimum business rates would increase by year four to $594.72.

This equates to a cumulative percentage increase in minimum rates over the four year period of 11.89%.

## 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 has incorporated economic data from the ABS Census 2011 and SEIFA 2011 which demonstrates the community’s capacity to pay for an SRV. This information includes employment, household and income data.

The average rates and SRV introduced over a four year period were incorporated into the Council Plan, LTFP and Council’s SRV consultation to demonstrate the impact an SRV would have on ratepayers.

The Ashfield LGA has a SEIFA 2011 index of 1,015.4 which is above the national (1,002) and state average (995.8). Furthermore, the median weekly income for households of $1,413 is anticipated to increase over the next ten years.

The median weekly income for households in the Ashfield LGA is $1,413 with 22.2% of households earning $2,500 or more per week. 35.6% of households are currently renting while 54% of households currently have a mortgage or fully own their property.

According to the ABS Census 2011, 98% of the Ashfield LGA population was in employment either full-time or part-time, with 34% of residents holding a tertiary qualification. This data also states that there are more professionals in the Ashfield LGA than any other occupation.

**With SRV**

Under the proposed SRV, the additional annual increase above the assumed rate peg would be the following over the four year introduction period for residential and business ratepayers.

|  |  |  |
| --- | --- | --- |
| Financial Year | Residential | Business |
| 2015/16 | $77.13 | $344.23 |
| 2016/17 | $90.66 | $404.56 |
| 2017/18 | $106.48 | $475.10 |
| 2018/19 | $121.16 | $540.63 |

This would be a weekly increase of the following over the four year introduction period.

|  |  |  |
| --- | --- | --- |
| Financial Year | Residential | Business |
| 2015/16 | $1.48 | $6.62 |
| 2016/17 | $1.74 | $7.78 |
| 2017/18 | $2.05 | $9.14 |
| 2018/19 | $2.33 | $10.40 |

**Without SRV**

If the SRV is unsuccessful, the estimated additional annual rate peg increase would be the following over the four year period for residential and business ratepayers.

|  |  |  |
| --- | --- | --- |
| Financial Year | Residential | Business |
| 2015/16 | $24.69 | $110.14 |
| 2016/17 | $31.60 | $140.98 |
| 2017/18 | $32.55 | $145.22 |
| 2018/19 | $33.52 | $149.57 |

This would be a weekly increase of the following over the four year period

|  |  |  |
| --- | --- | --- |
| Financial Year | Residential | Business |
| 2015/16 | $0.47 | $2.12 |
| 2016/17 | $0.61 | $2.71 |
| 2017/18 | $0.63 | $2.79 |
| 2018/19 | $0.64 | $2.88 |

Council’s IP&R documentation and the community’s response to the SRV community engagement, in conjunction with the information provided in this section demonstrate the affordability and the community’s willingness and capacity to pay the higher rate levels proposed by Council.

## 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 | No |
| If Yes, is an interest charge applied to late rate payments? | Yes | 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 |

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 Rates Hardship Policy (Attachment 9) provides a framework for determining assistance for ratepayers who are suffering genuine hardship with the payment of rates and charges, including pensioners. Ratepayers may enter into a payment arrangement with Council in order to pay any outstanding rate balances.

Council recognises that ratepayers may experience hardship in some circumstances in paying rates and annual charges. Ratepayers may apply for assistance under the Rates Hardship Policy. (Attachment 9, p. 3 of policy)

The Rates Hardship Policy also adopts measures to support pensioners in the Ashfield LGA. This is recognised by the deferral of payments from a pensioner ratepayer who is experiencing financial hardship to defer the payment of rates and charges (Attachment 9, p. 4 of policy).

Council has also resolved to increase the voluntary pensioner rebate granted under Section 582 of the Local Government Act 1993, from $25.00 to $75.00 per annum and to provide free access to the Ashfield Aquatic Centre and its programs for resident pensioners, should Council’s SRV application be approved (Council meeting 25 November 2014, Item 10.19).

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

Criterion 4 within the OLG Guidelines is:

*The relevant IP&R documents 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.

The infrastructure projects to be supported by the proposed SRV are key projects that will contribute to the facilities and services expected by the community, as detailed in the Community Strategic Plan.

