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| Special Variation Application Form – Part B  For 2016-17  Issued January 2016 |
| Insert Name of Council: GREAT LAKES COUNCIL  Date Submitted to IPART: 15 FEBRUARY 2016  Council Contact Person: PHIL BRENNAN  Council Contact Phone: 02 6591 7268  Council Contact Email: phil.brennan@greatlakes.nsw.gov.au |

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The Tribunal members for this review are:

Dr Peter J. Boxall AO, Chairman

Ms Catherine Jones

Mr Ed Willett

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

Dennis Mahoney (02) 9290 8494

Tony Camenzuli (02) 9113 7706

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box K35, Haymarket Post Shop NSW 1240

Level 16, 2-24 Rawson Place, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

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

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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 2016/2017* (the Guidelines). Councils should refer to these guidelines before completing this application form.[[1]](#footnote-1)

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

In addition, councils must complete the Part B form 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. IPART’s assessment of the application cannot commence without it.

If the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates Application form. However, this must be clearly identified and addressed in the special variation application. In such circumstances, councils are encouraged to discuss their proposed application with IPART as soon as possible.

As outlined in the OLG’s Guidelines, councils that are the subject of merger proposals will not be eligible for a special variation for the 2016-17 rating year.

## Completing the application form

This form is structured to provide guidance on the information we consider is necessary for us 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 attachments should be clearly cross-referenced in Part B. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. If you provide complete documents when only an extract is relevant, we may ask you to resubmit the extract only. (You should provide details of how we can access the complete publication should this be necessary.)

We publish videos and 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 videos and Fact Sheets on these topics are available on IPART’s website.[[2]](#footnote-2)

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

This application form consists of:

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

## Notification and submission of the special variation application

Notification of intention to apply

Councils intending to submit an application under either section 508(2) or section 508A should have notified us of their intention to apply, via the Council Portal, by Friday, 11 December 2015.

**Any councils that did not notify but intend to apply for a special variation for 2016-17 should contact us as soon as possible.**

On-line submission of applications

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)

File size limits apply on the Council Portal to each part of the application. For this Part B application form the limit is 10MB. The limit for supporting documents is 50MB 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 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 are redacted so that they do not expose confidential content.

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

Hardcopy of application

We ask that councils also submit one hardcopy of their application to us (with a table of contents and appropriate cross-referencing of attachments) at the following address:

**Local Government Team**Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop NSW 1240

or

Level 15, 2-24 Rawson Place, Sydney NSW 2000.

We must receive your application via the Council Portal no later than **COB Monday, 15 February 2016.**

# Preliminaries

## Focus on Integrated Planning and Reporting

Councils must identify the need for a proposed 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 proposed special variation by marking one or more of the boxes below with an “x”.

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

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

Council’s 2015/2016 Delivery Program / Operational Plan was developed with an additional section that addressed the special rate variation proposal (Section 5 – Annexure 1). It outlines the need for and purpose of this special variation proposal based on the information available at that time (March / April 2015).

The principal purpose of this special variation is to provide additional funding to carry out infrastructure renewal works and subsequently reduce Council's infrastructure backlog. A secondary, but no less important objective, is to maintain services at their existing levels and to ensure Council's long-term financial sustainability i.e. to ensure that it remains 'Fit for the Future'.

Council had flagged its intention to seek a special variation in its 2014/2015 Delivery Program and had commenced work to lodge an application during February 2015. However due to some confusion around the requirements for lodgement Council was unable to submit an application during that year. It continued its community engagement work and refinement of the proposal for inclusion in the 2015/2016 Delivery Program / Operational Plan. During this period the State Government's 'Fit for the Future' review program was initiated and as a result the special variation proposal became part of Council's Improvement Program. While well on the way to meeting all 7 benchmarks, against which a council's 'fitness' would be determined, within a reasonable timeframe the special variation proposal would see Council meet all benchmarks within the 5 year timeframe envisaged by the Government.

The majority of items discussed and identified for funding from the special variation proposal have not changed since that time. However several items identified for funding have been amended and commentary is provided below. The amended allocation of funds is shown in Worksheet 6 of Part A of this application.

Specifically the proposal is to increase to $1 million per year the amount allocated to address infrastructure renewal works on Council’s Rural Sealed Road network. Council’s asset management work identified this part of its network as requiring additional funding so as to be maintained to an acceptable standard.

As elaborated on elsewhere in this application Council saw this as an important infrastructure issue that required immediate attention and to that end initiated this allocation by borrowing the required amount in both 2014/2015 and 2015/2016, with loan repayments being met from internal reserves in the short term. The ongoing loan repayments were then to be built into the special variation proposal so that the principles of inter-generational equity were met. The total repayment (principal and interest) per loan was approximately $125,000 per annum (Worksheet 6 in Part A shows the actual /estimated repayment). At the same time this allowed the internal reserves to be replenished over time and utilised for the purposes for which they were created.

While the use of loan funding was an appropriate response in the short term to allow this renewal program to commence it was recognised as being an unsustainable long term solution. Continued borrowing for this type of capital work eventually sees the loan repayments exceed the value of the works being undertaken. As such it is necessary to fund these works from general revenue (user pays through fees and charges is not a feasible option) and Council determined that ordinary rates was the most appropriate source of permanent funding to allow for these works to continue.

The advertised proposal indicated that those funds would be progressively added to the budget over a three year timeframe as follows: 2016/2017 - $500,000, 2017/2018 - $400,000, 2018/2019 - $100,000.

In reviewing the proposal prior to the last round of community engagement, improved asset condition information indicated that Council needed to address the ongoing deterioration of community amenities / structures / facilities by way of the introduction of a renewal program.

At the same time local government has received a significant additional Federal Government road funding boost which meant that an opportunity existed to re-allocate special variation funds to a renewal program targeting community amenities / structures / facilities by decreasing the proposed roads allocation in the first year and making up that shortfall in the third year when the Federal funding reduces.

The amended roads allocation would see the following amounts added to the Rural Sealed Roads renewal program budget: 2016/2017 - $400,000, 2017/2018 - $400,000, 2018/2019 - $200,000. At the same time an amount of $100,000 would be allocated for the introduction of a community amenities / structures / facilities renewal program.

The initially advertised works program also allocated an amount of $100,000 for the introduction of a playground equipment replacement program. This allocation followed a report to Council which outlined the results of a review of Council’s playgrounds by external consultants who raised safety issues, maintenance issues and service level issues in respect of the current playground asset portfolio. They recommended a 10 year ongoing capital replacement program. While unable to fund the program from the current budget Council instructed that this program request be included in a special variation proposal.

In a further revision to the originally proposed works program, Council during 2015/2016 identified savings within its current budget that allowed for the employment of a Graduate Engineer, an item which was proposed for funding under the special variation ($80,000). These savings arose from the reduction in hours of several existing staff and a review of the need for consultants engaged in the Engineering area. These ongoing savings were of sufficient quantity to allow for this appointment to be made immediately and for its removal from the special rate variation proposal.

It was realised that the construction of a new Library in Forster would not be completed during 2016/2017. This means that the allocation of $32,000 proposed to cover the additional operating expenses of this new facility will not be required in that year. However it will be necessary to make provision for these additional expenses when this facility is eventually completed. There are funds allocated to the restoration / maintenance of service levels in the latter years of the special variation and these funds would assist in this area.

While this represented a saving of approximately $112,000 a new item is proposed for funding under the special variation. Council borrowed $1 million from the State Government in 2010 under an Infrastructure Improvement Program to realign and reconstruct sections of the Myall Way, a major arterial road within the Council area. These funds were to be repaid over a 10 year timeframe on an interest-free basis with funding sourced from section 94 funds on hand and projected to be received. However since the Global Financial Crisis development activity has essentially ceased in that area and minimal section 94 contributions have been received. As a result the funds held have now been fully allocated to repayments leaving Council with a shortfall in available funds to meet future repayments.

This is a similar situation to the borrowings taken up for the Rural Sealed Road Renewal program in that the current and future residents benefit from the works that Council has undertaken and the State Government funded. It is appropriate under inter-generational equity principles to include these repayments within the special variation so that those that use and benefit from the works pay for the works over time. It is proposed to add the final 4 years of repayments into the special variation funding proposal with allocations being: 2016/2017 - $121,800, 2017/2018 - $121,800, 2018/2019 – $182,700, 2019/2020 - $182,700.

Other aspects of the special variation have not changed with Council still committed to providing additional funds for the implementation of its ICT Strategy, which is already resulting in significant improvements in productivity (which are covered in detail elsewhere in this application).

A component of the additional funds raised from the special variation is required to be allocated to environmental and dredging works under Council's Environmental & Dredging Levy approval.

Worksheet 6 also shows a large amount identified as "maintenance of existing service levels". This amount represents the difference between Council's Base Case LTFP which has been prepared on a 3% rate peg and the amended Base Case LTFP that reflects the recent advice from the OLG that forward projections of rate growth should be at 2.5%.

Council's LTFP containing the special variation proposal was developed during 2014/2015 and represents the cost to provide services at the existing service levels. A 3.0% ongoing rate peg was envisaged (based on previous advice in LTFP and SRV Guidelines) and modelled for the Base Case. The amended Base Case (reflecting lower rate growth projections) that has been requested by the IPART identified a large amount within Worksheet 6 (Application Part A) that now needs to be explained as part of the special variation proposal. This amount is significantly in excess of the amount that Council has identified as being required to maintain services following the loss of revenues in recent years from factors such as the freezing of the indexation of the FAG.

In preparing the amended Base Case Council has not revisited its service levels and expenditure projections so as to balance the budget against the revised revenue path. To do so would represent an arbitrary reduction of service levels and this should be properly discussed with the community prior to any modelling within the amended LTFP.

## Capital expenditure review

You should complete this section if the council intends to undertake major capital projects that are required to comply with the OLG’s Capital Expenditure Guidelines, as outlined in OLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council’s annual ordinary rates revenue or $1 million (GST exclusive), whichever is the greater.

A capital expenditure review is a necessary part of a council’s capital budgeting process and should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

|  |  |  |
| --- | --- | --- |
| Does the proposed special variation require council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010 | Yes | No X |
| If *Yes*, has a review been done and submitted to OLG? | Yes | No |

# Assessment Criterion 1: Need for the variation

Criterion 1 within the OLG Guidelines is:

*The need for, and purpose of, a different revenue path for the council’s General Fund (as requested through the special variation) is clearly articulated and identified in the council’s IP&R documents, in particular 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 implementing 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).

The criterion states that the need for the proposed 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 proposed 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 proposed 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 for the General Fund 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.

**How Council identified and considered community's needs and desires (such as levels of service delivery & asset maintenance and provision)**

Council has been working closely with the community to identify their needs and desires for the future of the Great Lakes area, and more specifically in regards to important community assets and expected levels of service for those assets.

The Integrated Planning & Reporting legislation encouraged Council to have important discussions about the community's long term vision for the Great Lakes. Through that process, it became evident that a primary area of concern, focus and priority was with community assets such as roads, bridges, buildings and recreation facilities (*Great Lakes 2030*, the community's strategic plan is attached as Annexure 2).

We have been working to meet the community's expectations and listening to feedback which has told us that roads need improving and other important assets such as playgrounds, swimming pools and public amenities require ongoing investment of funds to keep them up to standard.

Since 2008 Council has been committed to addressing the backlog in community asset maintenance across the Great Lakes area. At that time we commissioned Professor Percy Allan to review Council's financial sustainability with a primary focus on asset management. His report identified a future with large backlogs in asset maintenance across all community assets and an unsustainable financial position, unless immediate action was taken.

Faced with that dilemma, Council worked with the community to develop a plan to responsibly navigate a path forward. The plan developed a shared understanding of the situation and outlined responsible measures to ensure the Great Lakes community had sound roads to drive on and suitable community facilities for a wide range of activities, in the short term and into the future. The plan (*Great Lakes 2030*) also recognised a range of community priorities covering focus areas such as environmental, social, economic and sound governance.

We have made significant progress since then, with improvement in our asset condition, asset knowledge and a more sustainable long term financial model. Over that time we have also undertaken extensive community engagement on Council's financial position, asset management situation and community priorities to inform the ongoing development of our IP&R documents and our previous special rate variation applications of which the IPART would be aware. Our community engagement history is covered extensively in Criterion 4 below and in Council's Special Rate Variation applications of 2011 and 2013, and includes general satisfaction/importance surveys as well as specific research on service levels.

Our recent community research undertaken to inform asset service levels (October/November 2014) has also told us that even with the gains over the years, additional funds were needed for the rural sealed roads network. We also know from feedback and improved asset maintenance planning that playgrounds, swimming pools and various other recreational facilities and public amenities require additional funding.

