

Independent Pricing and Regulatory Tribunal
New South Wales

Special Variation Application Form – Part B

For 2019-20 and 2020-21

Insert Name of Council:	Kiama Municipal Council
Date Submitted to IPART:	8 February 2019
Council Contact Person:	Rob Owens



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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

INTRODUCTION

Kiama Municipal Council is the custodian for one of the most idyllic destinations in New South Wales. The Kiama Municipality provides an unparalleled lifestyle for some 22,000 residents. It is also enjoyed by over one million tourists annually.

The Kiama community has required, and the Council has provided, a significant amount of infrastructure over the past four decades to meet community needs and expectations. In addition, the community has continued to maintain and, in fact, increased its expectation on the standard that this infrastructure is to be maintained at, through asset maintenance and renewal. Council has continually faced significant challenges in funding the required asset renewal and to a lesser degree, maintenance, over a number of years, and without the proposed Special Rate Variation (SRV), will not be able to meet community expectations. It will be unable to provide public assets for future generations at the same level provided to previous and present generations.

Council's identified asset maintenance and renewal funding gap, which unless addressed will not only result in ongoing deterioration of these assets, but will result in an increase in the infrastructure backlog. In addition, and of equal importance, our community will become less satisfied with the standard of these assets as they fail to meet their expectations.

Unless there is a permanent and sustainable structural increase in Council's annual own source revenue, the challenge of maintaining and renewing Council's ageing infrastructure for the benefit of residents and visitors is too great for the community to meet without the implementation of the SRV identified in Council's submission to IPART in 2015, and also detailed in the Council Improvement Plan (CIP), and again included in the detailed submission in response to the proposed merger with Shoalhaven. The same SRV proposal and the implementation of the CIP was also detailed in Kiama Municipal Council's Financial Reassessment submission submitted on 29 November 2016 after which Council was "deemed to be **Fit**" (see Attachment 2 in Other Attachments – Other). These proposals have been the subject of extensive community engagement since January 2016 and more importantly received unprecedented support from our community, as detailed in Assessment criterion 2 of this application.

Council received notification via letter, which is included in the mandatory forms and attachments to this document, on 10 April 2013, of the TCorp assessment of Kiama Municipal Council, in which the assessment was:

- Financial Sustainability Rating = Moderate
- Outlook = Neutral

Despite Council proposing this SRV, which was also encapsulated in its Integrated Planning and Reporting (IP&R) documents, and the State Government mandating no SRV increases in the first four years of any merged Council, the Kiama community overwhelmingly turned out

to support Council's proposal to be a standalone organisation, even knowing about the proposed SRV.

Council, in August 2016, was invited to nominate for reassessment of its financial sustainability and to demonstrate it is Fit for the Future (FFTF) and ready to deliver the services and infrastructure that our community needs. Council accepted the offer and refined its Long Term Financial Plan (LTFP) by removing the base case and adopting the "Strategic Scenario" as the only financially sustainable option and the one endorsed by the community as part of the FFTF submissions. Council engaged Morrison Low and Pitcher Partners to independently assess the LTFP and its assumptions - both firms were satisfied with the financial modelling and assumptions.

Council again exhibited the documents in September/October 2016 with the one "Strategic" scenario and received no submissions. Council, in November 2016, adopted the documents and endorsed the reassessment submission to the OLG.

Council was deemed Fit for the Future in April 2017.

Council as part of the IP&R process engaged with the community in late 2016 and early 2017 to revisit the Community Strategic Plan (CSP), Delivery Program/Operational Plan (DP/OP) and the LTFP. These documents again only contained one scenario, which included the proposed SRV proposal and tied directly to Council's reassessment proposal and the submission endorsed by the community. These documents were again placed on public exhibition, and promoted through media, Council's website and direct mail outs for a period of 30 days. Council did receive submissions, however these related to requests for the changing of renewal priorities or having projects added to the program. Council adopted the IP&R documents in June 2017.