**2011 - Community Strategic Plan: Expectations and priorities**

Community consultation for the Community Strategic Plan, ‘Ashfield’s Biggest Conversation,’ was undertaken from December 2008 to June 2009. The emerging views, priorities and needs of the community, then and for the future, were used to develop the Community Strategic Plan *Ashfield 2023 – Our Place, Our Future*. The Draft CSP was adopted for exhibition on 13 December 2011 (Minutes of Ordinary Meeting of Ashfield Council, Item 561/11) and exhibited from 15 December 2011 to 24 February 2012. Following minor amendments, the CSP was adopted on 10 April 2012 (Minutes of Ordinary Meeting of Ashfield Council, Item 121/12).

**2012 - Resourcing Strategy: Funding shortfalls in the long term**

Council’s Resourcing Strategy, including the Long Term Financial Plan and Asset Management Strategy, was adopted on 22 May 2012 (Minutes of Ordinary Meeting of Ashfield Council, Item 179/12). At the time it was noted that, the provision of sufficient funding over the life of the Asset Management Plans is critical to ensuring that the infrastructure provides services at the standard the community agrees to and can afford.

The Asset Management Plans, in particular those for the Aquatic Centre and Buildings, identified a lack of funding to maintain all services at the desired levels or provide new services in the long term.

**2013 - Long Term Financial Plan: infrastructure finance options needed**

Upon adopting the updated Long Term Financial Plan in June 2013, Council resolved that a report be prepared regarding a new infrastructure levy to address the long term decline in Council’s financial position and include the refurbishment of the Ashfield Aquatic Centre (Ordinary Meeting of Ashfield Council on 25 June 2013, Item 241/13).

This report was delivered to Council in September 2013. Council subsequently resolved to progress work towards a potential SRV application in 2013/14 (Ordinary Meeting of Ashfield Council on 10 September 2013, Item 326/13). This resolution also included that Council should prepare to conduct a “real and meaningful consultation with our community, consistent with our Community Consultation policy.”

Following a Councillor workshop (29 October 2013) and Council staff meeting with IPART, Council resolved to progress work towards a potential SRV application in 2014/15, to allow sufficient time to satisfactorily consult with the community and prepare a robust application (Ordinary Meeting of Ashfield Council on 12 November 2013, Item 413/13).

**2014 - Community Consultation, updated Council and Annual Plans**

The updated Council Plan 2014-18 identified strategic priorities (including infrastructure improvements and the redevelopment of the Aquatic Centre) and the need to engage with the community about service levels, sustainability and affordability. In particular, this Council Plan included a foreword identifying the key projects that would require significant funding in order to delivery them within a reasonable timeframe (p11 Ashfield Council Plan 2014-18). It also signalled to the community the intention to consult about service levels, community expectations and the potential for an SRV proposal.

The Draft Council Plan 2014-18, Annual Plan and Budget was adopted for exhibition on 13 May 2014 (Minutes of Ordinary Meeting of Ashfield Council, 110/14) and exhibited from 16 May 2014 to 13 June 2014. The Council Plan 2014-18 was adopted on 24 June 2014 (Minutes of Ordinary Meeting of Ashfield Council Item 10.2).

A report detailing the process and considerations for a SRV application was put to Council’s Works and Service Committee in August 2014. This report included four options (one to maintain status quo, three levels of SRV) with varying levels of rate rises and corresponding infrastructure renewal. The Committee resolved that the Council staff consider Committee feedback in finalising SRV options for community engagement and that a report be presented to Council detailing feedback received on a potential SRV (Minutes of Works and Services Committee, Tuesday 19 August 2014, Item 6.2).

The ‘Your Say Your Future’ campaign engaged the community using a comprehensive, multi-method and inclusive approach. It ensured the community was able to make an informed decision about their preference for the SRV options canvassed and is detailed further in Section 4 (Assessment Criterion: Community awareness and engagement).

**December 2014 – February 2015 Preparation of updated Council Plan, Annual Plan and Long Term Financial Plan**

The Council Plan 2015-19 and Annual Plan 2015-16 were prepared using two scenarios for planning and delivery of operations: with a SRV and without a SRV. The documents clearly identified the package of works that may be delivered to the community and their contribution to the desired visions for Ashfield, detailed in the Community Strategic Plan, *Ashfield 2023*.

