

Special Variation Application Form – Part B

For 2016-17

Issued January 2016

Penrith City Council

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1.1 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.¹

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

¹ See www.ipart.nsw.gov.au.

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.

1.2 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 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

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**.

1 Executive Summary

1.3 Penrith – A Regional City

Penrith continues to have a key role to play in the current resurgence and future planning for Greater Sydney and the State of NSW. Over the next twenty years Western Sydney will accommodate 70% of Sydney's additional 1.3 million people, with the growth fuelling demand for over 300,000 new jobs across the region. Penrith's economic catchment will grow to over 1 million people by 2036.

We embrace the State Government's recognition of Penrith as a Regional City Centre in *A Plan for Growing Sydney*, which formalises a role that we have had for many years. Today Penrith is home to over 195,000 people, and we will need around 32,000 new dwellings to house our new residents, and more than 40,000 new jobs to meet the needs of our growing communities.

The announcement that Sydney's second airport will be built on Penrith's doorstep is both an opportunity and a challenge. Our City is already grappling with a large commuting population, residential growth and overburdened infrastructure.

The most significant financial, and indeed, social risk to the City and Council is not having the capacity to generate the funds needed to maintain all of our assets and deliver the services expected by our communities.

The proposed SRV will provide capacity to respond to the community's aspirations for the city including significant city shaping and infrastructure opportunities and additional commitment to asset renewal. It also allows for a suite of initiatives aimed at reforming our financial structure including removal of a reliance on borrowing for general infrastructure renewal.

Council's budget must reflect the service levels asked of it by the Community. Successive surveys, forums and workshops have shown that our Community expects the current service levels to at least continue, and in many cases, increase. Roads, footpaths, parks, community buildings and public amenities are core local government services that consistently rate as having a high priority for our communities. There is an expectation that Council will ensure good financial management to deliver a City our residents' are proud to call home and that is resilient enough to cater for growth and deliver the infrastructure a Regional City demands.

We have continued the high level of community consultation demonstrated in our previous SRV application through the development of our Community Strategic Plan and augmented this with a community panel, using the deliberative democracy model.

The SRV will maintain existing commitments to a range of programs including Public Domain, Graffiti removal, Neighbourhood Renewal, building and road asset renewal. It will allow for an enhanced contribution to building asset renewal, capacity for city shaping projects, delivery of significant infrastructure, reform of our financial structure (including a reduced reliance on general borrowing) and investment in technology that will provide long term improvement in productivity.

To ensure that the contribution from the community is affordable the application includes an increase to the minimum rate that will assist in spreading the contribution more equitably, particularly recognising the increased use of services and community assets by the growing number of strata properties. Our financial strategy also includes significant productivity initiatives to reduce the burden on the community as a whole.

As a growing Regional City, Council faces the huge challenge of meeting the increasing needs and expectations of new and current residents. We are continually looking at ways to ensure our ongoing financial sustainability. This SRV is a critical part of an overall review of our financial strategies that will allow us to continue to deliver the facilities and services our community needs.

A Sustainable Future - Financial Capacity Review

Penrith City Council continues to work hard to ensure that present and future generations inherit a City with a secure future; a regional city with a strong identity and healthy financial prospects to achieve our shared vision.

The journey ahead is about maintaining our good performance and at the same time having the capacity to set clear priorities. Through realising efficiencies, advocating effectively for our community's aspirations, commitment to ongoing responsible budgeting and creating a unique identity, Penrith can realise a dynamic and sustainable blueprint for future growth and development.

The most recent steps in this journey began in April 2014 with a Financial Capacity Review (undertaken by management, refined by the Finance Working Party (FWP) and endorsed by Council) and have continued with a review of our organisational capacity. These reviews highlighted the challenge Council faces in achieving its (and the community's) aspirations if it continues to uphold the financial status quo. The reform of financial structures and the continued pursuit of productivity were identified as integral steps in delivering those aspirations.

Penrith's journey commenced prior to the NSW Government's *Fit for the Future* reform agenda, and with our work so well advanced Council was in an enviable position among our peers to respond to *Fit for the Future*. Council had seized the opportunity that the 2011 Special Rate Variation (SRV) had delivered, enabling us to continue to maintain and fund existing services and service levels within the Long Term Financial Plan, initiate Asset Renewal Programs across all asset classes and drive investment in our City Centres. This provided for a sustainable future, but would not provide capacity to meet the Community's aspirations for the Penrith of the Future and invest in the new infrastructure that will be required if we are to realise our Regional City designation.

Significant reforms to our financial structure were developed and implemented in April 2015 as part of the 2015-16 Operational Plan alongside a range of other initiatives which are in part the subject of this application. These initiatives respond to our Community's aspirations identified during the extensive Community Engagement Program and detailed in the Community Strategic Plan (CSP) which commenced from 2013-14. Addressing how these unfunded aspirations could be addressed has been central to Council's thinking during the Financial Capacity Review.

Already a range of productivity savings and reduced costs across many of Council's operations has enabled annual recurring savings of \$4.9m to be included in the base budget from 2015-16. However, growth in the city has also seen an increase in our responsibilities and

associated expenses so other initiatives directed at increasing capacity are being implemented, including:

- Refocusing our Debt Strategy to remove recurrent general infrastructure borrowings,
- Addressing the challenges of s94 contribution changes that will require General revenue to repay loans for works forward funded for the Cultural Facilities Plan,
- Implementing an enhanced Property Development Strategy to grow an alternate income stream,
- Undertaking the Public Open Space Reinvestment Project,
- Undertaking an independently developed and audited Services Review to examine current and alternate service delivery models to drive efficient delivery of our current services into the future without comprising quality,
- Reviewing our current Customer Service model and reshaping it to more effectively respond to our customers and realigning the channels in which we do that to ensure that we provide an efficient and quality experience for our customers,
- Major restructuring and investment in our ICT infrastructure and strategy to enable us to drive productivity in service delivery,
- Continuing productivity reviews as we now include \$4.9m of savings and \$1.3m of enhanced capacity to each year's budget, and
- The proposed restructure of the organisation.

A key and immediate element of the Financial Capacity Review has been the development of a revised borrowing strategy. The revised strategy will reduce Council's annual general infrastructure borrowings from \$3.2m to nil over 5 years, with the implementation commencing with the 2015-16 budget and the full strategy being incorporated into the base scenario of the Long Term Financial Plan (LTFP).

In addition, although the ongoing potential legislative changes that have been proposed by the NSW Government in relation to the planning legislation are yet to be fully confirmed, however two of the known issues Penrith City Council will face in the very near future are the cancellation of the Cultural Facilities Plan, and challenges collecting contributions for the Lambridge Industrial Estate Plan. Both of which are supporting external loans that delivered works in advance of contributions. The LTFP has acknowledged these additional calls on general revenue with the following strategies incorporated into the base scenario.

Table 1.1 – Debt Service for Contributions Plans

Implemented Strategy	Impact ('000)	From	Comment
Cultural Facilities Plan	\$630	2019-20	Over 10 years
Lambridge Industrial Estate Plan	\$361	2017-18	Over 10 years

In addition to enhancing service levels the SRV will provide Council greater ability to provide matching funds for significant infrastructure opportunities through the Major Projects allocation and accelerate the delivery of City Shaping projects such as the Our River Masterplan – a plan to realise the identity (and benefits) of Penrith as a unique river city, multi deck CBD car parking and a state-of-the-art city park. The redevelopment of the Carpenter site and the South Creek sporting precinct are among other priorities that will also require significant funding and are included in the Community's \$300m unfunded priority projects, required over the next 15-30 years (**Attachment 17**).

Last year, Penrith was deemed Fit for the Future by IPART, providing an independent validation of Council's current and future financial strategies and confirming for Council that we are on the right path. The Improvement Plan and Long Term Financial Plan included in our submission foreshadowed this application, as both the continuation of the AREAS SRV and an additional four year SRV were identified as assumptions underpinning the financial modelling. This was part of a suite of initiatives being implemented to reform our finances with the proposed SRV funding the additional commitment to our Building Asset Renewal, investment in our ICT infrastructure, building capacity for major projects and realignment of a number of our service costs including the funding of subsidised rents and the re-establishment of the car parking reserve. The determination by IPART of Council as being Fit for the Future, while not approving the SRV in advance, is an endorsement of the Financial Capacity Review and the revised financial strategy which has been developed as a result.

The SRV application is one of the final parts of an overall approach to reform our financial structures and pursue productivity increases across the organisation that has been underway for almost 2 years. It includes the transformation of Council's Information and Communication Technology (ICT), the critical examination of service delivery and the establishment of an independent, high calibre Property Development Advisory Panel to advise on our property portfolio. This has been supported by comprehensive community engagement which indicates the community's desire for improved service levels.

The Special Rate Variation

Council's 2015-16 Operational Plan details the intention to apply to renew the AREAS SRV, and in line with the findings of the Financial Capacity Review an additional SRV, phased in over four years commencing 2016-17.

Table 1.2 – Additional income generated by the SRV

	2016-17	2017-18	2018-19	2019-20
Base Scenario (No SRV)	-2.49%	2.5%	2.5%	2.5%
Special Rate Variation	9.09%	5.0%	5.2%	5.4%
Additional annual Income above cost inflation (Rate peg)	\$6.9m	\$9.7m	\$12.8m	\$16.5m

The SRV, once phased in, will generate an additional ongoing increase of \$16.5m in the rate income base from 2019-20. This increase will part fund for the continuation of the AREAS program (\$4.0m) and the new initiatives proposed (\$3.0m). This application and the extensive Community engagement has validated the need for the SRV and support for the detailed programs that will be funded by the SRV. A summary of the initiatives and works to be funded by the SRV is provided below and detailed later in this application.

Table 1.3 – Proposed works funded by the SRV

	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ('000)
Additional annual Income above cost inflation (Rate peg)	\$6,915	\$9,673	\$12,846	\$16,480
AREAS (SRV funding)	\$4,041	\$4,142	\$4,246	\$4,352
Road Asset Renewal	\$2,457	\$2,521	\$2,591	\$2,669
Building Asset Renewal	\$1,081	\$1,098	\$1,118	\$1,139
Established Areas Revitalisation	\$2,215	\$2,272	\$2,336	\$2,406
Total	\$5,753	\$5,891	\$6,045	\$6,214
Shortfall	\$1,712	\$1,749	\$1,799	\$1,812
New initiatives (SRV funding)	\$2,874	\$5,513	\$8,600	\$12,128
Asset Management				
Building Asset Renewal (BAR)			\$4,000	\$4,000
Replace Property Development funds for BAR	\$650	\$650	\$650	\$650
Realign Service costs				
Fund subsidised Rental (Community Groups)	\$775	\$775	\$775	\$775
Fund loan repayments for City Park	\$384	\$384	\$384	
Re-establish Parking Reserve	\$815	\$815	\$815	\$815
Productivity Initiatives				
Increased Investment in ICT	\$950	\$950	\$200	\$200
Major Project & Regional City Infrastructure				
Major Projects Contribution			\$1,500	\$1,500
Design cost allowance	\$200	\$200	\$200	\$200
Debt Servicing - Penrith Multi Deck Car Park		\$1,527	\$2,563	\$2,563
Accommodating Responsiveness				
Annual Project allocations	\$450	\$450	\$450	\$450
Service adjustments		\$106	\$218	\$337
Budgeted Surplus				\$500
Total	\$4,224	\$5,857	\$11,755	\$11,990
Shortfall	\$1,350	\$326	\$3,155	(\$138)
Funding required by General Revenue & Productivity	\$3,062	\$2,075	\$4,954	\$1,724

A detailed explanation of the works proposed by each initiative in Table 1.3 is provided at **Assessment Criterion 1 – Need for the variation** of this application.

What is the Increase?

The SRV of 9.09% in 2016-17 will increase the average rate, compared to 2015-16, by \$55 (or approximately \$1.06 per week) and once fully phased in by 2019-20 the SRV will represent a cumulative and ongoing increase of 27% (including the renewal of AREAS) and will increase the average rate, compared to 2015-16 by \$250 (or approximately \$4.81 per week). This represents a cumulative and ongoing increase of \$193 (or approximately \$3.71 per week) more than the base scenario.

This increase, once phased in, would be a permanent and ongoing increase to Council's rating base and would fund the renewal of the AREAS program and the identified strategies of the Financial Capacity Review and enable Council's current commitments to Building and Road Asset maintenance and Renewal to continue. The strategies of the Financial Capacity Review include fundamental changes to service cost alignments, Property Development "dividends" and increased investments in Asset Management, ICT and Major Project funding and design.

SRV Community Consultation

Council is required to demonstrate community awareness and that a broad section of the community is well informed about an SRV application. To do this Council's SRV engagement program has involved:

- Landowner and resident notification
- City-wide survey
- SRV Phone line
- Online information
- Media communications
- Business and Community meetings
- Listening Posts
- Penrith City Community Panel

Details of each method of engagement and the outcomes have been provided against ***Assessment Criterion 2 – Community awareness and engagement.***

Increase to Minimum Rate

The Council's Rating Policy has been considered in some detail during the development of the SRV. Council considered the rating structure options available, along with the impact of the SRV and have resolved to continue with the existing ad valorem with a minimum rating structure. In doing so it was also resolved that to enhance affordability, address the changing shape of development in the City and growth in apartment and other strata living, and to lessen the impact of the SRV on rural ratepayers. In particular this application includes increasing the residential minimum by 16%, including the renewal of AREAS (covering approximately 35% of residential properties). The table below illustrates the impact this change would have on the minimum rate if the SRV is approved.

Table 1.4 – Impact of Minimum Rate increase

	2015-16	2016-17 (no change)	2016-17
Minimum Rate	\$864.20	\$903.70	\$959.50
		9.1%	16%
Minimum Land Value	190,059	238,000	259,000

It is noted that should the SRV be approved, all ratepayers will see an increase in their rates. The proposal to increase the minimum would result in that increase being lessened for 43,777 residential ratepayers. It is acknowledged that the 22,830 ratepayers on the new minimum would see a greater increase as a result of this proposal. More information on the impact of these change is included later in this application.

Planning for our Future

The future is bright for Penrith, we are *Fit for the Future* and are well positioned to accommodate the rapid growth of our City as it develops into the Regional City our Community aspires for. We have heard what our Community is asking for and have risen to the challenge with our continued drive for productivity and a commitment to deliver the infrastructure that our Regional City deserves. This SRV application is just one of the levers Council has control of as we also implement a number of initiatives to deliver financial independence and sustainability for our current and future residents.

2 Preliminaries

2.1 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.

Information on Integrated Planning and Reporting is included in criterion 4

2.2 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	<input checked="" type="checkbox"/>
Enhance financial sustainability	<input checked="" type="checkbox"/>
Environmental services or works	<input type="checkbox"/>
Infrastructure maintenance / renewal	<input checked="" type="checkbox"/>
Reduce infrastructure backlogs	<input checked="" type="checkbox"/>
New infrastructure investment	<input checked="" type="checkbox"/>
Other – Improved services to the community	<input checked="" type="checkbox"/>

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.

2.2.1 Key purpose of special variation

The Special Rate Variation (SRV) which is the subject of this application is part of an overall package of financial and organisational reform which will position Penrith City Council for long term financial sustainability and deliver the improvement in financial performance outlined in our *Fit for the Future* submission. The SRV has not been considered in isolation but rather as one of a number of strategies that will work together to deliver the desired changes to our financial environment and fulfil the aspirations of our Community. Although the SRV will be used to fund asset renewal and maintenance, address backlog, realign existing services, improve service levels and facilitate major projects, it is not the only funding source.

To fully fund our community's aspirations these initiatives will also be funded through productivity savings, growth in own source revenue and the rationalisation of assets.

The financial strategies and LTFP developed over the past two years relies not just on the proposed SRV, but also on reform within the organisation's processes, systems, procedures, culture and structure. Reform in these areas has already commenced and will continue over the next 2 -3 years (see **Attachments 13 and 15** for more detail).

Council commenced an organisation wide Capacity Review in 2014, including financial strategies, asset management, service review and business process review. This was in response to several key events which highlighted our vulnerability to changes in the financial climate including the Global Financial Crisis (GFC), that saw both investment losses for Council and an increased contribution required by the Local Government Super Scheme (LGSS) for the Defined Benefits Scheme (DBS) along with reduced income resulting from the slowdown in the economy, Penrith's 'weak' rating as part of the TCorp review of local government financial sustainability, review of the Federal Financial Assistance Grants, proposed changes to section 94 developer contributions and the Asset Renewal and Established Areas Strategy (AREAS) SRV which is set to expire on 30 June 2016.

From early 2014 detailed discussions have been occurring with management, the FWP, Councillors and the Community as we reviewed Council's financial capacity. This review focused on maintaining our current sustainable position, but also considered future aspirations that are outside our current capacity along with structural budget changes that will better secure our long term financial future.

A key and immediate element of the Financial Capacity Review has been the development of a revised borrowing strategy. The revised strategy will reduce Council's annual general infrastructure borrowings from \$3.2m to nil over 5 years, with the implementation commencing with the draft 2015-16 budget and the full strategy being incorporated into the base scenario of the LTFP.

This significant body of work revealed a need for an increase in rates, alongside a range of productivity improvements and cost containment strategies, of 9.09% in 2016-17 (including 4.29% for the renewal of AREAS), 5.0% in 2017-18, 5.2% in 2018-19 and 5.4% in 2019-20 in order to fund required asset management and renewal programs, address asset backlog and fund significant capital projects supported by our community. This increase was included in financial modelling prepared as part of Council's submission to IPART in response to the *Fit for the Future* criteria and indicators.

Since this submission additional work has been undertaken on both financial modelling and community engagement. This work has confirmed the need for a cumulative increase of 27% by 2019-20 (9.09% in 2016-17 [including 4.29% for the renewal of AREAS], 5.0% in 2017-18, 5.2% in 2018-19 and 5.4% in 2019-20) as part of an overall package of financial reform, to implement the alternate financial scenario developed to strengthen our long term financial sustainability. This alternate scenario includes a number of identified financial initiatives developed that will strengthen our long term financial position including fundamental changes to service cost alignments, Property Development "dividends" and increased investments in Asset Management, ICT and Major Project funding and design. Extensive continuous Community Engagement has underpinned this process and has been undertaken as outlined throughout this submission.

What will the SRV deliver

This application outlines the journey Council has been on over recent years. The key purpose or deliverable of this SRV will be to continue the works funded by the AREAS SRV beyond 30 June 2016 and to implement the initiatives of the Financial Capacity Review to deliver on the aspirations of our Community. An overview of these deliverables is provided below with further detail included at **Assessment Criterion 1 – Need for the Variation**.

Asset Renewal and Established Areas Strategy (AREAS)

In 2006-07, Council was given Ministerial approval to increase rates by an additional 5.2% above the Ministerial (now IPART) rate increase, to provide increased investment in infrastructure renewal and public domain maintenance (including roads, buildings, graffiti removal and street cleaning), as well as maintenance of the Penrith City and St Marys Town Centres, and programs addressing the needs of the City's older areas. Funding for AREAS will cease 30 June 2016, so this application seeks to continue the program.

It should be noted that both in 2006-07 and with the application to renew AREAS now that the increased rates income does not match Council's ongoing commitment to the AREAS programs and additional general revenue funds, garnered through productivity and financial reform will be required. Table 2.1 below summarises the allocation of funds consistent with AREAS with further detail being provided at **Assessment Criterion 1 – Need for the Variation**. It is noted that the LTFP has identified the additional funds required by General Revenue through the reforms proposed by the Financial Capacity Review alongside productivity improvements that have been both identified and planned for in the future.

Table 2.1 – Overview of AREAS SRV allocations

	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ('000)
AREAS (SRV funding)	\$4,041	\$4,142	\$4,246	\$4,352
Road Asset Renewal	\$2,457	\$2,521	\$2,591	\$2,669
Building Asset Renewal	\$1,081	\$1,098	\$1,118	\$1,139
Established Areas Revitalisation	\$2,215	\$2,272	\$2,336	\$2,406
Total	\$5,753	\$5,891	\$6,045	\$6,214
Funding required by General Revenue & Productivity	\$1,712	\$1,749	\$1,799	\$1,862

What has AREAS delivered for Penrith

Roads: Additional 850,000 square metres of road resurfacing has been completed. That's 10% of our road network. Additional work including kerb and gutter repairs was also funded.

Buildings: Repairs and maintenance to Council's 293 buildings across the LGA to avoid costly overhauls in the longer term and ensure they're meeting community needs.

Neighbourhood renewal: 140 community engagement events were held with more than 10,000 people. 12 Neighbourhood Action Plans developed including 369 actions to improve the physical, social and economic environments for those suburbs. Over 70% of these actions have been completed or are underway.

Looking after public spaces: More frequent litter pick-ups and clean ups of public spaces such as parks, bus stops, seats, car parks, playgrounds and footpath sweeping as well as targeted graffiti removal. We've seen a reduction in graffiti across the City due to our quick response times.