Council, in November 2017, resolved to implement the action contained in the adopted IP&R documents and notify IPART of its intention to apply for the endorsed SRV. The Council actively promoted this proposal in the following ways:

1. Notification in the local print and TV media inviting submissions
2. Delivery to every household of a special Council newsletter detailing the SRV proposal and inviting submissions
3. Development of a dynamic FAQ and answers on Council's website (586 direct hits) and inviting submissions
4. Development of a rate estimator allowing residents to see the SRV impact for their individual property by entering their assessment number
5. Presentations to community committees (precincts)

Submissions were invited over the period 22 November 2017 to 19 January 2018 (inclusive). At the conclusion of this period 11 submissions had been received.

This SRV application was approved by IPART, however only the first year (2018-19) was included in the approval. The remaining two years were not approved based on Council not fulfilling the requirements of IPART's Criterion 4 in the SRV application. Specifically, Council required two public exhibitions of the proposed variations as a result of the first not containing a base case scenario to compare against the proposed SRV. The second exhibition finished after Council lodged its application (there were no submissions on this).

Council resolved to re-apply to IPART for the remaining two years of the SRV and at its extraordinary meeting held on 7 November 2018, resolved:

3.1 Revised Long Term Financial Plan 2018-2019 to 2026-27, Operational Plan 2018-19 and Delivery Program 2017-21 to go on public exhibition.

18/268

Committee recommendation that Council:

1. Endorse the amended Delivery Program.
2. Endorse the actions of the General Manager in making administrative changes to the Delivery Program and placing it on public exhibition.
3. Note that the closing date for these submissions on the amended Delivery Program is 6 December 2018 after allowing 28 days public exhibition.
4. Proceed to formal application to IPART for a section 508(A) special rate variation including rate pegging of 9.83% for 2019-20 and 6.00% for 2020-21, to be retained permanently in the rate base.

(Councillors Brown and Westhoff)

Since that resolution, Council has undertaken community engagement around the proposed SRV and placed the draft Operational Plan 2018-19 and Delivery Program 2017-21 on public exhibition for 28 days. This engagement has included the following:

1. Notification in the Kiama Independent and Bugle inviting submissions on the proposed SRV.
2. Notification on Council's website inviting submissions on the proposed SRV.
3. The development of a dynamic FAQ and answers on Council's website (which had 87 direct hits).
4. The development of a rates estimator that calculated individual impacts of the SRV (83 uses).
5. Detailed explanation of the SRV in Council's special edition of Kimunico which was sent to every household, also inviting submissions.
6. Presentations made to the Central Precinct Committee, South Precinct Committee, Northern Precinct Committee, Jamberoo Valley Ratepayers and Residents Association and the Minnamurra Progress Association.
7. Submissions were open from 8 November 2018 through to the 6 December 2018. At the close of this period, Council had received a total of 4 submissions on the SRV. There were no submissions received for the amended Operational Plan 2018-19 and Delivery Program 2017-21.

This second application relates to the remaining two years of Council's three-year SRV plan which was requested in February 2018, where only the first year was approved by IPART.

This application also seeks a SRV for Kiama Municipal Council under section 508A of the *Local Government Act* 1993. Starting in July 2019, the SRV would increase rates (Notional Yield) each year over two years and would then be a permanent addition to income. The annual increase would be 9.83% in the first year (2019-20) and 6.00% in 2020-21. Each yearly

increase would include the IPART-determined rate peg. Based on an estimated 2.7% for 2019-20 and 2.5% for 2020-21.

It should be noted that the overall impact of the abovementioned two-year SRV (in conjunction with the one-year increase granted) is the same as the increase that was proposed in the February 2018 application. The increase of 9.83% proposed in 2019-20 compensates for the 6% increase granted in 2018-19 which is not a permanent increase of the rating base.