The Draft Council Plan 2015-19, Draft Annual Plan and Budget 2015-16 were adopted by Council for exhibition on 9 December 2014 (Minutes of Ordinary Meeting of Ashfield Council, Item 10.18). These documents were exhibited from 10 December 2014 to 21 January 2015. Council resolved to adopt the Council Plan 2015-19, Annual Plan and Budget 2015-16 on 10 February 2015 (Minutes of Ordinary Meeting of Ashfield Council, Item 10.11).

The Long Term Financial Plan was reviewed and amended to include three possible scenarios: base case (no SRV), full SRV and partial SRV. The Long Term Financial Plan was adopted by Council on 10 February 2015 (Minutes of Ordinary Meeting of Ashfield Council, Item 10.5).

# Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 within the OLG Guidelines is:

*The IP&R document or the council’s application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.*

In this section, you must provide details of any productivity improvements and cost containment strategies that you have implemented in the last two years (or longer) and any plans for productivity improvements and cost containment during the period of the special variation.

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

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

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

**Efficiency of Ashfield Council**

IPART has recommended using a declining trend in operational expenses per capita, over three-years, as a proxy for efficiency (IPART 2014 – Review of criteria for Fit for the Future).

A review of operational expenses per capita (opex/capita) over the past five years shows an increase. This is primarily due to the inclusion of revised figures for the depreciation of assets in 2011, resulting in a 14% increase in 2011-12, as shown in the table below and a change to the business model for the delivery of the swim school, which has seen this service “contracted back” by Council, resulting in an increase in both operating expenses and revenue from this service. The proposed SRV will contribute to addressing the condition of council’s assets and ultimately improve the opex/capita.

|  |  |  |
| --- | --- | --- |
| FY | Total Expenses from Continuing Operations ($) | Total Expenses from Continuing Operations ($) per capita |
| 2013-14 | 35,854,000 | $811.64 |
| 2012-13 | 33,969,000 | $778.02 |
| 2011-12 | 34,073,000 | $767.28 |
| 2010-11 | 33,517,000 | $783.35 |
| 2009-10 | 29,465,000 | $692.63 |

In the last three years, there have been small increases in opex/capita.

**Efficiency compared to similar councils**

When compared to similar councils (OLG Group 2), Ashfield has the lowest expenses from continuing operations per capita ($778) and third lowest revenue from continuing operations per capita ($843), as shown in the table below.

**Group 2 Councils comparison of Total Expenses and Revenue from Continuing Operations (2012-13). Source: OLG Comparative Councils Report 2012-13**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group 2 Councils | Total Expenses from Continuing Operations | Total Expenses from Continuing Operations per Capita | Total Revenue from Continuing Operations | Total Revenue from Continuing Operations per Capita |
| Ashfield | **$34,073,000** | **$778** | **$36,810,000** | **$843** |
| Botany Bay\* | $52,208,000 | $1,254 | $63,531,000 | $1,501 |
| Burwood\* | $38,691,000 | $1,141 | $40,328,000 | $1,163 |
| Hunters Hill | $14,292,000 | $972 | $13,436,000 | $950 |
| Kogarah | $47,036,000 | $803 | $49,599,000 | $830 |
| Lane Cove | $36,115,000 | $1,043 | $45,267,000 | $1,342 |
| Leichhardt | $74,097,000 | $1,302 | $ 80,196,000 | $1,424 |
| Manly | $59,422,000 | $1,372 | $60,884,000 | $1,404 |
| Mosman | $38,964,000 | $1,305 | $48,081,000 | $1,624 |
| North Sydney | $81,926,000 | $1,275 | $104,748,000 | $1,547 |
| Pittwater | $68,038,000 | $1,136 | $ 85,574,000 | $1,398 |
| Strathfield\* | $30,135,000 | $837 | $ 31,329,000 | $832 |
| Waverley | $100,376,000 | $1,514 | $ 115,462,000 | $1,663 |
| Woollahra | $70,173,172 | $1,293 | $76,578,000 | $1,344 |
| Average | **$53,253,298** | **$1,145** | **$60,845,000** | **$1,276** |

Over the past five years, Ashfield Council has consistently had lower opex/capita compared to similar councils. Within this group, there are three other councils with similar SEIFA rankings to Ashfield (121) – Botany Bay (105), Burwood (121), Strathfield (128). The opex/capita for all three of these councils is higher than Ashfield, as shown in the figure below.