Council has regularly considered the feedback from the community as well as placing a strong emphasis on the information received as part of Local Government reform and reviews by various State Government agencies, and the State Government focus on asset backlog. Specifically, this has included:

- NSW Treasury Corporation report on financial sustainability (Annexure 3)

- Local Government Infrastructure Audit

- Morrison Low Infrastructure Audit - GLC (Annexure 4)

- Fit for the Future submission and findings (Annexure 5)

Council has strategically reviewed this input, combined it with the community's feedback and incorporated information obtained through refined and revised asset management planning to arrive at the current position in terms of funding options.

The Community Strategic Plan, current Delivery Program, asset service level survey report, government reviews and asset management strategy and plans are all attached as Annexures to this document for further reference.

**How decision for SRV was made - which other options were examined such as changing expenditure priorities, alternative modes of service delivery**

With the above information at hand, it was evident that Council had limited options available to address the gap in asset funding. The community has been clear in the expression of their needs and desires, and the overall importance it places on asset management and maintenance. This, combined with Council's continuously improving technical knowledge and data around asset management and maintenance, as well as independent reports into Council's assets, indicates that a shift away from this approach would be inconsistent with the intentions of IP&R.

A decrease in service levels was not acceptable to the community and would represent an irresponsible decision by Council. Additionally Council is not advocating for an increase in service levels eg. improving all roads to a condition rating of good. Council is seeking to fund the required maintenance and renewal of existing assets at the current adopted service level.

Since the SRV application in 2011 Council has been working at rebuilding the asset funding that had suffered from previous year's budget cuts. Asset budgets historically 'paid the price' when funds were required to address unforeseen circumstances and to balance the budget. Over time, this approach impacted Council's ability to provide and maintain important community assets at an acceptable standard. At the same time the backlog of works required to bring assets to standard continued to increase.

For a number of years, Council has also placed considerable effort and attention on ensuring it is providing the right services, in the right way - taking a broad and deep review of our efficiency and effectiveness. These activities, including a service level review and business improvement program are discussed in detail further in this application. In essence, these activities also took into account expenditure priorities so to ensure we were doing the right things, in the most efficient way providing value to our customers. Many of these improvement activities are continuing and will do so for the foreseeable future. Based on this, combined with what the community has clearly identified as an expenditure priority Council has determined a SRV is the most appropriate way to address this shortfall in funding.

**Why SRV is most appropriate option- and not other options such as new/higher user charges, increase in loan borrowings, partnerships/joint ventures**

In preparing its budgets and Long Term Financial Plans Council considered the options available to fund its various services. Where possible it increases the level of its fees and user charges to match the cost of provision of the service e.g. competitive building inspection services. However for the projects proposed under this special variation a user pays philosophy is not applicable in that it is not possible to separately charge each user of Council's infrastructure or community assets.

Additionally private sector interest in entering into a joint venture or partnership with local government to maintain its infrastructure networks has been extremely limited, indicating low profit opportunities.

As such this leaves borrowings as the most appropriate alternate source of funding for these works. However Council has previously been in a position where it funded renewal capital expenditure by borrowings. As discussed further below this practice contributed to Council's financial problems in that eventually repayments outstrip the amount borrowed.

In the 2008 Review Today project conducted by Professor Percy Allan, Access Economics undertook a financial and funding analysis of Great Lakes Council. They provided the following comments in respect of the appropriate use of borrowings:

*"On inter-generational equity grounds, it is appropriate that additional borrowings be used to fund enhancement capex, as capex gives rise to infrastructure services benefiting future (as well as current) ratepayers, Only renewals capex should be funded wherever possible by past and present ratepayers, with additional borrowings not being relied upon to finance such capex except in exceptional circumstances. Fully funding depreciation is the most equitable (in an inter-generational sense) means of funding renewals capex. Borrowing to fund renewals capex should only be tolerated where depreciation has been under-funded in the past"*. 'Great Lakes Council - A Financial & Funding Analysis' Access Economics Pty Ltd, 1 February 2008

Council took heed of this warning and went about restructuring its budget through the 2011 special variation to align its capital renewal expenditure with the most appropriate revenue source - rate income.

In this special variation proposal the programs to be funded are asset renewal based and as such it is Council's opinion that they should be funded from rates revenue.

Council already uses a mix of employed staff and contracted works to deliver its services. Council, through its Procurement Improvement Program, is improving its processes and systems and broadening the range of contracts that it has in place for the provision of goods, services and materials. It is using this as a driver for more efficient works and practices, having already reviewed its service provision.

Opportunities for alternate service delivery models are investigated and pursued where advantageous. Council already does this with the delivery of its infrastructure maintenance using a blend of Council staff, labour hire and contractors to deliver its services. It will continue to do this.

The decision to seek this SRV is about having the funds available to engage the most appropriate mode of service delivery.

Council has limited options for raising additional funds for asset maintenance. Grant opportunities are sought where possible, however they are limited in availability and when they do arise there are restrictive criteria such as asset usage, accident statistics etc that limit their application to broader asset management and backlog requirements.

**How proposed SRV impacts LTFP forecasts and how this relates to need council identified - assessment will consider assumptions that underpin council's LTFP forecasts**

Council prepared its Long Term Financial Plan scenarios for this special variation proposal in 2015 well before any advice was provided that required a Base Case scenario to be prepared based on a rate peg of 1.8% for 2016/2017 followed by projected increases of 2.5% per annum. Council prepared its scenarios on the basis of a 3.0% rate peg and projected peg. This was also the LTFP that was incorporated into Council's 'Fit for the Future' submission and Improvement Plan.

The 2 scenarios show that the proposed special rate variation proposal significantly improves Council's financial sustainability measured by an improvement in its Operating Performance Ratio and addresses infrastructure maintenance and backlog requirements as measured by the backlog and renewals ratios.

Following receipt of the advice of the lower revenue projections the LTFP scenarios were re-modelled on the basis of lower revenue and growth. Amendments were not made to the expenditure projections as these represented Council's best estimates of the cost to provide services and of the expected growth in these expenditure items. An adjustment was made to projected depreciation so as to reflect the actual 2014/2015 depreciation expense following the revaluation of infrastructure assets.

The results of these scenarios obviously showed a worsening of Council's financial position under the Base Case scenario and subsequently a more significant improvement to Council's financial position under the special rate variation scenario.

Further commentary and details are provided throughout this application on the specifics of the proposal and the outcomes that will be achieved from its implementation. The proposal directly targets areas of need and allows Council to continue its journey towards long term financial sustainability while providing the agreed services to its community in an efficient and effective manner.

## Financial sustainability

The proposed special variation may be intended to improve the council’s underlying financial position for the General Fund, 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, Treasury Corporation. 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 proposed special variation on its financial sustainability.

Council has devoted considerable time and resources to understanding its underlying financial position. As the IPART would be aware from previous special variation applications and regular discussions with IPART representatives, Council recognised that it was likely to be financially unsustainable in around 2009. It undertook a variety of actions to understand the extent of this problem, including the engagement of experts to quantify the problem (Review Today study 2008) and to assist in preparing a long term Financial Strategy (MorrisonLow 2009).

At the time MorrisonLow advised that *“In our view Great Lakes Council is not currently financially sustainable as every year it consumes more cash than it receives…. In addition we believe the level of annual infrastructure renewal expenditure currently planned by Council is significantly lower than the forecasted renewal expenditure requirement. Over the long term the infrastructure asset base is eroding.”*

This led to Council’s multi-faceted Special Variation Application to the IPART in 2010/2011 seeking a section 508A variation totalling 77.55% over 6 years. IPART approved a special variation of 25.97% over 3 Years (3 X 8% including the rate peg).

This approval allowed Council to maintain existing service levels, to provide some additional funding for asset renewal works on roads, bridges and community buildings and allowed for Council to restructure its loan borrowing practices by progressively replacing the amount borrowed to fund urban road renewals projects with rate revenue.

The impact of that approval can be seen below from a comparison of the Summary of Budget Result for the pre and post special variation approval financial position.

**2011 LTFP Base Case – Budget Result ($’000’s) (surplus/(loss)) – Pre SRV Approval**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **11/12** | **12/13** | **13/14** | **14/15** | **15/16** | **16/17** | **17/18** | **18/19** | **19/20** | **20/21** |
| **Budget Result** | 2 | (461) | (1,312) | (1,903) | (2,543) | (3,097) | (3,760) | (4,426) | (4,985) | (5,592) |

**2011/2012 Adopted LTFP Budget Result ($’000’s) (Surplus / (Loss)) – Post SRV Approval**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **11/12** | **12/13** | **13/14** | **14/15** | **15/16** | **16/17** | **17/18** | **18/19** | **19/20** | **20/21** |
| **Budget Result** | 0 | 202 | 252 | 623 | 66 | (405) | (800) | (1,283) | (1,658) | (1,979) |

During 2011 and 2012 Council sought to take advantage of the State Government's Local Infrastructure Renewal Scheme (LIRS) by borrowing $18 million and bringing forward the replacement of 12 timber bridges with concrete structures and the rehabilitation of urban and rural sealed road pavements classified as being in poor or very poor condition.

Part of the application process required New South Wales Treasury Corporation (TCorp) to undertake an independent assessment of Council's financial capacity and ability to undertake the additional borrowings. TCorp provided its report (Great Lakes Council - Financial Assessment and Benchmarking Report - 4 October 2012) (Annexure 3) and concluded that Council had capacity to undertake the borrowings under the LIRS program.

TCorp's conclusion and recommendations was as follows:

*"Based on our review of both the historical financial information and the 10 year financial forecast within Council's long term financial plan we consider Council to be in a satisfactory financial position. We recommend that Council receive the LIRS facility, despite their DSCR falling below the benchmark for the majority of the forecast period.*

*We base our recommendation on the following key points:*

*- Council's underlying historical operating performance (measured using EBITDA) has improved over the three year period*

*- Council continues to review service levels and expenditure with a view to continuing the efficiencies and cost savings that have been identified in the last few years. This is expected to save up to $0.6m p.a.*

*- Council has maintained sound liquidity and appears to have sufficient liquidity to manage their short term liabilities during the 10 year forecast period*

*- While the DSCR is below benchmark for the majority of the forecast, the lowest ratio of 1.51x indicates that Council will still be in a position to repay all scheduled borrowings - the $18.0m LIRS facility and $20.1m additional borrowings*

*- The Interest Cover Ratio remains above the benchmark in all 10 years*

*However we would also recommend that the following points be considered:*

*- Council need to be aware that they will have reduced fiscal flexibility with a DSCR below the benchmark of 2.00x. Therefore if they are faced with any unexpected events that have not been forecast, they may face liquidity issues. If the ratio is above the benchmark it offers a higher degree of comfort to manage any out of course events. Council may wish to review their borrowing projections to improve this position.*

*- Council is still reliant on borrowings to assist their asset renewals, although it is noted this is reducing by approximately 10%p.a. The sooner Council is able to fund all of this funding from recurring resources, the sooner they will be able to work towards their financial sustainability in the medium to long term."*

At a similar time TCorp were engaged by the Independent Review Panel to undertake an assessment of the financial capacity and sustainability of all 152 NSW Councils. Their report (Financial Sustainability of the New South Wales Local Government Sector - Findings, Recommendations and Analysis - April 2013) assessed the financial capacity of councils to undertake additional borrowings and the financial performance of councils compared with similar councils and measured against prudent benchmarks. They also prepared a Financial Sustainability Rating (FSR) and Outlook for each council.

Great Lakes Council was assessed as having an FSR of Moderate and an Outlook of Neutral. (Annexure 3)

A Moderate Rating was defined as:

*- A local government with an adequate capacity to meet its financial capacity to meet its financial commitments in the short to medium term and an acceptable capacity in the long term.*

*- While it has some record of recording minor to moderate operating deficits the local government may also reported a significant operating deficit.*

*- It is likely able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business, with moderate revenue and/or expense adjustments. The expense adjustments are likely to result in a number of changes to the range of and/or quality of services offered.*

*- Its capacity to manage core business risks is moderate.*

A Neutral Outlook was defined as *"There are no known foreseeable events that would have a direct impact on the financial sustainability of the local government. It may be possible for a rating upgrade or downgrade to occur from a neutral outlook, if warranted by an event or circumstance".*

These reports provided confirmation that Council was on the right path towards ensuring its long term financial sustainability and in addressing its infrastructure responsibilities but that it still had work to do. It specifically reinforced Council's view that to improve its financial sustainability it needed to fund its asset renewal programs with recurrent revenue (rates) rather than borrowings.

The State Government in 2011 announced its Local Infrastructure Backlog Policy which included an audit of each council's infrastructure backlog. Consulting firm MorrisonLow were engaged to conduct an independent on-site audit of 35 NSW councils to assess the capacity of councils to fund infrastructure backlogs and their technical capability with respect to infrastructure asset management.

Great Lakes Council was one of the 35 councils to undergo the on-site audit. The report "On-site Infrastructure Audit of Great Lakes Council - December 2012" (Annexure 4) concluded that Council was at a Basic level of competence in asset management and that more work was required in the areas of Strategic Asset Planning Processes and Information Systems.