Council's application sets out why the SRV is necessary (criterion 1 – refer page 18), how Council has engaged with the community about the application (criterion 2 – refer page 54), and what the ratepayer impact will be under the SRV (criterion 3 – refer page 75).

As Council will demonstrate, it is clear in relation to the three criteria that:

1. The Kiama Municipality community has consistently said that a range of asset types do not meet their expectations. Those that continue to have the largest performance gaps are roads, carparks, community buildings (including public amenities) and footpaths/cycle ways. This was again supported by the 2016 Community Satisfaction Survey as well as the recently completed 2018 Community Satisfaction Survey. (Note that Council has recently completed the 2018 Community Satisfaction Survey and the preliminary results were presented to Council on 6 February 2019).
2. The community has overwhelmingly supported Kiama Municipal Council being a standalone Council through the FFTF program, being fully aware that the Council proposal included this SRV. Council has again engaged with its community extensively, specifically around the proposed SRV, since making the decision on 21 November 2017 to notify IPART of its intention to make the first formal application. The community has understood and appreciated the fact that Council provides far more infrastructure to its community than a large number of other Councils and the community expects this to all be maintained at a standard that meets their needs and expectations, which comes at a cost that cannot be funded without this SRV.
3. Although the SRV requests ratepayers to increase their contribution to Kiama Municipality's future, the contribution is reasonable. For the residential rating category, which contains 88% of all ratepayers, the average rate in the last year of the SRV increase (2020-21) would be \$166 more than the average rate at the same time if rate pegging applied; an amount which is demonstrated that the community can afford.

In relation to the current application, it has been calculated that the SRV would generate an additional \$2.953 million over the proposed two-year period.

The additional funding would be allocated to the following assets over this period:

- buildings and public amenities
- footpaths and cycleways
- parks and open spaces.

The retention of this additional revenue permanently will allow, as detailed in the LTFP, for Council to continue to fund the required asset maintenance and renewal over the remaining time horizon of this plan and the adopted Asset Management Strategy and the associated Asset Management Plans (AMPs) which are fully integrated with the LTFP.

These proposals have been the subject of extensive community engagement since January 2016 and more importantly received unprecedented support from our community, as detailed in Assessment criterion 2 of this application.

This proposed investment in the Kiama Municipality community is nothing less than what residents and ratepayers have strongly supported and deserve. This SRV application is a further step to be implemented to enable Council to improve the Kiama community's future.

On this basis, Council commends this application to the IPART.

Note that this application has utilised content from Council's February 2018 SRV application, based on the relevance of this content in the three-year application that Council originally applied for. This has been expanded where updated data is available, as well as outlining the additional processes and consultations undertaken since the original application was lodged.

2.1 Focus on Integrated Planning and Reporting

Councils must identify the need for a proposed special variation to their General Fund's rates revenue as part of their Integrated Planning and Reporting (IP&R) process. The IP&R documents will need to be publicly exhibited and adopted by the council prior to it submitting its application to us. Also refer to section 6 for a more detailed explanation.

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

Kiama Municipal Council's IP&R framework was initially adopted in June 2013 after extensive consultation and collaboration between the community and Council.

Council, as part of the IP&R process, engaged with the community in late 2016 and early 2017 to revisit the CSP, DP/OP and LTFP. These documents again only contained one scenario, (the scenario which formed the Financial Reassessment submission) which included the proposed SRV proposal and tied directly to Council's reassessment proposal and the submission endorsed by the community. These documents were again placed on public exhibition, and promoted through media, Council's website and direct mail outs for a period of 30 days. Council did receive submissions however they related to requests for the changing of renewal priorities or having projects added to the program.

The previous suite of IP&R documents was adopted on 22 June 2017 (Minute No 17/206) as highlighted in Section 6 of this application. The revised Operational Plan 2018-19 and Delivery Program 2017-21, which incorporated the Long Term Financial Plan 2018-19 to 2027-28, was adopted on 18 December 2018 (Minute No. 18/338).