**Group 2 Councils - Comparison on of Operational Expenditure by Population (Source: OLG Comparative Councils Report 2012-13)**

Ashfield Council traditionally has had low staff numbers, compared with similar councils, as shown below. Furthermore, over the five years, FTE has only fluctuated +/- 2% demonstrating Ashfield’s ability to continue to deliver services and programs with a small workforce.

**Full Time Equivalent Staff (2012-13) (Source: OLG Comparative Council Report 2012-13)**

**Productivity and containment initiatives completed**

Over a number of years Ashfield Council has been working to reduce operating costs through improved organisational efficiencies, strategic procurement and improved staff and resource management. In recent years, $3.808million worth of containment, new income and efficiency improvement actions have been implemented. Of these, 79% represent recurring savings and new revenue ($3.016million in total). These actions are detailed below:

**Containment strategies**

* **Garden Organics + Clean Up processing - ($200,000 recurrent)**

Waste contract negotiations secured a reduction in costs for garden organics and clean up processing

* **Regional Recycling Contract - ($300,000 recurrent)**

Regional contract with seven other councils resulted in residential recycling generating income, eliminating associated costs of processing. This positive impact on the Domestic Waste Reserve has deferred the need to increase the domestic waste charge above CPI

* **Sustainable fleet review - $100k/annum recurrent**

In May 2012 Council introduced a sustainable vehicle fleet replacement schedule. A standard fleet approach was adopted ahead of the previous customised fleet. Criteria for vehicle selection was scored in order from ANCAP (min 5 star), vehicle cost analysis (capital, running & warrantee period), Greenstar (min 4 star), private use features and whether it was Australian made. Following this process Council proceeded to purchase a new standardised small car fleet. The new fleet at 17 vehicles met all criteria and delivered improvement in all non-cost factors. Further to this it is delivering financial savings in the order of $100k/annum recurrent. This includes process efficiency in procurement and fleet management resulting from of standardisation; significantly reduced fuel cost with move to small Greenstar 4 vehicles; and most particularly reduction in capital cost as we moved both to lower cost vehicles (itself $101k over 3 year cycle) and extension of the cycle from 3 to 5yrs

* **Efficiency and Productivity Factor - $500k/annum recurrent**

Each year as part of annual budget process, Council applies an efficiency and productivity target of at least $500k. Achievement of this target is monitored monthly by the Council Executive and forms part of Senior Management KPIs

* **Cooperative purchasing niche and on-line library resources - $10k/annum recurrent**

Ashfield Library purchases online resources and niche collections with 7 other libraries through suppliers who provide greater discounts working together as a group. Discounts and reduced costs save Council in these collections alone more than $10,000 per annum

* **Return to work Efficiencies - ($200,000 over two years, once-off)**

In-house Return to Work program has resulted in staff returning to work earlier, under a managed suitable duties programme. Concurrently, a deliberate, strategic transition of policy and procedures to the new WH&S, since 2011, has reduced the number and severity of injuries in the workplace. Together, these strategies have resulted in substantial savings through premium rebates over the past two years

* **Aquatic Centre staffing Reviews - ($80,000 recurrent)**

Staffing requirements were reviewed at the Aquatic Centre and resulted in a more efficient structure that aligned with the new business plan implementation

* **Improved management of public liability claims - ($39,500 once off)**

Pro-active in-house management of Public Liability claims, combined with reduced number and value of property insurance claims provided a financial rebate in the past 12 months

* **Event sponsorship - ($40,000 recurrent)**

Increased external sponsorship for community events such as Ashfield Carnival of Cultures and Feast of Flavours, reducing Council contribution and maintaining service levels

* **Re-use of Excavated Material - ($40,000 recurrent)**

Recycling of excavated material, by re-using it as backfill on Council jobs where appropriate, eliminating costs of tipping material and purchase of virgin fill