Council acknowledged that it needed to improve its asset management capabilities, data and systems so that it could understand the financial implications and make more informed decisions on resource allocation and identify whether sufficient revenue existed within the current budget to address areas of deficiency.

To this end it engaged MorrisonLow to deliver an Asset Management Improvement Program which would support, mentor and guide Council in improving its asset management practices over a six month period. The outcomes of the Program were to:

- Set up an achievable asset management improvement programme and monitoring framework

- Develop robust and complete service levels across all asset groups

- Develop levels of service that were understood internally and ready for a consultation process with the community

- Increase the competency and knowledge of key asset management staff

- Deliver advanced and improved asset management practices within the organisation.

At the end of this Program Council considered a presentation at its April 2014 Strategic Meeting (Annexure 6) which highlighted the financial impacts associated with various service levels particularly in respect of road infrastructure. The information contained within that presentation formed the basis of the community engagement program and service level survey that was conducted during 2014 and formed the basis for this special variation proposal.

The above evidences the fact that Council has had a specific focus on its financial sustainability and interrelated asset management responsibilities since 2008 and has taken advantage of opportunities as they were presented to improve and refine its data and information so as to make better decisions. As such it has a very good understanding of its current financial position, its future sustainability and the challenges it faces to improve this situation.

It has also been proactive in providing information to and discussing these challenges with the community. This has achieved a broadscale understanding of the issues by the community and general acceptance that additional revenue will be required.

The Long Term Financial Plan which Council had developed as part of its IP&R documentation for 2015/2016 (including a special variation scenario to commence in 2016/2017) was based on a number of assumptions as to the future cost and revenue increases.

From a revenue perspective it was assumed that the rate peg would continue to be 3.0% and annual charges would increase by a similar amount. Capital grants and contributions are not indexed and are shown at a nominal value. This occurs because Council has chosen not to include these revenue items within the LTFP unless there is near certainty that they will be received. While Council has historically received between $3m and $5m each year, the source, purpose and duration of these funds varies. As such there is little consistency in the flow of these funds and Council prefers to be conservative in respect of budgeting for this item.

Other revenue items are generally predicted to grow by between 2% and 3% per annum. The only difference between the special variation scenario and the Base Case on the revenue side of the Operating Statement is in the growth rate applied to Ordinary Rates.

From the expenditure perspective Council has based growth in employee costs at 3.25% for 2016/2017 followed by 3.4% thereafter. Other indexation is included under the Expenditure Assumptions in the LTFP dated April 2015.

With the release of the current Guidelines for the preparation of special variation applications Council has been required to re-model its LTFP scenarios to reflect a lower rate of growth in rates. For the Base Case this has been re-modelled using the rate peg of 1.8% for 2016/2017 followed by 2.5% for the life of the Plan. The Special Variation Scenario has been amended to reflect the 2.5% indexation from the cessation of the variation in 2020/2021.

It should also be noted that Council has also removed the impact of a current special variation for Environmental and Dredging purposes from both LTFP scenarios from 2020/2021 given its expiry at the end of the 2019/2020 financial year. While Council's intention is to seek another special variation to continue the work funded by that variation, the technically correct situation is that an approval does not exist for its continuation. Previous advice from IPART requires that it be removed from the LTFP so that it reflects the actual situation in respect of active variations.

This involved the removal of the revenue from the Income side and the majority of the expenditure currently funded by that Levy. There are certain legislated items and projects that will need to continue even if the Levy is not re-approved and these have been incorporated into the LTFP.

It should be noted that Part A does not make provision for the removal of an existing special variation outside the period of the current application and as such there will be discrepancies between Part A and the LTFP scenarios.

As mentioned Council has remodelled the revenue side of the LTFP scenarios to reflect lower revenues across the life of the Plans. It has not revisited the expenditure assumptions or revised its expenditure budget. Council's cost structure has generally increased by around 3% per annum and the budget reflects the actual cost of maintaining existing service levels.

The revised modelling highlights the need for the special variation with the amended Base Case showing a deteriorating Operating Result. The following table compares the three scenarios - Original Base Case, amended Base Case and Special Variation Scenario:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **16/17** | **17/18** | **18/19** | **19/20** | **20/21** | **21/22** | **22/23** | **23/24** | **24/25** | **25/26** |
| **Orig Base Case (3%)** | -2,141 | -1,401 | -426 | 426 | 786 | 1,618 | 2,063 | 2,608 | 2,273 |  |
| **Amended Base Case** | -3,271 | -2,691 | -1,883 | -1,207 | -1,662 | -1,051 | -841 | -526 | -1,101 | -500 |
| **SRV Scenario** | -1,863 | -658 | 725 | 2,116 | 1,614 | 2,318 | 2,623 | 3,029 | 2,548 | 3,251 |

The table shows the long term impact of the lower rate projection (Amended Base Case) against the cost to maintain service levels and indicates that Council would need to reduce service levels under that scenario to ensure its financial sustainability. It would also mean that it would not be addressing its asset management responsibilities. This scenario represents a retrograde step in Council's and the community's progress towards being a financial sustainable and "Fit for the Future" organisation.

The Special Rate Variation scenario achieves both objectives. It improves Council's long term financial sustainability, allows it to continue to provide the services requested by the community at a level that is acceptable to them and it addresses infrastructure renewal requirements by providing a recurrent funding source.

## Financial indicators

How will the proposed special variation affect the council’s key financial indicators (General Fund) over the 10-year planning period? Please provide, as an addendum to the LTFP, 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).

The proposed special variation will improve Council’s key financial indicators over the 10 year planning period. This information was included within Council’s ‘Fit for the Future” Improvement Proposal which was based on Council’s adopted 2014/2015 budget and the then current LTFP (Annexure 7). The IP&R documents adopted at that time included Council’s intent to seek this special variation during 2015/2016.

Given that the ‘Fit for the Future’ benchmarks were used to determine Council’s financial fitness under the State Government’s Reform Program it is appropriate that they be utilised for the purpose of demonstrating the impact of the special variation proposal on Council’s future financial position.

In this instance however the benchmarks are only projected out to 2019/2020 for the special variation proposal in keeping with the timeframe associated with the ‘Fit for the Future’ submission.

Council will meet all benchmarks within the required timeframe based on the approval of this special variation proposal.

It is understood that the determination of this special variation proposal is independent of the ‘Fit for the Future’ determination made by IPART in October 2015.

It should also be noted that Council prepared its long Term Financial Plan and based its special variation proposal and improvement proposal on a rate peg of 3.0% per annum. This was based on the best available information at the time and the fact that neither the Office of Local Government nor IPART had provided any formal advice to councils through Circulars or Guidelines that they should be using a lower forecast rate peg for special variations etc. A 2.5% rate peg for future modelling has only been notified recently.

A remodelling of Council’s Base Case LTFP using a forward rate peg projection of 2.5% only reinforces the positive impact of the special variation proposal on Council’s financial position and financial indicators. The addendum to the LTFP models these ratios using the lower rate peg projection. Two additional ratios have been calculated, being the Operating Balance Ratio excluding Capital Items and the Debt Service Cover Ratio.

Those indicators contained with Council’s ‘Fit for the Future’ Improvement Proposal are summarised below for the period 2015/2016 to 2019/2020. This compares the 3% rate peg scenario against the special rate variation proposal. The debt service cover ratio has also been included.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Measure / Benchmark** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** |
| **Operating Performance Ratio – 3 Yr Average** | | | |  |  |
| Base Case (3% Peg) | -4.80% | -5.31% | -4.68% | -3.72% | -2.39% |
| SRV Proposal | -4.80% | -4.75% | -3.36% | -1.50% | 0.41% |
| **Own Source Revenue – 3 Yr Average** | | | |  |  |
| Base Case (3% Peg) | 74.60% | 76.46% | 76.93% | 77.76% | 78.13% |
| SRV Proposal | 74.60% | 76.59% | 77.23% | 78.26% | 78.76% |
| **Building & Infrastructure Asset Renewal – 3 Yr Average** | | | | |  |
| Base Case (3% Peg) | 127.75% | 110.37% | 92.79% | 76.87% | 79.66% |
| SRV Proposal | 127.75% | 113.43% | 104.47% | 91.61% | 94.47% |
| **Infrastructure Backlog Ratio** | | |  |  |  |
| Base Case (3% Peg) | 2.16% | 2.40% | 2.16% | 1.88% | 1.99% |
| SRV Proposal | 2.16% | 2.40% | 2.16% | 1.88% | 1.99% |
| **Asset Maintenance Ratio – 3 Yr Average** | | | |  |  |
| Base Case (3% Peg) | 99.95% | 100% | 100% | 100% | 100% |
| SRV Proposal | 100% | 100% | 100% | 100% | 100% |
| **Debt Service Ratio – 3 Yr Average** | | | |  |  |
| Base Case (3% Peg) | 13.28% | 13.62% | 13.68% | 13.54% | 12.88% |
| SRV Proposal | 13.28% | 13.54% | 13.50% | 13.31% | 12.67% |
| **Real Operating Expenditure per capita** | | | |  |  |
| Base Case (3% Peg) | 1.50 | 1.47 | 1.44 | 1.41 | 1.39 |
| SRV Proposal | 1.50 | 1.48 | 1.46 | 1.44 | 1.42 |
| **Debt Service Cover Ratio - 3 Yr Average** | | | |  |  |
| Base Case (2.5% Peg) | 2.10 | 1.97 | 1.70 | 1.64 | 1.73 |
| SRV Proposal | 2.10 | 2.02 | 1.83 | 1.85 | 2.00 |

As Council's 'Fit for the Future' Improvement Proposal showed a small special variation would consolidate Council's financial position and allow for specific additional funding to be applied to asset renewal programs. The comparison of the ratios above and those within the addendum to the LTFP support this position.

Without the special variation Council is unlikely to record a positive Operating Performance Ratio without a reduction of service levels and will not be in a position to continue its work in reducing its infrastructure backlog.

The comparison of the ratios show the importance that this special variation proposal has in ensuring that Council can take the final step in its journey to becoming a financially sustainable 'Fit for the Future' Council.

## Contribution plan costs above the cap

You should complete this section if the proposed 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:[[3]](#footnote-3)

* 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, and
* any reference to the proposed contributions (which were previously to be funded by developers) in the council’s planning documents (eg, LTFP and Asset Management Plan (AMP).

|  |
| --- |
| Council is not seeking a special variation for section 94 contribution plan costs which are above the development contributions cap. |

# Assessment criterion 2: Community awareness and engagement

Criterion 2 within the OLG Guidelines is:

*Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan 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 community awareness and input occur. IPART’s fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.*

Our fact sheet on the requirements for community awareness and engagement are available on the IPART website.[[4]](#footnote-4)

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

* it has consulted and engaged the community about the proposed 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, and
* 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 major rating category (in both percentage and dollar terms)
* the annual increase in rates that will result if the proposed 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), and
* the rate levels that would apply without the proposed special variation.

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*, January 2016.

|  |
| --- |
| 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 through a special variation.  If the proposed special variation was not approved ie, only the rate peg applies, the year-on-year change in rates would be lower, or that rates may fall.  The council also must attach, to its application to IPART, a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman. |
|  |

## The consultation strategy

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

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

**Consultation strategy**

***Background***

A few underlying principles and approaches provide the foundation for Council's community engagement strategy for the SRV. Firstly, we know that community engagement provides the basis for strong relationships, effective planning and decisions and in the end, better democracy. Our community engagement activities are developed to support this objective and are based on the International Association for Public Participation (IAP2) spectrum that defines the public's role in any community engagement program.

In addition, we utilise the Australian Business Excellence Framework to guide our efforts towards continuous improvement across the organisation. Two key principles from the framework support Council's focus on community engagement and decision making being:

- Understanding what customers and other stakeholders value, now and in the future, enable organisational direction, strategy and action; and

- Effective use of facts, data and knowledge leads to improved decisions

Both of these principles have informed Council's actions and strategies to improve the maintenance of community assets.

Another key strategy commenced in March 2012 when Council committed to undertaking a bi-annual community engagement program with the General Manager, senior staff and Councillors providing face to face community updates around the Great Lakes LGA in Forster, Tea Gardens, Stroud and Bulahdelah.

These sessions provide an opportunity for Council to inform the community on a number of big picture topics (such as asset management, long term financial information, specific service and project information etc), and importantly have provided the community with regular means of contact with Councillors and senior staff. At the same time, there has been a focus on involving the community and bringing them along on our journey of becoming a sustainable organisation that provides services to our communities to assist in delivering the community's vision for the future of the area.

In all locations we regularly have 30 or more attendees at these meetings, with Tea Gardens regularly attracting around 60 people. However, in Forster we would only attract a very small number of attendees. We have trialled different formats, times and approaches and since implementing some changes, now see anywhere from 40-70 people at these meetings.