New Initiatives

The deliberative process of the Financial Capacity Review identified a number of new initiatives that were drawn from the Community's aspirations and subsequently validated by the Community through the engagement processes that have been undertaken prior to Council deciding to proceed with this application for a SRV. The initiatives developed will strengthen our long term financial position including fundamental changes to service cost alignments, Property Development "dividends" and increased investments in Asset Management, ICT and Major Project funding and design. Council is committed to these initiatives and the broader Community have validated that these are not only their aspirations for the Penrith of the Future but also their expectation of what this Council will deliver them. Table 2.1 summarises the allocation of funds for the new initiatives with further detail being provided at ***Assessment Criterion 1 – Need for the Variation***. Similarly to AREAS, and as previously identified in this application, an increase in rates is not the sole funding source being proposed for these initiatives and it is noted that the LTFP has identified the additional funds required by General Revenue through the reforms proposed by the Financial Capacity Review alongside productivity improvements that have been both identified and planned for in the future. Further details of the productivity improvements and cost containment strategies are contained later in this application at ***Assessment Criterion 5 – Productivity improvements and cost containment strategies*** and in ***Attachment 15*** (Confidential).

Table 2.2 – Overview of allocations proposed by SRV (excluding AREAS allocations)

	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ('000)
New initiatives (SRV funding)	\$2,874	\$5,531	\$8,600	\$12,128
<i>Asset Management</i>				
Building Asset Renewal (BAR)			\$4,000	\$4,000
Replace Property Development funds for BAR	\$650	\$650	\$650	\$650
<i>Realign Service costs</i>				
Fund subsidised Rental (Community Groups)	\$775	\$775	\$775	\$775
Fund loan repayments for City Park	\$384	\$384	\$384	
Re-establish Parking Reserve	\$815	\$815	\$815	\$815
<i>Productivity Initiatives</i>				
Increased Investment in ICT	\$950	\$950	\$200	\$200
<i>Major Project & Regional City Infrastructure</i>				
Major Projects Contribution			\$1,500	\$1,500
Design cost allowance	\$200	\$200	\$200	\$200
Debt Servicing - Penrith Multi Deck Car Park		\$1,527	\$2,563	\$2,563
<i>Accommodating Responsiveness</i>				
Annual Project allocations	\$450	\$450	\$450	\$450
Service adjustments		\$106	\$218	\$337
Budgeted Surplus				\$500
Total	\$4,224	\$5,857	\$11,755	\$11,990
<i>Funding required by General Revenue & Productivity</i>	\$1,350	\$326	\$3,155	(\$138)

The increased level of investment in our City will enable the transformation of Penrith City into the Regional City our residents deserve, that can provide quality living opportunities, a diversity of Cultural and Recreational activities and an economic environment that provides quality rewarding employment opportunities. The next 20 years will see Western Sydney undertake significant change and Council must be positioned to ensure our residents reap the benefits and leverage opportunities created by the new Western Sydney Airport.

The initiatives in **Table 2.2**, once fully implemented (2020-21) will see an ongoing increase in our commitment to Asset Maintenance and Renewal of \$4m each year and over \$6m each year in critical new infrastructure that is beyond our current capacity and if not delivered will stifle our City.

2.2.2 Steps undertaken to reach a decision to apply for a Special Rate Variation

The steps undertaken to reach the decision to apply for a Special Rate Variation (SRV) are outlined in the table below. Where relevant, additional information is provided in cross-referenced Appendices.

Table 2.3 – Timetable of actions leading to SRV

Action	Timeframe
Commencement of the Financial Capacity Review	October 2013
Participation in Price Waterhouse Coopers Local Government Management Effectiveness Survey to assist with benchmarking	April 2014
Exhibition and adoption of 2014-15 Operational Plan including specific actions to investigate funding options for service and infrastructure needs; renew AREAS; undertake the Capacity Review and review the Resourcing Strategy	April 2014 to June 2014
Scoping and initial stages of organisation wide Capacity Review – Service Review; Asset Review; Procurement Review; Priority Setting	June 2014
Commencement of Assets Review focussing on clarifying backlog, condition, renewal requirements, levels of service and long term asset management planning (including financial modelling)	July 2014
Mid-term review held with Councillors, highlighting priority projects and discussing implications of the expiry of the AREAS SRV and the initial findings of the Assets Review, including potential need for a Special Variation beyond renewal of AREAS	October 2014
Commencement of Service Reviews of all 44 services focussing on potential productivity improvements and levels of service	November 2014
Commencement of community consultation program	November 2014
Finance Working Parties with Councillors on proposed <i>Fit for the Future</i> Improvement Plan, including financial modelling based on both renewal of AREAS and an additional SRV	February 2015 March 2015
Councillor Briefings on proposed <i>Fit for the Future</i> Improvement Plan, providing endorsement of financial modelling based on both renewal of AREAS and an additional SRV	February 2015 May 2015
Exhibition and adoption of 2015-16 Operational Plan including specific actions to investigate funding options for service and infrastructure needs; renew AREAS; complete the Capacity Review and review the Resourcing Strategy	April 2015 to June 2015
Submission of <i>Fit for the Future</i> Improvement Plan	June 2015
Commencement of Community Panel	September 2015
Submission period for proposed SRV, including mail-out; information on website, listening posts; dedicated hotline and online forum	27 October to 11 December 2015
Community Survey on proposed SRV	November 2015
Presentation to Councillors of preliminary results of service review and organisation wide improvements	November 2015
Commencement of Certificate IV training program for staff to facilitate business process review	November 2015
Completion of Service Reviews	December 2015
Clarification of organisation wide productivity target	December 2015
Commencement of Senior Staff workshops to identify strategies to deliver productivity improvements to meet agreed target	December 2015 (ongoing)
Presentation of findings of Community Panel to Council	8 February 2016
Endorsement of amended Resourcing Strategy, incorporating LTFP and revised Asset Management Strategy based on findings of the Asset	8 February 2016

Review	
Council resolution to apply for a special variation	8 February 2016
Scheduled future actions	
Ongoing workshops with Senior Staff and Managers to identify specific actions to achieve productivity targets for inclusion in 2016-17 Operational Plan	From February 2016
Presentation of detailed findings of Asset Review to Council including new Asset Management Plans incorporating new financial modelling.	April 2016

In addition to the above and the Community engagement undertaken the following actions were recorded and exhibited as part of Council's Integrated Planning and Reporting documents as shown below. More information is provided under *Assessment Criterion 4 – Public exhibition of relevant IP&R documents*.

2014-15 Operational Plan

- Preliminary work to determine the need for and key purpose(s) of an SRV through undertaking the capacity review (2014-15 Operational Plan Action 7.2.1b) and reviewing the Resourcing Strategy (2014-15 Operational Plan Action 7.2.2a)
- Declaration of the intent to explore funding options for service and infrastructure needs, including a general special rate variation and potential to renew the AREAS special rate variation (2014-15 Operational Plan Action 7.2.3 b)

The following is an extract from the 2014-15 Annual Report in which we provided information on the progress of the above actions.

Extract from 2014-15 Operational Plan

Strategy 7.2 Ensure our finances and assets are sustainable and services are delivered efficiently	
What we will do from 2013 to 2017 (4 year activities)	Service
7.2.1 Manage Council's business planning	Business Improvement
2014 - 15 actions	
a. Finalise and implement an integrated organisational priority framework	Business Improvement
b. Undertake capacity review	Business Improvement
7.2.2 Coordinate council's corporate research program within an integrated policy framework	Corporate Planning
2014 - 15 actions	
a. Review the Resourcing Strategy and integrate adopted Council strategies	Corporate Planning
7.2.3 Manage Council's financial sustainability and meet statutory requirements	Financial Services
2014 - 15 actions	
a. Review City wide rating structure	Financial Services
b. Commence community consultation to ensure all service and infrastructure needs are being addressed, exploring any funding options, including a general special rate variation and the potential to renew the AREAS special rate variation.	Financial Services

SERVICE ACTIVITIES	STATUS	HIGHLIGHTS AND COMMENTS
7.1.11 Manage Council's property portfolio	On Target	✓ Data for the new Asset Management System has been completed ready for upload and trial of the system.
7.1.12 Manage Council's Records Management program to ensure compliance	On Target	✓ Council staff continue to provide a records management service that complies with statutory requirements.
7.1.13 Manage access applications to meet statutory requirements	On Target	✓ All applications to access Council data were processed within the statutory time frame.
7.1.14 Support Council in managing enterprise risk and compliance	On Target	<ul style="list-style-type: none"> ✓ Council is committed to Enterprise Risk Management (ERM) for the systematic and effective management of risk consistent with International Standards ISO 31000. ✓ 2 Risk Management Excellence Awards received in 2014 (Westpool and UIP Member's Choice).
7.1.15 Manage insurance and claims	On Target	✓ Council staff manage the insurance function and associated claims in a professional manner.
7.1.16 Provide a human resources management service that responds to contemporary and emerging workforce and workplace issues through strategy and policy development	On Target	<ul style="list-style-type: none"> ✓ Salary Administration Policy reviewed to provide multiple step progression opportunities for staff in order to better acknowledge skill, knowledge and performance. ✓ Envisage seminars held for 250 mature aged workers. ✓ Return to work morning tea held for staff currently on maternity leave to support plans to return to the workforce
7.1.17 Support the organisation to meet statutory and regulatory requirements for employee relations, EEO and WHS	On Target	<ul style="list-style-type: none"> ✓ Council continues to support the organisation to meet statutory and regulatory requirements for employee relations, EEO and WHS. ✓ Implementation of EEO Management Plan 2015 – 2017.
7.2.1 Manage Council's business planning	On Target	✓ A review of all of Council's services is being conducted as one component of the Capacity Review. One third of the reviews have been completed and have identified broad issues that can be implemented to improve efficiency across the organisation. A template for internal business plans will be developed for implementation in the coming months.
7.2.2 Manage Council's financial sustainability and meet statutory requirements	On Target	<ul style="list-style-type: none"> ✓ Council's full financial statements were completed, audited and adopted as required by the legislation. ✓ The Financial Health Report is prepared for senior management each month and information on financial status of the organisation is monitored and presented to Councillors each quarter.
7.2.3 Coordinate Council's corporate research program with an integrated policy framework	On Target	✓ Council has conducted ongoing research in a number of areas to support existing policy directions and identify future opportunities. This has included research into cooling the city, alternative forms of energy, community engagement, valuation of street trees and asset management.

2015-16 Operational Plan

- Inclusion of more detailed alternate financial strategies in the 2015-16 Operational Plan, including overall increase to the 2014-15 base rate required, impact on the budget, long term financial plan and proposed modifications to funding for various programs (2015-16 Operational Plan pages 89-96)
- Declaration of the intent to continue to explore funding options for service and infrastructure needs, including a general special rate variation and alongside renewal of the AREAS special rate variation (2015-16 Operational Plan Action 7.2.3 b)
- Inclusion of tasks to start to realise other opportunities for increased funding and productivity improvements to be implemented in addition to any proposed SRV application (2015-16 Operational Plan Action 7.2.3c – Open Space Reinvestment Strategy; 2015-16 Operational Plan Action 7.2.5a – surplus land sites within the Property Portfolio)

Extract from 2015-16 operational Plan

Strategy 7.2	
Ensure our finances and assets are sustainable and services are delivered efficiently	
What we will do from 2013 to 2017 (4 year activities)	Service
7.2.1 Support organisational development and change initiatives	Business Improvement
2015 - 16 actions	
a. Improve customer service to provide a better customer experience	Business Improvement
7.2.2 Review and maintain contemporary corporate strategy and planning documents	Corporate Planning
7.2.3 Manage Council's financial sustainability and meet statutory requirements	Financial Services
2015 - 16 actions	
a. Review City wide rating structure	
b. Complete community consultation to ensure all service and infrastructure needs are being addressed and explore associated funding options, including an additional special rate variation along side the renewal of the AREAS special rate variation.	Financial Services
c. Conduct consultation to inform and then implement the Public Open Space Reinvestment Strategy	
7.2.4 Manage and maintain Council's fleet, plant and equipment	Fleet & Plant Maintenance
7.2.5 Manage Council's property portfolio	Property Development & Management
2015 - 16 actions	
a. Identify surplus land sites with the opportunity for better utilisation for the benefit of the city and community	Property Development & Management

2.3 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 <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If Yes, has a review been done and submitted to OLG?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

The SRV does provide funding, through the allocation of funds for debt servicing relating to the construction of a multi deck carpark, commencing in 2016-17. This project, if constructed by Council, would require a capital expenditure review in accordance with Circular No 10. However, at this stage the final delivery mechanism is yet to be determined and while it is acknowledged that Council will play a significant financial role this is yet to be finalised. Through the activities of the newly established Property Development Advisory Panel (PDAP) an Expressions of Interest (EOI) has been called over a parcel of Council owned land in Union Road, Penrith (which has been identified as the site of the Multi Deck Car Park) for redevelopment. The overall redevelopment must include the construction of the carpark. The EOI closes on 17 February 2016. The results of this process will determine whether Council calls for tenders to construct the carpark, sells the preferred site to a private developer to undertake the project or enters into a joint venture or partnership arrangement.

Given that the final method of delivering the carpark has not yet been determined, it is premature to undertake a capital expenditure review. Should the EOI process result in a decision for Council to undertake the project itself or as part of a partnership, a review will be undertaken and submitted to the Office of Local Government.

3 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).

3.1 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.

3.1.1 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

The Council has identified and considered community needs informing this application in a range of ways including:

- a) Four years of integrated planning and reporting and associated community engagement;
- b) Comprehensive service and asset planning; and
- c) Analysis of annual Community Survey results.

Details of these approaches are provided below.

3.1.2 Integrating Planning & Reporting

As has been outlined previously, investigations into the need for a SRV have been underway for a significant period of time. In line with the findings of the Financial Capacity Review, which commenced in 2013, Council's annual Operational Plans reflect the work undertaken in the research and development of this application.

The 2014-15 Operational Plan details the preliminary work required to determine the need for and key purposes of an SRV through undertaking the Capacity Review (Action 7.2.1b) and reviewing the Resourcing Strategy to support this (Action 7.2.2a). It also serves as a declaration of Council's intention to explore funding options for service and infrastructure needs, including a general special rate variation and potential to renew the AREAS special rate variation (Action 7.2.3b).

The Operational Plan 2015-16 saw the inclusion of more detailed alternate financial strategies including an overall increase to the 2014-15 base rate, impact on the budget, long term financial plan and proposed modifications to funding for various programs (pages 89-96).

A declaration of the intent to continue to explore funding options for service and infrastructure needs was also included, comprising a general special rate variation and alongside the renewal of the AREAS special rate variation (Action 7.2.3b).

The Operational Plan 2015-16 also includes a number of tasks to start to realise other opportunities for increased funding and productivity improvements to be implemented in conjunction with any proposed SRV application. This includes Council's Open Space Reinvestment Strategy (Action 7.2.3c), and Surplus Lands Review (Action 7.2.5a).

Council has also recently updated the financial modelling in its Resourcing Strategy to reflect this application. This has been undertaken in line with the Improvement Plan which formed part of Council's *Fit for the Future* submission as well as the outcomes and work undertaken through the Capacity Review. The LTFP is included in **Attachment 14**.

3.1.3 Comprehensive Service and Asset Planning

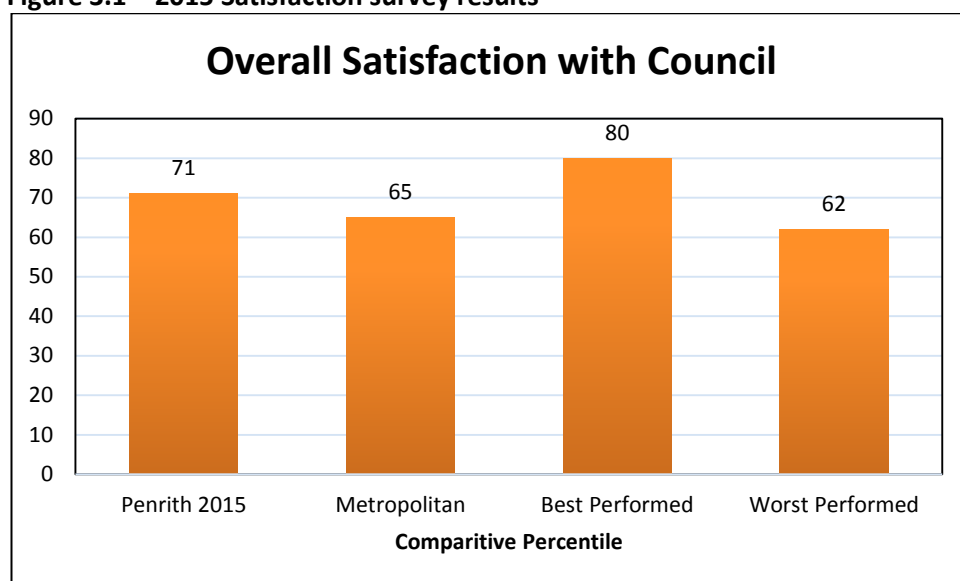
Council has undertaken an externally audited service review of all of our services using a framework developed by ACELG. In addition a comprehensive external review of our Asset Planning has been completed by JRA. Details of these reviews and their outcomes are covered later in this application.

3.1.4 Community Satisfaction Survey Results

Council regularly undertakes a statistically representative survey of the community to evaluate community perceptions of Council's performance in relation to a range of key services and facilities. The most recent survey was undertaken in April-May 2015.

The 2015 survey demonstrated that overall satisfaction with Council's performance remains statistically unchanged from the previous survey, undertaken in 2013. When compared with other metropolitan councils Penrith was found to be performing significantly above the comparable councils benchmark index, as shown in the following figure.

Figure 3.1 – 2015 Satisfaction survey results



Residents were also asked to identify their top priority for Penrith Council to focus on over the next four years. The three most popular responses were 'improved traffic management, flow and infrastructure' (18.5%), followed by 'maintenance of local roads to cope with increased traffic' (12.9%) and 'ensuring infrastructure keeps up with the growing community and the airport' (11.9%).

All of these responses focus on the need for improved infrastructure, along with the need to match infrastructure with the ongoing growth that is being experienced. Together these responses account for almost half of all responses provided to this question (43.3%).

Similarly, when asked what Council's biggest challenge was likely to be over the next ten years the need for infrastructure to cope with growth came through strongly. More than a

quarter of residents indicated that the greatest challenge facing the area over the next ten years is 'infrastructure that caters for a growing and diverse population' (28.8%). This was followed by 'overpopulation / urban sprawl / pollution' (22.1%) followed by 'traffic flow, congestion and management' (14.7%).

As part of the survey residents were also asked to rate the importance and their satisfaction with 42 services and facilities provided by Penrith City Council. This allows us to determine which services demonstrate the largest 'gap' between importance and satisfaction and prioritise these as areas where the community would like to see progress.

The services and facilities relevant to this application that showed significant gaps between importance and satisfaction are outlined in the following table. These large gaps indicate a desire by the community for improvements in these service areas so that satisfaction more closely aligns with the community importance.

Table 3.1 – Community Importance and Satisfaction gap analysis

Service Area	Mean Gap
Infrastructure and services meet the needs of a growing population	3.21
Ease of traffic flow	2.99
Condition of local roads	2.88
Cleanliness and condition of public toilets	2.83
Council provides opportunities for residents to participate in planning and to have a say about the City's future	2.59
Safety of local roads	2.51
Environmental protection and enforcement	2.44
The health of the Nepean River and creeks	2.42
Balancing the growth of our City whilst enhancing its unique qualities	2.28
Provision of car parking	2.28
Cleaning of streets and public spaces	2.19

Overall the survey results demonstrate a clear message from the Community for an improved focus on the delivery of key infrastructure, particularly relating to matching the delivery of infrastructure with our projected population growth into the future. The most significant gaps between importance and satisfaction are encountered in relation to roads and traffic, parking, the protection of the environment and waterways, and the cleaning of streets, public spaces and public toilets.

Additional information is provided as part of **Assessment Criterion 5 – Productivity improvements and cost containment strategies** and in **Attachment 15 (Confidential)**.

3.2 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.

Planning for the future

As a growing Regional City, Council faces the huge challenge of meeting the increasing needs and expectations of new and current residents. We are continually looking at ways to ensure our ongoing financial sustainability and allow us to continue to deliver the facilities and services our community wants.

Following on from some challenging budget developments between 2008 and 2011 Council sought and received approval from IPART for a SRV in 2011-12. This SRV provided much needed certainty for Council to meet the communities' expectations. It continued Council's commitment to maintaining and renewing our assets, with Asset Renewal Programs now in place for all major asset classes. It provided funding to implement a program to renew and improve our two CBDs to prepare them for major redevelopment that would transform our Regional City, and secure funding to maintain our services at their then current levels.

In preparation for the expiry of the AREAS SRV which underpins a \$5.2m annual investment in our Roads and Buildings assets and implements the established areas strategy, detailed discussions have been undertaken with management, the Finance Working Party (FWP) and Council and our Community as we reviewed Council's financial capacity. The review focused on our current sustainable position and also considered future aspirations that are outside our current capacity along with structural budget changes that will better secure our long term financial future. Council has also updated its Asset Management Plans and confirmed the need for additional funding for ongoing renewal of our building assets (**Attachment 10**).

Already a range of productivity savings and reduced costs across many of Council's operations has built annual recurring savings of \$4.9m into the base budget from 2015-16. However, growth in the city has also seen an increase in our responsibilities and associated expenses so other initiatives directed at increasing capacity were implemented including:

Refocusing our Debt Strategy to remove recurrent general infrastructure borrowings

A key and immediate element of the Financial Capacity Review has been the development of a revised borrowing strategy. The revised strategy will reduce Council's annual general infrastructure borrowings from \$3.2m to nil over 5 years, with the implementation commencing with the 2015-16 budget and the full strategy being incorporated into the base scenario of the LTFP. This revision of the debt strategy should not be interpreted as Council becoming debt averse, but rather that it will be used to target intergenerational infrastructure like the proposed decked carparks, the City Park, implementation of the *Our River* Masterplan and other significant projects.