Prior to that time Council's LTFP was again publicly exhibited and re-confirmed on 21 November 2016 (Minute No. 16/445), as part of Council's FFTF financial reassessment submission. In addition, Council publicly exhibited its AMPs in March 2017, which had been fully integrated into the LTFP and included the proposed SRV.

The vision contained across Council's IP&R framework is articulated in the CSP, which is included in the mandatory forms and attachments to this document.

Council's DP/OP, LTFP and Resourcing Strategy support the CSP in providing the detail and strategies which demonstrate Council's priorities and resource allocations.

At its meeting of 6 February 2018 (Minute No.18/026) Council resolved:

15.2 Community Engagement and Feedback on Proposed Special Rate Variation

18/026

Committee recommendation that Council:

1. Endorse the amended Delivery Program.
2. Endorse the actions of the General Manager in making administrative changes to the Delivery Program and placing it on public exhibition.
3. Note that the closing date for these submissions on the amended Delivery Program is 21 February 2018 after allowing 28 days public exhibition.
4. Acknowledge the submissions received during the public exhibition period from 21 November 2017 to 19 January 2018 inclusive, specifically in relation to the proposed special rate variation and that details of all submissions be included in Council's application to IPART.
5. Proceed to formal application to IPART for a section 508(A) special rate variation of 6% (including rate pegging) for three successive years, to be retained permanently in the rate base with the cumulative impact being 19.1% or 12.04% net of rate pegging.

(Councillors Way and Steel)

No other documents needed to be revised at that time, as they reflected the IP&R documents inclusive of the proposed SRV.

On 28 June 2018, Council adopted the 2018-19 Draft Operational Plan. The statutory requirements in adopting such plans and making the rate is lengthy by nature and runs for several pages. It is Resolution Number 18/189 and can be found on Council's website.

On 18 December 2018 Council adopted the amended Operational Plan 2018-19 and Delivery Program 2017-21, which incorporated the Long Term Financial Plan 2018-19 to 2027-28 (Minute No 18/338), as below:

11.1 Community Engagement and feedback on the proposed Special Rate Variation and draft Operational Plan 2018-19 and Delivery Program 2017-21 (incorporating the Long Term Financial Plan 2018-19 to 2027-28)

18/338

Committee recommendation that Council

1. acknowledge the submissions received in relation to the proposed special rate variation and that all submissions be included in Council's application to IPART.
2. adopt the amended Operational Plan 2018-19 and Delivery Program 2017-21.

(Councillors Reilly and Rice)

The current adopted revised IP&R documents are:

1. Amended Operational Plan 2018-19 and Delivery Program 2017-21
2. Long Term Financial Plan 2018-19 to 2027-28
3. Asset Management Strategy (included in Other Attachments)

These documents demonstrate Council's challenges in relation to its long term financial sustainability and contemplates options under current funding for asset maintenance and renewal programs in order to manage Council's infrastructure back-log and meet the expectations of the NSW Government's FFTF benchmarks as identified in the CIP.

Over the course of the past four years, Council has embraced the opportunity presented by the development of its IP&R framework and the FFTF program to engage the community in a conversation about the vision for the Kiama Municipality into the future. This continuing conversation has allowed the community to better understand Council's services and the challenges faced in regard to financial sustainability, asset renewal and maintenance. In turn, Council has been instructed by the community to undertake further work to explore options for planning for a sustainable future. A future where Council's assets and infrastructure can be maintained and renewed in accordance with Council's LTFP and AMPs and Council is financially sustainable into the future.

Council's IP&R framework is explained in detail in Assessment Criterion 4 of this application.

2.2 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.

[Refer to Section 6 on page 90.](#)

2.3 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	<input checked="" type="checkbox"/>
Environmental services or works	<input type="checkbox"/>
Infrastructure maintenance / renewal	<input checked="" type="checkbox"/>
Reduce infrastructure backlogs	<input type="checkbox"/>
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.