Over the years, these meetings have enabled more open and transparent communication between the senior leaders and the community. They are an integral part of continually lifting the knowledge of residents on important issues impacting the local area which in turn enables robust discussion and more informed decision making. Through this approach we have been able to take the community's understanding of complex issues including financial sustainability, broader local government reforms and asset management to a much higher level.

***Asset management/service levels & community engagement***

With that foundation in mind, in October 2015 Council adopted a Community Engagement Strategy (Annexure 8) to guide and support the proposed SRV consultation. However, in reality, Council's community engagement focus and efforts in relation to its assets has been taking place over the past seven years or so, as Council made a concerted effort to develop, refine and improve information on the assets it provides to the community.

During this time, in association with various other IP&R activities, Council has held numerous conversations with the community that have informed and guided Council in its decision making in regards to assets and in particular levels of service provided on key community assets.

This information has been critical in informing the way forward on asset management planning, addressing backlog issues and the impact on the long term financial plan for Council.

Through a formal Asset Management Improvement Program with MorrisonLow, Council placed considerable focus on refining and improving the data on our key assets. The improvement program ensured that our Asset Management Plans and subsequent decisions on future funding options were as robust as possible for the majority of community assets.

To further inform these plans in terms of acceptable community service levels, we utilised the data as the basis for a statistically valid community survey in 2014. Micromex Research undertook the survey on Council's behalf, based on similar asset surveys undertaken with other NSW councils. The method involved residents committing to participation, receiving background information (copy attached as Annexure 19) and then undertaking a phone survey based on the information they had received.

The two key recommendations/findings from that survey were that:

*- The community supports Councils' suggested increased investment and proposed rate variation to address the requirements of the LGA's rural sealed roads. Council should make application to IPART in order to seek a special rate variation;* and

*- Residents generally want Council to invest more across a broader range of assets, which suggests that Council should explore increasing the scope of their planning in order to address the needs of the community*

Based on these findings, Council decided to proceed with its SRV application while also including several other items in the proposal to include increased expenditure on other important community assets such as playgrounds and other recreational assets. This led Council to include a specific activity in its 2015/2016 Operational Plan (adopted in June 2015 - attached Annexure 1) stating that Council will:

*- Prepare a special rate variation proposal for Council consideration based on updated asset data and costs including community engagement activities.*

The Plan also contained a special section (Section 5) focussing on the SRV proposal.

The Operational Plan was placed on public exhibition for the required period during April-June 2015. At the same time Council held public meetings throughout the Great Lakes area to inform, consult and involve the community in the SRV proposal. The exhibition was also promoted through newly established social media channels.

Council recognised that the special variation could have gotten lost in the exhibition of the Delivery Program/Operational Plan given that it was in relation to a rate increase proposal more than 12 months away. Therefore it decided that it would do an additional round of engagement activities during October/November 2015 specifically focussed on the special variation proposal.

The Engagement Strategy adopted in October 2015 recognised the results of the survey from 2014 and previous engagement activities undertaken (see table below), while also outlining the current actions to be taken. (Strategy attached as Annexure 8). Importantly, the Strategy was developed in line with IPART's guidelines for *community awareness and engagement for special variation applications* including consideration of the size and impact of the proposed SRV.

Taking into account the IPART's fact sheet on *community awareness and engagement for special variations*, Council chose not to conduct another stratified random survey as it had already measured the level of support for the proposed program of expenditure, and importantly its definition of service levels, in the 2014 survey. Council did not believe it was a responsible use of resources to also run a separate survey specifically on the SRV proposal.

***Community engagement activities***

A summary of community engagement activities regarding Council's financial sustainability and asset management service levels follows:

**Community engagement activities**

|  |  |  |
| --- | --- | --- |
| **Date** | **Activity** | **Focus area** |
| November 2015 | Community meetings | SRV proposal, Fit for the Future, long term financial position, general update  Copy of presentation attached as Annexure 9 |
| October/ November 2015 | Special edition newsletter | Special newsletter sent to all ratepayers; focus on assets and SRV proposal; seeking feedback; publication of meeting dates and avenues for feedback |
| October 2015 | Website & Facebook | Notification of meeting dates; provision of SRV information consistent with special edition newsletter; links to 'have your say' to enable participation and feedback |
| May 2015 | Community meetings | Draft 2013-2017 Delivery Program & 2015-2016 Operational Plan including SRV proposal, current & long term financial position, 6-month update, & local update  Copy of presentation attached as Annexure 10 |
| April/May 2015 | Public exhibition IP&R documents | Council's draft 2013-2017 Delivery Program & 2015-2016 Operational Plan on public exhibition (including specific information on proposed SRV). Council adopts LTFP and Asset Management Strategy (incorporating Asset Management Policy) |
| November 2014 | Community meetings | 6-month update, current & long term financial position, community satisfaction survey (assets), future SRV, Fit for the Future, local update  Copy of presentation attached as Annexure 11 |
| October 2014 | Community survey | Statistically valid survey on asset service levels & overall community satisfaction - asset information pack attached as Annexure 19 |
| May 2014 | Community meetings | 6-month update, current & long term financial position, asset management, draft Delivery Program & Operational Plan, proposed way forward, local update  Copy of presentation attached as Annexure 13 |
| April/May 2014 | Public exhibition IP&R documents | Council's draft 2013-2017 Delivery Program & 2014-2015 Operational Plan on public exhibition (including activity to investigate need for SRV). |
| July 2013 | Community meetings | 6-month update, Independent Review Panel & Treasury Corp, current & long term financial position, LG infrastructure audit, asset management, improving our assets  Copy of presentation attached as Annexure 14 |

Engagement activities listed below relate to previous community engagement that focussed on the Environmental Levy and 2010/2011 SRV application. These are relevant in that they provided opportunity for Council to understand the community's areas of priority and for the community to provide input into Council's plans for the future of the area.

|  |  |  |
| --- | --- | --- |
| **Date** | **Activity** | **Focus area** |
| November 2012 | Broad range of community engagement activities | Community strategic plan review & environmental rate continuation proposal, current & long term financial position |
| September 2012 | Community survey | Statistically valid community satisfaction survey |
| March 2012 | Community meetings | 6-month community update, current & long term financial position, SRV, service level review, what's ahead for Council & for local government |
| Feb/March 2011 | Broad range of community engagement activities | Planning a sustainable future & SRV proposal |
| Late 2010 | Broad range of community engagement activities | Seek feedback on discussion paper focussed on GLC's current situation (assets, finances etc); what the community desires (Great Lakes 2030); funding options to address asset maintenance and backlogs as well as financial sustainability |
| Late 2009 | Community strategic plan engagement | Community leaders forum and community workshops for input into Great Lakes 2030 |
| Mid 2008 | Community meetings | Review Today report - long term financial sustainability & asset/service sustainability |

***Methods used to consult***

In addition to the specific activities listed above, Council regularly uses a wide array of methods to inform, engage and obtain input/feedback from its community. For the current proposed SRV these have included:

|  |  |  |  |
| --- | --- | --- | --- |
| **When** | **What** | **Notes** | **Annexure reference** |
| January 2016 | Council Communicator | Inform  Regular newsletter sent to all ratepayers; article on SRV application | 15 |
| October/ November 2015 | Special edition newsletter | Consult/Involve/collaborate  Special newsletter sent to all ratepayers; focus on assets and SRV proposal; seeking feedback; publication of meeting dates and avenues for feedback | 16 |
| November 2015 | Community meetings | Consult/Involve/collaborate  4x community meetings held across the Great Lakes; better than average attendance | 9 |
| October 2015 | Website & Facebook | Involve/collaborate  Notification of meeting dates; provision of SRV information consistent with special edition newsletter; links to 'have your say' to enable participation and feedback | N/A |
| October 2015 | Media kit | Consult  Information provided to media outlets (including web, television, newspaper and print); including meeting dates, links to online information, the SRV proposal and links to 'have your say' to enable participation and feedback | 17 |
| July 2015 | Council Communicator | Regular newsletter sent to all ratepayers; article on Delivery Program & Operational Plan, & SRV | 18 |
| April/May 2015 | Delivery Program/ Operational Plan public exhibition | Document highlighted need for SRV as an activity under IP&R and a special section with specific details on the SRV | 1 |
| April/May 2014 | Delivery Program/ Operational Plan public exhibition | Document highlighted need for SRV as an activity under IP&R | N/A |

***Media coverage received***

A Communication Plan for the SRV proposal highlighted target audiences and tracked the media coverage received from efforts to effectively communicate the case for the proposed SRV.

Coverage specific to the proposed SRV during October & November 2015 included:

Prime News (television) 29/10, 6/11

Great Lakes Advocate (newspaper) 28/10, 11/11

Manning/Great Lakes Extra (newspaper) 29/10

Myall Coast Messenger (newspaper) 28/10, 11/11

Myall Coast News (newspaper) 18/11

Stroud Community website (internet) 2/11

**IP&R docs that explain the proposed SRV have been attached:**

Delivery Program / Operational Plan - 2015/2016 - Annexure 1

Long term financial plan - Annexure 7

Asset management strategy - Annexure 26

Asset management plan - Annexure 12

## 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 proposed 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.

**Outcomes & feedback**

The outcomes and feedback from the community engagement activities indicated broad support for Council's proposal. In the case of the statistically valid survey conducted on asset condition and funding for assets, 91% of survey respondents supported Council's proposal for the most significant asset spend increase of $1 million per annum for the rural sealed road network.

Our community consultation has told us that our community wants an efficient Council that looks at ways to continually improve how we deliver services. (Section 7 of this application provides details on past on ongoing efficiencies and Council's Business Improvement Program.) To meet these challenges we have assessed the state of Council's assets using both our technical expertise and external consultants which specialise in community assets.

This research has shown that Council's work over the recent years has been effective and the maintenance backlog is reducing. There is however still work to be done on some road and community assets.

Council has been holding conversations about asset management (including asset condition and backlog) with the community for over seven years - including intensive engagement as part of the 2010/2011 SRV application process.

Over the years, through continued engagement, Council has seen increasing community awareness and understanding of both Council's financial position and continuous improvement in asset management practices and strategies. This has led to strong, informed support from the community in the direction Council is taking.

Outcomes and feedback from the various community engagement activities are summarised below.

**Community survey - asset service levels**

**(October 2014)**

The asset service level survey was utilised to engage the community directly in setting acceptable service levels for major asset classes, taking into account sound asset condition data and funding availability. The survey was a critical component of the Asset Management Improvement Program undertaken with MorrisonLow. One of the key improvement areas identified in that program was to establish agreed service levels with the community.

Council's levels of service have been based on an understanding of customer needs, expectations, preferences and their willingness to pay for an increase in the level of service that are required in the future.

The survey sought to examine community attitudes and perceptions towards current and future services and facilities provided by Council. Key objectives of the research included:

- to assess and establish the community's priorities and satisfaction in relation to Council activities, services and facilities

- to identify the community's overall level of satisfaction with Council's performance

- to identify the community's level of satisfaction with regards to contact they have had with Council staff

- to identify trends and benchmark results against the research conducted previously

Council engaged Micromex Research to carry out the survey on Council's behalf, in part due to their previous experience in conducting informed community surveys and their previous work with GLC.

The methodology chosen entailed phone calls to approximately 600 randomly chosen residents, with the aim of engaging 400 who agreed to read information on asset service levels, asset conditions, consider Council's position and then participate in a phone survey to solicit their views on the information provided and on the proposed Council position on asset service levels and funding.

A sample size of 400 residents provides a maximum sampling error of approximately +/- 4.9% at 95% confidence.

The information pack was provided to allow participants to familiarise themselves with the different asset management conditions and investment suggestion. The information (Annexure 19) was presented in a clear and easy to understand format and was divided by asset class with details on:

- a definition of the asset class

- current asset condition (fair & better, poor, failed) with photo example

- current budget and funding options

- Council's position on funding for each asset class

The Unipolar Scale of 1 to 5 was used in all rating questions, where 1 was the lowest importance, satisfaction or support and 5 the highest importance, satisfaction or support. This scale allowed for a mid range position for those who had a divided or neutral position. The mean rating explanation follows:

1.99 or less 'very low' level of importance/satisfaction

2.00 - 2.49 'low' level of importance/satisfaction

2.50 - 2.99 'moderately low' level of importance/satisfaction

3.00 - 3.59 'moderate' level of importance/satisfaction

3.60 - 3.89 'moderately high' level of importance/satisfaction

3.90 - 4.19 'high' level of importance/satisfaction

4.20 - 4.49 'very high' level of importance/satisfaction

4.50+ 'extremely high' level of importance/satisfaction

The full report on the feedback from the community from this research is included as Annexure 20.

In general, the research found a positive result for the Great Lakes, with 27 of 39 services/facilities/criteria rated as being of 'moderate' to 'very high' satisfaction. At an overall satisfaction level, Council's mean result of 3.5 indicated performance above the NSW regional norm (3.2 on a 1-5 scale).