Addressing the challenges of s94 contribution changes that will require General Revenue to repay loans for works forward funded for the Cultural Facilities Plan

The ongoing potential legislative changes that have been proposed by the NSW Government in relation to the planning legislation are yet to be fully confirmed, however two of the known issues Penrith City Council will face in the very near future are the cancellation of the Cultural Facilities Plan, and challenges collecting contributions for the Lambridge Industrial Estate Plan, which are both supporting external loans that delivered works in advance of contributions. The LTFP has acknowledged these additional calls on general revenue with the following strategies incorporated into the base scenario.

Table 3.2 – Impact of Planning reform changes

Implemented Strategy	Impact ('000)	From	Comment
Cultural Facilities Plan	\$630	2019-20	Over 10 years
Lambridge Industrial Estate Plan	\$361	2017-18	Over 10 years

Implementing an enhanced Property Development Strategy to grow an alternate income stream

As a Regional City, with a solid property base in both the Penrith and St Marys city centres, the expectation for Council-owned property to leverage private and government investment is high and this has been implicit in the recommendations of the Penrith Progression and the launch of *New West – an Invitation to Partner*.

In 2014 Council endorsed a contemporary Property Strategy that documents the agreed principles for why Council is involved in property development and outlines how the property portfolio will be used to achieve Council objectives. At a more detailed level, it indicates which properties in the portfolio should be held, developed or sold and, for properties not owned by Council which of these would be good strategic acquisitions, and establishes/agrees financial objectives for the portfolio, including use of the Property Development Reserve and dividends

The high level objectives for Council's \$282m property portfolio are:

- Providing good quality community lands to deliver services
- Promoting economic development in partnership with other landholders
- Building the portfolio to benefit the City and deliver an appropriate financial return.

This last point recognises the investment in property and the importance of leveraging this investment to deliver key city outcomes and at the same time contribute to the future prosperity of the Council. A long term strategy to increase the value of the investment property will provide an ongoing dividend annually that will increase on-going revenue reducing the reliance on rate revenue.

The skills and expertise needed to advise Council on the complex aspects of property transactions such as joint ventures, public private partnerships, contract negotiations and key performance indicators as well as advice about market readiness and trends led to the establishment of a panel of highly credentialed and experienced property industry experts. The Panel will assist in delivering the outcomes of the Property Strategy.

The Public Open Space Reinvestment Project (formerly Surplus Lands)

There are a number of Council's properties (classified as community) which over the years have been identified as being potentially surplus to Council and community needs. This process initially commenced with the People's Lifestyle Aspiration and Needs Study (PLANS) adopted by Council in 2004 and the Open Space Action Plan adopted in 2007. These plans identified several parcels of land classified as open space which offer limited recreational use by the community and may present opportunities for divestment and/or conversion to another purpose.

In September 2014 work commenced to prepare a pilot project within the City to commence a conversation with local residents of Erskine Park about a more contemporary and sustainable provision of recreational open space, that to fund would include the sale of some parcels of open space within the suburb. This project generally applies to our more established neighbourhoods and aims to create an opportunity to contemporise open space throughout these areas that will revitalise current usage and provide a network that will provide for future needs.

The pilot project has been successful and in October 2015 Council endorsed the preparation of a planning proposal for the reclassification of nine parcels of land for further sale to fund the identified improvements to remaining recreational offerings including playground upgrades, shared pathway networks, water play and master planning.

Undertaking an independently developed and audited Services Review to examine current and alternate service delivery models to drive efficient delivery of our current services into the future without comprising quality

Details on the outcomes of this process are discussed in **Assessment Criterion 5 – Productivity improvements and cost containment strategies.**

Customer Service Review

Reviewing our current Customer Service model and reshaping it to more effectively respond to our customers and realigning the channels in which we do that to ensure that we provide an efficient and quality experience for our customers.

Major restructuring and investment in our ICT infrastructure and strategy to enable us to drive productivity in service delivery

In late 2014 Council commissioned a review of our ICT Strategy and direction. This review identified that significant changes were required if Council was facilitating an environment for innovation and productivity into the future. As a result, our ICT structure has been completely overhauled, a new governance framework has been established and Council has invested an unprecedented amount in transforming our ICT environment. This investment is already providing productivity improvements and the continued investment is a key outcome of the SRV application to ensure that the business and productivity improvements can continue to be identified and made.

Continued Productivity reviews as we now include \$4.9m of savings and \$1.3m of enhanced capacity to each year's budget

Table 3.3 – Productivity Improvements (2011-16)

Productivity Initiative	Service Efficiencies	Cumulative Efficiencies	Annual Savings	Cumulative Savings
<i>Service Change / New delivery model</i>				
Domestic Waste Management			\$2,700,000	\$9,900,000
Workers' Compensation Insurance			\$700,000	\$2,700,000
<i>Service Efficiencies</i>				
Light Vehicle Fleet Management			\$122,500	\$490,000
Group purchasing and tenders	\$550,000	\$3,300,000		
Improved mower technologies	\$350,000	\$350,000		
Relief Staff in CS			\$130,000	\$650,000
Printer technologies			\$131,000	\$131,000
Rural intersection mowing			\$40,000	\$200,000
Various Service delivery efficiencies			\$296,803	\$1,259,347
Funding Adjustment (CS, PBA and Cemeteries)			\$177,054	\$713,449
<i>Service Reductions</i>				
2011-12 Special Rate Variation adjustments			\$182,841	\$733,679
Disengagement from Immunisation			\$1,000	\$4,000
	\$900,000	\$3,650,000	\$4,481,198	\$16,781,475
<i>2015-16 Initiatives</i>				
Cemeteries - Increased fees to achieve cost recovery			\$143,577	
Waste Disposal (Street Sweepers)			\$170,000	
Skills & Knowledge and Skill shortage			\$41,000	
Restorations Officer/Income			\$49,747	
Mobility for building trades staff	\$150,000			
ICT Network speeds				
Toilet cleaning contract	\$307,000			
	\$457,000		\$404,324	
Total	\$1,357,000	\$3,650,000	\$4,885,522	\$16,781,475

Further details on planned future productivity improvements that are included in the LTFP and are essential for the City as we continue to accommodate growth are included in ***Assessment Criterion 5 – Productivity improvements and cost containment strategies*** and ***Attachment 15 (Confidential)***.

Further potential restructure of the organisation

The organisational structure is currently being reviewed by the General Manager and further details are included in ***Attachment 15 (Confidential)***.

Special Rate Variation

The recent confirmation that Penrith City Council is *Fit for the Future* demonstrates that we are on the right path. That assessment considered Council's future strategies which included a suite of initiatives being implemented to reform our finances and this SRV application to fund the additional commitment to our Building Assets, investment in our ICT infrastructure, building capacity for Major Projects, and to realign a number of our service costs including the funding of subsidised rents and the re-establishment of the Car Parking Reserve.

In October 2015 Council commenced its SRV consultation program seeking feedback on three future rating proposals:

- a decrease in services (the discontinuation of AREAS)
- maintaining current services (continuation of AREAS), and
- improved services & infrastructure (AREAS plus additional SRV over 4 years).

The improved services and infrastructure SRV was Council's preferred option and following on from the community engagement Council lodged its Intention to apply for a 508(A) Special Variation, with the increase to be a permanent increase, and also a potential increase to our minimum rate on 11 December 2015 (**Attachment 12**).

The proposed increase was endorsed by Council at its Ordinary Meeting held 8 February 2016 and the following table demonstrates the impact on average residential rate under the base and proposed scenarios of the LTFP. Further detailed analysis on the impact to all rate categories and land values is contained with **Assessment Criterion 3 – Impact on ratepayers** addressed later in this application.

Table 3.4 – Impact on average residential rate

	2015-16	2016-17	2017-18	2018-19	2019-20
Base Scenario (No SRV)		-2.49%	2.5%	2.5%	2.5%
Average Residential Rate	\$1,136	\$1,108	\$1,135	\$1,164	\$1,193
Proposed Increase		9.09%	5.0%	5.2%	5.4%
Average Residential Rate	\$1,136	\$1,191	\$1,250	\$1,315	\$1,386

The base scenario (ie no application for SRV or renewal of AREAS) would see a 2.49% reduction in 2016-17 and would reduce the average rate, compared to 2015-16, by \$28 (or approximately \$0.54 per week) and by 2019-20 the base scenario would represent a cumulative and ongoing increase of 5% and would increase the average rate, compared to 2015-16 by \$57 (or approximately \$1.10 per week).

The SRV of 9.09% in 2016-17 will increase the average rate, compared to 2015-16, by \$55 (or approximately \$1.06 per week) and once fully phased in by 2019-20 the SRV will represent a cumulative and ongoing increase of 27% (including the renewal of AREAS) and will increase the average rate, compared to 2015-16 by \$250 (or approximately \$4.81 per week). This represents a cumulative and ongoing increase of \$193 (or approximately \$3.71 per week) more than the base scenario.

This increase, once phased in, would be a permanent and ongoing increase to Council's rating base and would fund the continuation of AREAS and the identified strategies of the Financial Capacity Review and enable Council's current commitments to Building and Road Asset

maintenance and Renewal to continue. The strategies of the Financial Capacity Review include fundamental changes to service cost alignments, Property Development “dividends” and increased investments in Asset Management, ICT and Major Project funding and design. A summary of the endorsed allocations is provided in **Table 3.5 and 3.6** with details following.

Continuation of AREAS

The continuation of the AREAS SRV underpins a projected investment of \$5.7m in 2016-17 through the strategy. As discussed earlier in this application the SRV does not fully fund the program however the proposed scenario of the LTFP has been developed to incorporate the funding gap through other initiatives of the Financial Capacity review including productivity savings and reform. Further details on those initiatives can be found in **Assessment Criterion 5 – productivity improvements and cost containment strategies** and **Attachment 15 (Confidential)**.

Table 3.5 – Overview of AREAS SRV allocations

	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ('000)
AREAS (SRV funding)	\$4,041	\$4,142	\$4,246	\$4,352
Road Asset Renewal	\$2,457	\$2,521	\$2,591	\$2,669
Building Asset Renewal	\$1,081	\$1,098	\$1,118	\$1,139
Established Areas Revitalisation	\$2,215	\$2,272	\$2,336	\$2,406
Total	\$5,753	\$5,891	\$6,045	\$6,214
Funding required by General Revenue & Productivity	\$1,712	\$1,749	\$1,799	\$1,862

Road Asset Renewal

Council’s established policy has been to maintain, and where possible increase, its annual allocation for the maintenance of roads in order to prevent a decline in the overall condition of the City’s roads.

The Australian Road Research Board survey vehicle completed a survey of the City’s Road network in 2005 and this formed the basis for Council’s commitment to increase resources for road assets to \$10m p.a. by June 2009. The increased funding to achieve this target was phased in over four years with 2008-09 being the final year having a total of \$10.27m allocation for Road Asset Renewal. A further road network survey was undertaken in 2013. An analysis of the survey, together with modelling of future condition based on current funding levels indicated that the network has improved and can be maintained in its current condition if current funding levels (indexed) are maintained. Currently components of this budget allocation are indexed to cover increases in materials and also to fund new assets built or dedicated to Council.

While grant funding for road is often available Council’s underlying commitment to the Road Asset Renewal program sees us invest over \$11m annual in the program including the contribution funded by the AREAS SRV. **Table 3.6** demonstrates the ongoing contribution the renewal of AREAS as part of this SRV application would provide.

Table 3.6 – Road Asset Renewal (AREAS)

Program	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ('000)	Comment
Road Asset Renewal	\$2,457	\$2,521	\$2,591	\$2,669	Over 8 years

Building Asset Renewal

Council owns and operates a property portfolio of over 286 buildings with a replacement value of over \$383m. Routine building maintenance is provided for within operational budgets. Following the initial approval of AREAS the Building Asset Renewal Program was established and the 2015-16 program has a budget of \$2.09m, with the AREAS SRV providing just over \$1m of that funding. **Table 3.7** demonstrates the ongoing contribution the renewal of AREAS as part of this SRV application would provide.

Table 3.7 – Building Asset Renewal (AREAS)

Program	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ('000)	Comment
Building Asset Renewal	\$1,081	\$1,098	\$1,118	\$1,139	Ongoing

Details of the full Building Asset Renewal Program funded by existing sources, the renewal of the AREAS SRV and the new initiatives in this application are detailed in **Attachment 18**.

Established Areas Strategy

The program aims to raise, where appropriate, the delivery of services, facilities and infrastructure for residents in established areas to a level commensurate with Penrith's status of a Regional City.

The initiative comprises a range of programs for addressing current inequities and enhancing service delivery and the amenity of the established areas of Penrith City.

The elements include:

- Public Domain Maintenance (\$1.2m) – car park and street cleaning, litter patrol, maintenance of local shopping strips, street furniture cleaning and rubbish bins, Bus shelter cleaning and CBD cleaning.
- Graffiti Management and Removal (\$260,000)
- Neighbourhood Renewal Coordination (\$225,000) – Improved services to localities across the City identified as disadvantaged through youth and family mentoring and support, open days and neighbourhood events.
- Local employment programs and advocacy (\$70,000)
- Urban Design Enhancements (\$175,000) – has developed neighbourhood infrastructure plan for established areas where redevelopment is occurring.
- Cultural Development and Community Engagement (\$265,000) again focused on areas of disadvantage and also on citywide issues.

Table 3.8 demonstrates the ongoing contribution to the Established Areas Strategy by the renewal of AREAS SRV as part of this SRV application.

Table 3.8 – Established Areas (AREAS)

Program	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ('000)	Comment
Established Areas	\$2,215	\$2,272	\$2,336	\$2,406	Ongoing

New Initiatives

The deliberative process of the Financial Capacity Review has revealed that our Community's aspirations and expectation for our City far outreach our capacity. They have told us that they are very satisfied with our performance, that they do not want to see a reduction in services, service levels or quality. The initiatives developed in formulating this SRV have been confirmed through our engagement with the community and will strengthen our long term financial position. It will see over \$12m invested annually (from 2019-20) over and above the continuation of AREAS to embed fundamental changes to service cost alignments, facilitate a Property Development "dividends" and increase investments in Asset Management, ICT and Major Project funding and design. As discussed earlier in this application the SRV does not fully fund the program however the proposed scenario of the LTFP has been developed to incorporate the funding gap through other initiatives of the Financial Capacity review including productivity savings and reform. Further details on those initiatives can be found in **Assessment Criterion 5 – productivity improvements and cost containment strategies** and **Attachment 15 (Confidential)**.

Table 3.9 – Overview of allocations proposed by SRV (excluding AREAS allocations)

	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ('000)
New initiatives (SRV funding)	\$2,874	\$5,531	\$8,600	\$12,128
Asset Management				
Building Asset Renewal (BAR)			\$4,000	\$4,000
Replace Property Development funds for BAR	\$650	\$650	\$650	\$650
Realign Service costs				
Fund subsidised Rental (Community Groups)	\$775	\$775	\$775	\$775
Fund loan repayments for City Park	\$384	\$384	\$384	
Re-establish Parking Reserve	\$815	\$815	\$815	\$815
Productivity Initiatives				
Increased Investment in ICT	\$950	\$950	\$200	\$200
Major Project & Regional City Infrastructure				
Major Projects Contribution			\$1,500	\$1,500
Design cost allowance	\$200	\$200	\$200	\$200
Debt Servicing - Penrith Multi Deck Car Park		\$1,527	\$2,563	\$2,563
Accommodating Responsiveness				
Annual Project allocations	\$450	\$450	\$450	\$450
Service adjustments		\$106	\$218	\$337
Budgeted Surplus				\$500
Total	\$4,224	\$5,857	\$11,755	\$11,990
Funding required by General Revenue & Productivity	\$1,350	\$326	\$3,155	(\$138)

Asset Management, Renewal and backlog

The 2011-12 SRV established an asset renewal program for all asset classes. As IPART did not approve the full SRV request it resulted in these programs being funded at reduced levels and

the program needing to be recast over a longer timeframe. A detailed review of our programs, including the impact of the reduced funding on the progress of asset renewal, the impact of now accelerating the reduction of the current backlog along with how these programs and maintenance provisions will accommodate the growth of the City has been undertaken. Following confirmation of the Community's service level and asset condition expectations through the recent engagement including the Community Panel, a further \$4m of annual funding is required for the Building Asset Renewal Program. In addition, the current \$650,000 annual contribution to the Building Asset Renewal program from the Property Development Reserve will not be sustainable beyond 2015-16. **Table 3.10** outlines the allocations proposed as part of this SRV application beyond those included in the renewal of AREAS.

Table 3.10 – Allocation of new funds to Asset Management

Program	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ('000)	Comment
Building Asset Renewal (BAR)			\$4,000	\$4,000	Ongoing
Replace Property Development funds for BAR	\$650	\$650	\$650	\$650	Ongoing

A summary of the indicative BAR program for the next four years is provided in **Table 3.11** with a detailed listing at **Attachment 18**.

Table 3.11 – Indicative BAR Program (2016-20)

Building program	Total
Sport and Recreation These works includes accessibility upgrades, canteen improvements and toilet refurbishments along with other general building works	\$7,977,187
Major Facilities (including paint program over 50 facilities) This includes the upgrade and renewal of Council major facilities including the Civic Centre, Libraries, JSPAC, Lewers Gallery and others. Annual scheduled painting program - approx 7yrs	\$3,884,240
Childcare Centres These works includes accessibility upgrades, kitchen improvements and toilet refurbishments along with other general building works	\$906,513
Neighbourhood Centres, Halls These works include accessibility upgrades, kitchen improvements and toilet refurbishments along with other general building works.	\$2,951,569
Rural Fire Facilities The Penrith LGA has a number RFS brigades and the upgrade of these facilities is generally funded by the RFS however small renewal works are included in this program that may include the renewal of electrical and other services	\$94,034
Car parking	\$456,175
To be Prioritised	\$1,330,282
Total	\$17,600,000

Realign Service Costs

The comprehensive service review completed over the last 2 years has ensured that all service costs are realigned, where required. A key influence on this initiative has been the Property Strategy that has been developed by Council's FWP and implemented following the establishment of the Property Development Advisory Panel during 2015. Refocusing the activities of Council's Property Development function to ensure that an alternate and sustainable revenue stream is provided, has been central to the work done by the FWP. To achieve this capacity must be built. This is forecast to enable the payment of an annual dividend of \$1.8m back to Council's general operations from 2021-22 to support service delivery. In addition, this strategy recommends that the bulk of parking enforcement activities be funded from general revenue, thereby leaving revenue in the Parking Reserve to help finance future parking infrastructure. A recent EOI has been issued over Council's Union Road site, which has been identified as the site of the first deck car park, and it is likely that a contribution to the construction of the car park from Council will be required. **Table 3.12** outlines the allocations proposed as part of this SRV application.

Table 3.12 – Allocation of new funds to realign service costs

Program	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ('000)	Comment
Fund subsidised Rental (Community Groups)	\$775	\$775	\$775	\$775	Ongoing
Fund loan repayments for City Park	\$384	\$384	\$384		Loan Term
Re-establish Parking Reserve	\$815	\$815	\$815	\$815	Ongoing

Productivity Initiatives

New savings resulting from the current service review and continuous improvement program have been targeted and has also recognised the need for increased investment in ICT to drive productivity initiatives. Further details on previous productivity improvements and the target and strategies in place for future productivity savings can be found at **Assessment Criteria 5 – Productivity improvements and cost containments** and also in **Attachment 15 (Confidential)**. **Table 3.13** outlines the allocation as part of this SRV application to continue to implement Council's ICT Strategy and drive productivity.

Table 3.13 – Allocation of new funds to realign service costs

Program	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ('000)	Comment
Increased Investment in ICT	\$950	\$950	\$200	\$200	Ongoing

Major Projects and Regional City infrastructure

As the City matures into our Regional City status capacity will need to be established for both project planning and implementation to ensure that we are in the best position to obtain the expanded infrastructure we will require. Detailed consideration of City's priorities has commenced and includes the outcomes of Penrith Progression, advancement of the Our River Masterplan and implementation of the South Creek Sporting Precinct, all of which will require a significant contribution from Council to either fund or part fund. This SRV will create the discretion for Council to pursue these and other projects.

Priorities over the next five years (excluding the construction of a multi deck car park - \$35m) include:

- a. South Creek Sporting Precinct
 - Delivery of a synthetic athletics field and upgrade of the Kingsway (\$5m) (total project \$10m including s94 contributions)
- b. Stage 1 "Our River" (total Masterplan = (\$90m)
 - Regatta Park works \$5.5m
 - Road infrastructure works at Regatta Park and Tench Reserve (\$12.5m)
- c. Other
 - City Park - Stage 1 (\$14m)
 - Water play facilities, one per ward (\$1.5m)
 - Ripples redevelopment (\$6m, total project \$10m)

Table 3.14 – Allocation of new funds to Major Projects

Program	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ('000)	Comment
Major Projects Contribution			\$1,500	\$1,500	\$3.3m from 2021-22
Design cost allowance	\$200	\$200	\$200	\$200	Ongoing
Debt Servicing - Penrith Multi Deck Car Park		\$1,527	\$2,563	\$2,563	Loan Term

A detailed listing of Council's high priority unfunded projects, totalling almost \$300m, to be delivered over the next 30 years is provided at **Attachment 17**. These projects are consistent with the Community Strategic Plan and have been validated by community engagement over recent years including the recently completed Community Panel.

