

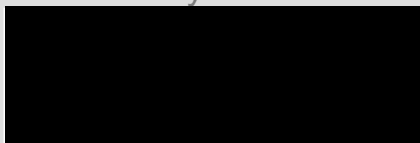
Independent Pricing and Regulatory Tribunal
New South Wales

Special Variation Application Form – Part B

For 2019-20

Sutherland Shire Council

5th February 2019



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Tribunal Members

The Tribunal members for this review are:

Dr Peter J Boxall AO, Chair

Mr Ed Willett

Ms Deborah Cope

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

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1 Introduction

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

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

In addition, councils must complete the Part B form with the Part A (spreadsheet) form for both section 508(2) or section 508A applications. The Guidelines also require the council to have resolved to apply for a special variation. You must attach a copy of the council's resolution. IPART's assessment of the application cannot commence without it.

If the proposed special variation includes increasing minimum rates above the statutory limit in the same rating year/s, the council may submit a combined special variation and minimum rate application (see Chapter 5 for circumstances where a combined application may be submitted). However, this must be clearly identified and addressed in the special variation application. A separate Minimum Rate application form (Part A and Part B) will need to be submitted where a council proposes increases to its minimum rates above the statutory limit for the first time, without increasing other ordinary rates in the same rating year. Councils are encouraged to discuss their proposed application with IPART as soon as possible.

As outlined in the Guidelines, new councils created in 2016 (apart from Mid-Coast Council) will be ineligible for special variations for the 2019-20 rating year.

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](#).

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

This application form consists of:

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

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 30 November 2018.

Any councils that did not notify but intend to apply for a special variation for 2019-20 should contact us as soon as possible.

Online submission of applications

All councils intending to apply for a minimum rate increase must use the [Council Portal](#) on IPART's website to register as an applicant council and to submit an application.

You are required to submit the application, via the Council Portal, by **Monday 11 February 2019**.

The [User Guide](#) for the Portal will assist you with the registration and online submission process. If you experience difficulties please contact:

▼ Arsh Suri - Arsh_Suri@ipart.nsw.gov.au or 02 9113 7730

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. We generally request supporting documents of the same type to be combined and most supporting document categories have a maximum number of 5 documents allowed. 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.

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 submitting an 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.

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". The purpose should be directly related to the special variation being sought and should be further detailed in the sections below.

Maintain existing services	<input type="checkbox"/>
Enhance financial sustainability	X
Environmental services or works	<input type="checkbox"/>
Infrastructure maintenance / renewal	X
Reduce infrastructure backlogs	X
New infrastructure investment	<input type="checkbox"/>
Other (specify)	<input 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.

What Council is seeking

Sutherland Shire Council is seeking a special rate variation (SRV) to general income under Section 508(2) of the Local Government Act 1993 (NSW) which will increase rates for 2019/20 by 8.84% (inclusive of the rate pegging limit of 2.70%). The variation is to be applied through the increase in minimum rates from the incremented level of \$618.56 (based on application of the 2019/20 rate pegging limit) to \$900.00. All other residential properties above the proposed minimum rate will only have the rate pegging limit applied.

The SRV is projected to increase revenue by \$7.286 million which will be allocated to infrastructure and renewal programmes in 2019/20.

Why Council is seeking an SRV

The rationale behind requesting to increase the minimum rate is to improve Council's financial sustainability and provide additional funding for infrastructure renewals that in turn will address a deteriorating portfolio of Sutherland Shire Council assets. The proposed SRV is for the purpose of enhancing Council's financial sustainability which will lead to reduced operating deficits and enabling additional infrastructure renewals to reduce the current infrastructure backlog of \$42 million (2017/18) which is forecast to increase to \$114.4 million (4.43%) by 2028/29.

The proposal to increase minimum rates only within the proposed rating structure attempts to reflect equity in contribution to Council services amongst all residents of the Sutherland Shire by realigning the amount paid by apartments/units compared with rates paid by the average house.

Council's LTFP has for some time indicated a decline in key performance ratios. This is the result of increasing costs that councils generally have been forced to absorb, such as energy cost increases, and specific requirements faced by this Council, including dredging requirements within Sylvania Waters and increased development which has placed significant strain on existing infrastructure assets.

Steps we have taken

Integrated Planning & Reporting

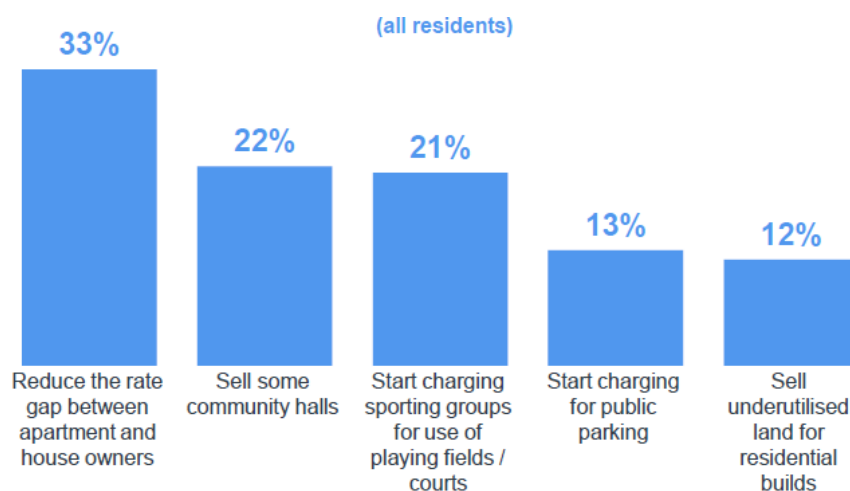
Council undertook a comprehensive review of its Community Strategic Plan (CSP) and Integrated Planning and Reporting (IP&R) suite throughout 2016/17, with the new documents adopted by Council in June 2017. With the decline in key performance ratios, Council has actively engaged the community in a conversation about the vision and challenges for the future, and the community's expectations of the assets and level of services delivered by Council.

An extensive community engagement programme has informed the review of the CSP and the development of the Delivery Programme 2017-2021 and Resourcing Strategy (*see full details in section 3.1*), and in 2018 Council undertook a further extensive community research and engagement programme which included specific consideration of financial sustainability.

Some of the key findings in relation to financial sustainability, from that programme were:

- 68% believe Council should reduce the gap between rates charged for houses and units/apartments;
- 76% of respondents believed that the amount paid to Council should be fair between houses and apartments;
- Residents did not want road and footpath maintenance/condition to reduce;

- Residents highly value outdoor spaces are highly valued and play a critical role in maintaining quality of life;
- When asked to consider the minimum rates applied by other councils and the average number of people residing in different dwelling types, residents felt \$955 was a fair annual minimum rate for units/apartments; and
- When presented with a range of options for raising revenue, reducing the rate gap between houses and apartments was preferred over options such as selling community halls, or implementing user fees for sporting fields or paid parking.



Full research report is included at Attachment 5.

Long Term Financial Sustainability (LTFP)

A key document in Council's IP&R suite is the Resourcing Strategy.

Following the presentation of the 2017/18 Annual Financial Statements to Council, a Finance Working Party, comprising seven of the fifteen councillors, was established with the objective of overseeing Council's 'financial strength and sustainability and make recommendations that improve the long term financial sustainability'.

The Finance Working Party reviewed the LTFP and identified the need to raise between \$8 and 10 million of additional income or expenditure reductions annually to bring Council's operating result (excluding domestic waste) to an acceptable level. It was also recognised that the infrastructure backlog was at \$42 million and insufficient funding would be available in future years to stop this increasing. Given these concerns, the Finance Working Party determined that a report be presented to Council outlining outcomes of:

- Increasing rates by the rate pegging limit only;
- Increasing minimum rates to \$900;
- Increasing minimum rates to \$900 and applying a further increase above the rate pegging limit to all other categories of rates.

This report was presented to Council at an Extraordinary Council Meeting on 26th November 2018 where it was determined that an SRV, above the rate pegging limit and equivalent to an increase in the minimum rates to \$900, be prepared (*See section 6*).

In conjunction with the SRV process, the preparation of the LTFP has also incorporated an 'efficiency dividend', equivalent to 1.25% of operating expenditure (excluding depreciation and loss on disposal of assets) in 2019/20, 2023/24 and 2027/28. The cumulative impact of this is nearly \$54 million over the ten years. This will be generated through a review in service delivery and alternative income sources, such as the introduction of user fees and charges.

An eight week consultation period commenced on 10 December 2018, and concluded at 5pm on 4 February 2019, including the exhibition of the revised LTFP (2018 – 2028). Full details of the consultation program and the results are outlined in section 4. Councillors were actively involved in consultation activities, and the results of the engagement program were reported to Councillors progressively throughout the consultation period. Councillors held a briefing workshop at the conclusion of the consultation period to consider the outcomes of the engagement program.

A further aspect to the Resourcing Strategy, and in turn the LTFP, has been the continuous development and improvement in the maturity of the Asset Management Plans with an independent consultant, Morrison Low. This identified both the current and significant growth in the gap between actual and required expenditure on asset renewal, without the injection of additional funding. Council's financial data in relation to assets in preparation of the LTFP was also reviewed by the consultants and infrastructure data modelled to develop the outcomes. Again, this highlighted the continual and increasing deterioration in asset condition without increased renewal activities.

Council's Audit, Risk and Improvement Committee has also expressed concerns in relation to Council's long term financial sustainability, recommending further reports be prepared identifying measures being undertaken to address financial sustainability issues, as detailed in section 3.2.

2.3 Existing s508A multi-year special variation

You should complete this section if the council has an existing s508A multi-year special variation instrument that will continue to apply in the period for which the council is seeking further changes to its general income.

If IPART decides to approve an increase to the council's general income in response to this application, it will vary the existing s508A multi-year special variation instrument. Therefore, by completing this application form and seeking a further change to your revenue path, you are in effect applying for a variation to that instrument.

When addressing the assessment criteria in the remainder of this application form, please take care to be clear about whether the information you are providing is in relation to the incremental increase being sought by the council or the total cumulative increase that may be

reflected in a varied instrument (this would include the aspects of the application that have previously been approved by IPART).

Does the council have a s508A multi-year special variation instrument that will continue to apply in the period for which the council is seeking further increases to its general income Yes ☐ No ☒

If Yes:

- a) Over what period does the existing instrument apply? From _____ to _____
- b) What are the approved percentages for each year of the existing instrument? _____
- c) Briefly describe any significant changes of relevance since you submitted the application for the existing instrument.

2.4 Capital expenditure review

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

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

Does the proposed special variation require council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010 Yes ☐ No ☒

If Yes, has a review been done and submitted to OLG? Yes ☐ No ☐

3 Assessment Criterion 1: Need for the variation

Criterion 1 in 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.*

The IP&R documents and the council's application should provide evidence to establish this criterion. This could include evidence of community need /desire for service levels/projects and limited council resourcing alternatives.

Evidence could also include the analysis of the council's financial sustainability conducted by Government agencies.

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, as well as 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 and the Delivery Program, and, where appropriate, the Asset Management Plan. The purpose of the proposed special variation should also be consistent with the priorities of the Community Strategic Plan.

3.1 Case for special variation – community need

In its application, the council should summarise and explain:

- ▼ How it 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 loan borrowings, or private public partnerships or joint ventures.

-
- ▼ How the proposed special variation impacts the Long Term Financial Plan 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 Long Term Financial Plan forecasts.