A significant 89% of the community are at least somewhat satisfied with Councils communication, with 70% of those being satisfied - very satisfied (translating into a mean score on the above scale of 3.7).

When asked how important it is for Council to implement plans and strategies to maintain and enhance infrastructure and facilities in the Great Lakes LGA 97% responded that it is important (25%) or very important (72%).

Importantly an overwhelming 90% agreed with Council's proposal to increase funding for the rural sealed road network. The largest component of Council's SRV proposal is to increase funding for this asset class (at $1 million per annum), reflecting what our asset data is telling us and in accordance with the feedback on community service level for this asset class.

The majority of the remaining component of the SRV is to support recreation assets such as playgrounds and swimming pools, and for community buildings asset maintenance (specifically the roof at Council's Administration building in Forster which requires replacement after years of costly repairs and significant flooding events, which lead to hours of lost time and WHS concerns).

Our asset data for these asset classes is continually improving and is indicating gaps between available funding and required funding to maintain the assets in a safe and acceptable condition. The community survey indicates that there is also a performance gap (difference between important and satisfaction) for these asset classes of a .74 gap for playgrounds and a .49 gap for swimming pools.

The survey information was presented to Council and the community in late 2014 and the feedback from the survey was used to inform the service levels in the asset management plans, in line with the recommendations from the Asset Management Improvement Plan Program.

This was also then utilised to inform the inclusion of preparation of a SRV application as a specific activity in Council's draft Delivery Program and Operational Plan for 2015/2016. The SRV proposal was also detailed in Section 5 of that document, providing information on the need and purpose, the details of the proposal, the allocation of the additional rate funds, the impact on residential ratepayers and community consultation. (attached as Annexure 1)

As a result, Council determined that a section 508A special rate variation was the appropriate method by which to seek the additional funding.

Council's website also featured the same information pack provided to survey participants, with an opportunity to complete an online survey with similar questions as to the statistically valid survey. There were 55 respondents to the online survey.

The results of this self-selecting survey were similar to the statistically valid survey around the questions of overall satisfaction with community assets and importance of Council's planning for maintaining and enhancing infrastructure and facilities. Overall satisfaction with the performance of Council in the previous 12 month period was high, with 78% of people 'satisfied' or 'very satisfied', and only 6% 'not very' or 'not at all' satisfied.

The results also indicated strong support for increasing expenditure on the rural sealed road network, with 55% of respondents in favour of Council's proposed additional expenditure and another 33% of respondents indicating support for an even slightly higher investment on this asset class.

**Community meetings & number of attendees**

**(May & November 2014; May & November 2015)**

A number of community meetings were held as part of the SRV engagement, and also in the lead up to inclusion of a SRV in the 2013/2017 Delivery Program and 2015/2016 Operational Plan.

In order to meet the requirements of IP&R and the SRV process, community engagement meetings specific to the SRV proposal were held in May and November 2015 as well as November 2014. These meetings are held in the townships of Bulahdelah, Forster, Stroud and Tea Gardens. Council's experience has shown that the variety of residents attending these meetings find that they add value to their understanding of issues and actions that impact them both at the local level and from the broader perspective.

Meeting attendance numbers are a measure of the value that residents gain, with consistent numbers seen at these meetings for the past several years. Prior to that time numbers varied widely, particularly at the Forster meeting. We have increased attendance in Forster from a low of one attendee to a high of 70 at the last meeting (with an average attendance of approximately 35). The average attendance for the other areas is consistent; 50 - Tea Gardens, and 30 at both Bulahdelah and Stroud.

The following summarises the relevant SRV and asset management topics discussed as part of the current application.

*May 2014* Updated asset condition & rating, backlogs, asset mapping

*November 2014* Survey results, flagged inclusion of SRV in 2015/2016 DPOP

*May 2015*Draft 2015/2016 DPOP, SRV proposal

*November 2015*Fit for the Future improvement plan, SRV proposal

Overall, the feedback from these meetings was positive with an understanding and acceptance of the need for the special rate variation from the majority of the attendees. At all of the meetings there was open and transparent discussion around any questions regarding the SRV proposal.

As always, specific items of local interest were more of a concern to the majority of the audience. At several meetings Council was openly congratulated on their management of various issues, and in their willingness to undertake regular, open and honest conversations with the community.

In general, over the years we have listened to community feedback which told us that roads needed improving and we have put additional funding into road maintenance. We also understand that other important community assets such as playgrounds, swimming pools and public amenities require ongoing investment of funds to keep them up to standard.

It is also relevant to note that there would have been some additional community awareness of Council's plans for a SRV through the Fit for the Future process and engagement, as this SRV is incorporated in Council's Improvement Plan (see Annexure 5) as part of the State government led reform program.

**Special Edition Newsletter & 'have your say' (SRV) - submissions**

**(November 2015)**

As part of Council's Community Engagement Strategy, a special edition newsletter regarding the proposed SRV was distributed to all ratepayers (approximately 24,000). A copy of the newsletter is attached as Annexure 16.

Public submissions were encouraged on the proposed SRV as part of this engagement activity. Submissions were accepted online (through scanning the QR code on the newsletter or visiting Council's website), by email or by post.

Submissions received were considered by Council at a meeting in December 2015 where it was resolved to notify the IPART of its intention to apply for a section 508A special variation *to facilitate infrastructure maintenance and renewal programs, meet existing and proposed loan borrowing commitments and to maintain existing service levels and provide ongoing financial sustainability*. A copy of the report (including submissions) is attached as Annexure 21. Council resolved at that meeting to notify the IPART of its intention to apply and the resolution is attached as Annexure 21.

Council then also considered community sentiment towards the SRV proposal as part of the process of adopting the Delivery Program and Operational Plan for 2015/2016 (see below).

**Delivery Program & Operational Plan exhibition - submissions**

**(April/May 2015)**

The special rate variation proposal was placed on public exhibition during April/May 2015 as part of the required Delivery Program consultation process under the IP&R legislation. The proposal attracted 4 submissions at the time which were held over for consideration with submissions received during the second round of consultation which was scheduled to occur during November 2015.

Once that consultation was completed, an additional 85 submissions were received and all ratepayers had been informed of the proposal and of the various opportunities to provide input.

From the submissions, support for the proposal was mixed when compared with the feedback from the public meetings which indicated an understanding and acceptance of the need for the special rate variation from the majority of attendees. The written public submissions were generally not supportive of the proposal with 14 in favour of the proposal, 4 submissions that did not indicate a preference but posed questions or alternate scenarios while the balance (67) were not in favour of Council continuing with the proposal.

It is interesting to note that based on Council's previous experience with public exhibition of documents (whether related to a SRV or other strategic type plan), the large majority of written submissions generally are not in favour of the proposal or plan on exhibition. It would appear that it is much more common for those in favour (or not against) a proposal or a plan simply accept it, but do not necessarily put that acceptance in writing.

Council was provided with all of the submissions for consideration as part of the December 2015 consideration to notify IPART of the intention to submit a section 508(A) special rate variation.

Summary of submissions received and the Council report are attached as Annexure 21.

**Social media numbers**

As part of Council's focus on continuous improvement in the area of ICT and customer focus, resources have been applied to increasing Council's exposure on social media. The following is a summary of the recent social media activity in relation to Council's SRV proposal from late October - November 2015.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Subject** | **Facebook reach** | **Facebook engagements** | **Twitter reach** |
| 30/10/15 | Overview of SRV | 119 | 6 | 214 |
| 31/10/15 | Stroud community meeting | 111 | 9 | 231 |
| 3/11/15 | Tea Gardens community meeting | 488 | 43 | 271 |
| 4/11/15 | Forster community meeting | 692 | 52 | 291 |
| 18/11/15 | Reminder to make submission | 103 | 1 | 251 |
| **TOTALS** | | **1513** | **111** | **1258** |

**Evidence of media reports**

Coverage specific to the proposed SRV during October & November 2015 included:

Prime News (television) 29/10, 6/11

Great Lakes Advocate (newspaper) 28/10, 11/11

Manning/Great Lakes Extra (newspaper) 29/10

Myall Coast Messenger (newspaper) 28/10, 11/11

Myall Coast News (newspaper) 18/11

Stroud Community website (internet) 2/11

Please note that due to copyright restrictions Council is not able to provide a copy of the articles and items that appeared in the above media.

The General Manager and Director Corporate & Community Development also conducted television and radio interviews on the subject of the SRV proposal.

**Other indicators of public awareness of SRV intentions**

The most relevant indicator of public awareness of Council's SRV intentions is the special edition newsletter that was sent to all ratepayers. Taking into consideration the geographical area that comprises the Great Lakes, Council has previously found this to be the most efficient (albeit costly) manner in which to ensure all ratepayers have the opportunity to be informed of Council's activities, proposals, request for feedback etc.

That is partially due to the fact that the communities that make up the Great Lakes are widespread - with a travel time of 1.5 hours from the coast inland, and 1.25 hours from the northern portion of the LGA to the southern portion. This means that multiple media outlets service the Great Lakes LGA - for example there is not one news station or radio station or newspaper that covers all of these areas. Hence, Council employs a variety of means to communicate messages to its community and why, after many years of experience, has found direct mail to be the best way of ensuring that all ratepayers, living locally or in other areas, are aware of Council's intentions and activities.

**Identify and document any action taken or will take to address issues of common concern within community**

Council received a number of submissions regarding its SRV proposal, with some common themes of concern. The majority of these are similar to what has been raised in previous SRV application engagement. They are listed below, as well as commentary on how the issue may be addressed:

- *Become more efficient, do more with less, live within your means*

Efficiencies have been addressed in Section 7 of this application; the balancing of community priorities, available funding and service level have been addressed throughout this application)

- *Amalgamate with other Councils to save money*

Refer to the State Government led investigations as part of Fit for the Future and the recommendation that GLC is fit for the future and should stand alone

*- If deemed to be 'fit for the future', why do you need a rate rise*

As mentioned previously in this application, Council's current SRV proposal is consistent with the Fit for the Future Improvement Plan and recognised by the IPART that the proposed rate increase is part of meeting the sustainability criteria

- *Review non-essential services*

This has been addressed as part of Section 7 of this application and is part of ongoing reviews of efficiencies and service levels

*- Seek state government funding to assist with roads*

As mentioned previously in this application Council seeks grant funding to supplement its budget wherever possible; for road assets the opportunities are limited

- *Spend on health & education, not always roads*

Refer to previous sections of this report where the community's priorities are discussed; previous SRV applications to the IPART also detail previous community surveys that regularly indicate the importance of assets and in particular roads, to the community

*- 'I don't see any money being spent in my area/on my street'*

Council has placed considerable resources and effort on advancing the asset knowledge and data that forms the basis of the works programs on assets throughout the Great Lakes area. Roads in all towns and villages are mapped according to condition rating and maintenance and renewal programs are based on this information

- *We have land in North Arm Cove (zoned non urban land) and can't build on it*

People are often unaware that the use of this land is highly restricted, and rates are still payable even on empty blocks. Clear information is available on Council's website regarding this issue

- *Affordability - rates too high already, other charges and taxes (GST) going up - water, electricity, GST etc - those on low or fixed income will struggle*

This issue is addressed in Section 5 of this application.

# 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 Delivery Program and Long Term Financial Plan 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 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 proposed special variation. We also review how the council has 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 proposed special variation on 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, and how this was communicated to the community. 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 rating structure proposed to be implemented should Council's special variation application be successful is the same structure that is in place for 2015/2016.

Council has a position whereby it does not apply the rate peg or special variation approval to non-urban land. The IPART are aware of this practice from previous applications and Council can provide additional information should IPART wish to revisit the particular circumstances around this type of land. The Mining and Business categories picked up the amount of the increase applicable to this section of land while residential categorised properties increased by the rate peg.

It is proposed that this practice will continue with the result being that residential categorised properties will receive an increase of approximately 6.50% in the first year of the variation with Business and Mining being slightly higher.

There has been no specific communication to the community in relation to this aspect of the rate structure given that it has been a long standing practice.

As Worksheet 5a and 5b indicate it is Council's intention to apply the special variation (if successful) evenly across all ratepayers. Should Council be unsuccessful it will apply the rate peg evenly across all ratepayers.

### Minimum Rates

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

As previously discussed, if the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates Application form. However, this must be clearly identified and addressed in the special variation application.

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

If *Yes*, does the council propose to increase minimum Ordinary rates by:

The rate peg percentage

The special variation percentage

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

What will minimum Ordinary rates be after the proposed 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.

Great Lakes Council's rate structure does not include minimum rates. As such it is not seeking a variation to minimum rate levels.