Accommodating responsiveness

As the demands on the organisation grow it will be essential that the budget has capacity to quickly respond to any emerging priorities and opportunities as they arise. A number of initiatives have been developed to provide that flexibility and respond to the pressures of the day. The SRV recommends the following additional funding allocations outlined in **Table 3.15**.

Table 3.15 – Allocation of new funds to Accommodating Responsiveness

Program	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ('000)	Comment
Annual Project allocations	\$450	\$450	\$450	\$450	Ongoing
Service adjustments		\$106	\$218	\$337	Cumulative
Budgeted Surplus				\$500	0.5% Op Ex

Council has been on a long journey, and the SRV that is the subject of this application is a final step in securing the Regional City our community wants and needs. Combined with the other outcomes of the Financial Capacity Review Penrith will remain **Fit** and deliver the living, social, cultural and economic benefits our community deserve.

3.3 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 (i.e. net operating result before capital grants and contributions as percentage of operating revenue before capital grants and contributions).
- ▼ Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities).
- ▼ Rates and annual charges ratio (rates and annual charges divided by operating revenue).
- ▼ Debt service ratio (principal and interest debt service costs divided by operating revenue excluding capital grants and contributions).

- ▼ Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs as per Special Schedule 7 divided by operating revenue).
- ▼ Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

Detailed analysis of Council's financial projections is included in Council's LTFP that forms part of **Attachment 14**. These projections highlight how Council's Financial performance can be rated under both the base scenario of the LTFP and also under the scenario that is the subject of this application, consistent with the scenario present and assessed by IPART as *Fit for the Future*.

Council's LTFP has continued to project that while our financial position is solid following the reforms of recent years our capacity to respond to the challenges of the future, expanded services resulting from growth, address our infrastructure backlogs and provide the new major infrastructure being demanded is beyond our existing capacity. Council has, for a number of years now been working diligently to reform the organisation and target greater productivity as we acknowledge that increased rates is not the only response and in isolation is not sustainable.

Council's Financial Capacity Review has implemented these significant changes and the LTFP. Our *Fit for the Future* Improvement Plan (**Attachment 13**) demonstrate that the direction our Community has set, establishing its aspirations and committing to this SRV has ensured that Penrith City Council and its Community will remain **Fit** in the Future.

The tables included (**Attachment 3**) outline Council's projected financial indicators based on the LTFP scenario that forms the basis of this application.

Table 3.16 – *Fit for the Future* indicators
Attachment 3

Table 3.17– Key Financial Indicators
Attachment 3

Figure 3.18 – Project Operating Performance
Attachment 3

3.4 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:²

² See Planning Circular 10-025 dated 24 November 2010 at 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.

- ▼ 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)).

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

Table 3.19: Document Reference for Section 3

Attachment No.	Document
2	Delivery Program
3	Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in excel format
10	Relevant extracts from the Asset Management Plan
15	Productivity Initiatives

4 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.³

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.

³ http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum_Rates

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.

4.1 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.

THE CONSULTATION STRATEGY

PENRITH CITY COUNCIL SRV PLANNING FOR THE FUTURE

Penrith City Council is committed to ensuring that the community has regular and ongoing opportunities to have a say in planning for the City's future, priorities and expected levels of service. In recent times this commenced with the extensive community engagement program undertaken in 2012-13 to review the Community Strategic Plan (CSP) and develop the new four year Delivery Program, one year Operational Plan, Resourcing Strategy and Community Engagement Strategy (CES) to meet Integrated Planning & Reporting (IPR) requirements.

During this consultation the community identified priorities such as infrastructure to support projected growth in the City, activation of the Nepean River precinct and the City's key centres which were beyond Council's existing capacity. Hence Council included the action 'complete community consultation to ensure all services and infrastructure needs are being addressed and explore associated funding options, including an additional special rate variation along-side the renewal of the AREAS special rate variation' in the 2014-15 Operational Plan.

Council also commenced an organisational Capacity Review in October 2013, focusing on the ability to deliver big picture projects and absorb future financial challenges. This review included priority setting, business process review and a review of all services and assets. The Capacity Review and future proofing exercise put Council in a good position to respond to the NSW Government's reform package 'Fit for the Future' announced in September 2014. It focused on our investments to deliver long term income, whether we have the right assets in the right places, and how we can best position ourselves to take advantage of grants and other opportunities as they arise.

Building on the CSP engagement program and as part of Council's Fit for the Future engagement program, in November 2014 Council held a number of listening posts at local shopping centres to survey residents on how they preferred to be engaged. The results showed no clear preference for one communication channel but rather emphasised the need for employing a range of methods when engaging with the community. This work also informed other engagement around our financial capacity and community expectations, including a project to assess the effectiveness of our public open space particularly in our older more established areas, to address enhanced service delivery through sustainable provision of open space. Council's Fit for the Future timeline available on Council's Your Say Penrith website (<http://yoursaypenrith.com.au/fit-for-the-future>) is provided at Figure 1 below.

In 2015, Council engaged IRIS Research to undertake its biannual Customer Satisfaction Survey of a statistically representative sample of 604 residents. The surveys were collected during the period of 27 April to 7 May 2015 from a random sample of residents throughout the City. The sample size provided a maximum sampling error of plus or minus 4% at 95% confidence. The figures on the overall satisfaction with Council's performance indicate a positive result for Penrith City Council, with residents rating their satisfaction with Council's overall performance as 'high', with 69.7% rating their satisfaction as 7 to 10. The results show that Council continues to deliver good value for rates, with 69.3% of residents indicating they were satisfied (6 or higher out of 10), against 13.2% who indicated that they were dissatisfied (4 or less out of 10). This gave a medium level mean satisfaction score of 6.51.

Council's 2015-16 Operational Plan detailed Council's intention to apply to renew the Asset Renewal & Established Areas Strategy (AREAS) Special Rate Variation (SRV), and in line with the findings of the Financial Capacity Review an additional SRV, phased in over four years commencing in 2016-17. This proposed SRV was also included Council's Improvement Plan submitted as part of our Fit for the Future submission. The draft 2015-16 Operational Plan was publicly exhibited between 29 April and 2 June and was adopted by Council at its Ordinary Meeting of 29 June 2015.

In September 2015, Council pursued an exciting and innovative new direction in deliberative democracy with the formation of a Community Panel comprising everyday people to help shape the City's future. The Penrith City Community Panel were asked to advise Council on: What local services and infrastructure do we need in Penrith? Which should we do and to what level of quality - and how should we pay for it? The Community Panel was an integral part of Council's Fit for the Future program of engagement to gain feedback from the community on Council's performance and to determine the community's expectations of services. Further information on the Community Panel is provided below.

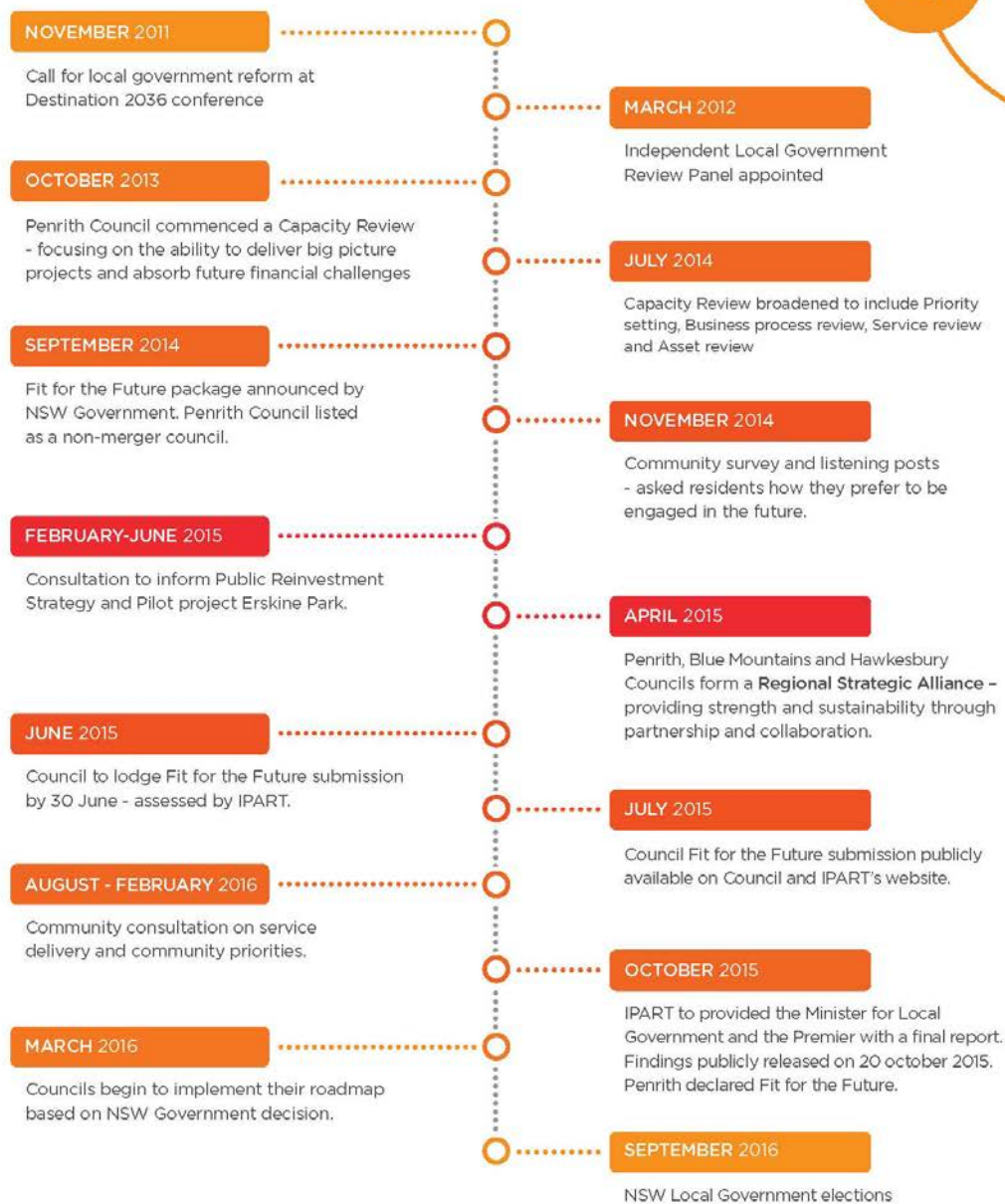
SRV Planning for the Future Engagement Program

Council's formal SRV Engagement Program – Planning for the Future was undertaken between 27 October and 11 December 2015. Council's SRV engagement program was built on the values and the International Public Participation (IAP2) levels of engagement which form part of Council's adopted CES.

As part of the SRV Engagement Program Council employed a range of engagement methods to inform, consult and engage the community about the SRV aimed at ensuring that the community was aware of the need for, and extent of the requested rate increase. Opportunities for input and feedback on the SRV proposal were provided. The program included landowner and resident notification, a city-wide survey, a dedicated SRV phone line, information online and at the Civic Centres and libraries, media communications, listening posts, and business/community group meetings and notification which are detailed below. In addition Council also undertook a deliberative approach to consultation in the form of the Penrith City Community Panel. Figure 2 below provides a timeline of engagement activities.

FIGURE 1

FIT FOR THE FUTURE TIMELINE



PENRITH
CITY COUNCIL

yoursaypenrith.com.au

FIGURE 2



As the proposal included a special variation due to expire the flyer and supporting information provided to the community explained that the AREAS SRV introduced in 2005 for a 10 year period was due to expire in June 2016. The information outlined the three rating options being considered:

- 'Decrease Services' - Discontinuation of AREAS SRV,
- 'Maintain Services' - Continuation of AREAS SRV as a permanent increase to the rate base,
- 'Improve Services' - Continuation of AREAS plus an additional SRV as a permanent increase to the rate base.

The information also demonstrated to the community the:

- proposed cumulative SRV increase (including renewing AREAS and the rate peg),
- annual increase in rates that will result if the proposed SRV is approved in full,
- rate levels that would apply without any proposed SRV,
- corresponding percentage of general income that the AREAS SRV represented for the relevant year,
- percentage value of the variation amount, above the estimated rate peg, being proposed, and
- year-on-year change in rates if the proposed SRV was not approved.

A copy of the Instrument of Approval for the AREAS SRV is included at **Attachment 11**. A copy of the flyer and supporting documentation provided to the community as part of Council's SRV Engagement Program are included at **Attachments 5a and 5b**.

Information on the engagement methods used to ensure the community was aware of the need for, and extent of the SRV proposal is provided below. Information about the result of the engagement program is provided in section 4.2

	IAP2 level of engagement
i) Landowner and resident notification	Inform and consult <i>27 October – 30 October 2015</i>

A city-wide letter and flyer outlining the SRV proposal was sent from the Mayor and General Manager to all landowners, residents and occupiers in October 2015. The flyer (refer Attachment 5a) provided an overview of AREAS and the three rating proposals being considered, including an estimate of the increase in an average residential rate for each of the four years. It also directed residents on how to obtain additional information on the SRV and how to make a submission.

Feedback and submissions were able to be submitted:

- Online at www.yoursaypenrith.com.au/SpecialRateVariation,
- By email to ourfuture@penrith.city, or
- By mail addressed to the General Manager.

A copy of the letter is included at **Attachment 5c**.

	IAP2 level of engagement
ii) Online Information	
Your Say Penrith website	Inform and consult <i>27 October – 11 December 2015</i>

The following information on the SRV proposal was made available on Council's engagement website <http://yoursaypenrith.com.au/SpecialRateVariation>:

- SRV flyer
- Fact Sheets including:
 - AREAS Snapshot
 - Building Asset Renewal Program
 - Roads Asset Renewal Program
 - Public Domain Maintenance Program
 - Neighbourhood Renewal Program
- FAQs
- Information on how the new funds would be spent
- An overview of how the SRV will affect rates for business properties, farmland properties and residential properties
- Media Release- Fit for the Future and SRV.

Feedback could be submitted through the online site as well as the option to ask questions. It also directed residents to other channels available to make a submission and the SRV Phone line.

A copy of the SRV Fact sheets is included at **Attachment 5b**.

	IAP2 level of engagement
iii) Central information points	Inform <i>27 October – 11 December 2015</i>

During the public consultation period information on the SRV proposal, the SRV phone line and how to make a submission was available at Council offices and at the Penrith and St Mary's libraries.

	IAP2 level of engagement
iv) SRV phone line	Inform, consult <i>27 October – 11 December 2015</i>

A dedicated SRV phone line for enquiries was established between 27 October and 11 December. The telephone number was publicised in the flyer, fact sheets, Your Say Penrith website (www.yoursaypenrith.com.au) and newspaper advertisements.

	IAP2 level of engagement
v) City-wide survey	Inform, consult and involve 30 October – 10 November 2015

An independent Research company Micromex Research was engaged by Council to undertake a telephone survey on the SRV proposal. The city-wide letter and flyer was followed up by telephone interviews of a statistically representative sample of 608 respondents conducted between 30 October and 10 November 2015. Of 608 respondents, 486 were selected by means of a computer based random selection process. The remaining 122 respondents were 'number harvested' via face-to-face intercept at a number of areas around the Penrith Local Government Area (High Street and Penrith railway station and Queen Street St Marys).

A copy of the Survey results is included at **Attachment 6a**.

	IAP2 level of engagement
vi) Media communications	Inform and consult 30 October 2015 – February 2016

A media briefing was held on 22 October and was followed by the following newspaper articles, radio announcements and social media.

Table 4.1 – Media Communications

Newspaper articles and advertisements		
Council is fit for the future	The Western Weekender	25/10/15
Rate Rise Alert: Council wants you to have a say on a rate increase	Penrith City Gazette	26/10/15
Push for special rate rises	Mt Druitt-St Marys Standard	28/10/15
Rates tied to improvement	Penrith Press	28/10/15
Council rates likely to increase	The Western Weekender	29/10/15
Penrith Council considers a rate variation	St Marys-Mt Druitt Star	2/11/15
Resident views on rate rise wanted	Penrith City Gazette	19/11/15
Quarter page advertisements	Penrith Press	27/10/15,
	St Marys-Mt Druitt Standard	30/10/15
	Nepean News	27/10/15
	Penrith City Gazette	29/10/15
	The Western Weekender	29/10/15
Rate Rise Application	Penrith City Gazette	11/02/16
Blue Print for our Ideal City	Penrith City Gazette	11/02/16
Rate Rise Sought	Penrith Press	11/02/16
It's What We Want	Penrith Press	11/02/16

Social media		
Rate Rise Alert	St Marys-Mt Druitt Star Facebook	23/10/15
Council rates likely to increase	The Western Weekender Facebook	29/10/15
Council push for special rate rises	Mt Druitt Standard Facebook	30/10/15
Have your say about SRV	Penrith City Council Facebook	4/12/15
Further increase to rates	The Western Weekender Facebook	11/2/16
Penrith residents want road upgrades...	Penrith Press Facebook	12/2/16
Corporate News Page		
Story on Listening posts (SRV)	The Western Weekender	13/11/15
SRV Council Notification of Intention to Apply	The Western Weekender	11/02/16
Have your say on Special Rate Variation options	Penrith City Council Community Newsletter	December edition
Radio announcements	Vintage FM Radio	June 2015
Fit for the Future		

A copy of media communications is included at **Attachment 5d**.

vii) Listening Posts (Information kiosks)	IAP2 level of engagement
	Inform and consult
	<i>17 November – 28 November 2015</i>

A number of listening posts across the City were undertaken during November where Council staff were available to answer questions and distribute information regarding the SRV proposal:

- Mulgoa Shops: Tuesday 17 November, 2pm-5pm
- Luddenham Shops: Tuesday 17 November, 2pm-5pm
- Cranebrook Shops: Thursday 19 November, 2pm-5pm
- Cambridge Park Shops: Thursday 19 November, 2pm-5pm
- Londonderry Shops: Tuesday 24 November, 2pm-5pm
- Penrith City Centre: Saturday 28 November, 9am-12pm
- St Marys Town Centre: Saturday 28 November, 9am-12pm

Staff engaged with over 50 residents at listening posts about the SRV proposal or asking questions relating to other council matters specific to their area (i.e. road condition, illegal dumping).

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Cambridge Park Shops, 19 November 2015



St Marys Shops, 28 November 2015



Londonderry Shops, 24 November 2015

viii) Business and Community group meetings

IAP2 level of engagement

Inform and consult

10 November – 2 December 2015

Presentations on the SRV were provided to the following business and community groups:

Table 4.2 – Business and Community Group presentations

Group	Date
Penrith CBD Corporation	Tuesday 10th November
U3A Penrith AGM	Thursday 12th November
Penrith Valley Chamber of Commerce	Thursday 12th November
Penrith Valley Sports Foundation	Thursday 12th November
Combined Pensioners Superannuates Association	Thursday 19th November
BEC Australia	Tuesday 24th November
Seniors & Pensioners Club Penrith	Tuesday 1st December
Cranebrook Neighbourhood Advisory Board	Wednesday 2nd December

Due to the St Marys Town Centre Corporation being in the process of electing a new committee the information on the SRV proposal was emailed rather than being presented at their November meeting.

In addition an email was sent to around 590 community groups providing a copy of the flyer and a selection of fact sheets on the proposed SRV. The email advised locations of the listening posts, where further information could be found on www.yoursaypenrith.com.au and encouraged feedback and submissions.

A copy of the email sent to community groups is included at **Attachment 5e**.

ix) Penrith City Community Panel

IAP2 level of engagement

Inform, consult, involve, collaborate

5 September – 5 December 2015

Alongside the SRV community consultation program, Council convened a Community Panel comprising 34 randomly selected community members who met over six Saturdays, between September and December to advise Council on: *What local services and infrastructure do we need in Penrith? Which should we do and to what level of quality - and how should we pay for it?* The Community Panel was an integral component of our program of engagement to gain feedback from the community on Council's performance and to determine the community's expectations of services. The Community Panel's report recommends 16 areas for advocacy and 43 areas of focus. Broadly the Panel expressed a satisfaction with the services and direction of Council and highlighted some areas for enhancing services including CBD parking, activation of the River and opportunities resulting from the Western Sydney Airport. The Community Panel also expressed that Council could better promote all of the good

work that we are doing and identified potential service reductions in bulky goods pickup and duplicated services (provided by others), along with continuing to focus activities on job creation and better transport services and infrastructure. The feedback gained from Community Panel has provided valuable information about the issues and priorities that are important to our community.

A copy of the Community Panel report – ‘The City We Want’ and report to Council’s Ordinary Meeting of 8 February where the report was received is included at Attachment 6b. Information on the Community Panel was made available on Council’s Your Say Penrith website at <http://yoursaypenrith.com.au/community-panel>.

IPR documents

Council’s IPR documents clearly set out the extent of the requested rate rise. Council’s 2015-16 Operational Plan which was exhibited between 29 April and 2 June and was adopted by Council at its Ordinary Meeting of 29 June 2015 detailed the intention to apply to renew the AREAS SRV, and in line with the findings of the Financial Capacity Review an additional SRV, phased in over four years commencing 2016-17 (refer to **Attachment 2**, pages 89-96).

The Resourcing Strategy was last adopted in June 2013 and has been updated to reflect the work undertaken through the Capacity Review and be consistent with our Fit for the Future Improvement Plan. A SRV was a key assumption of the Fit for the Future Improvement Plan and the financial modelling in the Resourcing Strategy has been updated accordingly. The updated Resourcing Strategy was adopted by Council at its Ordinary Meeting of 8 February 2016.