In addressing this criterion, you should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

Community Needs and Desires

Sutherland Shire Council's Integrated Planning and Reporting Framework

In September 2016 a new Council was elected for the Sutherland Shire LGA. The newly elected Council determined to undertake a comprehensive review of its Community Strategic Plan and Integrated Planning and Reporting (IP&R) framework, which commenced in late 2016, with the new documents adopted by Council in June 2017.

Through the ongoing development of its IP&R framework, Council has actively engaged the community in a conversation about the vision and challenges for the future, and the community's expectations of the assets and services delivered by Council.

An extensive community engagement programme informed the review of the Community Strategic Plan and the development of the Delivery Programme 2017-2021 and Resourcing Strategy.

A key informing element was an in-depth community telephone survey undertaken by Micromex Research in October – November 2016 with a statistically valid representative sample. This research informed the identification of key community priorities, and an understanding of satisfaction and expectations across Council's assets and service portfolio. Key findings indicated a high level of overall satisfaction with Council, a desire to maintain or improve existing assets and services and priority service area performance improvements.

A summary of the key results are outlined below, with the full report at Attachment 5.

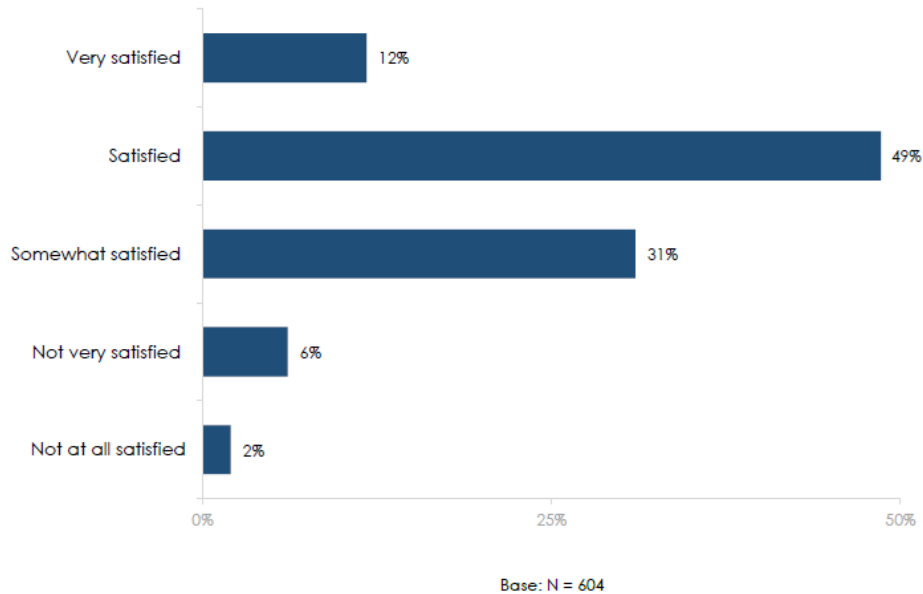
Overall satisfaction with Council

61% were satisfied or very satisfied with Council, with a further 31% somewhat satisfied. This puts Sutherland Council with a higher satisfaction score as compared to both NSW Councils and Metropolitan Sydney Benchmark

NSW LGA BRAND SCORES	Metro Benchmark	Regional	All of NSW	Sutherland Shire Council 2016
Mean ratings	3.45	3.22▼	3.31▼	3.62▲

Scale: 1 = not at all satisfied, 5 = very satisfied

▲▼ = A significantly higher/lower level of satisfaction



When asked to identify valued aspects and priority issues for the community over the long terms, responses highlighted that key Council assets and services were significant contributors to quality of life, and area of concern to maintain into the future. The word frequency tag maps below highlight key findings:

Community valued aspects:



Community priority issues:



Service Performance Gap Analysis

In considering specific asset and service groups, a service performance gap analysis showed key assets including roads and footpaths (with 4 attributes in the top 10), footpaths, stormwater and parks/playgrounds indicated a performance gap between importance and level of satisfaction. Significant performance gaps were also evident across long term planning, and communication and involvement in Council decision- consistent with overall findings around need for increased engagement with the community.

Ranking	Service/ Facility	Importance Mean	Satisfaction Mean	Performance Gap
1	Long-term planning for the Shire	4.7	2.93	1.77
2	Neighbourhood traffic conditions/ management	4.53	2.94	1.59
3	Effective communication of council decisions	4.35	3.01	1.34
3	Consideration of local community views in decision making	4.28	2.94	1.34
4	Overall condition of the local sealed road network	4.52	3.19	1.33
5	Condition/cleanliness of public toilets	4.34	3.01	1.33
9	Overall condition of the local footpath network	4.3	3.16	1.14
10	Provision of footpaths	4.27	3.17	1.1
15	Management of Shire tree coverage	4.26	3.44	0.82
17	Management of beaches and waterways	4.68	3.89	0.79
20	Management of local bushland	4.5	3.81	0.69
20	Provision of bike paths	3.45	2.76	0.69
23	Stormwater drainage	4.42	3.75	0.67
25	Streetscapes around shopping areas	3.95	3.49	0.46
27	Parks and playgrounds	4.12	3.91	0.21
28	Ovals and sportsgrounds	3.97	3.86	0.11

(extract, pg 18, Community Research Report, December 2016 – See Attachment 5)

Service Area Analysis

Results were explored across 36 service areas, with a Shapley Regression Analysis assessing the influence of importance and satisfaction against overall satisfaction with Council, with key findings included:

- **Our Spaces and Places** – contributes over 30% to overall satisfaction with Council. This service area includes assets and services roads, footpaths, public toilets, public domain and bike paths.
- **Thriving Community Great Lifestyle** – contributes 17% to overall satisfaction with Council and includes key assets of parks & playgrounds, community buildings, sport & leisure facilities, libraries and cultural facilities.

Along with the asset and service analysis, a key finding in the 2016 research was around Community Engagement and Leadership – with the themes of community engagement, opportunities to participate in decision making, Council planning for the future and financial sustainability. This was a significant contributor to overall satisfaction, and informed a strong focus on building these areas in the 2017-21 Delivery Programme. Therefore, engaging the community about the financial sustainability challenges has been a key focus across the first two years of the 2017-21 Delivery Programme.

The results of this research, along with the feedback received through the public exhibition of the IP&R documents informed the priorities in the Delivery Programme 2017 -2021 and associated Resourcing Strategy documents.

Key items in the CSP, DP and Resourcing Strategy include:

Document	Section/Extract	Relevance/Relationship to SRV
Community Strategic Plan	Vision: A connected and Safe Community that respects people and nature, enjoying active lives in a strong local economy Key Outcomes: We want to: 1. work together in Sutherland Shire as a community informed and engaged in its future 2. enhance and protect the beautiful and healthy natural environment of Sutherland Shire 3. sustain Sutherland Shire as a caring and supportive community 4. evolve Sutherland Shire's culturally rich and vibrant community 5. progress the Sutherland Shire as a prosperous community for all 6. sustain Sutherland Shire as a liveable place where we can all continue to enjoy a high quality of life.	Outlines the shared vision for the future, and the key outcomes which shape the priorities in working towards the future

	How we created the plan Demographic Analysis Context sections 1-6	Outlines the engagement with the community which informed the development of the CSP Vision and key outcome areas, and feedback specific to outcome areas 1-6
Delivery Programme	1B Develop and implement an Engagement Strategy & Plan	Responded to identified community feedback on increased engagement and collaboration in Council decision making. Ensure Engagement framework in place to support ongoing collaboration and participation in decision making
Delivery Programme	1E Implement the Finance Strategy including the Long Term Financial Plan (LTFP)	Financial Strategy & LTFP are the key documents outlining the objectives and financial strategies in working towards sustainability
Delivery Programme	1G Implement the 2017-21 Asset Management Strategy	The Asset Management Strategy outlines the framework in the planning and management of Council's asset portfolio
Delivery Programme	1D Develop and Implement a Customer Experience Strategy and Plan	Responded to identified community feedback on increased engagement and collaboration in Council decision making
Delivery Programme	2C. Develop and implement a Catchment and Waterway Management Strategy and Plans	Responded to identified need to ensure management framework reviewed/established across key asset and service areas
Delivery Programme	6E. Develop and implement an Integrated Transport Strategy and Plan	Responded to identified need to ensure management framework reviewed/established across key asset and service areas
Delivery Programme	6F. Develop and implement an Open Space Leisure and Recreation Strategy and Plan	Responded to identified need to ensure management framework reviewed/established across key asset and service areas
Asset Management Strategy	Objective 1: To ensure a sustainable service offering to the community by evolving and embedding a culture of asset management. Action 1.1 – 1.5	Responded to identified need to ensure management framework reviewed/established across key asset and service areas
	Objective 2: To ensure decision making reflects community value for this generation and the next.	Responded to identified need to ensure management framework

	Action 2.1 – 2.4	reviewed/ established across key asset and service areas
Long Term Financial Plan	Full details of the Financial Strategy and LTFP as relevant to this application are addressed in sections 2.2, 3.2, 3.2, 5 and 7.	Responded to identified need to ensure management framework reviewed/ established across key asset and service areas

The currently adopted documents are available on Council's website at:

<http://www.sutherlandshire.nsw.gov.au/Council/Strategies-Plans-and-Reports>

Ongoing Research and Engagement

Throughout the current term, Council has actively sought to continue to inform and engage the community to build understanding of Council's services and the challenges faced in regard to financial sustainability and the increasing infrastructure backlog over the term of the LTFP.

Two further key research pieces, *both with statistically valid representative sample size*, have informed the ongoing annual review of Council's IP&R documents:

1. 'A Shout Out To The Shire: Making Decisions for the Future' (Ruby Cha Cha Research Consultants)

This community research undertaken in 2017/18 explored the community's priorities and expectations for service level and obtained feedback on a range of financial strategies to address the growing asset backlog, including increasing rates, with key findings including:

- Residents wanted a greater understanding of where Council spends their fund and how Council determines rates;
- Residents feel additional revenue to meet financial sustainability challenges should be achieved through a range of strategies, including increase rates, asset consolidation;
- 76% of residents believe that the amount of rates paid should be fairer between houses and units/apartments;
- 68% believe Council should reduce the gap between rates charged for houses and units/apartments;
- There was a higher level of support for increasing the minimum rate than a blanket increase;
- When presented with the comparison Sydney rate values, increasing the minimum to \$955 was considered to represent a fair distribution (mean across weighted samples of rate paying participants: across all dwelling types \$955, \$997 for those in houses, \$899 for those in medium density, \$731 for high density);
- When presented with a range of options for raising revenue, reducing the rate gap between houses and apartments was preferred over options such as selling community halls, or implementing user fees for sporting fields or paid parking;
- Residents did not want road and footpath maintenance/condition to reduce; and

-
- Residents highly value outdoor spaces are highly valued and play a critical role in maintaining quality of life.

The full results are contained in the report 'A Shout Out To The Shire: Making Decisions for the Future' is included at Attachment 5.

2. Bi-annual annual Community Satisfaction and Importance survey (undertaken by Micromex Research)

In late 2018 Council repeated its bi-annual Community Satisfaction and Importance survey. The results were largely consistent with results from the 2016 survey in regards to satisfaction with Council and levels of service delivery.

Key findings relevant to the SRV proposal include:

- There was a decline in the level of satisfaction across 10 out of 34 comparable services (*2016 data), including condition of road network, neighbourhood traffic condition and public domain;
- Performance Gap Analysis identified road assets, public toilets and community engagement/governance as areas with the largest performance gap; and
- The top 10 drivers of satisfaction included financial management, neighbourhood traffic conditions, long term planning, stormwater and quality and appearance of the built environment.