Key purpose for Kiama Municipal Council’s Special Rate Variation

The two key purposes of the SRV are:

1. to address the continual financial shortfalls in funding infrastructure asset renewal and maintenance and to enhance financial sustainability. Primarily, Council has been unable to generate revenues over a long period of time sufficient to fund the required asset renewal and maintenance. The ongoing failure to address this funding gap will result in a proportionate increase in infrastructure backlog which currently meets the Infrastructure Backlog FFTF benchmark, but without increased funding will not be met by 2021-22, and
2. to secure the long term financial sustainability of Council in response to community and State Government expectations.

Council has provided significant detail against “Assessment Criterion 1: Need for the Variation”. Council has been committed and driven an organisational objective since being deemed “unfit” in October 2015, to address both the infrastructure renewal funding gap and the financial sustainability of the organisation. Council has ensured that achieving this is done in accordance with the proposal taken to the community during the FFTF program and

addresses the ongoing renewal and maintenance of infrastructure to meet the community's identified needs and expectations.

2.4 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:

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

2.5 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.

Council actively and continually engages with the community in relation to all aspects of Council's service delivery and understanding their expectations and needs. Council receives unparalleled support from the community and this will be clearly demonstrated in Assessment Criterion 2 of this submission. Council has engaged with the community in the preparation of the IP&R guidelines since 2012, specifically around the development of the CSP.

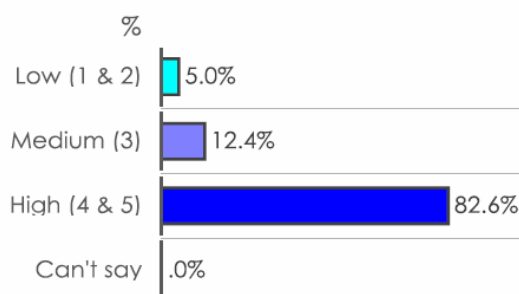
Over the past three years the engagement and conversations with the community regarding the challenges being faced by the organisation and the proposed strategies to address these challenges have increased and intensified through the FFTF program and the proposed merger with Shoalhaven City Council. During this period the community, in their thousands, turned out to support Kiama Municipal Council in remaining a standalone Council, which was a community aspiration since the commencement of the IP&R engagement in 2011.

The 2016 Community Satisfaction Survey questions allowed the results to be quantitatively compared to the 2011 Community Satisfaction Survey. The random CATI (Computer-Assisted Telephone Interviewing) survey was conducted by independent company IRIS Research Ltd. A total of 505 interviews were conducted. The 2016 survey results continued to reinforce the community view that more money needs to be invested into asset renewal and maintenance in a number of asset classes. The 2018 Community Satisfaction Survey has been recently finalised and continues to support the community's views mentioned above in the 2016 Survey.

Council undertook a further Community Satisfaction Survey in 2018 and received the preliminary results on 6 February 2019. Early indications support the 2016 survey.

Since 2011, Kiama Municipal Council has continually received an overall 'very high' rating from its community in IRIS research surveys. This is reflected in the 2016 survey as shown below:

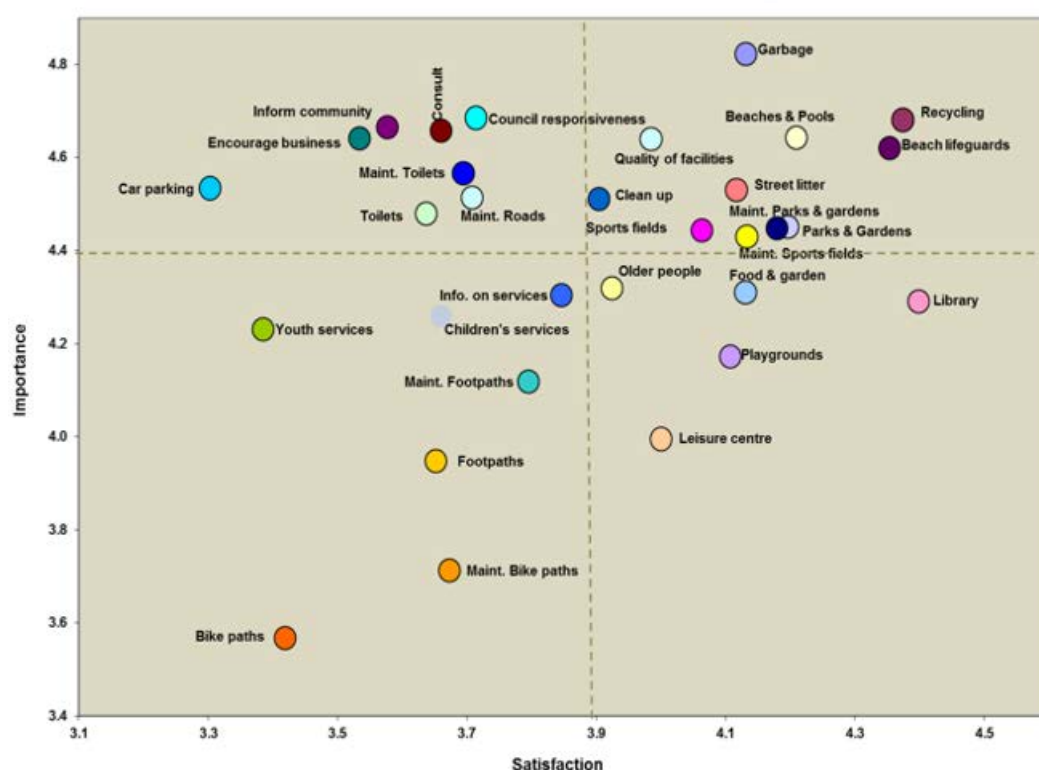
Graph 3.1.1 - Overall satisfaction with Council performance- Collapsed



Source: 2016 IRIS Community Satisfaction Survey page 34

The quadrant analysis for all services and facilities provided by Council, that formed part of the 2016 survey are set out in the graph below.

Graph 3.1.2 - Quadrant analysis for all services and facilities



Source: 2016 IRIS Community Satisfaction Survey page 12

In summary, results of the independent random survey found carparks, public amenities (buildings, toilets) local roads, footpaths and cycleways were all in the top 10 capital performance gaps; had the least community satisfaction and was considered the most important by the community. In terms of Priority, Satisfaction and Investment, it was clearly demonstrated that carparks, local roads, toilets, community facilities, footpaths and cycle ways needed the most investment. These results are consistent with the 2011 IRIS Community Satisfaction Survey, as shown in the 2016 comparative table (3.1A) below.

Table 3.1.1 - Performance Gaps for Council Infrastructure

Service / Facility	Ranking		Performance Gap			Priority Level
	2011	2016	2011	2016	% Change	
Maintenance of public car parking in your town centre	1	1	1.428	1.2689	-11.1%	1
Maintenance of public toilets	8	7	1.053	0.9262	-12.0%	1
Provision of public toilets	3	8	1.268	0.8941	-29.5%	1
Maintenance of local roads	7	9	1.089	0.8052	-26.1%	1
Provision of bike paths	26	14	0.487	0.5391	10.7%	3
Maintenance of sports grounds and playing fields	19	17	0.443	0.4512	1.9%	3
Maintenance and cleanliness of rock pools and beaches	14	18	0.621	0.4806	-22.6%	3
Maintenance of footpaths	13	20	0.622	0.42	-32.5%	3
Provision of footpaths	11	21	0.694	0.3865	-44.3%	3
Maintenance of bike paths	16	22	0.321	0.3482	8.5%	3
Provision of sports grounds and playing fields	21	24	0.379	0.3626	-4.3%	3
Provision of community halls and community centres	27	27	0.309	0.273	-11.7%	3
Maintenance of parks and gardens	20	31	0.403	0.2742	-32.0%	3