The Resourcing Strategy is included at **Attachment 14**.

4.2 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.

FEEDBACK FROM THE COMMUNITY CONSULTATIONS

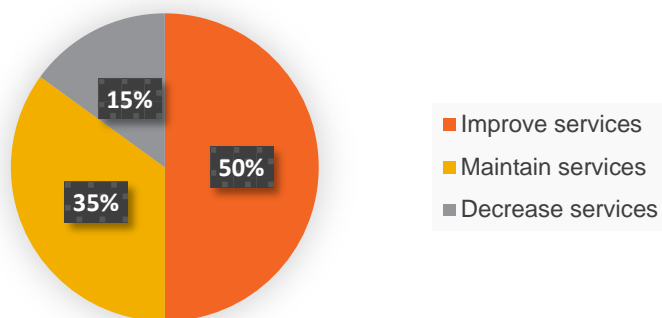
Feedback from Council's community engagement activities on the SRV proposal is summarised below.

City wide survey

Council engaged Micromex Research to undertake a survey of a statistically representative sample of 608 residents. The maximum standard error for a sample size of 608 is +/-4% at the 95% confidence level. This means that if we were to repeat the survey 20 times with different samples of 600, on 19 of the 20 occasions we would expect to get the same result +/-4%. The survey was undertaken between 30 October and 10 November, approximately one week after households had received their notification of the SRV proposal by letter and flyer.

As part of the survey residents were asked to indicate which of the three options being considered as part of the SRV proposal was their most preferred. The options being considered were: a) Improve service levels, b) maintain service levels and c) reduce service levels. The results were that half or 50% of respondents supported "improve service levels", 35% supported "maintain service levels" and 15% identified "reduce service levels" as their preferred option.

SRV Proposal preferred option



A copy of the Survey results is included at Attachment 6.

Online activity – Your Say Penrith Website

During the formal consultation period between 27 October and 11 December the statistics show the following activity on the Your Say Penrith website:

- a total of 522 visits to the site,
- 439* 'aware' visitors (i.e. someone visited the project page),
- 252* 'informed' visitors (i.e. someone looked at additional information on the project page such as the FAQ sections or timeline),

- 20* 'engaged' visitors (i.e. someone has actively used the project page such as asking a question through the question tool).

*A single participant can perform multiple actions

Since 11 December 2015 there have been an additional 92 visits to the project page.

SRV Phone line

During this period a total of 85 phone calls were received of which 36 (42%) related to the SRV proposal. General enquiries regarding the SRV were answered and customers wishing to provide feedback on the SRV proposal were advised of the different ways to make a submission.

Public Submissions

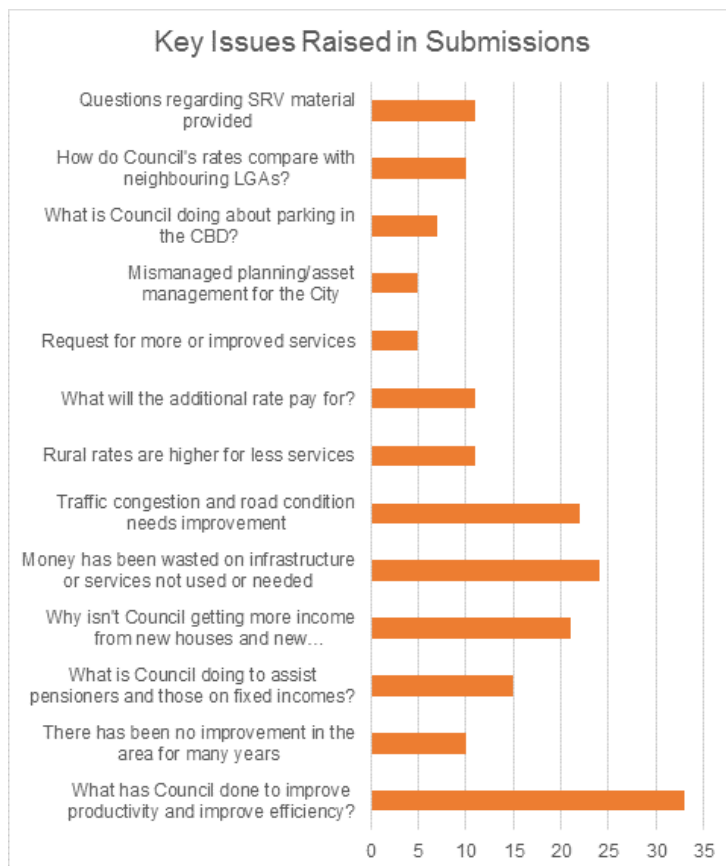
A total of 110 submissions were received on the SRV proposal either by mail, email or through the Your Say Penrith website. An individual response was sent responding to the issues raised in each submission. Councillors were provided with a hard copy of all submissions received at a Councillor Briefing held on 1 February 2016.

The key areas raised in submissions and shown in Figure 3 below include:

- What has Council done to improve productivity and efficiency?
- There should be more rates from growth, more housing and Section 94 contributions
- Impact on pensioners and those on fixed incomes
- How do Council's rates compare with neighbouring LGAs?
- What will the additional SRV pay for?
- Rural rates higher for less services
- CBD carparking
- There has been no improvement in the area over many years
- Money wasted on infrastructure or services not used or needed
- Traffic congestion and road condition needs improvement
- Request for more or improved services
- Mismanaged planning/asset management for the City
- Questions regarding SRV material provided.

Other issues raised included questions around the community panel, the DA process being slow, the cost of the Strategic Alliance, older areas receiving less than new areas and requests for more information. Since the formal public feedback period closed on 11 December 2015 Council has received an additional 8 submissions. All submissions have been provided in Confidential **Attachment 19** with the personal and private information contained with these submissions.

FIGURE 3



Council's response to these concerns is outlined below.

WHAT HAS COUNCIL DONE TO IMPROVE PRODUCTIVITY?

Council already has over \$4.9m of productivity savings built into the annual budget, which will recur each year. These have been part of our commitment to IPART in 2011 to continue to strive for continuous improvement and includes:

Table 4.4 – Productivity Improvements (2011-16)

Productivity Initiative	Service Efficiencies	Cumulative Efficiencies	Annual Savings	Cumulative Savings
<i>Service Change / New delivery model</i>				
Domestic Waste Management			\$2,700,000	\$9,900,000
Workers' Compensation Insurance			\$700,000	\$2,700,000
<i>Service Efficiencies</i>				
Light Vehicle Fleet Management			\$122,500	\$490,000
Group purchasing and tenders	\$550,000	\$3,300,000		
Improved mower technologies	\$350,000	\$350,000		
Relief Staff in CS			\$130,000	\$650,000
Printer technologies			\$131,000	\$131,000
Rural intersection mowing			\$40,000	\$200,000
Various Service delivery efficiencies			\$296,803	\$1,259,347
Funding Adjustment (CS, PBA and Cemeteries)			\$177,054	\$713,449
<i>Service Reductions</i>				
2011-12 Special Rate Variation adjustments			\$182,841	\$733,679
Disengagement from Immunisation			\$1,000	\$4,000
	\$900,000	\$3,650,000	\$4,481,198	\$16,781,475
<i>2015-16 Initiatives</i>				
Cemeteries - Increased fees to achieve cost recovery			\$143,577	
Waste Disposal (Street Sweepers)			\$170,000	
Skills & Knowledge and Skill shortage			\$41,000	
Restorations Officer/Income			\$49,747	
Mobility for building trades staff	\$150,000			
ICT Network speeds				
Toilet cleaning contract	\$307,000			
	\$457,000		\$404,324	
Total	\$1,357,000	\$3,650,000	\$4,885,522	\$16,781,475

WHY ISN'T COUNCIL GETTING MORE INCOME FROM NEW HOUSES AND NEW DEVELOPMENT AREAS (AND THEREFORE MORE RATES)?

While broadly across the City we do have new development areas coming online, they also bring with them increased costs to maintain. This includes new parks, community buildings, drains, open space and parks to maintain, street lights to power, streets to sweep and maintain and so on. This is in addition to the extra load the increased population has on the City wide services provided by Council. Overall this increase in service costs outweighs the increases in rates we receive. Rates are calculated according to land value, and the values are provided by the NSW Valuer General.

WHAT IS COUNCIL DOING TO ASSIST PENSIONERS AND THOSE ON FIXED INCOMES?

We are mindful of the impact of any proposed increase and encourage all ratepayers to contact our rates team to ensure that all pensioner concessions have been applied and that all suitable arrangements are in place. Council offers a hardship program for customers suffering financial hardship or on a pension. A copy of Council's Hardship Policy is included at Attachment 7.

HOW DO COUNCIL'S RATES COMPARE WITH NEIGHBOURING LGAS?

A recent survey of the average residential Rates of Penrith's six neighbouring Councils found that both Wollondilly (\$1,377) and Blue Mountains (\$1,311) were approximately \$200 more than Penrith's average (\$1,136). Penrith was roughly on par with Liverpool (\$1,122) and Hawkesbury (\$1,091). Both Blacktown and Fairfield Council's average were lower at \$982 and \$809 respectively.

WHAT IS COUNCIL DOING ABOUT PARKING IN THE CBD?

Council is currently investigating several options to fund a decked carpark within the Penrith City Centre. The rate variation will contribute \$2.5m annually towards delivering a multi deck carpark in the Penrith CBD. It is estimated that a single multi deck carpark will cost approximately \$35m to construct. This funding could potentially be used to repay a loan to deliver the new carpark now.

WHAT WILL THE ADDITIONAL RATE VARIATION PAY FOR?

Over the four years Council's additional income base will grow to almost \$11m. This increase will continue in the base and will contribute ongoing funding to our programs in excess of \$16m.

- This SRV provides an additional \$4m annually to fully fund our Building Asset Renewal program at \$6.5m from year 4. This will be used to ensure major maintenance to the buildings themselves is undertaken, as well as ensuring that they meet required standards and are fit for purpose for use by our community.
- \$2m to better accommodate community service cost shifting, and realign property activities. Key community services are no longer being funded by State and Federal Governments, and Local Government is being required to take on some of these functions.
- Planning reforms mean Council is now responsible for servicing \$1.1m of loan repayments for infrastructure work which has already been completed. This rate variation option will assist Council to pay this additional cost.

- Over \$800,000 for parking infrastructure upgrades that will improve on street parking and installation of way finding signage.
- \$4m for Information and Communication Technology investments (over 5 years). This will ensure Council makes the most of new technologies so we can improve our customer service. This will improve productivity and deliver more responsive community information, engagement and contact options.
- The rate variation will contribute \$2.5m annually towards delivering a multi deck carpark in the Penrith CBD. It is estimated that a single multi deck carpark will cost approximately \$35m to construct. This funding could potentially be used repay a loan to deliver the new carpark now.
- Build to \$3.5m annually to invest in major infrastructure projects and \$1.5m to accommodate growth. This will be used to invest in areas Our River Masterplan, further multi deck parking, other Regional City Infrastructure and district sporting and recreational needs.

Council already has over \$4.9m of productivity savings built into the annual budget however we are targeting more, along with increased returns from property investments, and changes to how we deliver services and conduct our procurement activities. We need to achieve at least an additional \$5m through these avenues over the next 5 years to meet the commitments of our program.

WHAT HAS AREAS PAID FOR? WHAT HAS AREAS MEANT FOR THE CITY?

The AREAS SRV supports a \$5.6m annual investment in our Roads and Buildings Asset renewal programs and an investment in public domain maintenance, infrastructure delivery, graffiti management and social programs for our established areas.

Council invests \$10m annually in road maintenance and renewal works and AREAS provides \$2.4m of that funding. Council's current Building Asset Renewal program costs almost \$2.5m and AREAS is funding \$1m of this, but it is still not allowing us to deliver what is required.

AREAS also invests \$2.2m in our Established Areas, through:

- Public Domain Maintenance (\$1.2m) – car park and street cleaning, litter patrol, maintenance of local shopping strips, street furniture cleaning and rubbish bins, Bus shelter cleaning and CBD cleaning.
- Graffiti Management and Removal (\$260k)
- Neighbourhood Renewal Coordination (\$225k) – Improved services to localities across the City identified as disadvantaged through youth and family mentoring and support, open days and neighbourhood events.
- Local employment programs and advocacy (\$70k)
- Urban Design Enhancements (\$175k) – has developed neighbourhood infrastructure plan for established areas where redevelopment is occurring.
- Cultural Development and Community Engagement (\$265k) again focused on areas of disadvantage and also on citywide issues.

In summary AREAS has resulted in:

Roads:	Additional 850,000 square metres of road resurfacing has been completed. That's 10% of our road network. Additional work including kerb and gutter repairs was also funded.
Neighbourhood renewal:	140 community engagement events were held with more than 10,000 people. 12 Neighbourhood Action Plans developed including 369 actions to improve the physical, social and economic environments for those suburbs. Over 70% of these actions have been completed or are underway.
Buildings:	Repairs and maintenance to Council's 293 buildings across the LGA to avoid costly overhauls in the longer term and ensure they're meeting community needs.
Looking after public spaces:	More frequent litter pick-ups and clean ups of public spaces such as parks, bus stops, seats, carparks, playgrounds and footpath sweeping as well as targeted graffiti removal. We've seen a reduction in graffiti across the City due to our quick response times.

THERE HAS BEEN NO IMPROVEMENT IN THE AREA OVER MANY YEARS

Tailored responses were provided outlining some of the key achievements and programs delivered in the customer's suburbs. For example, Council has recently undertaken a major upgrade of Werrington Lakes, a significant district park in the region. Works undertaken include the installation of a splash pad, shade structures, new pathways, picnic shelters, BBQ's, fitness equipment and two new pedestrian bridges. These works have been embraced by the community, with the level of facility utilisation increasing significantly and the level of vandalism declining. Council will also be shortly commencing the construction of a new playground in Coronation Grove which is adjacent to Werrington Downs and has recently completed the construction of a new playground in Warburton Cres, Werrington County.

MONEY HAS BEEN WASTED ON INFRASTRUCTURE OR SERVICES NOT USED OR NEEDED

In delivering our services we need to provide both local services and City wide services to serve the regional population and their needs. For example concern was raised about the construction of footpaths perceived to not be needed. In addressing this concern Council responded by referring to the Penrith Accessible Trails Hierarchy Strategy (PATHS) adopted in 2012. The PATHS Strategy establishes a strategic context for the prioritised implementation of a network of district shared paths across the City, as well as proposing a network of prioritised local routes.

TRAFFIC CONGESTION AND ROAD CONDITION NEEDS IMPROVEMENT

A number of responses related to state roads managed by the Roads and Maritime Services (RMS) such as Mulgoa Road and the Northern Road. Council regularly advocates to the State Government to address concerns raised by our local community, such as congestion on these roads.

Council manages several hundred kilometres of local roads (residential, rural and industrial) across the Local Government Area (LGA). Substantial funding is allocated

towards the upkeep of our pavements. Of course from time to time, potholes appear and we tend to them as a matter of priority.

RURAL RATES ARE HIGHER FOR LESS SERVICES

Council makes no distinction between rural properties and suburban properties. Both rural and suburban residential properties are simply classified as residential properties, and the rates are calculated according to land value. In delivering our services we need to provide local services and City wide services to serve the regional population and their needs.

REQUEST FOR MORE OR IMPROVED SERVICES

Tailored responses were given depending on the customers' area of concern, generally these related to a specific suburb or a Council service.

MISMANAGED PLANNING/ASSET MANAGEMENT FOR THE CITY

Tailored responses were given depending on the customer's area of concern.

QUESTIONS REGARDING SRV MATERIAL PROVIDED

Responses to these questions were tailored depending on the nature of the question raised by the customer. Broadly these questions included people wanting more information such as more detail on what the proposed SRV funding would be spent on, people wanting to know how it would impact on their property, and people with questions about the figures used in the materials. Additional information was provided wherever possible.

▼ Table 4.5: Document Reference for Section 4

Attachment No.	Document
2	Delivery Program
5	Media releases, public meeting notices, newspaper articles, fact sheets relating to the increase and proposed special variation
6	Community Feedback
7	Hardship Policy
11	Past Instrument of Approval

5 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.

5.1 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.

Penrith City Council's existing rates structure uses an ad valorem rate with a minimum amount. Council has properties categorised under three land categories – Residential, Farmland and Business, with two Business sub-categories (Penrith CBD and St Marys Town Centre). There are no mining properties in the Penrith LGA.

It is anticipated that the current rating structure will be maintained over the period of the Special Rate Variation (SRV), if approved. If the SRV is not approved, it is still anticipated that the current rating structure will remain.

The rate for the Farmland category is currently set at 50% of the Residential rate, demonstrating Council's strategic position in relation to sustainable rural areas. It is expected that this policy will be maintained whether or not the SRV is approved.

The Penrith CBD and St Marys Town Centre sub-category rates are proportionate to the Business rate, with a separate self-funding subsidy rate component added to the Business rate for each sub-category.

Projections of land rates for the four years covered by the SRV application show that for each year, 79% of land rates will be raised from residential properties, 1.3% will come from Farmland properties and 19.7% will come from business and business sub-category properties (2.7% from Penrith CBD, 0.8% from St Marys Town Centre and 19.7% from general Business properties). These yield percentages will be the same under a SRV or general rate peg increase.

While the rating structure will remain, it is intended to increase the minimum rate for residential and farmland properties in 2016-17 above the SRV approved increase, so that the proportion of residential ratepayers on a minimum rate is increased to 35%. The proportion of existing properties on a minimum rate is 28%, however this proportion would reduce to 22% from July 2016 due to a revaluation of properties in 2015.

Commentary on the effect of the increase to the minimum rate is provided later in the application.

It is important to point out also that Council has received a revaluation of all properties in 2015 and these new values will be used from July 2016 being the first year of the proposed SRV period. The revaluation has showed that the valuations for Residential and Farmland properties have increased on average by a greater percentage than for the Business and Business sub-category properties (32.6% compared to 10.3%). It is intended that the SRV be apportioned equally overall rating categories, however the revaluation will proportionally increase the rates for residential and farmland properties in the first year of the SRV period, which exacerbates the increase for residential and farmland properties over the SRV period, compared to existing rate levels.

Impact on Rates

Residential Rates

Penrith City Council has 66,670 residential properties made up of 62,153 urban residential and 4,517 rural residential.

Council's average residential rate for 2015-16 is \$1,133.00 excluding the domestic waste charge which, when added, brings the average rate notice to \$1,495.00. When compared to our surrounding Councils this amount is below the average of \$1,470.67 and nearly \$185.00 less than the Blue Mountains where the average rate notice is \$1,680.

Surrounding Council Rates Comparison						
	Penrith	Blacktown	Blue Mountains	Hawkesbury	Liverpool	Fairfield
2015/16 RESIDENTIAL						
Residential - ordinary: Minimum rate	\$864.20	\$901.00	\$536.30	-	-	-
Base amount	-		-	\$510.00	\$522.00	\$364.04
Residential - Average annual rate	\$1,136.00	\$982.00	\$1,311.00	\$1,091.00	\$1,122.00	\$809.00
Valuation base date	2012	2014	2013	2014	2014	2012
Residential - ordinary: Rate in the dollar	0.00454700	0.00314600	0.00588866	0.00196079	0.00204700	0.00184128
Most common annual domestic waste charge	\$359.00	\$430.00	\$369.00	\$380.00	\$371.00	\$464.00
Average Rate plus Waste Charge	\$1,495.00	\$1,412.00	\$1,680.00	\$1,471.00	\$1,493.00	\$1,273.00

The average residential rate will increase by an average \$23.93 per annum over the next four years if the rate peg only applies (\$40.93 with the domestic waste charge included). Should the proposed SRV be approved, but the increase to the minimum rate not be approved, the average increase per annum will be \$72.99 or \$0.30 extra if the SRV and Minimum rate increase is approved (or \$92.99 and \$93.29 with the domestic waste charge included).

The following table shows the average rates for all rating categories over the four year period for each of the three scenarios.