The full research report is included at Attachment 5.

As outlined above, Council has actively sought to continue to inform and engage the community to build understanding of Council's services and the challenges faced in regard to financial sustainability and the increasing infrastructure backlog over the term of the LTFP.

Decisions and Options

The revisions of the Financial Strategy and LTFP for both 2017/18 and 2018/19 outlined a range of financial models including rate rise options and additional strategies of user fees and efficiency dividends to address the long term financial sustainability challenges.

As outlined in section 2.2, throughout 2018 Council's Finance Working Party considered resourcing options, and in November 2018 a report outlining the proposed rate model was considered by Council and adopted for community consultation. An eight week consultation period commenced on 10 December 2018, including the exhibition of the revised Long Term Financial Plan (2018 – 2028). Community research has shown that they were not in favour of additional fees or charges and reduced service levels. Full details of the consultation program and the results are outlined in section 4 of this application.

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, NSW Treasury Corporation). Indicate how such assessments of the council's financial sustainability are 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.

Current state

Sutherland Shire Council's LTFP has been developed using the best information available in relation to expenditure and income trends, to monitor Council's long term financial sustainability and implement remedial action where necessary.

Through managing spending against available income over many years, Council has been able to consistently produce financial ratios that, for the best part, satisfy industry benchmarks. However, infrastructure ratios have been trending negative against benchmarks and are projected to deteriorate further if remedial action (allocation of greater funding) is not forthcoming. Increasing operating expenditure in comparison to revenue has resulted in less funding or deferral of typical renewal activities, such as sporting field surface renovations and floodlighting renewals, open space furniture renewals and natural areas renewals, which are highly valued within an active outdoors community such as Sutherland Shire.

Actual results over the past three years show the following:

Year ended 30 June:	2016	2017	2018
Financial Ratios			
Operating Performance Ratio	7.10%	9.25%	3.23%
Own Source Operating Revenue Ratio	85.39%	76.39%	83.98%
Unrestricted Current Ratio	1.70 times	2.36 times	2.91 times
Debt Service Cover Ratio	10.65 times	21.17 times	17.88 times
Rates and Annual Charges Outstanding Ratio	3.56%	3.59%	3.58%
Cash Expense Cover Ratio	4.5 months	6.1 months	7.7 months
Infrastructure Ratios			
Building and Infrastructure Renewals Ratio	112.42%	57.61%	105.54%
Infrastructure Backlog Ratio	2.38%	1.93%	2.13%
Asset Maintenance Ratio	93.09%	101.02%	90.71%
Cost to Bring Assets to Agreed Service Level	n/a	3.41%	3.52%

Council acknowledges that the renewal and maintenance of its infrastructure assets is paramount to the delivery of services to the community and that these services are well received by the community. However recent cost increases incurred by councils, most notably electricity costs, have further eroded the level of funding available for renewals and the increasing maintenance levels. On this basis, the infrastructure ratios are projected to continue to decline and the future cost of asset rectification will increase significantly.

Council has been undertaking improvements, over a number of years, in the development of its asset management plans and associated asset lifecycle (*please see attachment 9 - IPART Submission - Q787_18 Internal Audit - Useful Life of Council's Infrastructure Assets - Final Report*). This risk have been brought to the attention of Council's Audit and Risk Committee and action plans are being prepared to mitigate the risk. This submission to IPART forms part of the risk mitigation actions to improve financial sustainability.

A further aspect to the Resourcing Strategy, and in turn the LTFP, has been the continuous development and improvement in the maturity of the Asset Management Plans with an independent consultant, Morrison Low. This identified both the current and significant growth in the gap between actual and required expenditure on asset renewal, without the injection of additional funding. Council's financial data in relation to assets in preparation of the LTFP was also reviewed by the consultants and infrastructure data modelled to develop the outcomes. Again, this highlighted the continual and increasing deterioration in asset condition without increased renewal activities.

The community feedback to Council on asset related services over the past 18 months has generally been to maintain current levels of service and in some cases improve the levels of service. The clear conclusion from the Asset management Plans is that the increasing gap between required renewal spend and actual renewal spend will inevitably lead to more assets in key areas such as open space and roads falling into poor and very poor condition with the resulting likelihood of service outage and community dissatisfaction.

The submission to IPART is on the basis of maintaining the current level of service for assets, consistent with the community feedback received to date. Council's future level of renewal investment in stormwater assets requires more work to be done to model the required

investment. Consistent with the commentary in the Asset Management Plan, any substantial investment in renewal of Stormwater assets should be delayed until maturity is improved and considering the relative young age of Council's stormwater assets this is considered to be an appropriate course of action.

The decline in both the financial and infrastructure ratios projected over the term of the LTFP has been identified by Council's Audit, Risk and Improvement Committee (ARIC) who have expressed concerns in relation to Council's long term financial sustainability:

"The Committee expresses concern about Council's financial sustainability and recommends a further report is presented at the Council meeting in April to address the measures being taken in relation to financial sustainability issues" (ARIC029-18 of 7 March 2018).

This was reiterated by the ARIC again at its meeting of 17 October 2018 (ARIC066-18).

Impact of proposed SRV

Without increasing income or decreasing expenditure significantly, Council will not be able to maintain its long term financial sustainability. The LTFP has incorporated an 'efficiency dividend', equivalent to 1.25% of operating expenditure (excluding depreciation and loss on disposal of assets) in 2019/20, 2023/24 and 2027/28. The cumulative impact of this is nearly \$54 million over the ten years. This will be generated through a review in service delivery and alternative income sources, such as the introduction of user fees and charges. However, this will not generate sufficient funding to provide financial sustainability.

Council's Operating Performance Ratio (excluding Domestic Waste) shows the following outcome with and without an SRV. Note: Council's current domestic waste operation is running at significant surplus which is externally restricted. Excluding this amount reflects a more accurate position in relation to financial sustainability.

Operating Performance Ratio excluding Domestic Waste

%	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PEG	-5.41	-5.36	-4.13	-3.77	-2.64	-3.51	-3.04	-4.55	-1.61	-2.30
SRV	-1.59	-1.58	-0.41	-0.07	1.00	0.14	0.58	-0.89	1.93	1.25

Although the 'efficiency dividend' is included, whether Council is granted an SRV or not, the table shows that Council will not achieve an operating surplus in any of the ten years of the LTFP without an SRV. With an ongoing increase in rate income, through an SRV, Council will be able to achieve positive operating results from 2023/24, other than 2026/27 when Council is again required to undertake dredging works which have a substantial negative impact on operating performance (\$3.8 million). These works will be funded from reserve funds, allocated annually, so as not to impact on funds available for infrastructure renewal works. Through the additional rate income, the trend, with the exception of 2026/27, is towards improvement in this ratio.

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 Long Term Financial Plan, an analysis of council's performance based on key indicators (current and forecast) which may include:

- ▼ Operating performance ratio excluding capital items (ie, net operating result excluding capital grants and contributions as percentage of operating revenue excluding capital grants and contributions).
- ▼ Own source revenue ratio (ie, total operating revenue excluding capital items as a percentage of total operating revenue including capital items).
- ▼ Building and asset renewal ratio (ie, building and infrastructure asset renewals as a percentage of building and infrastructure depreciation, amortisation and impairment)
- ▼ Infrastructure backlog ratio (ie, estimated cost to bring assets to satisfactory condition as a percentage of total (written down value) of infrastructure, buildings, other structures, depreciable land and improvement assets)
- ▼ Asset maintenance ratio (ie, actual asset maintenance as a percentage of required asset maintenance).
- ▼ Debt service ratio (principal and interest debt service costs divided by operating revenue excluding 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).

Operating Performance Ratio

%	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PEG	-2.70	-3.03	-2.41	-2.52	-1.97	-2.98	-2.58	-3.85	-1.37	-1.95
SRV	0.41	0.08	0.67	0.57	1.10	0.12	0.49	-0.75	1.64	1.06

The industry benchmark for the Operating Performance Ratio is greater than 0. Based only upon a rate increase of the rate peg, Council's operating performance ratio will be below the benchmark across all years of the LTFP. This is despite the inclusion of periodic improvement targets incorporated in the LTFP totalling nearly \$54 million over the period. The trend of operating expenditure exceeding levels of operating revenue has an impact on the infrastructure ratios as reduced funding is available for renewals.

Additional income from an SRV will improve these ratios and bring them into line with benchmark levels. Indications are that operating surpluses will be achieved in each year, other than 2026/27 for reasons previously outlined (*dredging works*).

Operating Performance Ratio excluding Domestic Waste

%	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PEG	-5.41	-5.36	-4.13	-3.77	-2.64	-3.51	-3.04	-4.55	-1.61	-2.30
SRV	-1.59	-1.58	-0.41	-0.07	1.00	0.14	0.58	-0.89	1.93	1.25

This ratio is considered a more appropriate measure of Council's operating performance. Surpluses from the domestic waste service can positively influence the operating performance ratio although these funds are externally restricted and cannot be used for normal operating activities. Sutherland Shire Council is currently running significant surpluses from this activity and will be maintaining the annual charge at the current level until 2024/25 when expenditure will exceed revenue and the charge will be amended accordingly.

Without an SRV, this ratio will be significantly below benchmark level across all years.

With additional rate income, the ratio trends towards meeting the benchmark. Years of negative trend (2024/25 and 2028/29) coincide with years of extraordinary expenditure, being the Council election held at an estimated cost of \$1.2 million. In 2026/27 a negative result is projected, resulting from Council's commitment to undertake dredging works in Sylvania Waters with an estimated cost of \$3.8 million. Both of these activities will be funded from reserves that will be set aside annually to reduce the single year impact and allow for the continuation of infrastructure works at a consistent level.

Unrestricted Current Ratio

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PEG	2.38	1.83	1.76	1.81	1.81	1.79	1.79	1.70	1.72	1.72
SRV	2.38	1.82	1.75	1.80	1.80	1.78	1.78	1.69	1.71	1.71

The industry benchmark for the Unrestricted Current Ratio is greater than 1.5 times.

Council is not considering any significant borrowing over the term of the LTFP, with only \$1.3 million currently planned in 2020/21, meaning that no large liability will be incurred and adversely affect the ratios. It is unlikely that borrowings would be considered at any stage without an increase in rate revenue due to the resultant reduction in funding available in future years from required loan repayments.

Only minor variation in this ratio is expected if an SRV is granted. All revenue from the rate increase will be allocated to infrastructure programs and not reserved. Variations between the two ratios are reflective of expected debtor and creditor changes as a result of the additional income.

Debt Service Cover Ratio (times)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PEG	14.18	14.15	16.53	30.34	50.40	47.72	50.20	46.22	57.10	55.86
SRV	17.64	17.70	20.42	37.57	61.94	59.52	62.25	58.52	69.66	68.69

Current Council policy is to reduce debt through limiting borrowings to specific programs

with a specified payback period. The only borrowings identified in the LTFP relate to the Accelerated Replacement – Residential Roads LED Lighting Project which will see street lighting replaced with energy efficient LED lighting, reducing future street lighting cost.

With limited capacity to repay significant loans without an improvement in income no borrowings would be considered as the repayments would further reduce funding available for ongoing infrastructure renewal programs.

Own Source Revenue Ratio

%	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PEG	85.39	81.10	81.76	87.48	87.92	88.24	88.34	88.70	88.87	89.00
SRV	85.80	81.60	82.25	87.84	88.27	88.58	88.68	89.03	89.19	89.32

The industry benchmark for the Unrestricted Current Ratio is greater 60%.