* **Interest subsidy - ($48,000 recurrent, for ten years)**

Successful application to Local Infrastructure Renewal Scheme for 3% subsidy on $1.6m accelerated footpath replacement program, to provide critical capital works at reduced cost to Council budget

* **Paper savings - ($5,000 recurrent)**

Strategic procurement changes to reduce delivery charges through bulk purchasing of paper

**Total achieved:** $1,323,000 (recurrent), $239,500 (once-off)

**Increased or new source of income**

* **Swim school income - ($1,100,000 recurrent)**

Reviewed business plan for the Aquatic Centre resulted in new income streams since 2012 included operating Swim School in-house, leasing available lanes to swim squad operators and income via increased visitation

* **Bus shelter advertising - ($200,000 recurrent over 15 years)**

Strategic change in contractor for bus shelter advertising resulted in increased income steam

* **Property leasing - ($198,000 recurrent)**

Leasing of office and operational space for youth mental health services provider (Head Space) on council premises ($108,000 recurrent), leasing of commercial space ($75,000 recurrent) and cafe ($15,000 recurrent)

* **Aquatic Programs - ($40,000 recurrent)**

Expiration of old contract for Aqua Aerobics, provided business opportunity to deliver program in-house

* **Grants**

Successful grant applications have provided improved services and programs for the community and Council operations, including:

* + - Community waste education programs and services ($280,000 over two years)
    - Preparation of new DCP for Parramatta RD Enterprise Zone ($90,000)
    - Expansion of garden organics service ($87,500)
    - Acceleration of Ashfield LEP plan making process ($60,000)
    - Introduction of DA tracking and electronic housing code ($35,000)
    - **Pre-lodgement Service - ($20,000 recurrent)**

Review of Pre-lodgement Advisory service implemented improvements and identified new income stream

* **Waste education - ($20,000 recurrent)**

Regional waste contract provided funding for community waste education, reducing reliance on general revenue

**Total achieved:** $1,578,000 (recurrent), $552,500 (once-off)

**Efficiency or productivity improvements**

* Strategic review of Development Assessment systems and procedures, resulted in 20% reduction in resources to assess 30% more Development Applications, with a substantial reduction in determination time and resulted in identification as top 3 performing metro council for number of years ($90,000 recurrent)
* Strategic review of Heritage Advisory services resulted in improvements in the referral process and a reduction in the service costs, without effecting service levels ($25,000 recurrent)
* Introduction of Resident Parking Scheme, in response to community demand, was budget neutral, with revenue generated from enforcement, offsetting cost to implement and time
* In-house training and systematic rotation of multi-skilled teams in the capital works section has increased footpath maintenance, road resurfacing and driveway construction by 10%, without increased costs
* Review of resourcing load over monthly cycle identified underutilised time due to logistics of waiting for plant equipment/trucks. Provision of cleaning equipment in strategic locations allowed staff to use ‘waiting time’ to clean infrastructure (e.g. stairwells) that previously were not cleaned on a regular basis. This increase in staff productivity had resulted in higher levels of cleanliness and has been positively received by the community, at no extra cost.
* Ashfield initiated and facilitated the development of the two SSROC shared services programs - Internal Audit and Strategic Procurement. This allowed us to build organisational capacity and resilience in areas we would not have had resources to work otherwise. This initiative has been in operation since 2010 and has grown to involve up to 6 partner Council in each service. Ashfield's efforts and performance in the Internal Audit space was recognised through our invitation to present at the NSW Internal Audit Conference in 2013/14.

**Total achieved:** $115,000 (recurrent)

**Future cost-saving initiatives**

A further $1.105million worth of cost-savings and income streams has been identified for implementation in the 2014-15 and 2015-16 FYs. Of these, $770,000 represent recurrent cost-saving measures, new income and efficiency improvements. These actions are detailed below:

**Containment strategies**

* Reducing number of printers across the organisation by consolidating existing units and moving to e-multifunction environment ($100,000 recurrent, $50,000 one off)
* Energy efficiency improvements to Civic Centre ($100,000 recurrent)
* Strategic change in how Council supports local business through a new partnership with Small Business Connect, Local Chamber of Commerce and NSW Small Business Commissioner ($50,000 recurrent)
* Results of Waste Less, Recycle More programs anticipated to reduce waste disposal costs through alternative disposal methods and improved resource recovery ($50,000 recurrent)
* New identification program for nuisance trees to proactively manage before causing damage to Council assets ($30,000 recurrent)
* Joint tender for construction waste disposal/recycling with other councils in region ($10,000 recurrent)
* Preparing to enter contract for processing of municipal putrescibles, anticipated to reduce domestic waste levy cost through increased diversion from landfill rates (estimated savings not available at this time)
* Anticipate moving Councillor Business Papers to full e-environment, reducing staff time in preparation/delivery and printing resources ($10,000 recurrent)

**Total potential:** $350,000 recurrent, $50,000 one-off

**Increased or new sources of income**

* Seeking financial contributions and support from developers, local business and other stakeholders towards the implementation of public art ($100,000 recurrent)
* Remote monitoring of Council car parks to provide automatic notification to regulatory staff of vehicles that have overstayed time limit, enabling immediate enforcement response and efficient use of staff time ($130,000 recurrent)
* Improved resourcing in facilities management, resulting in higher yield of rental incomes ($20,000 recurrent)
* Grant applications are anticipated to provide improved/additional services and programs for the community and Council operations, including:
  + Community waste education and programs (secured $260,000 over two years, to 2016-17)
  + Facilities renewal (applied for $25,000 once-off)
* Utilisation of water bubblers in parks and other public places for advertising ($5,000 recurrent)
* Investigating user-pays schedule for “No Parking” markings of driveways ($5000 recurrent)
* Business opportunity has been identified to potentially operate cafe/shop within the Aquatic Centre and this will reduce the net operating costs of the Aquatic Centre ($35,000 recurrent)

**Total potential:** $295,000 recurrent, $285,000 one-off

**Efficiency or productivity improvements**

* Opportunity identified to purchase and install a contemporary IT Service Support System that will increase IT responsiveness and resolution times, reducing current overload on support desk and allow staff to redirect workload to complete other tasks such as special project work ($25,000 recurrent in staff-time)
* Reconfiguration of residential waste collection service will result in reduced costs associated with staff salary and plant ($100,000 recurrent)
* Investigating e-environment for infrastructure design and traffic work to reduce administration processes, increase turn-around times and reduce dependencies on contractors.

**Total potential:** $125,000 recurrent

Whilst savings and efficiency improvements have been and will continue to be implemented, without effecting service levels, this is not sufficient to address the need for infrastructure renewal. In order to meet community expectations and meet the long term goals of Ashfield’s Community Strategic Plan, increased revenue, in the form of a SRV, is required.

# List of attachments

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

|  |  |
| --- | --- |
| Item | Included? |
| **Mandatory forms and Attachments** |  |
| Part A Section 508A and Section 508(2) Application form (Excel spreadsheet) |  |
| Part B Application form (Word document) – this document |  |
| Attachment 1: Relevant extracts from the Community Strategic Plan |  |
| Attachment 2: Delivery Program (Council Plan) |  |
| Attachment 3: Operational Plan (Annual Plan) |  |
| Attachment 4: Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format |  |
| Attachment 5: TCorp report on financial sustainability |  |
| Attachment 6: Micromex community survey report |  |
| Attachment 7: Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation |  |
| Attachment 8: Community feedback (including surveys and results if applicable) |  |
| Attachment 9: Hardship Policy |  |
| Attachment 10: Resolution to apply for the special variation |  |
| Attachment 11: Certification |  |
| **Other Attachments** |  |
| Attachment 12: Relevant extracts from the Asset Management Plan |  |
| Attachment 13: Past Instruments of Approval (if applicable) |  |
| Attachment 14: Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program |  |
| Attachment 15: Other (please specify) |  |

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

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

Name of council: Ashfield Council

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

General Manager (name): Vanessa Chan

Signature and Date:

Responsible Accounting Officer (name): Myooran Vinayagamoorthy

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. These strategies are included in Council Plan 2014-18. [↑](#footnote-ref-1)
2. Incorporating installation of ramps/accessible road crossings, accessible playground equipment [↑](#footnote-ref-2)
3. Includes renewal of existing or delivery of new drains, pits etc [↑](#footnote-ref-3)
4. Likely to include renewal of elements of drainage network [↑](#footnote-ref-4)