## 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 assessed the community's willingness to pay higher rates through the Community Survey on Asset Service Levels conducted in October 2014 with specific questions designed to gauge support. Those results and detailed commentary is provided in the section on community feedback above. That survey concluded that there was a willingness to pay additional rates for the purposes sought in this application

Council is extremely aware of the socio-economic make-up of its community. It knows that it has a high proportion of fixed income retirees that are either self-funded or receiving support from the Federal and State Government and that this section of the community is projected to increase in size as a percentage of the overall population. It is also aware that its SEIFA Index rating indicates that it is significantly disadvantaged in comparison with many other local government areas.

Council has no better example of this than its own Ageing & Disability Services section which receives approximately $3 million per annum from State & Federal Government departments to provide services to our own community members. It also knows that it has been identified as a Dementia 'hot spot' whereby our community members (by reason of our demographic) will be diagnosed with such illnesses at a rate greater than the state or regional expectations. This will put additional demands on Council to be ready with facilities and services to provide the required level of community support.

This understanding makes the conversation with the community about a special rate variation difficult given that the average person does not want an increase in rates but that they do want (and will need) better infrastructure, facilities and services.

However it is taking action (outlined in Section 7) to achieve increased productivity and become a more efficient organisation. It is already holding its domestic waste management charges steady for 3 years to lessen the impact of the proposed increases. Both of these actions increase the value of the proposal to the community.

The figures contained within Worksheets 5a and 5b in Part A of this application show the impact of the special variation proposal on the average rate across categories, sub-categories and valuation ranges. For the average residential ratepayer the increase in the first year is around $60 above the rate peg increase. For the following 3 years the increase above the rate peg is about $20.

Through its interaction with its community Council believes that the community is able and willing to pay this additional amount in return for the program of works proposed by this application.

Council is also aware that its average residential rate is higher than the average rate for Category 4 councils and higher than a number of its neighbouring councils. There are a number of reasons for this that include:

• Council has been proactive in seeking special rate variations to improve its financial position and future sustainability and to repair the budget deficit left by the creation of MidCoast Water in the late 1990s.

• Council has had a special Environmental & Dredging Levy within its General Income for many years unlike many of the comparative councils. This is not income that can be used for general purposes but is restricted for use in accordance with the Instrument of Approval. This inflates Council's average rate.

• Non-urban properties impact on the level of residential rates in the Council area. This impact has previously been discussed with IPART.

Council is of the opinion that the conclusion drawn from the Category 4 councils comparison is misguided. It assumes that the average rate for the category is the correct or appropriate level of rates and that anyone above the category average is over-rating and is obviously doing something wrong. This generates unhelpful negative publicity when the results of such comparisons are released and does not recognise that each council is different providing different services at different levels as agreed with their communities.

Council has spent a considerable amount of time understanding its budget and identifying the revenue required to provide the level of services agreed with our community. It should be noted that these are not 'gold-plated' service levels. The adopted levels for roads are either poor or fair.

Our financial projections indicate that with a small special variation we will be financially sustainable for the longer term and will be addressing our infrastructure responsibilities as and when they occur. This would indicate that the average rate that would allow for that to occur would be the appropriate average rate for our Council irrespective of what the average rate for other councils might be. In fact Council suggests that given the level of special variation increases proposed by other councils in their 'Fit for the Future' submissions, that its average rate level is probably closer to what is required than where others sit at the moment.

Council notes that should this Council and Greater Taree City Council receive approval for the full amount of the special variation requests then the Taree average residential rate will exceed the average residential rate for the Great Lakes community at the end of their variation.

Council has attempted to tailor a special variation package that balances community affordability and willingness to pay against the minimum level of additional revenue that it requires to manage the community's infrastructure and its long term financial sustainability as properly demanded by the State Government.

## Addressing hardship

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

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

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

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

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

The objectives of Council's Hardship Assistance Policy are to provide assistance to ratepayers suffering substantial financial difficulties with the payment of rates and charges and to provide an administrative process to determine applications for financial assistance.

The Policy outlines the avenues available to a ratepayer experiencing financial difficulties to seek relief or assistance under the Local Government Act. These include making arrangements with Council for the repayment of outstanding rates and charges, the writing off of accrued interest, the extension of the pensioner concession, the abandonment of rated and charges and the hardship resulting from valuation changes.

The Policy provides for applications for hardship to be considered by a staff committee and provides discretion for the deferral of rates and granting, extended repayment arrangements.

The Policy can be accessed by residential and farmland ratepayers, who are of an age that would qualify them for an age pension and the property is their sole or principal place of abode. A five year qualification period also applies.

Council's preference is to hold early discussions with ratepayers who may be starting to experience financial difficulties so as to establish repayment arrangements. Through having an established recovery process, these conversations can be occurring after a ratepayer has missed 2 instalment payments - well before considerable arrears have accumulated.

The success of this approach is evidenced by the relatively low outstanding rates percentage and the minimal number of applications that Council receives to access Hardship Assistance.

On that basis Council is not proposing any further measures to address hardship.

Council's Hardship Assistance Policy (Annexure 22) is referenced in its Delivery Program / Operational Plan at Section 4 - Statement of Revenue Policy - Page 67. It states:

*"Council recognises that there will be times when ratepayers may find themselves in a position where they are struggling to meet all of their financial commitments. It has a range of options available to assist ratepayers during these times. These options are outlined within Council's Hardship Assistance Policy, which can be found on Council's website.*

*Ratepayers are encourages to make early contact with Council to discuss options should they find that they are experiencing financial difficulties."*

# 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.[[5]](#footnote-5)

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

The council is reminded that the Community Strategic Plan and Delivery Program (if amended), require public exhibition for at least 28 days prior to adoption. Amendments to the Long Term Financial Plan and Asset Management Plan do not require public exhibition.[[6]](#footnote-6) However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council’s website.

**Outline significant IP&R processes undertaken to reach decision to apply for SRV**

The table below represents the IP&R documents relevant to the proposal to apply for a SRV.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **IP&R document** | **How exhibited** | **When exhibited** | **When adopted/ endorsed\*** | **Where on website** |
| Delivery Program Operational Plan 2015-16 | Document on Council website, at libraries & offices; discussed at public meetings & feedback sought | 4 April - 5 June 2015 | Adopted  23 June 2015 | Council - Our Strategies |
| Delivery Program Operational Plan 2014-15 | Document on Council website, at libraries & offices; discussed at public meetings & feedback sought | 5 May - 6 June 2014 | Adopted  24 June 2014 | Council - Our Strategies |
| Community Strategic Plan (*Great Lakes 2030)* | Document on Council website, at libraries & offices; extensive community engagement including public meetings, community markets | October & November 2012; February & March 2013 | Endorsed  25 June 2013 | Council - Our Strategies |
| Asset Management Strategy 2015 | Included in Council business paper report | N/A | Adopted  28 April 2015 | Council - Our Strategies |
| Consolidated Asset Management Plan 2014 | Included in Council business paper report | N/A | Adopted  9 December 2014 | Council - Our Strategies |
| Long Term Financial Plan 2015-2025 | Included in Council business paper report | N/A | Noted  28 April 2015 | Council - Our Strategies |
| \* *Where a document was adopted/endorsed/noted by Council, the minute of that action is included as Annexure 23* | | | | |

# Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 within the OLG Guidelines is:

*The IP&R documents 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 during the last two years (or longer) and any plans for productivity improvements and cost containment over the duration of the proposed special variation.

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

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.

**Overview**

Council has addressed its efficiency through a strategic approach following a review of Council’s ongoing financial sustainability. Council’s approach has involved extensive management research utilising external expertise where required to guide Council’s decision making and then strong and decisive political leadership to implement actions required to achieve a sustainable outcome. This has resulted in a significant improvement in Council’s financial position since 2011.

In summary Council undertook a comprehensive service level review following research with other councils and the ACELG, critically reviewed all budget expenditure, restructured some areas of the organisation to align resources with needs (particularly asset management and efficiency), and now has a strategy to embed further improvement through its Business Improvement Program (based on the Australian Business Excellence Framework), and Information Communication and Technology Strategy. Council is also a participant in the Local Government Professionals Australia NSW / PWC Operational & Management Effectiveness Survey which provides benchmarking data with other councils and assists in identifying further improvement opportunities.

Council is in the process of developing a Strategy Map to link performance measurement through all levels of the organisation as a component of the Business Improvement Program. This will provide an important improvement to ensure strategy is linked through to measures which track achievement of outcomes and provide trend data for decision making.

**Specific Productivity Improvements**

Expanding on the above, the following provides details on specific areas/initiatives which are delivering productivity improvements or which are anticipated to deliver improved efficiency in Council operations into the future:

**1 Summary of savings from previous SRV applications -** Summary of savings and efficiencies referred to in previous SRV applications delivering ongoing savings are listed below. Extracts from those applications are included as Annexure 24 which outline relevant efficiencies and improvements.

**2011 & 2013 SRV applications**

- Held staffing levels constant with savings from positions assisting Council's overall budget position

- Strategic alliances delivering efficiencies through sharing of information and joint business initiatives (ie Hunter Legal Services)

- Actions implemented from service level review (HACC) - independent review and subsequent annual corporate overhead contribution; restructure of HACC for efficiencies and savings of $120,000 per year

- Actions implemented from service level review (asset management) - internal restructure to consolidate building asset management responsibilities on cost neutral basis which also delivered an annual savings of $40,000 per year

- Great Lakes Aquatic & Leisure Centre - significant energy efficiency measures as part of major refurbishments (funded under the Commonwealth Government's Regional & Local Community Infrastructure Program (RLCIP). 107% increase in membership and patronage in 17 month period following renovations

- Council advertising costs savings of $30,000 per year from amended process

- Energy saving initiatives utilising loan funds through Low Carbon Australia in Council's two main energy consuming buildings

- Budget savings between 2008/11 to achieve a balanced budget including: non replacement of staff positions with ongoing savings ($718,900) and a number of significant service reductions across Council's operations ($3,543,450) - refer to Annexure 24 for full details

- A number of contract renegotiations delivering ongoing savings of $168,000

- Cooperative arrangement efficiencies including Strategic Alliances, joint waste contracts, library radio frequency identification system

- Sustainability efficiencies through the Sustainability Team (S-Team)

- Volunteer Parks program which through Council's support provides approximately $500,000 of works

- Minimbah quarry site establishment to service the maintenance of Council roads for many years - with an estimated savings of $1 million over 20 years

**2 Organisational restructure**

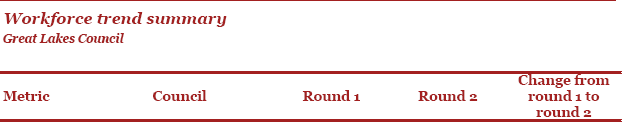
In December 2014 the Corporate and Community Services Division was restructured and renamed Corporate and Community Development. The restructure removed three Manager positions from the structure and delivered ongoing savings of $129,000 per annum which have effectively reduced the level of rate increase being applied for in the SRV application.

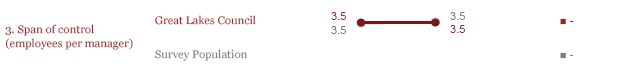
In summary the restructure achieved the following:

* Realignment of resources from management to operational
* A focus on community development and engagement
* Support for the organisation wide Business Improvement program
* A focus on enhanced corporate reporting capability
* $129,000 annual savings reducing the level of SRV application by 0.4%

The restructure has enabled Council to shift resources into Community Engagement; Digital Communication; Business Improvement; and Corporate Reporting. This was achieved by flattening the organisation structure and removing three Manager level positions.

Council participates in the PWC and Local Government Professionals NSW Local Government Operational and Management Effectiveness Report which includes many indicators benchmarked across 78 participating Councils. One indicator is span of control (employees per manager) as shown in the below extract from the FY14 PWC report. While Council was at the median level in the FY13 and FY14 results, this restructure is expected to reduce this result below the median in the upcoming FY15 report.





**3 Procurement Improvement Program**

Council participated in the Procurement Roadmap Program facilitated through Local Government Procurement in 2012. This program looked at Council's current level of procurement expertise and identified opportunities for improvement. It was recognised that considerable scope existed for improvements in Council expertise and systems which would result in efficiency and generation of monetary savings.

Council commenced a 'centre-led' procurement approach in November 2013 with the appointment of a Procurement Coordinator. The program provides the following:

* A 'centre-led' procurement function across all of Council's operations to ensure the effective and efficient procurement of goods and services;
* The development of a strategic procurement system for Council that addresses legislative requirements, corruption prevention and probity principles for fairness and transparency in its processes and ensures that Council procurement reflects best value for money;
* Provision of information, advice, support and education on procurement matters so that staff, suppliers and the community understand their respective roles and responsibilities and have confidence in Council's strategic procurement system;
* Periodic and annual review and analysis of procurement activities and reports and recommendations to Management identifying continuous improvement and cost reduction / savings opportunities.

The Procurement Improvement Program has delivered significant improvement in systems and processes which has built compliance, consistency and efficiency. This has resulted in reduced risk around procurement and also improved value for money for Council and the community.

The next step in improving efficiency is to introduce e-procurement to streamline the ordering and committal process and to focus further on reducing transactional costs.