Council will continue to exceed this ratio, with or without the SRV. This is the result of Council's limited reliance on external funding, with less than 16% (2018/19 Budget) of revenue received from grants and contributions.

This is particularly relevant in relation to the Financial Assistance Grant where this Council receives only the per capita minimum. Although this appears to be a relatively minor component of Council's overall income (\$4.7 million/1.77% of total income), there remains a strong reliance on the continuation of this funding. This has been identified as a significant risk should the future outcome from reviews of the Financial Assistance Grants result in a reduction or elimination of the current level provided to Council.

Rates and Annual Charges Outstanding Ratio

%	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PEG	3.52	3.53	3.56	3.58	3.60	3.61	3.61	3.61	3.61	3.60
SRV	3.37	3.58	3.60	3.62	3.64	3.65	3.65	3.65	3.65	3.65

Council's ratio for outstanding rates and annual charges is below the benchmark level and is projected to remain so over the term of the LTFP in both cases.

The amount outstanding includes around \$2 million due but not pursued under Council policy. This amount is attributable to eligible pensioners and those who have payment arrangements under financial hardship. Council does not undertake recovery action in these situations and further offers eligible pensioners deferral arrangements, over and above the mandatory and voluntary pensioner rebates granted, without threat of pursuit of payment.

This amount contributes around 230 basis points to the ratio. Discounting this amount reduces the ratio less than 1.50% in any given year, reflecting the capacity to pay rates within the Sutherland Shire LGA.

Building and Infrastructure Renewals Ratio

%	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PEG	55.16	82.51	53.80	44.88	52.22	47.67	47.85	48.08	52.66	50.55
SRV	72.80	101.14	74.47	62.96	70.35	67.06	66.25	66.43	71.84	68.25

The industry benchmark for the Building and Infrastructure Renewals Ratio is greater than (>) 100%.

Council is not currently meeting the Building and Infrastructure Renewals Ratio by a very significant amount. The consequences of this continuing over the next ten years is an increased infrastructure backlog ratio, but more importantly, a decline in overall asset condition in key asset classes with increased service outage due to a greater number of asset failures.

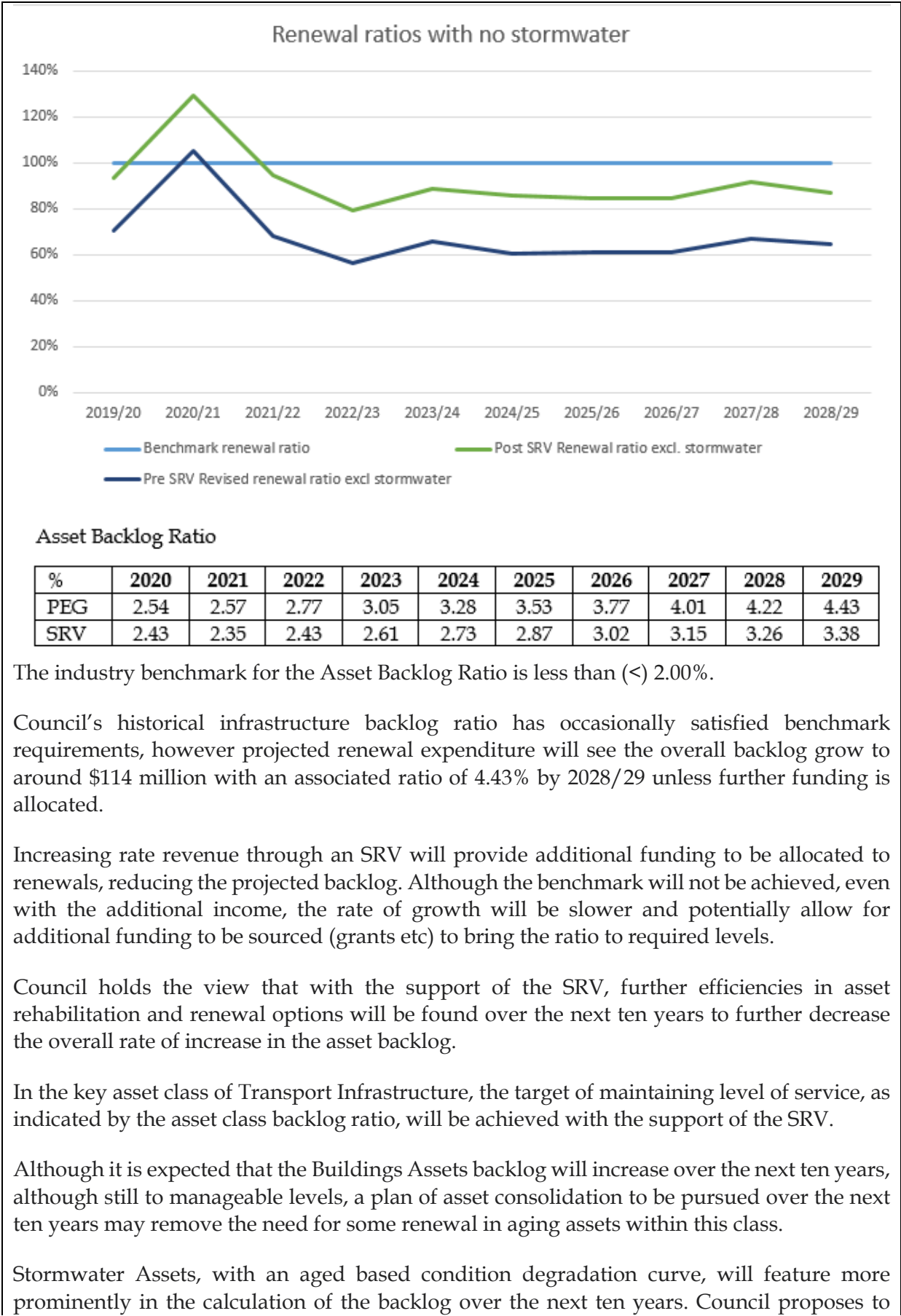
The direction of funds from the SRV to asset renewal will improve the projected ratio at the end of the ten years. Looking more closely at the three most community use focused asset classes, the level of improvement in renewals provided by the SRV financial support is evident:

Building and Infrastructure Renewals Ratio by Class Projected 2028/29		
	Rate Peg	SRV
Buildings	70%	95%
Open Space	47%	80%
Transport Infrastructure (roads) *	66%	86%

* Many of the years within the LTFP period are between 90 and 100%.

The primary contributor to the overall ratio being below benchmark is the low level of required investment in relation to stormwater assets in comparison to the depreciation of these assets. The relatively young age of Council's stormwater pipe network does not require re-investment via renewal in line with the rate of depreciation.

Excluding stormwater assets from the renewal funding scenario will see the SRV providing an approximate 20% improvement in the overall renewal ratio in each of the ten years of the LTFP.



replace its aged based condition assessment for the pipe network with a modelled actual condition assessment of a representative sample of the pipe assets by 2021. This is another reason for resisting substantial investment in stormwater assets at this time.

As with the renewals ratio, much of the growth in this ratio can be attributed to stormwater assets, with other classes in a much improved state if additional funding is available through the SRV.

Asset Maintenance Ratio

%	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PEG	103.68	102.20	99.58	99.74	99.88	100.00	100.11	100.22	100.29	100.44
SRV	103.68	102.05	99.33	99.30	99.27	99.21	99.16	99.10	99.00	98.97

The industry benchmark for the Asset Maintenance Ratio is greater than (>) 100%.

Under both scenarios the ratio either exceeds the benchmark or is very close. Council has directed funding primarily to maintenance before allocation to capital and renewal activities to limit deterioration and keep assets operational.

A number of new assets will be introduced in the next few years that will be dedicated to Council under Voluntary Planning Agreements, for example parklands at South Village and playing fields and open space at Greenhills. The cost of maintenance of these assets has been factored into the LTFP.

4 Assessment criterion 2: Community awareness and engagement

Criterion 2 in the 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. In particular, councils need to communicate the full cumulative increase of the proposed special variation in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. 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. The IPART 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 is available on the IPART website.¹

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 Guidelines, the IP&R manual and our fact sheet.

¹ <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase>

Box 4.1 Where a council is renewing or replacing an expiring special variation

The council's application should show how it has 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 Chair.

Box 4.2 Where a council has an existing s508A special variation and is applying for an additional s508(2) special variation

The council's application should demonstrate that it has explained to its community:

- ▼ There is a special variation already in place for the current year and the size of that special variation.
- ▼ The size and impact of the additional special variation proposed and its purpose.
- ▼ The cumulative annual increase in rates from the existing and proposed special variation together.

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.

Sutherland Shire Council implemented a comprehensive community engagement programme to inform the community and key stakeholders about the proposed SRV, and provided a range of ways in which people could provide feedback and have their say on the proposal.

The engagement period was for eight weeks from 10 December 2018 to 4 February 2019 (5pm) – double the minimum required length of consultation by IPART and the Office of Local Government Guidelines (OLG).

The key objective of the engagement program was to ensure that full details of the proposed rate variation (in accordance with IPART and OLG requirements) was communicated through a range of channels and methods to ensure that all in the community were made aware of the proposed rate variation and had the opportunity to provide feedback in a range of ways.

The key messages communicated through the campaign were:

- Who was impacted by the proposal;
- What was the extent of the impact; and
- Why was a variation being considered.

Key documents & materials which formed part of the consultation included:

- Revised draft LTFP (2018 – 2028) which included full details of the proposed increase minimum rates, including the cumulative increases, the rate peg for major category, and the base scenario model without the special variation;
- Detailed Frequently Asked Questions, including sections on the rates model, IPART process and Council's Hardship policy; and
- IP&R documents including the Community Strategic Plan, Delivery Program & Resourcing Strategy documents .

The following engagement approach was developed and delivered in collaboration with Councillors:

Method	Target Audience/Stakeholder group
Information flyer (Hard copy and online on dedicated consultation website)	All households in Sutherland LGA All ratepayers in Sutherland LGA All community
Dedicated consultation website	All community

Local Media – Print/online <i>The Leader</i> , Sutherland Shire	All community
Community Information Sessions (Held at a variety of days and times to maximise opportunities for attendance)	Community members across all five wards
Social Media (Council's Facebook page)	Digital community
Public Exhibition of key documents (hard copy and online)	Customers attending Council services Digital community

Through the consultation people could provide feedback in a variety of ways:

Survey: online at the dedicated consultation website, or in person at community information sessions;

In person: at community information session or by visiting Council's Customer Service;

In writing: addressed to Council/Councillors, hard copy or email; and

Phone: phoning Council's Customer Service Centre, or direct to Councillors. Council's rates hotline was also promoted for people to call and discuss their individual circumstances.

People were asked to provide feedback specific to the proposed special rate variation option, but also to provide submissions or feedback on the draft LTFP or other relevant IP&R documents.

Engagement Materials:

The consultation included a range of documents as listed below.

- Community Information Flyer 'A Fairer Way Forward';
- Community Assets Information Flyer;
- Draft Long Term Financial Plan (2018 – 2028);
- Special Rate Variation Frequently Asked Questions;
- Special Rate Variation Glossary;
- Integrated Planning and Reporting documents (as adopted June 2018);

- Community Strategic Plan;
- Delivery Program 2017-2021 and Operational Plan 2018/19;
- Resourcing Strategy Overview;
- Resourcing Strategy - Part A;
- Asset Management Strategy - Part C;
- Workforce Strategy - Part D;
- Financial Statements;
- Annual Reports; and
- Ratepayers Reports.