Average rates over four year period for all rating categories under three scenarios											
RATE PEG ONLY OVER FOUR YEARS	Current Average Rate	2016-17 Average rate with AREAS removal plus 1.8% rate peg only	Annual increase from previous year	2017-18 Average rate with rate peg only (2.5%)	Annual increase from previous year	2018-19 Average rate with rate peg only (2.5%)	Annual increase from previous year	2019-20 Average rate with rate peg only (2.5%)	Annual increase from previous year	Total annual Increase over four years	Average Increase per annum over four years
Residential	1,133.00	1,141.00	8.00	1,169.53	28.52	1,198.76	29.24	1,228.73	29.97	95.73	23.93
Farmland	3,272.00	3,378.00	106.00	3,462.45	84.45	3,549.01	86.56	3,637.74	88.73	365.74	91.43
Business	6,615.00	5,730.00	- 885.00	5,873.25	143.25	6,020.08	146.83	6,170.58	150.50	- 444.42	- 111.10
Business Penrith CBD	7,188.00	6,158.00	-1,030.00	6,311.95	153.95	6,469.75	157.80	6,631.49	161.74	- 556.51	- 139.13
Buisness - St Marys TC	3,646.00	3,186.00	- 460.00	3,265.65	79.65	3,347.29	81.64	3,430.97	83.68	- 215.03	- 53.76
SRV COMMENCING IN 2016-17 AND SRV FOR NEXT THREE YEARS (No special increase to Minimum rates)	Current Average Rate	2016-17 Average rate with AREAS renewal plus extra SRV in 2016-17	Annual increase from previous year	2017-18 Average rate with 2.4% SRV (5% incl rate peg)	Annual increase from previous year	2018-19 Average rate with 2.4% SRV (5.2% incl rate peg)	Annual increase from previous year	2019-20 Average rate with 2.4% SRV (5.4% incl rate peg)	Annual increase from previous year	Total annual Increase over four years	Average Increase per annum over four years
Residential	1,133.00	1,222.87	89.87	1,284.01	61.14	1,350.78	66.77	1,423.72	72.94	290.72	72.68
Farmland	3,272.00	3,640.95	368.95	3,823.00	182.05	4,021.79	198.80	4,238.97	217.18	966.97	241.74
Business	6,615.00	8,985.00	2,370.00	9,434.25	449.25	9,924.83	490.58	10,460.77	535.94	3,845.77	961.44
Business Penrith CBD	7,188.00	9,542.00	2,354.00	10,019.10	477.10	10,540.09	520.99	11,109.26	569.17	3,921.26	980.31
Buisness - St Marys TC	3,646.00	4,210.00	564.00	4,420.50	210.50	4,650.37	229.87	4,901.49	251.12	1,255.49	313.87
SRV COMMENCING IN 2016-17 AND SRV FOR NEXT THREE YEARS WITH INCREASE TO MINIMUMS FOR RESIDENTIAL AND FARMLAND (NO EFFECT ON BUSINESS PROPERTIES)	Current Average Rate	2016-17 Average rate with AREAS renewal plus extra SRV in 2016-17	Annual increase from previous year	2017-18 Average rate with 2.4% SRV (5% incl rate peg)	Annual increase from previous year	2018-19 Average rate with 2.4% SRV (5.2% incl rate peg)	Annual increase from previous year	2019-20 Average rate with 2.4% SRV (5.4% incl rate peg)	Annual increase from previous year	Total annual Increase over four years	Average Increase per annum over four years
Residential	1,133.00	1,223.93	90.93	1,285.13	61.20	1,351.95	66.83	1,424.96	73.01	291.96	72.99
Farmland	3,272.00	3,557.85	285.85	3,735.74	177.89	3,930.00	194.26	4,142.22	212.22	870.22	217.56

Also see attachment 16:

- Rates Table 1 – Residential rates projections over four years with rate peg only.
- Rates Table 2 – Residential Rates projections over four years with SRV over four years - without any special increase to minimum rates.
- Rates Table 3 - Residential Rates projections over four years with SRV over four years - with Special Increase to Residential/Farmland Minimums in 2016-17.

These three tables show the impact of the rates for sample valuations, similar to the tables in Part A of the application form. As we have received a revaluation this year which will commence from 1 July 2016, we have used a comparative 2012 base date valuation (based on an average residential valuation increase of 32.84%) to show the likely effect on properties based on their new valuations.

In Attachment 16 to this application - Rates Table 4 – Suburb Analysis, summarises the effect of the proposed SRV and the revaluation on residential by suburb in the first year of the proposed SRV. The table shows that some suburbs where there was a lower than average valuation increase will actually pay less than they are paying now,

even with the proposed SRV increase. The suburb of Leonay for example will actually pay an average of 22% less than they are paying now as the suburb had a 0.00 increase in valuations from 2012 to 2015. On the other hand, some of the other suburbs with valuation increases above the average residential valuation increase will unfortunately have a more substantial increase. There will be 11 suburbs out of 36 where the average rates will increase by between 10% and 18.08% in the first year of the proposed SRV period. The proposed increase to the minimum rates has assisted these suburbs by reducing the average rates increase by around 1.5%.

See the tables in the Minimum Rates section of this application for details of the effect on minimum rates.

Farmland Rates

There are presently 400 properties categorised as Farmland in the Penrith LGA. The current average Farmland rate is \$3,272. If the estimated rate peg is applied this average will increase to \$3,637 in 2019-20, however applying the proposed SRV this average would increase to \$4,238.97 over the same period (if no special increase to minimums in 2016-17) or \$4,142.22 if the special minimum rate is approved in 2016-17.

See the Average rates table in the Residential Rates summary above for details of the average rate increases.

See the tables in the Minimum Rates section of this application for details of the effect on minimum rates.

Also see attachment 16:

- Rates Table 5 – Farmland Rates projections over four years with Rate Peg Only
- Rates Table 6 – Farmland Rates projections over four years with SRV over four years - without any special increase to minimum rates
- Rates Table 7 - Farmland Rates projections over four years with SRV over four years - with Special Increase to Residential/Farmland Minimums in 2016-17.

These three tables show the impact of the rates for sample valuations, similar to the tables in Part A of the application form. As we have received a revaluation this year which will commence from 1 July 2016, we have used a comparative 2012 base date valuation (based on an average farmland valuation increase of 32.42%) to show the likely effect on properties based on their new valuations.

The impact of the SRV for the most common value \$801,000 is an increase from the 2015-16 rate of \$1,375 (using an adjusted 2012 valuation of 604,894) to \$1,727 in 2019-20. This is an average increase of \$88.00 per annum compared to the \$38.00 per annum if only the rate peg applied. If the special increase to the minimum rate is not approved in 2016-17, the average rate increase per annum would increase to \$98.00 per annum.

Business –Ordinary Rates

There are presently 2,633 properties categorised as Business in the Penrith LGA. The current average Business rate is \$6,615. If the estimated rate peg is applied this average will decrease to \$6,171 by 2019-20 due to the dual effect of the revaluation to commence from 1 July 2016 and the AREAS SRV expiring in 2015-16 also. However applying the proposed SRV this average would increase to \$10,461 over the same period.

See the Average rates table in the Residential Rates summary above for details of the average rate increases.

See the tables in the Minimum Rates section of this application for details of the effect on minimum rates. Although there is a proposal to increase the minimum rates for residential and farmland properties in 2016-17, there is no proposal for a special increase to the business minimum rate as the proportion of business properties on a minimum rate is satisfactory to Council.

Also see attachment 16:

- Rates Table 8 – Business Rates projections over four years with Rate Peg Only
- Rates Table 9 – Business Rates projections over four years with SRV over four years

These two tables show the impact of the rates for sample valuations, similar to the tables in Part A of the application form. As we have received a revaluation this year which will commence from 1 July 2016, we have used a comparative 2012 base date valuation (based on an average Business valuation increase of 10.97%) to show the likely effect on properties based on their new valuations.

The impact of the SRV for the most common value \$260,000 is an increase from the 2015-16 rate of \$1,855 (using an adjusted 2012 valuation of \$234,298) to \$1,726 in 2019-20. This is an average increase of \$36 per annum compared to the \$32.00 decrease per annum if only the rate peg applied due to the dual effect of the revaluation to commence from 1 July 2016 and the AREAS SRV expiring in 2015-16 also.

Business – Penrith CBD (sub-category)

There are presently 412 properties categorised as Business – Penrith CBD in the Penrith LGA. The current average Business- Penrith CBD rate is \$7,188. If the estimated rate peg is applied this average will decrease to \$6,631 by 2019-20 due to the dual effect of the revaluation to commence from 1 July 2016 and the AREAS SRV expiring in 2015-16 also. However applying the proposed SRV this average would increase to \$11,109.26 over the same period.

See the Average rates table in the Residential Rates summary above for details of the average rate increases.

See the tables in the Minimum Rates section of this application for details of the effect on minimum rates. Although there is a proposal to increase the minimum rates for residential and farmland properties in 2016-17, there is no proposal for a special

increase to the business minimum rate as the proportion of business properties on a minimum rate is satisfactory to Council.

Also see attachment 16:

- Rates Table 10 – Business - Penrith CBD Rates projections over four years with Rate Peg Only
- Rates Table 11 – Business - Penrith CBD Rates projections over four years with SRV over four years.

These two tables show the impact of the rates for sample valuations, similar to the tables in Part A of the application form. As we have received a revaluation this year which will commence from 1 July 2016, we have used a comparative 2012 base date valuation (based on an average Business – Penrith CBD valuation increase of 8.95%) to show the likely effect on properties based on their new valuations.

The impact of the SRV for the most common value \$245,600 is an increase from the 2015-16 rate of \$2,006 (using an adjusted 2012 valuation of \$225,425) to \$2,144 in 2019-20. This is an average increase of \$34 per annum compared to the \$39.00 decrease per annum if only the rate peg applied due to the dual effect of the revaluation to commence from 1 July 2016 and the AREAS SRV expiring in 2015-16.

Business – St Marys Town Centre (sub-category)

There are presently 233 properties categorised as Business – St Marys Town Centre in the Penrith LGA. The current average Business- St Marys Town Centre rate is \$3,646. If the estimated rate peg is applied this average will in fact decrease to \$3,430.97 by 2019-20 due to the dual effect of the revaluation to commence from 1 July 2016 and the AREAS SRV expiring in 2015-16 also. However applying the proposed SRV this average would increase to \$4,901.14 over the same period.

See the Average rates table in the Residential Rates summary above for details of the average rate increases.

See the tables in the Minimum Rates section of this application for details of the effect on minimum rates. Although there is a proposal to increase the minimum rates for residential and farmland properties in 2016-17, there is no proposal for a special increase to the business minimum rate as the proportion of business properties on a minimum rate is satisfactory to Council.

Also see attachment 16:

- Rates Table 12 – Business - St Marys Town Centre Rates projections over four years with Rate Peg Only
- Rates Table 13 – Business - St Marys Town Centre Rates projections over four years with SRV over four years.

These two tables show the impact of the rates for sample valuations, similar to the tables in Part A of the application form. As we have received a revaluation this year which will commence from 1 July 2016, we have used a comparative 2012 base date

valuation (based on an average Business – St Marys Town Centre valuation increase of 11.11%) to show the likely effect on properties based on their new valuations. The impact of the SRV for the most common value \$173,000 is an increase from the 2015-16 rate of \$1,896 (using an adjusted 2012 valuation of \$155,700) to \$2,046 in 2019-20. This is an average increase of \$37 per annum compared to the \$32.00 decrease per annum if only the rate peg applied due to the dual effect of the revaluation to commence from 1 July 2016 and the AREAS SRV expiring in 2015-16.

5.1.1 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 ☐

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 _\$95.30 (16%)_____

What will minimum Ordinary rates be after the proposed increase?
 _\$959.50_____ (Residential and Farmland only).

Business minimum rate will increase by the approved SRV %.

The council must explain how the proposed special variation will apply to the minimum rate of any ordinary and special rate, and any change to the proportion of ratepayers on the minimum rate for all relevant rating categories that will occur as a result.

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

Council intends to increase the minimum rate for the Business-ordinary and the two Business sub-categories by the approved SRV % only.

Council does however wish to increase the minimum rate for Residential and Farmland properties above the proposed SRV % amount in the first year of the SRV period, so that the proportion of residential properties on a minimum rate is approximately 35% of all

residential properties. The present % of Residential properties on the minimum rate is 28.7%, however if no approval for an increase to the minimum rate is granted, this would reduce to 22.3% due to the revaluation of all land in Penrith in 2015.

The increase to the minimum rate for Residential and Farmland properties will be offset by a reduction to the ad valorem rate for Residential and Farmland properties so the change will not affect Business properties.

It is important to point out that the Farmland rate is set at 50% of the residential rate and therefore a change to the Residential rate also affects the Farmland rate. Presently there are only 9 out of 400 Farmland properties on the minimum, so a reduction to the ad valorem rate for Farmland properties will benefit a great majority of the Farmland properties.

The rationale for increasing the Residential minimum rate is to ensure that all ratepayers that benefit from the services provided are contributing a fair and equitable amount. Whilst the land value of a property is the major factor in determining the fair amount that a property owner presently pays, an increase in residential strata development throughout the City is taking the land value out of the equation for a majority of these strata units. In some cases the capital improved value of a strata unit when compared to a similarly valued residential property is paying comparatively less rates, but still has access to the same services.

Presently and in the future, the number of strata development, particularly high rise developments, is anticipated to increase in greater amounts throughout the LGA. An increase to the minimum rate now will ensure that future owners of strata residential properties are contributing a fair and equitable amount towards the increased services that Council will need to provide, whilst ensuring that the burden for the increased services are not borne by other residential ratepayers who are not requiring or benefiting from the extra services that will be required.

A review of Residential properties on the minimum rate has shown that the proportion of properties on the minimum rate has dropped from around 34% in 2009 to 28% in 2015. This amount will drop to 22.3% in 2016 if no change is approved to the increase to the minimum rate in 2016. The proportion of Business rates has increased from 31% to 36% over the same time period and therefore business properties are believed to be in the right proportion and therefore no changes are proposed to the Business minimum rate.

In 2015, the Residential minimum rate is \$864.20. This minimum rate will increase to \$903.70 with the proposed SRV (if no increase to the minimum is approved) or to \$959.50 if the increase to the minimum rate is approved. This equates to an 11% increase above the 2015-16 minimum rate in the first year. The table below shows the effect of the proposed SRV and the proposed increase to the minimum rate over the four years. As shown in the last column, the average increase per annum to the minimum Residential rate will be around \$47.00 if the SRV is approved with no special increase to the minimum rate, or if the SRV and the minimum rate increase is approved

the average per annum increase will be around \$63.00. The minimum Business rate in 2015-16 is \$1,105.80 and this will increase, if the SRV is approved by an average \$60.00 per annum over the four years of the proposed SRV period.

AREAS SRV COMING OFF AND RATE PEG ONLY OVER FOUR YEARS	Current Minimum Rate	2016-17 Minimum rate with AREAS removal plus 1.8% rate peg only	Annual increase from previous year	2017-18 Minimum rate with rate peg only (2.5%)	Annual increase from previous year	2018-19 Minimum rate with rate peg only (2.5%)	Annual increase from previous year	2019-20 Minimum rate with rate peg only (3%)	Annual increase from previous year	Total Increase over four years	Average Increase per annum over four years
Residential	864.20	843.30	- 20.90	864.35	21.05	885.95	21.60	908.10	22.15	43.90	10.98
Farmland	864.20	843.30	- 20.90	864.35	21.05	885.95	21.60	908.10	22.15	43.90	10.98
Business	1,105.80	1,079.05	- 26.75	1,106.00	26.95	1,133.65	27.65	1,161.95	28.30	56.15	14.04
Business Penrith CBD	1,105.80	1,079.05	- 26.75	1,106.00	26.95	1,133.65	27.65	1,161.95	28.30	56.15	14.04
Business - St Marys TC	1,105.80	1,079.05	- 26.75	1,106.00	26.95	1,133.65	27.65	1,161.95	28.30	56.15	14.04

FOUR YEAR SRV COMMENCING IN 2016-17 - NO INCREASE TO MINIMUM RATE	Current Minimum Rate	2016-17 Minimum rate with AREAS renewal plus extra SRV in 2016-17	Annual increase from previous year	2017-18 Minimum rate with 2.4% SRV (5% incl rate peg)	Annual increase from previous year	2018-19 Minimum rate with 2.4% SRV (5.2% incl rate peg)	Annual increase from previous year	2019-20 Minimum rate with 2.4% SRV (5.4% incl rate peg)	Annual increase from previous year	Total Increase over four years	Average Increase per annum over four years
Residential	864.20	903.70	39.50	948.85	45.15	998.15	49.30	1,052.05	53.90	187.85	46.96
Farmland	864.20	903.70	39.50	948.85	45.15	998.15	49.30	1,052.05	53.90	187.85	46.96
Business	1,105.80	1,156.35	50.55	1,214.15	57.80	1,277.25	63.10	1,346.20	68.95	240.40	60.10
Business Penrith CBD	1,105.80	1,156.35	50.55	1,214.15	57.80	1,277.25	63.10	1,346.20	68.95	240.40	60.10
Business - St Marys TC	1,105.80	1,156.35	50.55	1,214.15	57.80	1,277.25	63.10	1,346.20	68.95	240.40	60.10

FOUR YEAR SRV COMMENCING IN 2016-17 - WITH INCREASE TO MINIMUM RATE	Current Minimum Rate	2016-17 Minimum rate with SRV in 2016-17 and Special Increase to Minimums	Annual increase from previous year	2017-18 Minimum rate with 2.4% SRV (5% incl rate peg)	Annual increase from previous year	2018-19 Minimum rate with 2.4% SRV (5.2% incl rate peg)	Annual increase from previous year	2019-20 Minimum rate with 2.4% SRV (5.4% incl rate peg)	Annual increase from previous year	Total Increase over four years	Average Increase per annum over four years
Residential	864.20	959.50	95.30	1,007.45	47.95	1,059.80	52.35	1,117.00	57.20	252.80	63.20
Farmland	864.20	959.50	95.30	1,007.45	47.95	1,059.80	52.35	1,117.00	57.20	252.80	63.20
Business	1,105.80	1,156.35	50.55	1,214.15	57.80	1,277.25	63.10	1,346.20	68.95	240.40	60.10
Business Penrith CBD	1,105.80	1,156.35	50.55	1,214.15	57.80	1,277.25	63.10	1,346.20	68.95	240.40	60.10
Business - St Marys TC	1,105.80	1,156.35	50.55	1,214.15	57.80	1,277.25	63.10	1,346.20	68.95	240.40	60.10

Analysis of properties on the minimum rate:

In 2015 -16 there are 19,137 Residential properties on the minimum rate. Of these there are 9,333 properties that are strata (49%) and 9,804 that are non-strata residential (51%).

An analysis of the pensioner ownership of properties on the minimum rate found that out of 10,029 properties owned by pensioners, that 5,304 of these properties are on the minimum rate (53%) and 4,725 are not on the minimum rate (47%).

An analysis of the proportion of owner occupied to non-owner occupied (identified by postal address for the property being the same as the property address) shows that currently 8,786 properties out of 19,137 are owner occupied (46%) and 10,351 are non-

owner occupied (54%) but allowing for property owners with PO Boxes that occupy their property or corner properties that have an alternate postal address to the property address, or other reasons it is estimated that the proportion is approximately 50% owner occupied and 50% non-owner occupied.

Effect of the increase to the minimum rate on Pensioners

An analysis of the effect of the increase to the minimum rate with the full SRV being approved, shows that there will be 7,390 pensioners that will benefit by an average \$20.13 in 2016-17 as a result of an increase to the minimum residential rate. Conversely, there will be 2,649 pensioners that will be adversely affected by the minimum rate with an average \$47.20 increase in 2016-17 being payable. The maximum extra amount payable being an extra \$55.80 which is affecting 1,874 of these pensioners. These amounts stated are the amounts payable if there was a SRV approved but prior to an increase to the minimum rates.

The following table shows the estimated increase for rates above the current 2015-16 rate with the proposed SRV and minimum residential rate increasing, along with the impact of the revaluation of land which comes into force from 1 July 2016. The analysis shows that the rates for almost 20% of properties owned by pensioners will actually be less than their current rates, with 53% of properties paying between \$0.01 and \$100.00 and 27% paying more than \$100.00 extra.

Increase in rates for Properties owned by pensioners as a result of revaluation and SRV in 2016-17 with special increase to minimum rate for residential properties				
Increase/Decrease in rates (\$) from current 2015-16 rate to 2016-17 rate		Number of properties owned by pensioners within range	% of properties within range	Cumulative % of properties within ranges
\$ Range from	\$ Range to			
> -\$1,000		1	0.01	0.01
-\$ 500.00	-\$ 999.99	15	0.15	0.16
-\$ 100.00	-\$ 499.99	645	6.43	6.59
-\$ 50.00	-\$ 99.99	220	2.19	8.78
-\$ 20.00	-\$ 49.99	235	2.34	11.12
-\$ 0.01	-\$ 19.99	890	8.87	19.98
\$ 0.01	\$ 9.99	292	2.91	22.89
\$ 10.00	\$ 19.99	89	0.89	23.78
\$ 20.00	\$ 29.99	172	1.71	25.49
\$ 30.00	\$ 39.99	160	1.59	27.09
\$ 40.00	\$ 49.99	57	0.57	27.66
\$ 50.00	\$ 99.99	4600	45.83	73.48
\$ 100.00	\$ 199.99	1521	15.15	88.63
\$ 200.00	\$ 299.99	826	8.23	96.86
\$ 300.00	\$ 399.99	97	0.97	97.83
\$ 400.00	\$ 499.99	124	1.24	99.06
\$ 500.00	\$ 999.99	60	0.60	99.66
\$ 1,000.00	\$ 1,499.99	29	0.29	99.95
\$ 1,500.00	\$ 1,999.99	4	0.04	99.99
>\$2,000		1	0.01	100.00
		10,038		

The following table shows the estimated increase for rates above the current 2015-16 rate for the proposed SRV with no special increase to the minimum residential rate along with the impact of the revaluation of land which comes into force from 1 July 2016 also. The analysis shows that the rates for almost 12% of properties owned by pensioners will actually be less than their current rates, with 55% of properties paying between \$0.01 and \$100.00 and 33% paying more than \$100.00 extra.