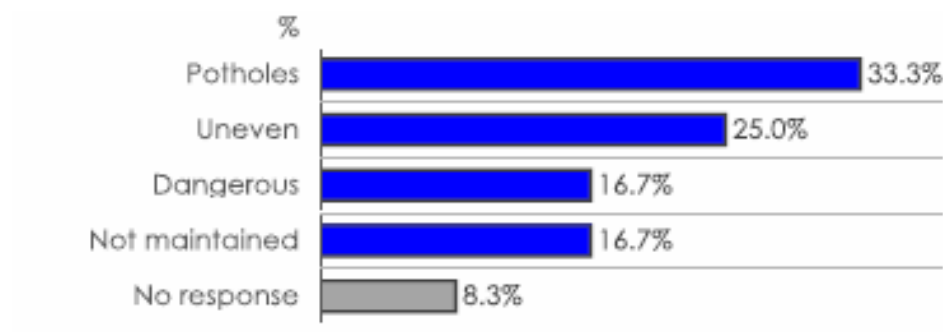
Source: 2016 IRIS Community Satisfaction Survey page 14

The above table shows that whilst Council has achieved some minor inroads into several service/facility areas, there are still significant performance gaps identified by the community, which cannot be addressed without the investment of more money into these areas, funds that Council does not have without this SRV.

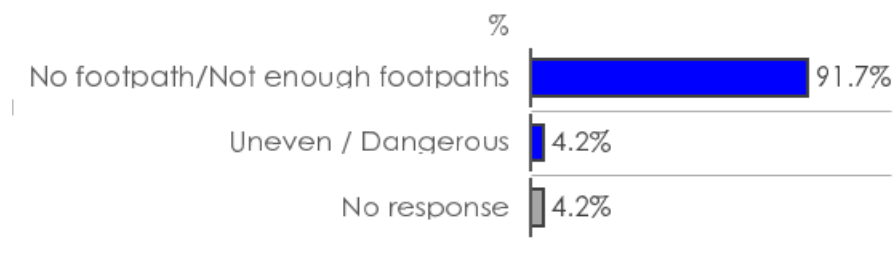
The survey also identified the primary reasons for the performance gaps and level of dissatisfaction which are detailed below.

Reasons for dissatisfaction with services and facilities

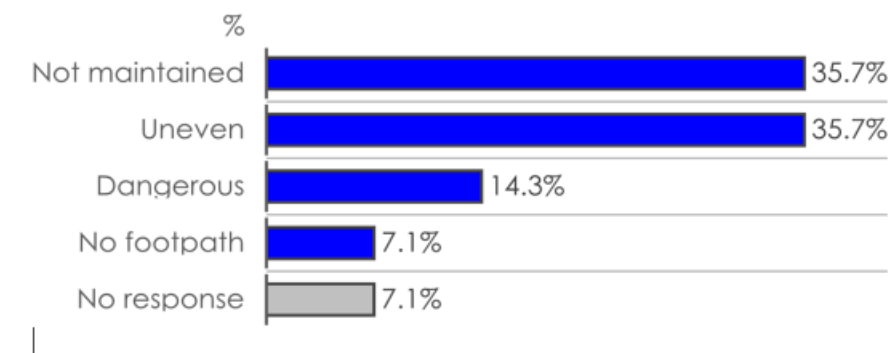
Graph 3.1.3 - Maintenance of local roads