While initial focus has been on systems, processes and risk control, there have been some significant monetary savings achieved. For example through review of the contract tendering process Council has realised a savings of 8% (or $80,000 p.a) in the Contract for Casual Labour Hire. It is anticipated that these type of savings will grow in future years as key system platforms are bedded down.

**4 ICT Strategy**

Council adopted an ICT Strategy in order to improve efficiency in operations and improve service delivery to the Great Lakes community. Attached as Annexure 25 is a schedule which summarises key ICT initiatives and productivity improvements achieved to date. It is important to note that a key part of implementing initiatives in the strategy is to re- engineer processes as part of the ICT implementation, and to project manage all implementations to ensure they are delivered on time and on budget. Highlights from the attached schedule include:

1. Wide area network enhancement - The speed of service to remote sites was a major impediment to productivity at Council due to the geographic area covered. Increased speeds have enabled improved response times, live monitoring of waste transfer stations (reduced travel of staff), remote site and office online meetings avoiding travel to head office, and ability to use cloud based services (not possible under previous service contract with Telstra). Quantifying savings across these is not straightforward however from one section of Council with staff in Tea Gardens and Stroud, as realised savings of 12 hours per quarter in staff time to attend quarterly meetings (online meetings used).
2. Planning enquiry online tool - this is a customer service improvement enabling the public to access landuse planning information online and to track Development Assessments.
3. Rate notices - despite the challenges of an ageing demographic and lower than average uptake of internet Council is working effectively to increase the number of rate notices issued electronically.
4. Onsite sewerage management system (OSMS) process re-engineering - through a review of processes and system implementation, this section will increase annual inspections by 100% using existing resources. This addresses a significant public safety/water quality risk which existed previously where insufficient inspections were being carried out, with no increase in resources.
5. Section 149 certificates - change in process and improved data integrity achieves an increase in income of 22% over a 4 year period.

The aim of the ICT Strategy is to optimise systems so as to deliver improved service levels and reduce costs of delivering services. The examples above and in the Annexure demonstrate that this is occurring. The investment of $100,000 additional per annum included in the rate variation will enable this process to continue and enable ongoing funding of system enhancements. The OSMS system enhancements alone deliver in excess of $100,000 of productivity improvements. Without this important inspections simply would not have been able to be carried out.

**5 Energy efficiency measures**

Council has implemented numerous energy efficiency programs over the past three years on many of its high use sites and building, leading to ongoing savings and reduced energy and water consumption. Major projects are identified below:

- 2012/2013 - Low Carbon Australia Funding $122k spent – main administration centre and Great Lakes Aquatic & Leisure Centre (being the two largest energy users). Works included:

\* Great Lakes Aquatic & Leisure Centre -upgrade to LED lighting in foyer, sealing of air ducts to reduce energy loss, insulate sauna, sub metering unit purchased

\* Main administration building – various light upgrades, sub metering to monitor use, solar array (13.5kw), sky lights, timers on zip HWS, remove louvres and replace with fixed panes glass (to prevent energy loss), replace old fridges, motion sensors

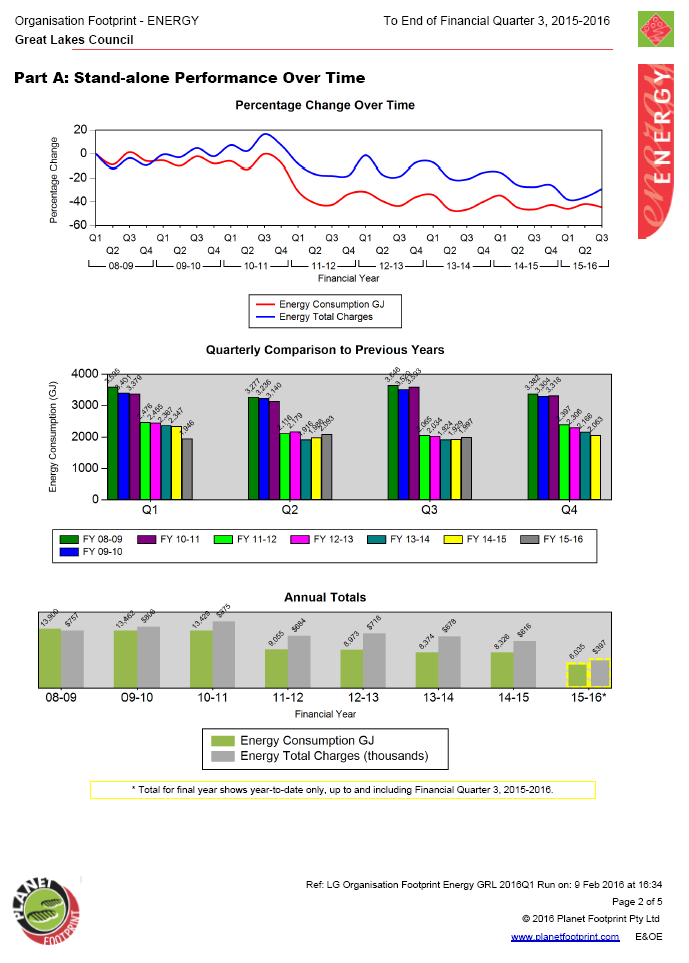
- 2013/2014 - Local Government Energy Efficiency Program (LGEEP) – $43k - 8 solar HWS systems to replace old electric systems at community halls, depot, MOW and Tuncurry Waste Management centre

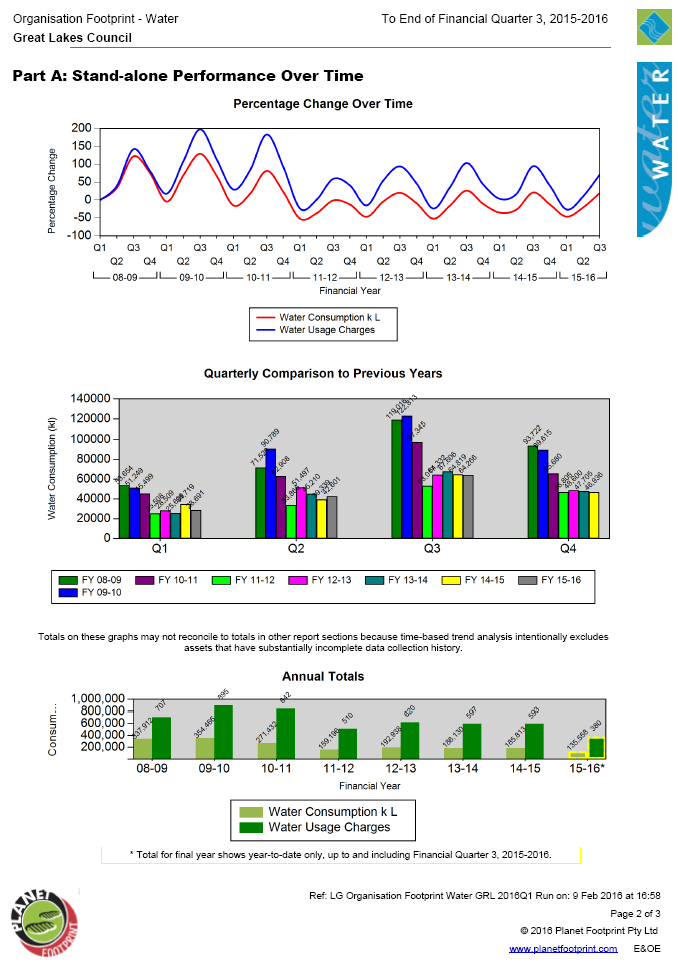
- 2014/2015 – Community Facility Energy Efficiency Program (CEEP) - $231k – various energy efficient upgrades at numerous halls, libraries, community centres, parks and main administration centre– lighting, glazing, zip HWS, motion sensors, HWS timers, solar lighting for parks walkways.

- Great Lakes Aquatic & Leisure Centre - solar array 10kw, natural lighting in sports hall to eliminate need for lighting during the day, water harvesting and re-use 90,000 litre tank to top up indoor 25m pool, additional water harvesting and reuse including toilet flushing and irrigation of adjacent croquet courts

- Review of tariffs for small energy use sites with a savings of approximately $40k ongoing, review of large site tariffs and use of reverse auctions and state government contracts

Extracts from the Planet Footprint quarterly report on energy and water consumption follow, which indicate significant reduction in consumption when comparing data from 2008-09 to the end of financial quarter 3, 2015-16.





**6 Waste Levy**

After significant work and negotiations with the State Government Council was granted an exemption from paying the levy for capping material at the Tuncurry Landfill site. The quantity of material approved for exemption was 136,810 tonnes.

The value of that saving in $ terms is a $10,493,327. It is anticipated that the work associated with the capping of the landfill will occur over a seven year period, with a saving of $1,499,046 per annum. This saving is being passed directly on to ratepayers, with the domestic waste management charge being frozen at the current level for three years. This in turn positively influences the affordability consideration to ratepayers when assessing the impact of the current SRV proposal.

**7 Business Improvement Program**

Council's Business Improvement Program (BIP) is an integral part of developing and supporting a culture of continuous improvement and benefits realisation - both cash (direct cost savings) and non-cash (improvements in quality of service/product, efficiency, shift in culture/leadership, communication etc).

One of the principles included in the NSW State Government's *Benefits Realisation Management Framework (June 2014)* states that 'benefits are enabled by successful change - people process, technology and organisational'. This is the crux of the BIP.

It is an evidence-based approach that supports all staff to embed, embody and prioritise sustainable, effective and efficient business practice, leadership and culture within the organisation.

To context Council's BIP, it is necessary to briefly revisit Council's history from 2007.

**Background**

In 2007 Council, facing regular annual deficits and a grim financial situation, embarked on a program to improve its financial sustainability.

Professor Percy Allan conducted a *Financial Sustainability Review* through his Company Review Today in 2008. This identified serious long term financial sustainability issues and an inability to fund maintenance of key Council owned infrastructure, particularly road assets.

To further clarify Council's financial position, Council engaged MorrisonLow to prepare a 10 Year Financial Plan which was completed in 2009. Council had no long term financial plan but did prepare 4 year projections extending the annual budget. The MorrisonLow LTFP identified that Council's position would deteriorate into serious deficits over the 10 year period.

Council responded to the above situation by implementing various strategies to address Council's long term financial sustainability. The key actions taken are shown below:

1. Integrated Planning & Reporting was embraced to guide business and strategic planning and prioritisation. Critically this has resulted in greatly improved asset management plans; more accurate and sophisticated long term financial plans; and a clearer understanding of community priorities together with stronger relationships with the Great Lakes community.
2. Financial constraint and downsizing was implemented. Many staff vacancies were not filled and downsizing essentially occurred through attrition. A strong financial constraint message was driven from management which resulted in some organisational restructuring driven by financial savings and a strong focus on budgetary constraint.
3. Special Rate Variation - a successful application to increase rates by 8% per year for 2011/2012, 2012/2013 and 2013/2014 which significantly improved Council's rate base. During the period of the SRV the rate base has risen from $24M to $30.5M or approximately 27%.
4. Organisational wide service level review undertaken in two stages. The initial stage included a high level scan of services delivered by Council asking key questions around the services delivered, barriers and challenges, and structural changes to improve service delivery. The second stage involved confirming service levels with the community, reviewing service delivery models and identifying alternative models of service delivery to achieve efficiencies and service improvements.

As a result of these actions Council was assessed by TCorp in 2012 as one of the few sustainable coastal Councils on the north coast. Additional funds have been and are continuing to be channelled into infrastructure maintenance. The challenge remains to deliver sufficient funds to address backlog issues.

Following that, in October 2013 strategic management issues were identified as needing to be addressed to enable the organisation to move beyond service level reviews and budget constraint so as to create an organisation which could deliver sustainable and ongoing efficiencies. The strategic issues identified included:

1. Leadership & Organisational Culture

- Leadership vision, mission, values

- Situational leadership, leadership development

- High performing teams

- Organisation structure to deliver the vision and mission

1. Business Planning & Business Performance

- Business planning to underpin leadership goals and culture

- Performance measurement & monitoring

- Project/program management

- Service level reviews

- Integration of plans and strategies

1. ICT

- Modernisation

- Deliver business results

- Customer Service

- Meet future community engagement/interaction needs

1. HR Management

- Organisational development capability

- Alignment of training, recruitment and staff development with 1 and 2 above

- Industrial relations culture

- Change Management

- Succession Planning

1. Council & Community Expectations

- Efficient service delivery

- Communication and engagement

- Modern and responsive

- Balanced progress

- Continued responsible financial management

- Asset/infrastructure management

Faced with known challenges, Council carefully framed an approach to deliver systemic improvements and long term business sustainability. Following investigation both within local government and in other industries, the Australian Business Excellence Framework (ABEF) was adopted as the management framework to drive business improvement throughout the organisation.