Increase in rates for Properties owned by pensioners as a result of revaluation and SRV in 2016-17 with no increase to minimum rate for residential properties				
Increase/Decrease in rates (\$) from current 2015-16 rate to 2016-17 rate		Number of properties owned by pensioners within range	% of properties within range	Cumulative % of properties within ranges
\$ Range from	\$ Range to			
> -\$1,000		0	0.00	0.00
-\$ 500.00	-\$ 999.99	10	0.10	0.10
-\$ 100.00	-\$ 499.99	659	6.57	6.66
-\$ 50.00	-\$ 99.99	173	1.72	8.39
-\$ 20.00	-\$ 49.99	97	0.97	9.35
-\$ 0.01	-\$ 19.99	266	2.65	12.00
\$ 0.01	\$ 9.99	400	3.98	15.99
\$ 10.00	\$ 19.99	784	7.81	23.80
\$ 20.00	\$ 29.99	103	1.03	24.83
\$ 30.00	\$ 39.99	1705	16.99	41.81
\$ 40.00	\$ 49.99	229	2.28	44.09
\$ 50.00	\$ 99.99	2344	23.35	67.44
\$ 100.00	\$ 199.99	1771	17.64	85.09
\$ 200.00	\$ 299.99	1022	10.18	95.27
\$ 300.00	\$ 399.99	236	2.35	97.62
\$ 400.00	\$ 499.99	81	0.81	98.43
\$ 500.00	\$ 999.99	119	1.19	99.61
\$ 1,000.00	\$ 1,499.99	33	0.33	99.94
\$ 1,500.00	\$ 1,999.99	4	0.04	99.98
> \$2,000		2	0.02	100.00
		10,038		

The proposed special increase to the minimum rate for Residential properties will be a one-off increase in the first year only, with the proposed SRV increases to apply for the balance of the SRV period and then revert to rate peg increase.

5.2 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.

Penrith City is located at the western fringe of the Sydney metropolitan area -about 54 kilometres from the Sydney CBD. The City encompasses a land area of 407 square kilometres of which around 80% is rural and rural residential. Most of the urban area is residential with some commercial areas and industrial areas.

The residential areas of Penrith are a mix of established and urban release areas. There are 36 suburbs within the Penrith LGA of which 11 suburbs are located within rural areas.

Penrith LGA is an urban fringe location and has always been popular with young families looking to establish in new residential areas. According to the census data, the enumerated population of the Penrith LGA increased from 149,619 in 1991 to 171,870 in 2001 and 171,566 in 2006 and 184,611 in 2011 and 194,134 in 2014. The estimated resident population of the Penrith LGA in 2016 will be 202,342 and will rise to 256,051 by 2036. The following data is taken from the 2011 ABS Census and the data relating to Penrith City is mostly compared to The Western Sydney Regional Organisation Of Councils (WSROC) data. The WSROC comprises 10 LGA's in the western part of Sydney: Auburn City, Bankstown City, Blacktown City, Blue Mountains City, Fairfield City, Hawkesbury City, Holroyd City, Liverpool City, Parramatta City and Penrith City.

Income

In 2011, just under one fifth (19.6%) of all households in Penrith LGA had a low weekly household income (\$0-\$615 per week), another quarter (24.7%) of all households earned a low to medium weekly household income (\$615 to \$1,223) and 31.2% of all households earned a medium to high weekly income (\$1,234 - \$2,272). A quarter of all households earned a high weekly income of \$2,273 and more. **See table below.**

In comparison to WSROC and the Sydney SD, a slightly higher percentage of households in Penrith LGA earn a medium to high salary and slightly lower percentage of households earned a low salary when compared to the Sydney and WSROC average. **See table below.**

Penrith City Household Weekly Income - Source 2011 Census				
Weekly Household Income	No. of Households	PCC %	WSROC %	Greater Sydney%
Up to \$614.00 (Low)	10,504	19.6	23.5	21
\$615.00 to \$1,233 (Medium)	13,285	24.7	25.8	22.5
\$1,234 to \$2,272 (Medium - High)	16,726	31.2	28.1	25.8
Over \$2,273 (High)	13,141	24.5	22.5	30.6

SEIFA Index of Disadvantage

The Social Economic Indices for Areas (SEIFA) provides a numerical score to describe the level of relative socio-economic disadvantage in a local government area. A higher SEIFA score indicates that the area has fewer households with low socio economic indicators and is generally less disadvantaged. A low score indicates that many households are impacted by socio-economic disadvantage.

In 2011, Penrith LGA had a SEIFA Index of 996.3 which is slightly above the average for the WSROC region (975.2).

ABS 2011 SEIFA Index Comparison of WSROC Councils	
Local Government Area	SEIFA Index
Fairfield	854
Auburn	916.7
Bankstown	931.7
Liverpool	951
Holroyd	965.6
Blacktown	968.5
WSROC Average	975.2
Parramatta	983.7
Penrith	996.3
Hawkesbury	1020.3
Blue Mountains	1038.6
The Hills Shire	1101.1

Source: 2011 Census

Employment

The Penrith LGA enjoys a high level of employment. In 2011, the total labour force of Penrith LGA was 92,284 persons with the majority being in full time employment, while 40,876 residents aged 15 years or older did not participate in the labour force. In 2011 the proportion of unemployed residents in the Penrith LGA was 5.5%. The unemployment rate for Penrith LGA is comparable to the Sydney average and the WSROC region.

Housing Tenure

Penrith LGA has traditionally been a typical urban fringe area with high rates of growth and development in new housing estates and higher percentage of young families with mortgages.

In 2011, mortgagees are the primary tenure type in Penrith LGA accounting for 42.4% or 26,058 dwellings. This is a large proportion of private households being purchased.

Renters account for 25.6% or 12,369 households with Penrith LGA. The main group of renters rent private dwellings (20.8% of all households). Private renters are primarily located in the inner suburbs of St Marys (32.2%) and Kingswood (31%), however there is also a substantial private rental market in Glenmore Park (19%).

The other rental group are those who rent from the government generally through Housing NSW. The group accounts for 4.8% of all households (2951 households) which is a lesser percentage than that of the WSROC region (6.47%) or Sydney SD (5%). The biggest concentration of public housing within the Penrith LGA is located within North St Marys (18.8%) followed by Kingswood (12%).

Analysis of Rates arrears to determine affordability and/or capacity to pay

An analysis of rates arrears since 2010 shows that the % of arrears at year end has continued to decrease with the trend predicted to continue for the current rating year. This is one component that Council has considered to indicate that there may be a general level of affordability for a moderate rate rise.

Arrears at year end as a % of all rates and charges payable

Year	% of arrears
2010-11	5.6
2011-12	4.86
2012-13	3.88
2013-14	3.86
2014-15	3.61
2015-16 (to date)	3.47

An analysis of current accounts with an overdue balance show that the average overdue balance for suburbs with a SEIFA Advantage and Disadvantage (similar to the SEIFA Disadvantage) Ranking of 4 or less, which are considered to have a higher level of disadvantage, are mostly sitting in the middle third tangent overall (ie: not the highest average, but also not the lowest average) as shown in the table below. The suburbs with a higher average arrears balance but also have a higher SEIFA ranking would therefore benefit from the proposed increase to the minimum rate which would favour the higher valued residential suburbs.

Table XXX - Arrears Analysis - Residential Properties with an overdue balance as at January 2016 with the Australian Bureau of Statistics
SEIFA ranking of Advantage/Disadvantage - sorted by average arrears balance by Suburb (highest to lowest)

SUBURB	Overdue amount range			Total Number of Properties with an overdue balance	Average arrears balance	ABS SEIFA Ranking of Advantage/Disadvantage 1 = More Disadvantaged 10 = More Advantaged
	<\$100.00	\$100.00 TO \$500.00	>\$500.00			
Number of Residential properties with an						
LONDONDERRY	34	14	60	108	\$ 3,848	5
MULGOA	17	8	18	43	\$ 2,720	9
WALLACIA	7	11	14	32	\$ 2,348	7
AGNES BANKS	10	3	6	19	\$ 2,299	7
KEMPS CREEK	5	0	5	10	\$ 2,253	5
CAMBRIDGE GARDENS	21	21	7	49	\$ 1,537	5
CASTLEREAGH	10	5	28	43	\$ 1,463	8
LLANDILO	15	1	15	31	\$ 1,298	5
REGENTVILLE	18	9	9	36	\$ 1,189	6
BERKSHIRE PARK	11	3	5	19	\$ 1,145	6
MOUNT VERNON	20	0	16	36	\$ 966	10
CAMBRIDGE PARK	86	94	50	230	\$ 918	3
CRANE BROOK	218	188	99	505	\$ 871	5
OXLEY PARK	57	38	25	120	\$ 776	2
EMU PLAINS	102	56	39	197	\$ 678	7
ST CLAIR	256	236	115	607	\$ 677	6
SOUTH PENRITH	123	95	52	270	\$ 665	6
KINGSWOOD	111	277	50	438	\$ 663	2
COLYTON	111	81	53	245	\$ 613	3
JAMIS ON TOWN	67	63	31	161	\$ 566	5
ST MARYS	174	109	69	352	\$ 539	1
NORTH ST MARYS	49	34	11	94	\$ 487	1
WERRINGTON	49	48	27	124	\$ 482	2
PENRITH	155	98	61	314	\$ 458	2
EMU HEIGHTS	54	32	13	99	\$ 452	8
ERSKINE PARK	70	51	30	151	\$ 437	8
WERRINGTON DOWNS	50	38	16	104	\$ 416	6
CLAREMONT MEADOWS	64	56	28	148	\$ 402	7
GLENMORE PARK	308	200	104	612	\$ 382	9
LUDDENHAM	19	6	9	34	\$ 367	7
WERRINGTON COUNTY	62	38	23	123	\$ 313	6
LEONAY	34	23	8	65	\$ 294	10
JORDAN SPRINGS	75	38	32	145	\$ 262	NO RATING
CADDENS	20	3	5	28	\$ 240	NO RATING
ORCHARD HILLS	23	0	10	33	\$ 226	9
BADGERYS CREEK	0	0	0	0	\$ -	2

5.3 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 <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If Yes, is an interest charge applied to late rate payments?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the council propose to introduce any measures to reduce the impact of the proposed special variation on specific groups in the community?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

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).

Affordability, particularly for pensioners and those on fixed incomes, was a common theme in the feedback from the community consultation and Council has adopted a multi faceted approach to ensuring affordability:

1. A Hardship Policy has been endorsed by Council's FWP. This policy directly addresses issues of affordability particularly in relation to flexible payment arrangements and the waiving of fees in certain circumstances. Council believes that the policy has the ability to deal with those ratepayers that are placed under hardship due to increases due to the proposed SRV. The Hardship Policy also deals with the revaluation of land which may lead to some unbudgeted increases for customers also. As a result, no further plans have been made for any further changes made to the Hardship Policy (**Attachment 7**).
2. Council has reviewed its active advocacy for a better deal for pensioners (ie an increase to the \$250.00 rebate which has been at the same level for decades) in relation to council rates. Council is directly advocating for this to members and senior officials of both state and federal governments as well as through the Local Government and Shires Association and the Australian Local Government Association.
3. Penrith City Council also assists pensioners with an exemption from the Stormwater Management Service Charge, at a cost to Council in the region of \$210,000 per annum.

▼ Document Reference for Section 5

Attachment No.	Document
7	Hardship Policy
16	Rates Table 1 – Residential rates projections over four years with rate peg only.
16	Rates Table 2 – Residential Rates projections over four years with SRV over four years - without any special increase to minimum rates.
16	Rates Table 3 - Residential Rates projections over four years with SRV over four years - with Special Increase to Residential/Farmland Minimums in 2016-17.
16	Rates Table 4 – Suburb Analysis
16	Rates Table 5 – Farmland Rates projections over four years with Rate Peg Only
16	Rates Table 6 – Farmland Rates projections over four years with SRV over four years - without any special increase to minimum rates
16	Rates Table 7 - Farmland Rates projections over four years with SRV over four years - with Special Increase to Residential/Farmland Minimums in 2016-17.
16	Rates Table 8 – Business Rates projections over four years with Rate Peg Only
16	Rates Table 9 – Business Rates projections over four years with SRV over four years
16	Rates Table 10 – Business - Penrith CBD Rates projections over four years with Rate Peg Only
16	Rates Table 11 – Business - Penrith CBD Rates projections over four years with SRV over four years.
16	Rates Table 12 – Business - St Marys Town Centre Rates projections over four years with Rate Peg Only
16	Rates Table 13 – Business - St Marys Town Centre Rates projections over four years with SRV over four years.

6 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.⁴

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.⁵ However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council's website.

6.1.1 2014-15 Operational Plan

The 2014-15 Operational Plan is incorporated in the 2013-17 Delivery Program. This document was developed in consultation with Councillors the community and staff and included several actions relating to Council's overall productivity journey and the possible submission of a Special Rate Variation:

2014-15 actions

- Preliminary work to determine the need for and key purpose(s) of an SRV through undertaking the capacity review (2014-15 Operational Plan Action 7.2.1b) and reviewing the Resourcing Strategy (2014-15 Operational Plan Action 7.2.2a)
- Declaration of the intent to explore funding options for service and infrastructure needs, including a general special rate variation and potential to renew the AREAS special rate variation (2014-15 Operational Plan Action 7.2.3 b)

⁴ The IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan.

⁵ Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6.

Strategy 7.2

Ensure our finances and assets are sustainable and services are delivered efficiently

What we will do from 2013 to 2017 (4 year activities)	Service
7.2.1 Manage Council's business planning	Business Improvement
2014 - 15 actions	
a. Finalise and implement an integrated organisational priority framework	Business Improvement
b. Undertake capacity review	Business Improvement
7.2.2 Coordinate council's corporate research program within an integrated policy framework	Corporate Planning
2014 - 15 actions	
a. Review the Resourcing Strategy and integrate adopted Council strategies	Corporate Planning
7.2.3 Manage Council's financial sustainability and meet statutory requirements	Financial Services
2014 - 15 actions	
a. Review City wide rating structure	Financial Services
b. Commence community consultation to ensure all service and infrastructure needs are being addressed, exploring any funding options, including a general special rate variation and the potential to renew the AREAS special rate variation.	Financial Services

The draft document was endorsed by Council for exhibition on 28 April 2014. The report recommended exhibition and to include commentary on the LTFP, including that the plan was based on an assumption that the AREAS SRV would be renewed. This report also specifically foreshadowed the potential need for a funding strategy to 'do more than just replace' the AREAS SRV. Focus areas already under investigation at that time included:

- Consideration of a funding strategy that does more than just replace the AREAS SRV from 2015-16
- Removal of Section 94 funding planned to repay debt but now unlikely to be received for both the Cultural Facilities and Lambridge Estate Plans
- Staged withdrawal from annual borrowings for ongoing infrastructure renewal spend
- A more sustainable dividend from property development activity
- The long-term removal of the asset backlog
- An assessment of building asset renewal expenditure
- Establishment of a major projects reserve and allowance for design works in advance of project funding
- Increased allocation for annual resource increase requests
- Increased ICT investment
- Annual productivity targets

Penrith City Council Ordinary Meeting Business Paper, 28 April 2014, page 127

Exhibition commenced on 2 May 2014 and concluded on 2 June 2014. The public exhibition process encouraged community feedback on both parts of the draft 2014-15 Operational Plan:

- Part A : Operational Plan 2014-15 (including Service Plans, Budget, Revenue Policies and Special Initiatives)
- Part B : Fees and Charges 2014-15

The community had opportunity to view and comment on the draft Plan during the exhibition period through:

- Hard copies of the draft plan (both parts) were publicly exhibited at all Council libraries and at the Council offices at Penrith and St Marys, with accompanying “Have your Say” submission forms. Contact points were established at child care centres, as well as documents provided upon request.
- Copies of the draft 2014-15 Operational Plan and Fees & Charges were available on Council’s website

The exhibition was promoted through weekly advertisements in local papers, mayoral columns in local newspapers, social media, and newspaper editorial as well as on Council’s website and community engagement website (yoursaypenrith.com.au).

A total of 4 submissions were received, none of which were relevant to the long term financial plan, potential for an application for a special rate variation or other productivity or capacity building actions contained in the plan. The draft Operational Plan was adopted at this meeting.

DELIVERY PROGRAM REPORT**OUTCOME 7 - WE HAVE CONFIDENCE IN OUR COUNCIL**

10	<u>Adoption of Council's 2014-15 Operational Plan and Fees & Charges 2014-15</u>
169	<p>RESOLVED on the MOTION of Councillor Jim Aitken OAM seconded Councillor Tricia Hitchen</p> <p>That:</p> <ol style="list-style-type: none"> 1. The information contained in the report on Adoption of Council's 2014-15 Operational Plan and Fees & Charges 2014-15 be received. 2. In accordance with the Local Government Act 1993 under section 405, Council adopt the revised <i>Operational Plan</i> for 2014-15 and draft <i>Fees and Charges 2014-15</i>, including any amendments made at tonight's meeting. 3. Those who made submissions be advised of Council's decision and thanked for their contribution. 4. Those projects in the <i>Operational Plan 2013-14</i>, which were approved by Council in the March Quarterly Review 2014, be carried forward and added to the adopted <i>Operational Plan</i> for 2014-15. 5. Council approve for expenditure the budget as detailed in the <i>Operational Plan</i> for 2014-15, and on that basis formally vote these funds for the 2014-15 financial year.

The following is an extract from the 2014-15 Annual Report in which we provided information on the progress of relevant actions in the Operational Plan.

SERVICE ACTIVITIES	STATUS	HIGHLIGHTS AND COMMENTS
7.1.11 Manage Council's property portfolio	On Target	✓ Data for the new Asset Management System has been completed ready for upload and trial of the system.
7.1.12 Manage Council's Records Management program to ensure compliance	On Target	✓ Council staff continue to provide a records management service that complies with statutory requirements.
7.1.13 Manage access applications to meet statutory requirements	On Target	✓ All applications to access Council data were processed within the statutory time frame.
7.1.14 Support Council in managing enterprise risk and compliance	On Target	<ul style="list-style-type: none"> ✓ Council is committed to Enterprise Risk Management (ERM) for the systematic and effective management of risk consistent with International Standards ISO 31000. ✓ 2 Risk Management Excellence Awards received in 2014 (Westpool and UIP Member's Choice).
7.1.15 Manage insurance and claims	On Target	✓ Council staff manage the insurance function and associated claims in a professional manner.
7.1.16 Provide a human resources management service that responds to contemporary and emerging workforce and workplace issues through strategy and policy development	On Target	<ul style="list-style-type: none"> ✓ Salary Administration Policy reviewed to provide multiple step progression opportunities for staff in order to better acknowledge skill, knowledge and performance. ✓ Envisage seminars held for 250 mature aged workers. ✓ Return to work morning tea held for staff currently on maternity leave to support plans to return to the workforce
7.1.17 Support the organisation to meet statutory and regulatory requirements for employee relations, EEO and WHS	On Target	<ul style="list-style-type: none"> ✓ Council continues to support the organisation to meet statutory and regulatory requirements for employee relations, EEO and WHS. ✓ Implementation of EEO Management Plan 2015 – 2017.
7.2.1 Manage Council's business planning	On Target	✓ A review of all of Council's services is being conducted as one component of the Capacity Review. One third of the reviews have been completed and have identified broad issues that can be implemented to improve efficiency across the organisation. A template for internal business plans will be developed for implementation in the coming months.
7.2.2 Manage Council's financial sustainability and meet statutory requirements	On Target	<ul style="list-style-type: none"> ✓ Council's full financial statements were completed, audited and adopted as required by the legislation. ✓ The Financial Health Report is prepared for senior management each month and information on financial status of the organisation is monitored and presented to Councillors each quarter.
7.2.3 Coordinate Council's corporate research program with an integrated policy framework	On Target	✓ Council has conducted ongoing research in a number of areas to support existing policy directions and identify future opportunities. This has included research into cooling the city, alternative forms of energy, community engagement, valuation of street trees and asset management.

6.1.2 2015-16 Operational Plan

The 2015-16 Operational Plan is incorporated in the 2013-17 Delivery Program. This document was developed in consultation with Councillors and staff and included several actions relating to Council's overall productivity journey and the possible submission of a Special Rate Variation:

2015-16 actions

- Inclusion of more detailed alternate financial strategies in the 2015-16 Operational Plan, including overall increase to the 2014-15 base rate required, impact on the budget, long term financial plan and proposed modifications to funding for various programs (2015-16 Operational Plan pages 89-96)
- Declaration of the intent to continue to explore funding options for service and infrastructure needs, including a general special rate variation and alongside renewal of the AREAS special rate variation (2015-16 Operational Plan Action 7.2.3 b)
- Inclusion of tasks to start to realise other opportunities for increased funding and productivity improvements to be implemented in addition to any proposed SRV application (2015-16 Operational Plan Action 7.2.3c – Open Space Reinvestment Strategy; 2015-16 Operational Plan Action 7.2.5a – surplus land sites within the Property Portfolio)

Strategy 7.2

Ensure our finances and assets are sustainable and services are delivered efficiently

What we will do from 2013 to 2017 (4 year activities)	Service
7.2.1 Support organisational development and change initiatives	Business Improvement
2015 - 16 actions	
a. Improve customer service to provide a better customer experience	Business Improvement
7.2.2 Review and maintain contemporary corporate strategy and planning documents	Corporate Planning
7.2.3 Manage Council's financial sustainability and meet statutory requirements	Financial Services
2015 - 16 actions	
a. Review City wide rating structure	Financial Services
b. Complete community consultation to ensure all service and infrastructure needs are being addressed and explore associated funding options, including an additional special rate variation along side the renewal of the AREAS special rate variation.	
c. Conduct consultation to inform and then implement the Public Open Space Reinvestment Strategy	
7.2.4 Manage and maintain Council's fleet, plant and equipment	Fleet & Plant Maintenance
7.2.5 Manage Council's property portfolio	Property Development & Management
2015 - 16 actions	
a. Identify surplus land sites with the opportunity for better utilisation for the benefit of the city and community	Property Development & Management

The draft Operational Plan was endorsed for exhibition by Council on 27 April 2015. The report recommended the document for exhibition and to include information on the progress of the Financial Capacity Review, and in doing so made public relevant discussions which had previously occurred via the Finance Working Party (closed forum). These discussions included:

- A commitment to work towards renewing the AREAS SRV
- Endorsement of financial initiatives to strengthen our long term financial position including fundamental changes to service cost alignments, Property Development "dividends" and increased investments in Asset Management, ICT and Major Project funding and design
- Endorsement of Council Officers to commence broader community consultation around an option which included a potential future SRV to ensure Council is well placed to address our obligations to the Community and pass the stringent Fit for the Future criteria.