These documents were available in hard copy at Council's Customer Service Centre and libraries and at all the Community Information sessions, and online for viewing, download and comment on the dedicated consultation website (* still published and available for viewing)

<https://jointheconversation.sutherlandshire.nsw.gov.au/Proposed-Special-Rate-Variation>

Proposed Special Rate Variation (SRV)

A FAIRER WAY FORWARD

Update: Jan 2019

Thank you to everyone who has already shared their time and feedback either online, over the phone, or in person by attending one of our recent drop in sessions. All feedback and questions received so far have already assisted us to update the information provided in our FAQs and we will continue to revise these as your feedback comes in to ensure the most relevant information is available.

Overview

Sutherland Shire Council's rates model hasn't changed in decades. Council has now reviewed this model and is proposing a fairer way forward for our community.

Council's services are available for the whole community to utilise and enjoy, and as a community everyone needs to share the costs fairly.

The Long Term Financial Plan (LTFP) is one of our key planning documents that outlines how we are working towards financial sustainability. The draft consultative LTFP details the rates model that is under consideration and the efficiency targets we are working towards. You can view the draft consultative LTFP document [here](#) and we welcome your feedback.

Council's current rate structure is based upon land value only, not the market value (land and dwelling). A minimum rate is applicable for most units and apartments, and some villas, town houses and duplex - this is currently set at \$602. For the majority of these dwelling types in the Sutherland Shire, this amount is significantly less than houses of comparable market value. The proposal is to raise the minimum to \$900.

We will look at ways to minimise the impact on those in our community experiencing hardship.

We want to hear what you think about the proposed model as outlined in the draft Long Term Financial Plan, along with any suggestions for improvements that you may have.

The community consultation will close at 5pm, Monday 4 February 2019.

COMMUNITY FEEDBACK

Community feedback

We want to hear what you think about the proposed change to the rates model.



Ways to get involved

All ratepayers will be informed of the possible SRV by letterbox drop and in the Rates Notice delivery. You will be able to provide your feedback in a variety of ways and no later than 5pm, on Monday 4 February 2019:

Online

In the Feedback box below.

In writing to

The General Manager, Sutherland Shire Council,
Locked Bag 17, Sutherland 1499

Phone

02 9710 0333

Community Drop-in Sessions

Monday 17 December 2018, 12pm-2pm

Sutherland Shire Library, 30-36 Belmont Street,
Sutherland.

Tuesday 18 December 2018, 10pm-12pm

Menai Library, Menai Centre Allison Cres, Menai.

Friday 11 January 2019, 12pm-2pm

Engadine Library, 116E Caldarra Avenue, Engadine.

Saturday 12 January 2019, 10am-12pm

Southgate Shopping Centre, Port Hacking Rd,
Sylvania.

Saturday 12 January 2019, 11am-1pm

Cronulla Library, Cronulla Central, Croydon St
Cronulla.

Tuesday 15 January 2019, 12pm-2pm

Menai Library, Menai Marketplace Allison Cres, Menai.

Thursday 17 January 2019, 5pm-7pm

Cronulla Library, Cronulla Central, Croydon St,
Cronulla.

Friday 18 January 2019, 12pm-2pm

Miranda Library, 31 Wandella Rd, Miranda.

Saturday 19 January 2019, 10am-12pm

Caringbah Library, 376-378 Port Hacking Rd,
Caringbah.



Dedicated Consultation Page

Examples of Engagement Materials are included below and detailed in full at Attachment 4

SUTHERLAND SHIRE

A FAIRER WAY FORWARD

KEY SERVICES PROVIDED BY COUNCIL FOR OUR COMMUNITY

- BEACHES & LEISURE CENTRES
- PARKS & FIELDS
- PLAYGROUNDS
- ROADS & FOOTPATHS
- STORMWATER
- LIBRARIES
- ARTS & ENTERTAINMENT CENTRES

Sutherland Shire Council's rates model hasn't changed in decades. Council has now reviewed this model and is proposing a fairer way forward for our community.

Council's services are available for the whole community to utilise and enjoy, and as a community everyone needs to share the costs fairly.

Council's current rate structure is based upon land value only, not the market value (land and dwelling). A minimum rate is applicable for units and apartments, and this is currently set at \$602. For the majority of units and apartments in the Sutherland Shire, this amount is significantly less than houses of comparable market value. The proposal is to raise the minimum to \$900 as shown below:

Current Annual Rates

Same Market Value \$17M

\$2032

\$602 per unit

Proposed Annual Rates

\$2032

\$900 per unit

We will look at ways to minimise the impact on those in our community experiencing hardship.

WHERE WE ARE NOW

- TOTAL POPULATION 227,546
- MORE COUPLES WITH CHILDREN HOUSEHOLDS (22.8% COMPARED TO 22.1% GREATER SYDNEY)
- 12.3% YOUNG WORKFORCE (12.3% LOWER THAN 12.4% GREATER SYDNEY)
- 22.8% AGED 60+ (22.8% LOWER THAN 22.1% GREATER SYDNEY)
- 3% SLOW GROWTH
- 22.7% AGED UNDER 17 YEARS (22.7% SAME AS GREATER SYDNEY)
- HIGH CAR OWNERSHIP (9% 2 OR MORE)
- MORE COUPLES WITHOUT CHILDREN HOUSEHOLDS (24.7% COMPARED TO 22.4% GREATER SYDNEY)
- 3.5% LOW UNEMPLOYMENT

WHERE WE WILL BE IN 10 YEARS

- DECREASE IN HOUSEHOLD SIZE TO 2.66
- 23% AGED 60+ (23% LOWER THAN 22.1% GREATER SYDNEY)
- 23% AGED UNDER 17 YEARS (23% LOWER THAN 22.7% GREATER SYDNEY)
- LONE PERSON HOUSEHOLDS (+4,348)
- INCREASE IN DWELLINGS +12,300
- INCREASE IN COUPLES WITHOUT CHILDREN +4,357 HOUSEHOLDS (Projections prepared by Profiles ID for SSC)

YOUR COUNCILLORS

Your Councillors are always happy to talk to you about your interests or concerns about our community. If you would like to talk to your ward Councillor, their contact details are below:

A WARD	C WARD	E WARD
<p>Cr Michael Fawcett (ALP) T: 02 9528 8995 M: 0485 19 6267 E: m.fawcett@ssc.nsw.gov.au</p> <p>Cr Carol Preece (LIB) T: 02 9528 1462 M: 0485 246 624 E: c.preece@ssc.nsw.gov.au</p> <p>Cr Mark Stinson (LIB) M: 0485 509 120 E: m.stinson@ssc.nsw.gov.au</p>	<p>Cr Tom O'Shea (LIB) M: 0412 412 051 E: t.o'shea@ssc.nsw.gov.au</p> <p>Cr David Nichols (LIB) M: 0485 435 091 E: d.nichols@ssc.nsw.gov.au</p> <p>Cr Guy D'Amico (ALP) M: 0420 195 800 E: g.damico@ssc.nsw.gov.au</p>	<p>Cr John Bird (LIB) M: 0438 592 765 E: j.bird@ssc.nsw.gov.au</p> <p>Cr Peter Graybrook (ALP) M: 0428 232 071 E: p.graybrook@ssc.nsw.gov.au</p> <p>Deputy Mayor Cr Steve Simpson (IND) M: 0484 529 559 E: s.simpson@ssc.nsw.gov.au</p>
B WARD	D WARD	MAP
<p>Cr Jack Boyd (ALP) M: 0428 347 456 E: j.boyd@ssc.nsw.gov.au</p> <p>Cr Barry Collier OAM (ALP) M: 0450 098 122 E: b.collier@ssc.nsw.gov.au</p> <p>Cr Bart Johns (LIB) M: 0486 660 180 E: b.johns@ssc.nsw.gov.au</p>	<p>Cr Greg McLean OAM (ALP) M: 0410 154 055 E: g.mclean@ssc.nsw.gov.au</p> <p>Cr Carmelo Pisci (LIB) M: 0411 071 184 E: c.pisci@ssc.nsw.gov.au</p> <p>Cr Elaine Stinwell (ALP) M: 0412 193 076 E: e.stinwell@ssc.nsw.gov.au</p>	<p>To find out what ward you are in call us or check on our website.</p>

For full details on Council's Integrated Planning and Reporting Framework, including the Delivery Program 2017-21, Long Term Financial Plan and Asset Management Plan, please visit sutherlandshire.nsw.gov.au/Council/Strategic-Plan-and-Reports

Community flyer (front and rear) letterboxed and mailed to ratepayers

32 IPART Special Variation Application Form – Part B

Sutherland Shire Council
November 28, 2018 · 🌐


Council this week decided to consider looking at our current rates model as one way to address the financial challenges we are facing including the rising costs of maintaining and renewing community assets and providing services into the future.

Soon we will be seeking your feedback on a proposal to consider an increase in rates for units and apartments in Sutherland Shire above the minimum rate currently applied.

No decision has been made yet on a rates increase, and over the coming months we will provide opportunities for you to give feedback on the proposed rate model.

We will also provide a one stop destination for all of the information and how you can have your say – so please stay tuned!

To view the minutes from the Council meeting click here: bit.ly/2BCIz6



Sutherland Shire Council
Government Organization

5,871
People Reached

1,355
Engagements

[Call Now](#)

Sutherland Shire Council
January 7 at 10:00 AM · 🌐

Proposed Special Rate Variation Community Drop-in Sessions.

If you would like the opportunity to discuss and provide feedback on the Proposed Special Rate Variation, we will be holding a number of community drop-in sessions for residents.

It's a chance for you to have your say, speak with your elected Councillors and have your questions answered. ... [See More](#)





3,240
People Reached

333
Engagements

Social Media posts on Council's Facebook page

SUTHERLAND SHIRE

A FAIRER WAY FORWARD

Sutherland Shire Council's rates model hasn't changed in decades. Council has now reviewed this model and is proposing a fairer way forward for our community. We want to hear what you think about the proposed new model. For full details about the proposal and to provide your feedback visit the Join the Conversation page: bit.ly/srvSSC

Council's Long Term Financial Plan (LTFP) is one of our key planning documents which outlines how we are working towards financial sustainability and details the rates model that is under consideration and the efficiency targets we are working towards. To view the draft LTFP and provide your feedback, go to Join The Conversation or attend one of our community drop-in sessions.

GET INVOLVED, HAVE YOUR SAY!
UPCOMING COMMUNITY DROP IN SESSIONS

It's a chance for you to have your say, speak with Councillors and have your questions answered.

- **Thursday 17 January 2019, 5pm-7pm**
Cronulla Library, Cronulla Central, Croydon St, Cronulla.
- **Friday 18 January 2019, 12pm-2pm**
Miranda Library, 31 Wandella Rd, Miranda.
- **Saturday 19 January 2019, 10am-12pm**
Caringbah Library, 376-378 Port Hacking Rd, Caringbah.
- **Saturday 19 January 2019, 11am-1pm**
Sutherland Library, 30-36 Belmont St, Sutherland.
- **Thursday 24 January 2019, 5pm - 7pm**
Southgate Shopping Centre, Port Hacking Rd, Sylvania.