The ABEF is a management framework which aims to create an environment which leads to sustained business success. It is an integrated leadership and management system that describes the elements essential to organisations sustaining high levels of performance. It requires systems thinking and is underpinned by a set of nine principles. The ABEF is not just a theoretical model, it is based on proven business success and is recognised internationally.

The nine principles of the ABEF are:

**ABEF Principles**

1. Clear direction and mutually agreed plans enable organisational alignment and a focus on the achievement of goals
2. Understanding what customers and other stakeholders values, now and in the future, enable organisational direction, strategy and action
3. All people work *in* a system. Outcomes are improved when people work *on* the system and its associated processes
4. Engaging people's enthusiasm, resourcefulness and participation improves organisational performance
5. Innovation and learning influence the agility and responsiveness of the organisation
6. Effective use of facts, data and knowledge leads to improved decisions
7. Variation impacts predictability, profitability and performance
8. Sustainable performance is determined by an organisation's ability to deliver value for all stakeholders in an ethically, socially and environmentally responsible manner
9. Leaders determine the culture and value system of the organisation through their decisions and behaviour

The seven categories of the framework are underpinned by the principles and are what is used to generally evaluate organisational performance. The categories break down the complex structure of an organisation into tangible components that can be systematically monitored and improved. They also form a structure to review, question and analyse the leadership and management system.

It became apparent that the ABEF could add significant value in guiding our actions and decision making in relation to the strategic management issues identified. There was close alignment between the gaps and focus areas identified by management as critical to ongoing sustainability.

The seven ABEF categories and summary description (as per the *Australian Business Excellence Framework 2011)* of each are shown below to provide additional insight as to how the ABEF can support a values and principle based organisational environment.

**1**  **Leadership**

Explores how an organisation develops and uses leadership concepts, business processes and management systems, how it develops an organisational culture that is consistent with its values and how it supports its communities and the environment.

**2** **Strategy and Planning**

Explores how an organisation establishes systems to set strategic directions (where the organisational has come from, where it is going and how it will get there) and how it deploys plans to achieve those strategies.

**3**  **Information and Knowledge**

Focuses on the effective application of the information and knowledge required to achieve the organisation's objectives and the need for efficient and effective processes to acquire, analyse, apply and manage the information and knowledge.

**4**  **People**

Explores how an organisation acknowledges that people are essential and are to be valued, and how it creates great places for people to work by attracting the right people, developing their skills, engaging them and retaining them. Appropriate policies, systems, processes and tools ensure that people are engaged and make a meaningful contribution to organisational improvement, goals and success

**5**  **Customer and Market Focus**

Explores how an organisation analyses its customer and other stakeholder requirements, how it uses this knowledge, how it manages the relationships and how it delivers increasing value to customers and other stakeholders.

**6**  **Process Management, Improvement and Innovation**

Explores the processes an organisation uses to supply value to stakeholders. It also examines how they encourage innovation and improvement to these processes and, therefore, improve the quality of its outputs.

**7** **Success and Sustainability**

Explores an organisation's results and the methods it uses to monitor and demonstrate how well it is performing and how well it is likely to perform in the future. The organisation must have clear and appropriate measures against their objectives and their stakeholder requirements that enable it to undertake review and improvement.

Diagrammatically the model can be represented as shown below, with the A-D-R-I continuous improvement cycle on the far right - an essential element of the ABEF.



To build the platform and foundation on which to enable sustainable business improvement, Council has invested considerable effort on Categories 1 and 4 (Leadership and People) of the ABEF since September 2014. The rationale for this is proven experience that step improvements in business process, efficiency and innovation will only occur with a Leadership and Organisational Culture to support this. Council's previous experience with other business improvement initiatives support this rationale.

The ABEF is proven through research to improve business performance through a holistic approach to improving business processes. It is a long term approach which includes continuous improvement as a core principle and is utilised by organisations of all sizes, both public and private.

While improvements are focussed on the long term and significant efficiencies will build over the next 3-5 year period, there are already significant improvements occurring. At this stage, many of these are incremental and bankable savings are difficult to quantify. However the changes are leading to significantly improved outcomes in areas such as ICT strategy implementation and targeted process review. Teamwork is significantly improved and systems thinking is being applied to improvement processes as opposed to the previous approach which tended to be issue or team specific, rather than looking both upstream and downstream of the issue/process/improvement - hence only addressing part of the process.

Council's progress in business excellence will continue to be measured by regular assessment against the ABEF and other instruments that measure the organisation culture and through an integrated performance measurement framework due to be implemented late 2016 and early 2017.

**8 Asset Management Improvement Plan**

In 2011 the NSW State Government announced an infrastructure backlog audit of NSW local government. Great Lakes Council was subsequently selected as one of the 35 councils to participate in an on-site audit of asset management practices as part of the broader Local Government Infrastructure Audit program. This review, undertaken by Morrison Low, concluded that Council was at a 'Basic' level of competence in asset management. Council subsequently recorded a 'Moderate' rating for the Infrastructure Management Assessment category reported in the Division of Local Government's Local Government Infrastructure Audit report of June 2013.

Following these reports Council approached Morrison Low to facilitate an Asset Management Improvement Program with Council staff to address the issues raised in their report and to guide improvement efforts. This engagement has resulted in Council adopting service levels for its assets following a consultation process with the community on standards and funding. These service levels have been reflected in new Asset Management Plans and an Asset Management Strategy incorporating an Asset Management Improvement Plan. This has also led to a revision of Council's reported backlog based on the new agreed service levels and has identified areas of need for additional funding and areas where adequate funding exists. Council's asset knowledge and data continues to improve and inform funding and strategic asset management planning.

It is this work that informs Council's proposal to lodge a special rate variation application with the IPART seeking additional funds to be applied to areas of need within Council's infrastructure network. This proposal formed part of Council's Improvement Plan (see Annexure 5) in its Fit for the Future submission.

The key aspects of Council's plan to improve its performance against the Infrastructure and Service Management Benchmarks are:

1 Additional funding sourced through a permanent increase in rates revenue to be applied to renewal works.

2 Continue to seek grant funding through State and Federal Governments where appropriate to renew or enhance Council's infrastructure network.

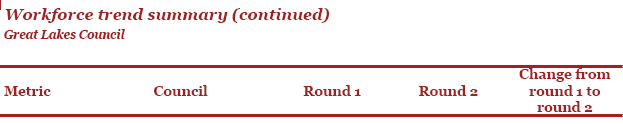
3 Continued improvement in Council's asset management data, systems, processes and decision-making in accordance with adopted Asset Management Improvement Plans and Council's Delivery Program.

**9 NSW Local Government Operational Management Effectiveness Survey/Reports**

As mentioned earlier in this Application, Council participates in this program along with 72 Councils. This provides information to assist Council to focus on key areas to improve efficiency and to continue to compare with other Councils (continuous improvement cycle).

An example of an improvement realised through this program is around leave management. For some time Council had minimal leave management strategies in place. As a result there were large annual and long service leave balances across the workforce. This was compounded by a stable workforce with lengthy years of service.

The graph below from the FY14 survey shows a reduction in annual leave. The aim is to be at equal to or below the survey population. It is anticipated that Council's result will be further improved when the FY15 results are released.





Long Service Leave is also currently being addressed to address the increasing leave balance trend. Combined with other efficiencies being realised through improvements throughout the organisation, the management of these leave balances represents improved productivity as Council has continued to provide the same levels of service during this time.

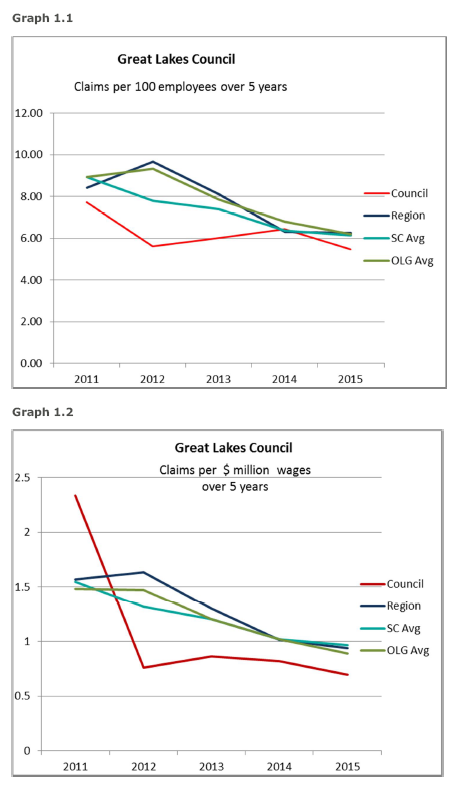
Council's performance in lost time injuries and workers compensation claims is exemplary. Refer to lost time injury comparison below and workers compensation premium trend, as reported in the StateCover Workers Compensation and WHS Report for 2014/2015. The graphs show the claim frequency rate for both wage and employee exposure for Council over the past five years. It also illustrates the trends in WHS performance over time, as well as how results compare with OLG Group average, regional group average and StateCover average.

In comparison to Council's OLG group:

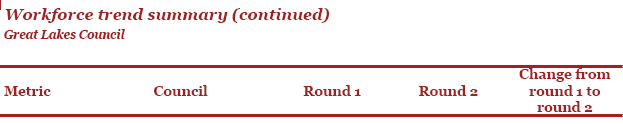
- Great Lakes is in the top 10% for best performance

- Average across OLG group is 1.96%; GLC is 1.91%

- Average across the StateCover portfolio is 2.97%



The PWC FY14 results for lost time injury days per 100 employees is shown in the graph below.





# 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, extracts from the Community Strategic Plan.

Other attachments will be required from some, but not all, councils. For example, 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. Councils may number the attachments as they see fit.

|  |  |
| --- | --- |
| Item | Included? |
| **Mandatory forms and Attachments** |  |
| Part A Section 508A and Section 508(2) Application form (Excel spreadsheet) | X |
| Part B Application form (Word document) – this document | X |
| Relevant extracts from the Community Strategic Plan | X |
| Delivery Program | X |
| Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format | X |
| NSW Treasury Corporation report on financial sustainability | X |
| Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation | X |
| Community feedback (including surveys and results if applicable) | X |
| Hardship Policy | X |
| Resolution to apply for the proposed special variation | X |
| Certification (see Section 9) | X |
| **Other Attachments** |  |
| Relevant extracts from the Asset Management Plan | X |
| Past Instruments of Approval (if applicable) |  |
| Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program |  |
| Other (please specify) - *see attached Annexure list below* | X |

|  |  |
| --- | --- |
| **Annexure reference** | **Annexure description** |
| 1 | Delivery Program 2013-17 Operational Plan 2015-16 (June 2015) |
| 2 | Community Strategic Plan - Great Lakes 2030 (June 2013) |
| 3 | TCorp Financial Sustainability Reviews - GLC (2013-14) |
| 4 | Morrison Low Infrastructure Audit - GLC (2012) |
| 5 | Fit for the Future submission & improvement plan (2015) |
| 6 | Presentation to Council Strategic meeting (April 2014) |
| 7 | Long Term Financial Plan & addendum (June 2015 & February 2016) |
| 8 | Community Engagement Strategy (October 2015) |
| 9 | Community meeting presentation (November 2015) |
| 10 | Community meeting presentation (May 2015) |
| 11 | Community meeting presentation (November 2014) |
| 12 | Asset Management Plan - consolidated - (December 2014) |
| 13 | Community meeting presentation (May 2014) |
| 14 | Community meeting presentation (July 2013) |
| 15 | Council Communicator (January 2016) |
| 16 | Special edition newsletter - SRV (October 2015) |
| 17 | Media release (October 2015) |
| 18 | Council Communicator (July 2015) |
| 19 | Asset survey information pack (October 2014) |
| 20 | Asset survey report (October 2014) |
| 21 | Council report & resolution to apply for SRV (December 2015) |
| 22 | Hardship policy |
| 23 | Council resolutions to adopt IPR documents (various dates) |
| 24 | Extracts from previous SRV applications - efficiencies - 2011 & 2013 |
| 25 | ICT schedule of improvements (February 2015) |
| 26 | Asset Management Strategy (April 2015) |

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

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

Name of council: Great Lakes Council

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

General Manager (name): Glenn Handford

Signature and Date:

Responsible Accounting Officer (name): Philip Brennan

Signature and Date:

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

1. The Guidelines are available at [www.olg.nsw.gov.au](http://www.olg.nsw.gov.au) [↑](#footnote-ref-1)
2. See [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au). [↑](#footnote-ref-2)
3. See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://www.planning.nsw.gov.au) and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010. [↑](#footnote-ref-3)
4. [http://www.ipart.nsw.gov.au/Home/Industries/Local\_Govt/Special\_Variations\_and\_  
   Minimum\_Rates](http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum_Rates) [↑](#footnote-ref-4)
5. The IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan. [↑](#footnote-ref-5)
6. Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6. [↑](#footnote-ref-6)