Action 7.2.3b above was included verbatim in the report to ensure that Councillors and the community were clear on the intention to consult around both a general special rate

variation and the potential to renew AREAS. (Penrith City Council Ordinary Meeting Business Paper pp 66-67).

Exhibition commenced on 4 May 2015 and concluded on 2 June, 2015. The public exhibition process encouraged community feedback on:

- Proposed amendments to the *Community Plan and Delivery Program 2013-17*,
- Part A : *draft 2015-16 Operational Plan* (including Service Plans, Budget, Revenue Policies and Special Initiatives), and
- Part B : *draft Fees and Charges 2015-16*.

The exhibition was promoted through weekly advertisements in local papers and the other avenues as mentioned above. During the exhibition period the community had the opportunity to view and comment on the draft Plans and proposed amendments with copies of the draft documents and supporting information being available at the Penrith Civic Centre, the Queen Street St Marys Centre and Council's libraries. Specific extracted copies of the *draft 2015-16 Fees & Charges* were available at Council operated Childcare Centres. The draft Plans were also available for viewing Council's online engagement portal – www.yoursaypenrith.com.au and promoted on Council's website. Public submissions could be submitted by completing the online feedback submission forms, email or letters.

The exhibition of the draft plans were available on Council's central online engagement portal – www.yoursaypenrith.com.au. In terms of activity, the statistics show that during the public exhibition period there were:

- a total of 448 visits to the site;
- 376* 'aware' visitors (i.e. someone visited the project page);
- 268* 'informed' visitors (i.e. someone looked at additional information on the project page such as the FAQ sections or timeline); and
- 4* 'engaged' visitors (i.e. someone has actively used the project page such as asking a question through the question tool). (Refer Figure 1 below).

**A single participant can perform multiple actions*

Visitors Summary



Highlights

TOTAL VISITS	448	MAXIMUM SINGLE DAY VISITORS	42
ENGAGED VISITORS	4	INFORMED VISITORS	268
		AWARE VISITORS	376

Figure 1 Visitors Summary to online portal during exhibition of the draft 2015-16 Operational Plan

A total of 10 submissions were received to the exhibition of Council's *draft 2015-16 Operational Plan* which were reported to the Ordinary Meeting of 29 June 2015. None of the submissions were relevant to the long term financial plan, potential for an application for a special rate variation or other productivity or capacity building actions contained in the plan. The draft Operational Plan was adopted at this meeting.

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Adoption of Council's 2015-16 Operational Plan & Fees and Charges, including amendments to the Community Plan and Delivery Program 2013-17

1173

RESOLVED on the MOTION of Councillor Michelle Tormey seconded Councillor Mark Davies

That:

1. The information contained in the report on Adoption of Council's 2015-16 Operational Plan & Fees and Charges, including amendments to the Community Plan and Delivery Program 2013-17 be received.
2. In accordance with the Local Government Act 1993 under section 405, Council adopt the revised 2015-16 *Operational Plan* and draft *Fees and Charges*, including any amendments made at tonight's meeting.
3. Council adopt the amendment to the *Community Plan* and changes recommended to Council's *Delivery Program 2013-17*.
4. Those who made submissions be advised of Council's decision and thanked for their contribution.

Councillors Kevin Crameri OAM, Jim Aitken OAM and Marcus Cornish requested that their names be recorded as having voted against the Motion.

6.1.3 Resourcing Strategy

The Resourcing Strategy includes the Asset Management Strategy and LTFP. The version adopted in June 2013 has been updated over the past 12 months to reflect the work done as part of the Capacity Review – particularly the financial strategies, long term financial plan and Asset Management Strategy including condition, backlog and forecast required expenditure. The Resourcing Strategy included as **Attachment 14** is consistent with current financial modelling and the Fit for the Future Improvement Plan. The Workforce Strategy has also been updated to reflect current challenges and include strategies to address issues identified through the Capacity Review.

The revised Resourcing Strategy was provided to Council in early February and again at the Ordinary Meeting of February 8, 2016. At this meeting Council endorsed a revised version of the Resourcing Strategy being forwarded as part of this application for a Special Rate Variation. The Resourcing Strategy was not placed on public exhibition, however it is available on Council's website:

Relevant information for all asset classes on quantity, condition, levels of service, current lifecycle expenditure, and forecast condition with current levels of expenditure was also provided to the Community Panel as part of the Panellist Information Book (pages 80 – 101). All information provided to the Panel was also available to the public via the 'yoursayPenrith' website (accessed via a link from Penrith Council website or directly).

<http://yoursaypenrith.com.au/community-panel>

The Long Term Financial Plan is available each year as part of the Operational Plan.

7 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 e.g. user charges. Please include below whether the proposed initiatives (i.e. 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.

7.1.1 Previous productivity improvements and cost containment strategies

As an organisation Penrith City Council has long realised that the key to long term financial sustainability is multi-faceted. We cannot simply rely on a rate peg that until recent times has been subject to politics and not kept pace with cost. Since the introduction of rate pegging in 1977 NSW Council's have been left behind, and the answer does not solely reside in SRVs. We have recognised that we must become more efficient, more innovative and more productive. As an outer metropolitan growth Council our challenges are amplified, and with every year more cost shift occurs.

In recognition of these challenges we have been striving for productivity improvements and in receiving our SRV approval in 2011 committed to continue to deliver productivity and cost savings to our community. **Table 7.1** highlights our achievements to date and recent budget developments have required that services continue to deliver on existing budgets and within existing staff allocations.

Table 7.1 – Productivity Improvements (2011-16)

Productivity Initiative	Service Efficiencies	Cumulative Efficiencies	Annual Savings	Cumulative Savings
<i>Service Change / New delivery model</i>				
Domestic Waste Management			\$2,700,000	\$9,900,000
Workers' Compensation Insurance			\$700,000	\$2,700,000
<i>Service Efficiencies</i>				
Light Vehicle Fleet Management			\$122,500	\$490,000
Group purchasing and tenders	\$550,000	\$3,300,000		
Improved mower technologies	\$350,000	\$350,000		
Relief Staff in CS			\$130,000	\$650,000
Printer technologies			\$131,000	\$131,000
Rural intersection mowing			\$40,000	\$200,000
Various Service delivery efficiencies			\$296,803	\$1,259,347
Funding Adjustment (CS, PBA and Cemeteries)			\$177,054	\$713,449
<i>Service Reductions</i>				
2011-12 Special Rate Variation adjustments			\$182,841	\$733,679
Disengagement from Immunisation			\$1,000	\$4,000
	\$900,000	\$3,650,000	\$4,481,198	\$16,781,475
<i>2015-16 Initiatives</i>				
Cemeteries - Increased fees to achieve cost recovery			\$143,577	
Waste Disposal (Street Sweepers)			\$170,000	
Skills & Knowledge and Skill shortage			\$41,000	
Restorations Officer/Income			\$49,747	
Mobility for building trades staff	\$150,000			
ICT Network speeds				
Toilet cleaning contract	\$307,000			
	\$457,000		\$404,324	
Total	\$1,357,000	\$3,650,000	\$4,885,522	\$16,781,475

Penrith's commitment to productivity has continued through the recent services review as detailed later in this application and further planned productivity improvements are included in **Attachment 15 (Confidential)**.

7.1.2 Service Review

Council conducted a review of all services between November 2014 and December 2015. The objectives of this review were to:

Save Costs – Council is looking for change within service delivery and corporate processes that will result in identifiable cost savings or increased income. These savings will not be delivered through deletion of existing filled positions; however they may be achieved through the re-assignment of staff to alternative roles or re-assignment of work activities to suitably skilled staff.

Improve Productivity- Council is looking for change within service delivery and corporate processes that will result in a measurable increase in availability of staff time. This time can then be re-allocated to other tasks or reserved for expected increases in work demand.

Improve Quality of Service To The Community – Council is seeking to confirm that the level of service provided to the customer is appropriate to the agreed level confirmed in service specifications. This will require a confirmation of customer and community expectations, contrasted with risk based responses to regulatory and asset management responsibilities.

Consider Alternative Delivery Models- Council is seeking to confirm that the selected delivery model is the appropriate model based upon the costs of service delivery.

The Service Review was carried out by internal teams supported by the Australian Centre of Excellence for Local Government (now CLG). A consistent process was followed for each service with the emphasis on determining if efficiencies could be gained without reducing the quality or level of service, and what blockages existed preventing more efficient service delivery. The review generated both specific recommendations for each service and organisation wide issues which, if addressed, will generate broader productivity increases.

Organisation wide recommendations and current program for implementation are outlined below. It should be noted that completion of the service review and implementation of the key findings were part of Council's commitment to increasing productivity included in our Fit for the Future Improvement Plan.

Standard recommendation 1:

Document and review key business processes within the service to establish a basis for continuous improvement

Progress to date:

Council has engaged Efficiency Works to deliver a Certificate IV in Competitive Systems to 24 staff from across the organisation. This project will look at priority business processes and recommend improvements. Once qualified, staff will continue to review, document and improve business processes over the next 2-3 years.

Expected productivity improvements:

Different process reviews will generate different levels of productivity improvements, some of which will be quantifiable and translate to bottom line savings, others will be time or productivity improvements which may result in increased service quality but which will not result in bottom line savings. As an example, the initial project has already identified significant potential to reduce time and resources by changing the process investigated by the pilot project. These have not yet been formally quantified, but could be in the order of \$100,000 p.a. ongoing savings (this figure does not include required one-off up-front investment).

Until the implementation of this project is further advanced accurate productivity savings cannot be quantified. Accordingly these figures have not been included in the Long Term Financial Plan at this stage. Once savings can be quantified the Long Term Financial Plan will be updated accordingly.

Standard recommendation 2:

Establish service level agreements with those services that contribute to or are dependent on the service outputs

Progress to date:

A template has been developed and is being tested through negotiation with Managers. Service Level Agreements will be prepared for all areas where critical dependencies exist, and will specify:

- Performance targets
- Benefits of or need for target to be met, expressed in terms of customer impact
- How performance will be measured

Expected productivity improvements:

The intent of service level agreements is to specify priority work and ensure that productivity of one service is not compromised by under resourcing or competing priorities in another. Successful development of service level agreements is expected to increase productivity in affected services but it is not known at this stage if this will translate to bottom line savings. Accordingly, no savings have been included in the Long Term Financial Plan at this stage. Should it become clear that bottom line savings will be delivered the Long Term Financial Plan will be updated accordingly.

Standard recommendation 3:

Prepare a revised Service Specification for CLT consideration

Progress to date:

A revised service specification template has been developed and will shortly be applied to all services in priority order over the next two years. This template will outline for every service:

- Agreed scope of work to be undertaken, responding to community expectations and the needs of the organisation
- Resources allocated – staff (including number and skill level), equipment and budget

- Expected level of performance with allocated resources
- Key performance indicators

Expected productivity improvements:

Clarification of sanctioned work and the level of work that can be delivered within allocated resources are expected to deliver savings in the future. Savings will come through a more robust assessment of competing bids for additional resources and reduction in unsanctioned work leaving more resources to deliver agreed programs. This will mean that growth can be accommodated within existing resources, and that capacity generated through other initiatives can be allocated to areas of demonstrated need.

Until the implementation of this project is further advanced accurate productivity savings cannot be quantified. Accordingly these figures have not been included in the Long Term Financial Plan at this stage. Once savings can be quantified the Long Term Financial Plan will be updated accordingly.

Standard recommendation 4:

Develop business measures for the service

Progress to date:

Council has commenced investigation of a performance measurement framework, however this has been placed on hold awaiting the outcome of the Office of Local Government's work in this area. Preliminary measures will be identified as part of developing service specifications and service level agreements that will be used to drive ongoing efficiencies and improvements in customer service. These may be revised once the OLG's framework is finalised.

Expected productivity improvements:

The need to reduce the cost of service delivery over time will be reflected in standard performance measures. This will encourage managers to pursue ongoing productivity improvements. Performance measures focussed on customer service will ensure that community needs are considered at all times.

Until the implementation of this project is further advanced accurate productivity savings cannot be quantified. Accordingly these figures have not been included in the Long Term Financial Plan at this stage. Once savings can be quantified the Long Term Financial Plan will be updated accordingly.

7.1.3 Review of purchasing and procurement processes

ArcBlue were commissioned to undertake a review into Penrith's procurement processes, following on from more general work they undertook for all WSROC councils. The two pieces of work build on each other to provide a comprehensive roadmap to improve procurement processes. The purpose of the review was to identify potential savings through procurement that could be realised in the immediate future. The review focussed on cost and value rather than just price.

Key findings of the review were:

1. Procurement is presently undertaken in a largely decentralised environment, with established policies and procedures
2. Insufficient resources are allocated to control and performance measures such as contract management, practice review and non-compliant management reporting
3. Highest potential savings were identified in the areas of construction and operations; utilities; professional services; plant and vehicles; repairs and maintenance; IT and telecoms' and purchase card usage and categories.
4. The review identified key areas to save costs and / or maximise value, including:
 - a. Demand management – avoid unnecessary consumption and consider on-going service requirements of any product to be purchased
 - b. Total cost of ownership – look for products and services with lower costs over their lifecycle
 - c. Environmental and social factors – look to purchase products or use companies that demonstrate sustainability and social justice
 - d. Volume aggregation – look for opportunities for economies of scale
 - e. Allocate risk to those best able to manage it
 - f. Ensure associated documentation (particularly design for construction works) are of high quality
 - g. Ensure projects are evaluated on the most appropriate and relevant criteria
 - h. Ensure negotiation is planned and focussed to deliver the best value possible (not just lowest initial price). Continuation throughout the life of the project.
 - i. Manage relationships with suppliers at all levels of the organisation
 - j. Manage supplier performance – do not allow scope creep or accept poor performance
5. Improvements in project and contract management (during both negotiation and implementation) has the potential to save significant costs
6. Review of some forms of purchasing (particularly purchase cards) and some individual spend areas has potential for significant benefits

Overall the review identified \$2.3 million in potential savings which were designated as 'easy' or 'very easy' to implement. Realising these savings will; however; require investment in staff and systems. A conservative estimate of potential savings has been quantified and included in initiative discussed in section 7.1.6 and **Attachment 15 (Confidential)**. Broader productivity gains (such as time savings, increased capacity etc.) that will not result in bottom line savings have not been included.

7.1.4 Change in Information and Communication Technology environment

Council identified in 2014 that ICT was an area of significant potential to improve efficiency across all areas of operations. It was acknowledged that major investment was needed to transform our ICT environment and *Beyond Technology* were commissioned to develop a new ICT Strategy to identify what was needed to allow Council to leverage opportunities presented by the NBN and mobile technology. The

findings of the review and the recommendations of the strategy were far reaching, involving a substantial refocus and restructure of the ICT Department as well as a significant investment in hardware, software and training for ICT staff. These recommendations were endorsed in January 2015 and are in the process of being implemented.

The reform of Penrith City Council's ICT is the key enabler for all other projects and will deliver significant productivity savings across the organisation. It will enable business process innovation, improved business efficiency, productivity and improved quality and timeliness of service to the community. Implementation of the new ICT Strategy began in February 2015 with a restructure of the IT Department and appointment of a Chief Information Officer (CIO) and is scheduled to be completed in 2016.

The following guiding principles have been established to underpin the transformation of Penrith City Council's ICT philosophy:

1. Integrated Systems

Fully integrated systems to improve access to information, leading to a more responsive service and better relationship with customers and suppliers; ensure better use of staff time.

2. Cloud first

Cloud based services will improve scalability and reliability, upgrades, agility, resilience against system failures and responsiveness to changing business needs.

3. Mobility enablement

Services available everywhere with appropriate security embedded into design and operation.

4. Application delivery

IT applications will be simple and easy to adopt.

5. Device and form factor

The service or application will be appropriate for the form factor of the prime audience or use responsive design.

6. Self or guided service access

Applications will be procured or developed with the concept of customer self-service being the preferred delivery platform.

7. Maintain currency of software

Installed versions will be no more than one major version behind the current version in the market place.

Significant resources have already been allocated to this process, and will continue to be allocated as each stage rolls out. The required investment for 2016-17 and 2017-18 has been included in endorsed financial strategies and incorporated into the Long Term Financial Plan. Key achievements are listed below. At this stage all savings have been rolled back into the budget for the ICT reform process so no savings in overall cost of service have been realised.

Key milestone	Nature of savings
Delivery of the CONNECT project – which included new and enhanced email, Office Suite and communications environment	Non-quantifiable productivity enhancements
Implementation of a new telephony system for the Civic Centre, St Mary Service Centre and the Depot	Avoids significant future expenditure
Provision of new Telecommunication services including mobile carrier and new data network	Minimal bottom line saving but improved conditions and benefits
Enablement of mobility with work anywhere on any device including new licensing arrangements and piloting of MS Surface devices	Non-quantifiable productivity enhancements
Delivery of a new online learning and training facility	Savings to be realised as part of overall service restructure (see Appendix 15)
Enhancing ICT services to controlled entities	Non-quantifiable productivity enhancements
Re-cabling of the Civic centre data network and core infrastructure upgrades	Avoids significant future expenditure
Implementation of customer contact centres	Savings to be realised as part of overall service restructure (see Appendix 15)

Expected productivity savings from 2016-17 onwards, where quantifiable, have been included in initiative discussed in section 7.1.6 and **Attachment 15 (Confidential)**. Broader productivity gains (such as time savings, increased capacity etc.) that will not result in bottom line savings have not been included.

7.1.5 Review of fees and charges

It is proposed to review fees and charges for all services to meet an agreed target for cost recovery. This target will be set for all services over the next few months, considering the following:

1. Refinement of estimated cost of service, taking account of agreed productivity initiatives (see section 7.1.6)
2. Examination of cost recovery rates for similar councils
3. Examination of potential impact of increased fees, particularly on vulnerable members of the community
4. Consultation with Councillors and affected stakeholders

Increased fees and charges will be introduced from 2017-18 and may be phased in over several years to reduce impact on users and allow the effectiveness of productivity measure to be assessed.

7.1.6 Future productivity initiatives

In addition to general, organisation wide initiatives the Service Review also identified a number of service specific recommendations. It looked at changes to internal operations of a service; method of service delivery (including outsourcing, shared partnerships and creation of arm's length entities); structural changes and changes to technology and systems. These recommendations and other initiatives identified for investigation by Managers and staff are expected to result in measurable productivity savings over the next four years as outlined in **Attachment 15**.

This table does not include non-quantifiable productivity improvements which are expected to flow from an improved ICT environment, mobility solutions, improved processes and service level agreements.

In some cases these are substantial changes that require discussion with Council, the Joint Consultative Committee and the Union. Given that negotiations are currently being undertaken and that no firm decisions around structural change and methods of service delivery, IPART is requested to keep **Attachment 15** confidential at this time.

8 List of attachments

The following is a list of the supporting documents to include with your application.

Some of these attachments will be mandatory to all special variation applications e.g., 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)	<input checked="" type="checkbox"/>
Part B Application form (Word document) – this document	<input checked="" type="checkbox"/>
1 Relevant extracts from the Community Strategic Plan	<input checked="" type="checkbox"/>
2 Delivery Program	<input checked="" type="checkbox"/>
3 Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	<input checked="" type="checkbox"/>
4 NSW Treasury Corporation report on financial sustainability	<input checked="" type="checkbox"/>
5 Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation	<input checked="" type="checkbox"/>
6 Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
7 Hardship Policy	<input checked="" type="checkbox"/>
8 Resolution to apply for the proposed special variation	<input checked="" type="checkbox"/>
9 Certification (see Section 9)	<input checked="" type="checkbox"/>
Other Attachments	
10 Relevant extracts from the Asset Management Plan	<input checked="" type="checkbox"/>
11 Past Instruments of Approval (if applicable)	<input checked="" type="checkbox"/>
12 Letter of Intention	<input checked="" type="checkbox"/>
13 Fit for the Future Improvement Plan – June 2015	<input checked="" type="checkbox"/>
14 Resourcing Strategy (revised and endorsed 8 February 2016)	<input checked="" type="checkbox"/>
15 Proposed productivity improvement strategies (CONFIDENTIAL)	<input checked="" type="checkbox"/>
16 Rates Tables	<input checked="" type="checkbox"/>
17 Community Unfunded Priorities	<input checked="" type="checkbox"/>
18 Detailed Asset Renewal Program 2016 – 2020	<input checked="" type="checkbox"/>
19 SRV Community Submissions (CONFIDENTIAL)	<input checked="" type="checkbox"/>

9 Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: Penrith City Council

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

General Manager (name): Alan Stoneham

Signature and Date:

15 February 2016

Responsible Accounting Officer (name): Vicki O'Kelly

Signature and Date:

15 February 2016

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