For a full list of all consultation sessions and ways to provide your feedback, visit Join The Conversation bit.ly/srvSSC

For Council Meeting minutes and business papers visit:
sutherlandshire.nsw.gov.au/Business-Papers
 T 02 9710 0333 sutherlandshire.nsw.gov.au

Newspaper Advertisement (Print & online, 16/1/19)



Community Information Sessions

Other informing research and consultation:

Whilst a specific community engagement programme was conducted between 10th December 2018 and 4th February 2019, other key informing community research also included:

As detailed in section 3.1, between 2016 and 2018 Council undertook a series of key, statistically valied community research and consultation around asset and service priorities and the financial sustainability challenges identified in Council's LTFP. This ongoing research was key to both understanding the communities priorities and expectations across Council's asset and service portfolio, exploring the communities preferences/sentiment around a range of financial strategies to address this challenge, and importantly, to raise awareness and inform the community about the financial challenge and growing asset backlog.

The results of these research and consultations was reported to Councillors through Council meetings, workshops and briefings, and informed their considerations around resourcing strategy options.

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.

Council undertook an extensive engagement on the proposed rate variation across an eight week period in December 2018 – January 2019 utilising of a range of communication channels and methods appropriate to diverse stakeholder groups to ensure that all residents and ratepayers were made aware of the proposed SRV. Participation and submissions occurred across digital, face-to-face, phone and written submissions.

The Engagement Approach had the following reach:

 Information Flyer	 Newspaper Printed Advert	 Community Information sessions	 Dedicated Webpage & Online Survey	 Social Media	 Written submissions	 Phone calls
Delivered to 88,000 households	5 printed adverts in local media	11 sessions across 5 wards	355 survey responses	4 posts	28 written submissions	37 phone calls
Mailed to 63,000 ratepayers	181,000 readership 293,873 circulation	134 participated	Detailed FAQs and key documents	11,996 reach 142 reactions 48 comments		

The full details and analysis are included in Attachment 5.

Key findings:

- Those living in houses were more likely to support the proposed SRV than those living in apartments;
- A broad combined analysis of support across survey, written submission and social media comments indicated approximately 30% of people supported the proposed SRV, while 69% did not support it; and
- The results weighted against the housing tenure profile of the Sutherland LGA showed results at 40% support and 60% did not support.

Please note, as participation was self-selecting and the numbers were not of a significant number the results did not represent a statistically valid sample

Analysis across all feedback received through the online survey, written submissions and through social media identified four key themes:

1. Affordability Impact;
2. Misconceptions about income from new medium/high density developments;

- 
3. Lack of understanding of rates models and what rates pay for; and
 4. What other savings/efficiencies Council is making.

Whilst these themes were not drawn from a statistically valid sample, they did enable Council to identify key areas of concerns and opportunities for ongoing education and engagement throughout the consultation. Council staff did responded to specific questions raised by individuals (in person, phone or written submissions) and updated the Frequently Asked Questions in response to key themes.

The community feedback was reviewed by Council as part of their considerations on the proposed rate model. Councillors were actively involved in consultation activities, and the results of the engagement were reported to Councillors progressively throughout the consultation period. Councillors held a briefing workshop at the conclusion of the consultation period to consider the outcomes of the engagement programme.

Council will continue to engage with the community into the future and validate the key themes identified, statistically, to ensure ongoing community awareness around these topics and opportunity to participate in decision making by Council.

Please see Attachment 5 for full details and analysis.

5 Assessment criterion 3: Impact on ratepayers

Criterion 3 in the 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 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 (eg, receipt of new valuations) in the rating structure.

Council's Rate Structure is based on an ad valorem rate in the dollar, subject to a minimum rate for residential and each business sub category. The Council has the same minimum rate for each business subcategory and residential properties. Under the current rates structure the minimum rate would increase by the rate peg of 2.7% from \$602.30 to \$618.56 for residential and all business sub categories.

Under the proposed structure the minimum rate is proposed to increase to \$900.00 for residential and all business sub categories.

Increasing the minimum rates to \$900 would result in the following increases in rates for 2019/2020:-

Category	Base Model - 2.7% increase to Minimum Rate	Proposed Minimum	Increase	increase per week
Business Caringbah Commercial Centre	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41
Business Cronulla Commercial Centre	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41
Business Engadine Commercial Centre	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41
Business Kurnell Finished Fuel Terminal Facility	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41
Business Kurnell Industrial Rate	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41
Business Kurnell Sand Mining	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41
Business Menai Commercial Centre	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41
Business Menai Quarrying and Filling	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41
Business Miranda Commercial Centre	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41
Business Miranda Core Major Shopping Complex	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41
Business Ordinary Rate	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41
Business Sutherland Commercial Centre	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41
Business Sylvania Southgate Commercial Centre	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41
Residential Rate	\$ 618.56	\$ 900.00	\$ 281.44	\$ 5.41

All other properties who are not subject to a variation in the minimum rate will increase by the rate peg, with the exception of the subcategory Miranda Core Major Shopping Centre which will increase by 2.7% plus the catch up allowance of 0.08%. Residential properties, not subject to the minimum rate will only increase by the rate peg of 2.70%.

Council is proposing to increase the minimum rates only in an attempt to equitably distribute the rate burden across properties within the Sutherland Shire LGA. Australian Bureau 2016 Census data shows that on average units within the Sutherland Shire have an average occupancy of two persons compared to houses which have an occupancy of three persons. The proposal to allocate the increase from the SRV to units is to equate the average rate for a house of \$1,480 (3 persons) to that of a unit at \$900 (2 persons).

There is no overall change to the current rating structure through the introduction of business sub categories, with the only proposed change being the increase in the minimum rate for both residential and business properties.

Charges

The Councils rating structure also includes a Domestic Waste Charge and a Stormwater Management Charge and are applied annually in accordance with the Local Government Act 1993 (NSW) and Regulations.

The Domestic Waste Charge is assessed annually in compliance with the 'reasonable cost' calculation for service delivery. The service is currently operating at a surplus with this surplus restricted as prescribed. It is proposed that the Domestic Waste Charge remain fixed until operating expenditure exceeds operating revenue, projected for 2024/25. The current charge of \$456.30 for a regular or shared service will remain the same for 2019/20 and remain at that level until 2023/24.

The Stormwater Management Charge is applied to residential and business properties. The residential charge is \$25.00 per dwelling and \$12.50 for strata units. Pensioners receive a 50%

discount on these charges. The business charge is calculated at \$25.00 per 350m² of land area or \$5.00 per 350m² of land area for strata units. This has remained constant since 2009/10 and is expected to remain constant throughout the term of the LTTP.

As outlined in section 4.1, a community engagement programme to ensure that all in the community were aware of the full details of the proposed rate variation and had the opportunity to provide feedback in a range of ways.

5.1.1 Minimum Rates

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

For minimum rate increases, a council must seek approval via an instrument when it:

- ▼ proposes to increase its minimum rates above the statutory limit for the first time with or without increasing its general income above the rate peg limit;
- ▼ it is already imposing an ordinary minimum rate above the statutory limit and it seeks to increase that rate by more than the rate peg or the percentage allowed by a special variation; or
- ▼ is seeking to increase the minimum amount of its **special rates** above the statutory limit.

Under these scenarios, where the council is also proposing a special variation in the same rating year, it may submit a combined special variation and minimum rate application.

Complete this section if the council is seeking approval to increase the minimum amount of an ordinary rate or special rate via an instrument as outlined above.

Does the council have an ordinary rate subject to a minimum amount? Yes ☒ No ☐

Does the council propose to increase the minimum amount of its ordinary rates above the statutory limit for the first time? Yes ☐ No ☒

Which rates will the increases apply to? Residential ☒ Business ☒ Farmland ☐

Does the council propose to increase the minimum amount of its ordinary rate/s by:

- The rate peg percentage ☐
- The special variation percentage ☐
- A different amount X indicate this amount (%) 49.43% (\$) \$297.70

What will the minimum amount of the ordinary rate/s be after the proposed increase? \$ 900.00

If the increase applies to a special rate, complete this section

What will the minimum amount of the special rate be after the proposed increase? \$ n/a

IPART will assess applications for minimum rates above the statutory limit against the following set of criteria (in addition to any other matters which IPART considers relevant):

- ▼ the rationale for increasing minimum rates above the statutory amount,

- ▼ the impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category, and
- ▼ the consultation the council has undertaken to obtain the community's views on the proposal.

See the separate **Minimum Rate Application Form Part B** for more detail on how IPART will assess applications against each of these criteria. It is the council's responsibility to provide enough evidence in its application to justify the increase. Where applicable, councils should make reference to the relevant parts of its Integrated Planning and Reporting documentation to demonstrate how the criteria have been met.

The council must explain how the proposed special variation will apply to the minimum amount 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 (refer to Part A of the application as necessary).

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.

Rationale for increasing rates above the minimum

The rationale for increasing the minimum rate is to improve Council's financial sustainability and provide additional funding for infrastructure renewals to address a deteriorating portfolio of Sutherland Shire Council assets. The proposal to increase minimum rates only within the proposed rating structure attempts to reflect equity in contribution to Council services amongst all residents of the Sutherland Shire Council by realigning the amount paid by apartments/units compared with rates paid by the average house.

Ratepayers in apartment/units have a similar number of occupants to an average house but pay considerably less rates for the same provided Council services. In accordance with ABS 2016 Census of Population and Housing Sutherland Shire LGA G32 Dwelling Structure, units in the Sutherland Shire have an average occupancy of two persons compared with houses which have an occupancy of three persons. Rates for an average apartment/unit are less than half of that paid by an average dwelling owner. The average detached house within the Sutherland Shire Council LGA pays \$1,480 in rates. The proposed structure attempts to eliminate this inequity by increasing the proportion of rates paid by units to less than 66.67% of an average house, or \$900.00.

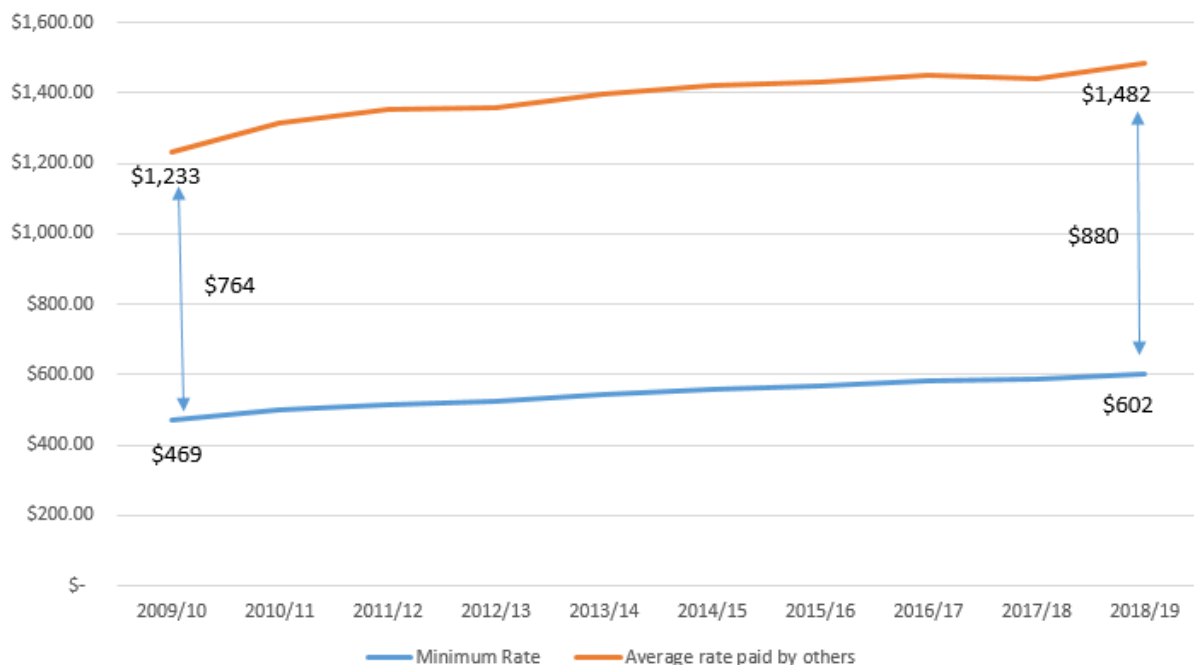
A further comparison of minimum rates for apartment/units in the Sutherland Shire are lower than other similar beach or bayside Councils, as listed below:

Councils	Minimum annual rate for apartment units (2018/19)
Sutherland	\$602.30
Randwick	\$805.68
Manly	\$816.76

Councils	Minimum annual rate for apartment units (2018/19)
Pittwater	\$884.58
Kogarah	\$917.47
Warringah	\$970.93

A minimum of \$900 would be more in line with that paid by similar beach or bayside councils which are required to provide a similar range and level of service to both residents and visitors.

The rate pegging limit has increased the gap between the minimum rates and the average rates paid for other residential properties between 2009/10 and 2018/19. In 2009/10, the average rate paid by the average detached dwelling was \$1,233 compared to a minimum rate of \$469, a gap of \$764. In 2018/19 this gap has increased to \$880 (an increase of 15.18%) with minimums set at \$602 and other residential properties contributing \$1,482.



The Impact on Ratepayers

In 2019/20, 20,625 residential properties and 1,493 business properties will be subject to the minimum rate if there is no increase in the minimum rate other than the rate pegging limit. The residential property number decreases by three from that in 2018/19 (as shown in Part A – WK2) due to rounding in the ad valorem rate in the dollar. Council's proposal to increase the minimum rates to \$900 will see 27,090 residential properties (up by 6,465) and 2,034 business properties (up by 541) subject to the minimum rate.

Currently residential properties with a valuation of less than \$314,046 are subject to the minimum rate. Council's proposal will increase this figure to \$456,934.

For ordinary business rates (some sub categories of rates are different, but this is the majority) properties with a valuation below \$142,758 are subject to the minimum and this would increase to \$207,711 under the SRV proposal.

Detail of the changes in the number of properties is contained in the table below:

	Min Rate of \$618.56 2019/2020 No SRV	Proposed Min Rate of \$900 2019/2020	Increase is number of properties on the minimum
Business Caringbah Commercial Centre	72	81	9
Business Cronulla Commercial Centre	54	80	26
Business Engadine Commercial Centre	54	86	32
Business Kurnell Finished Fuel Terminal Facility	1	1	-
Business Kurnell Industrial Rate	1	2	1
Business Kurnell Sand Mining	0	0	-
Business Menai Commercial Centre	24	37	13
Business Menai Quarrying and Filling	0	0	-
Business Miranda Commercial Centre	112	165	53
Business Miranda Core Major Shopping Complex	0	0	-
Business Ordinary Rate	1,029	1406	377
Business Sutherland Commercial Centre	146	176	30
Business Sylvania Southgate Commercial Centre	0	0	-
Residential Rate	20,625	27090	6,465
Total	22,118	29124	7,006

The breakdown of properties into various ownership types that will be subject to the minimum rate under both the rate peg and the proposed SRV is:

	Rate Peg		SRV	
	Number	%	Number	%
Deemed investor properties *	6,737	32.66	8,097	29.89
Department of Housing	119	0.58	161	0.59
Pensioner owned properties	2,293	11.12	3,450	12.74
Other properties	11,476	55.64	15,382	56.78

* Deemed investor properties have been determined based on ratepayers with postal addresses outside the Shire and real estate agents in the Shire.

The maximum increase above rate pegging that any one individual property owner would be subject to is \$281.44 under the proposed SRV.

The number of pensioners on the minimum would increase from 2,293 to 3,450 under the proposed minimum of \$900.

Pensioners are currently entitled to two forms of rebates: -

- i) the mandatory rebate of \$250, which is subsidised by \$137.50 by the State Government
- ii) a voluntary rebate of \$105, fully funded by Council

Council will continue to offer eligible pensioners the opportunity to defer rates, regardless of property valuation, allowing them to accrue their rates and charges until such time as the property is transferred. It is Council policy not to pursue recovery action against pensioners.

Council can, and does, enter into payment arrangements with all ratepayers, allowing for periodic payment of the rates, including the waiving of interest where these arrangements are satisfied. Council will continue to offer this form of assistance to minimise the impact of any rate increase, along with any ratepayer suffering financial hardship. Council does not undertake recovery action against ratepayers who have a payment arrangement in place.

It is not necessary for a council to apply to IPART for an increase in minimum rates when the council:

- ▼ is seeking to increase its ordinary minimum rates to any level at or below the statutory limit (even if the increase is by more than the rate peg); or
- ▼ has previously had an increase to its ordinary minimum rate above the statutory limit approved by IPART, and is seeking further increases by the rate peg or the percentage applied for in a special variation application (see section 548(4) and (5) of the Act).

Complete this section for information only if the proposed increase to the minimum amount is not above the statutory limit or if above the statutory limit, the council has previously been granted approval for an increase above the statutory limit (see section 548(4) and (5) of the Act).

Does the council have ordinary rates subject to a minimum amount? Yes ☐ No ☐

Which ordinary rate will the proposed increase apply to? Residential ☐ Business ☐ Farmland ☐

Does the council propose to increase the minimum amount of its ordinary rate/s by:

- The rate peg percentage ☐
- The special variation percentage ☐
- A different amount ☐ Indicate this amount (%) _____ (\$)

What will the minimum amount of the ordinary rate/s be after the proposed increase? \$ _____

Where the minimum rate increase is proposed without a corresponding variation to ordinary rates, a separate Minimum Rate application is required. See the separate Minimum Rate Application Forms Part A and Part B for 2019-20.

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.

Council undertakes a review of its rating structure annually to ensure an equitable distribution of rate contribution across the whole LGA.

Land Values

The Sutherland Shire LGA has a significant spread of land values reflecting a varied mix of properties and property types. The profile of housing reflects low, medium and high density, with much of the expansion in the rating base in recent years being from high density development. This type of development has placed greater burden on existing infrastructure and the need to provide additional facilities and services further limiting Council's resources.

The LGA also contains a hospital and a large number of schools, all of which are non-rateable. A trend in recent times has also seen large scale aged care facilities constructed by the not for profit sector, again being non-rateable.

There is a limited number of industrial properties, with concentration of these primarily into distinct pockets, whilst commercial properties are spread across the LGA and include a large core centre at Westfield Miranda. Commercial and industrial properties comprise only 5.45% of assessments and contribute only 13.55% of rate income.

The current land value base date is 1 July 2016 which have been used for the past two years and will be used again for 2019/20 before new valuations are issued for use in 2020/21. This means that there will be no redistribution of rates for the year of the proposed SRV.

Land Value Profile 2018/19		
Land Value Range	Number of Residential Properties	Number of Business Properties
\$0 to \$99,999	2,102	1,016
\$100,000 to \$199,999	8,928	1,013
\$200,000 to \$299,999	8,803	553
\$300,000 to \$399,999	5,058	297
\$400,000 to \$499,999	3,790	174
\$500,000 to \$599,999	9,085	235
\$600,000 to \$699,999	12,982	228
\$700,000 to \$799,999	11,498	159
\$800,000 to \$899,999	6,669	190
\$900,000 to \$999,999	3,557	97
\$1,000,000 to \$1,499,999	7,689	307
\$1,500,000 to \$1,999,999	1,404	162
\$2,000,000 to \$2,999,999	610	134
\$3,000,000 and greater	111	178
Total Properties	82,286	4,743
Average Valuation	624,649	720,494

Currently just over 25% of properties (both residential and business are subject to the minimum rate and ongoing development within the Sutherland Shire will be predominantly strata residential properties.

The following graph illustrates the current rate distribution across the Sutherland Shire:

Household Income

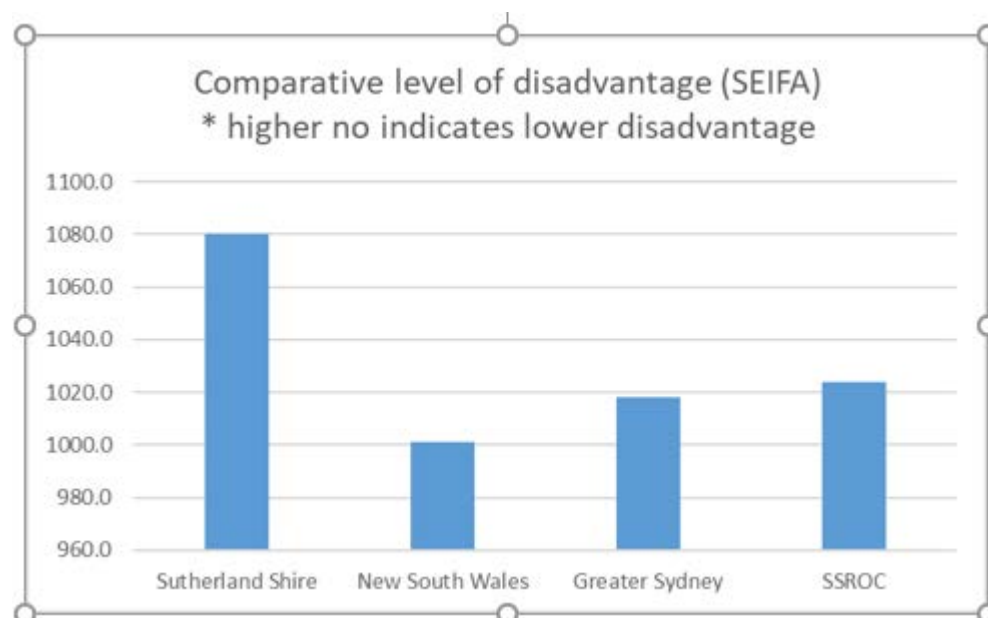
The median weekly household income in the LGA is \$1,975 (2016 Census). This is 13% higher (\$230) than in Greater Sydney and 11% higher (\$192) than that within the neighbouring areas (Southern Sydney Region of Councils - SSROC).

Employment Status

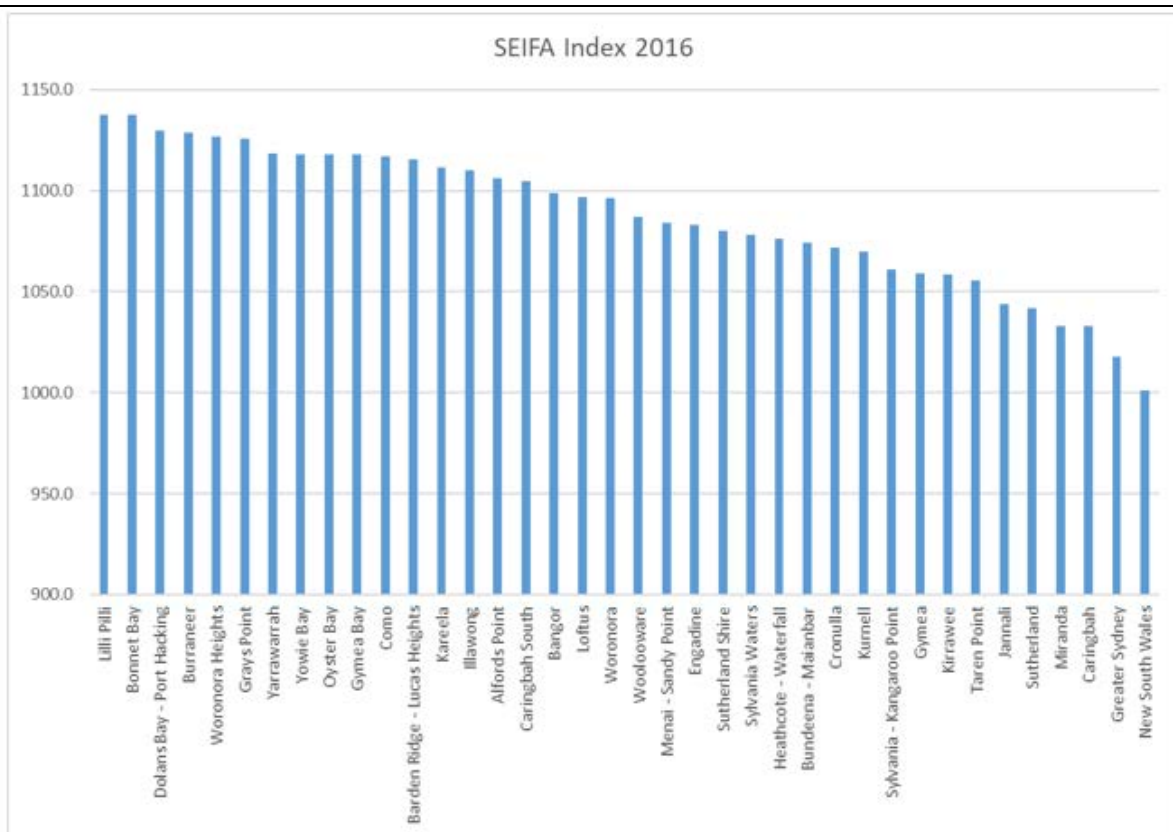
The current level of unemployment is only 3.5% compared with a rate of 6% across Greater Sydney.

Socio-Economic Indexes for Areas (SEIFA)

The SEIFA for the Sutherland Shire of 1,080 reflects a very low level of socio-economic disadvantage in comparison to the whole of New South Wales, Greater Sydney and SSROC:



A SEIFA of 1,000 is considered average, whilst a lower score indicates that the area is experiencing more disadvantage. Whilst the area reflects some variation when looked at by suburb, no suburb within the Shire falls below 1,000:



Outstanding Rates

The Rates and Annual Charges Outstanding Ratio assesses efficiency of Council's recovery of rates and is also reflective of resident's ability to pay.

The ratio for the past three years has been steady, between 3.56% and 3.59%, well below the industry benchmark of 5%.

The amount outstanding includes around \$2 million due but not pursued under Council policy. This amount is attributable to eligible pensioners and those who have payment arrangements under financial hardship. Council does not undertake recovery action in these situations.

This amount contributes around 230 basis points to the ratio, meaning that discounting this amount reduces the ratio to less than 1.50%, reflecting a high capacity to pay across the Sutherland Shire.

Council also offers deferral arrangements for pensioners, over and above the rebates given, without threat of pursuit of payment.

Willingness to Pay

This community research undertaken in 2017 explored the community's priorities and expectations for service level and obtained feedback on a range of financial strategies to address the growing asset backlog, including increasing rates.

Key findings from this included:

- 76% of residents believe that the amount of rates paid should be fairer between houses and units/apartments
- 68% believe Council should reduce the gap between rates charged for houses and units/apartments
- There was a higher level of support for increasing the minimum rate than a blanket increase
- When presented with the comparison Sydney rate values, increasing the minimum to \$955 was considered to represent a fair distribution (mean across weighted samples of rate paying participants: across all dwelling types \$955, \$997 for those in houses, \$899 for those in medium density, \$731 for high density)
- When presented with a range of options for raising revenue, reducing the rate gap between houses and apartments was preferred over options such as selling community halls, or implementing user fees for sporting fields or paid parking.

The full results are contained in the report 'A Shout Out To The Shire: Making Decisions for the Future' is included at Attachment 5

These findings indicate a willingness to pay an increased rate to address the long term financial challenge.

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 X	No <input type="checkbox"/>
If Yes, is an interest charge applied to late rate payments?	Yes X	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 X	No <input 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).

Please note that Council has introduced a number of initiatives to assist all classes of ratepayers.

Along with both the mandatory pensioner rebate and a voluntary rebate of \$105, Council offers deferral options to all eligible pensioners allowing them to accrue their rates and

charges (including interest) against the estate for payment when the property is eventually transferred. It is also Council policy not to pursue any recovery action against pensioners

Council can, and does, enter into payment arrangements with all ratepayers, allowing for periodic payment of the rates. Council offers flexibility in establishing these arrangements with all ratepayers. Council will continue to offer this form of assistance to minimise the impact of any rate increase, along with any ratepayer suffering financial hardship. Again, Council does not undertake recovery action against ratepayers who have a payment arrangement in place.

Consideration will be given to the waiving of interest for all ratepayers who enter into a payment arrangement and satisfy that arrangement if they are subject to hardship, particularly from the proposed SRV.

All payment options are outlined on the rate notices, instalment notices and reminders as follows:

**Arrangements to Pay – (OTHER THAN BY QUARTERLY INSTALMENTS)
(Section 564)**

- If you cannot meet the payment requirements of this notice, please contact council and make a payment arrangement. If more than one year's rates are levied together then, by special arrangement, interest charges may be waived.

Overdue Amount Payable

Please be advised that we have not yet received payment of your 4th rate instalment due on 31 May 2018 for the amount of \$[REDACTED]. Payment of this instalment is now overdue and required at your earliest convenience to minimise additional interest charges.

Please arrange for full payment by 27 June 2018

If you are experiencing financial difficulties, or unable to pay the full amount, please contact our authorised recovery agency on 1300 556 863 who will work with you to assist in making a payment arrangement.

Council's Hardship Policy is available to all ratepayers through Council's website, and reference in Objective 7.3 of the Long Term Financial Plan.

<http://www.sutherlandshire.nsw.gov.au/Council/Policies-and-Documents/Policies/Rates-Recovery-and-Hardship-Policy>

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

Criterion 4 in the 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.²

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.³ However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council's website.

Date	Description
March 2017	Community Strategic Plan adopted for public exhibition. http://www.sutherlandshire.nsw.gov.au/files/content/website/council/meetings-and-minutes/agendas-and-minutes/updated-council-minutes-20-march-2017.pdf
15 May 2017	Community Strategic Plan adopted by Council Draft Delivery Program/Operational Plan 2017/18 and Resourcing Strategy adopted for public exhibition http://www.sutherlandshire.nsw.gov.au/files/content/website/council/meetings-and-minutes/agendas-and-minutes/council-minutes-15-may-2017.pdf
17 May – 14 June 2017	Public Exhibition of Draft Delivery Program/Operational Plan 2017/18 and Resourcing Strategy (LTFP documents exhibited reflected a number of options including the increasing of rates through an SRV which indicated improving financial sustainability if adopted)
21 June 2017	Delivery Program/Operational Plan 2017/18 and Resourcing Strategy adopted by Council http://www.sutherlandshire.nsw.gov.au/files/sharedassets/website/document-

² The relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan.

³ Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6.

	library/governance/council-meetings/extraordinary-council-business-paper-21-june-2017.pdf http://www.sutherlandshire.nsw.gov.au/files/sharedassets/website/document-library/governance/council-meetings/extraordinary-council-minutes-21-june-2017.pdf
16 April 2018	<p>Draft Delivery Program/Operational Plan 2018/19 and Resourcing Strategy – adopted for public exhibition</p> <p>http://www.sutherlandshire.nsw.gov.au/files/sharedassets/website/document-library/governance/council-meetings/2018-04-16-council-minutes.pdf</p>
19 April – 17 May 2018	<p>Public exhibition of Draft Delivery Program/Operational Plan 2018/19 and Resourcing Strategy (LTFP documents exhibited reflected a number of options including the increasing of rates through an SRV which indicated improving financial sustainability if adopted)</p>
18 June 2018	<p>Delivery Program/Operational Plan 2018/19 and Resourcing Strategy adopted by Council</p> <p>http://www.sutherlandshire.nsw.gov.au/files/sharedassets/website/document-library/governance/council-meetings/2018-06-18-council-minutes.pdf</p>
26 November 2018	<p>Council considered the proposed special rate variation and adopted to advise IPART of its intent to request an SRV</p> <p>http://www.sutherlandshire.nsw.gov.au/files/sharedassets/website/document-library/governance/council-meetings/2018-11-26-extraordinary-council-business-paper.pdf</p> <p>http://www.sutherlandshire.nsw.gov.au/files/sharedassets/website/document-library/governance/council-meetings/2018-11-26-extraordinary-council-minutes.pdf</p>
10 Dec 2018 to 4 February 2019	<p>Consultation period for proposed Special Rate Variation including Exhibition of revised Long Term Financial Plan (addressing min. 28 day required under IP&R requirements).</p>
4 February 2019	<p>Council resolved to:</p> <ul style="list-style-type: none"> • Submit an application to IPART for an Special Rate Variation • Adopt the revised Long Term Financial Plan <p>(extracts of resolution at Attachment 7)</p> <p>http://www.sutherlandshire.nsw.gov.au/Council/Meetings-and-Minutes/Agendas-and-Minutes</p>

7 Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 in the 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.

The council should quantify in dollar terms its past and future productivity improvements and cost savings and present these as a percentage of operating expenditure where possible.

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

The council may also provide indicators of efficiency, either over time or in comparison to other relevant councils (eg, it may provide trends for its operating expenditure as a percentage of population). We will make similar comparisons using various indicators and OLG data provided to us.

Council has for many years been developing efficiencies through process improvement and the implementation of cost containment strategies. These are detailed in (*Attachment 8 Assessment criterion 5 Productivity improvements and cost containment strategies*)

Within the updated LTFP, Council has included an 'efficiency dividend' as detailed earlier in this submission. This amounts to 1.25% of operating expenditure (excluding depreciation and loss on sale of assets) every four years and has a cumulative impact of \$54 million over the next ten years.

New and existing cost containment strategies will continue to be discussed at future Finance Working Party workshops.

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 (eg, extracts from the Community Strategic Plan).

Other attachments will be required from some, but not all, councils. For example, extracts from the Asset Management Plan would be required from a council seeking approval of a special variation to fund infrastructure.

Councils should submit their application forms and attachments online through the Council Portal in the following order. Councils may number the attachments as they see fit.

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

9 Certification

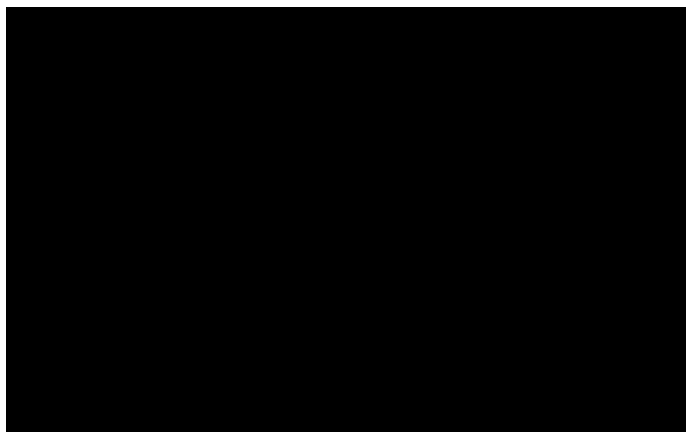
APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: Sutherland Shire Council

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

Acting General Manager (name): Manjeet Grewal



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