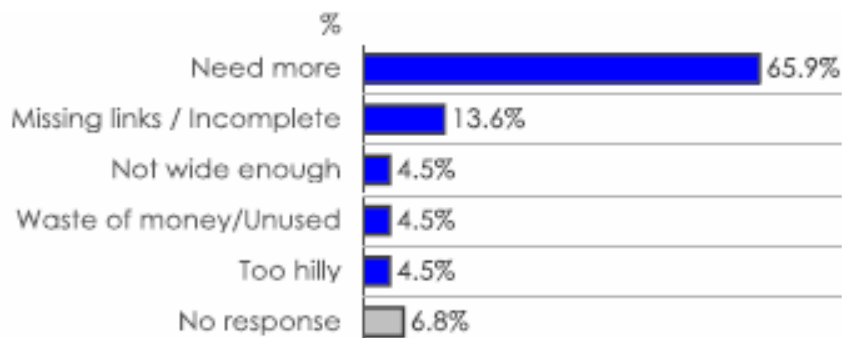
Graph 3.1.4 - Provision of footpaths



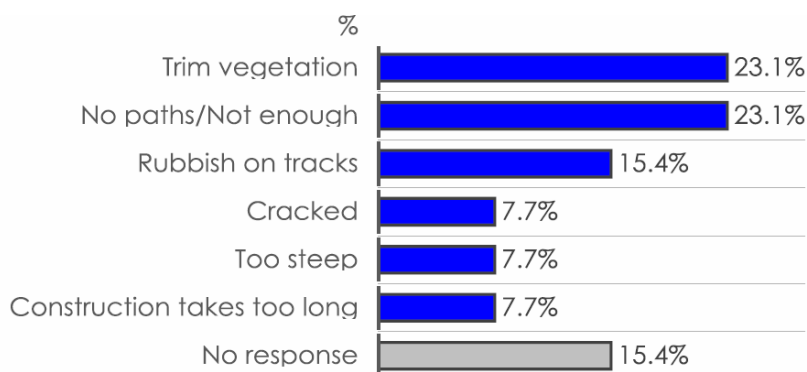
Graph 3.1.5 - Maintenance of footpaths



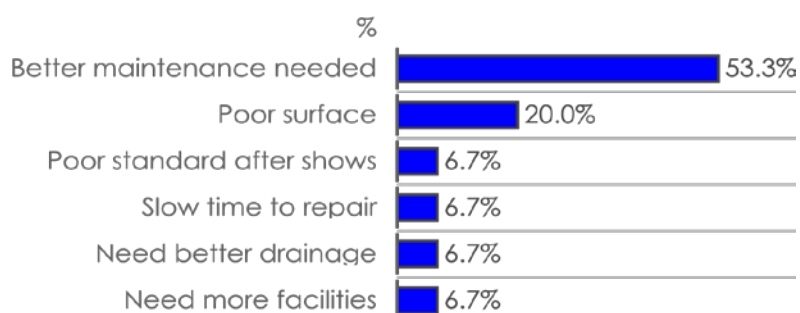
Graph 3.1.6 - Provision of bike paths



Graph 3.1.7 - Maintenance of bike paths



Graph 3.1.8 - Maintenance of sports grounds and playing fields



Source: 2016 IRIS Community Satisfaction Survey pages 52-54

The full results of the 2016 IRIS Community Satisfaction Survey can be found under Community Feedback in the mandatory forms and attachments section.

The presentation of the initial results of the 2018 IRIS Community Satisfaction Survey, received by Council on 6 February 2019, is included in the mandatory forms and attachments to this application. The presentation showed that, based on the initial results of the 2018 survey, the priorities for Council should be:

QUADRANT ANALYSIS

PRIORITIES FOR COUNCIL	STRATEGIC ADVANTAGES
(1) Facilities for older people (2) Maintenance of local roads (3) Maintenance of footpaths (4) Maintenance of stormwater drainage	(1) Food and garden organics (e.g. FOGO services) (2) Beach lifeguard service (3) Maintenance of parks and gardens (4) Leisure centre – Pool (5) Garbage collection (6) Maintenance of rock pools and beaches (7) Community halls and community centres (8) Services for older people (e.g. senior citizen centres) (9) Clean-up of street litter and dumped rubbish
SECONDARY PRIORITIES	OPPORTUNITIES
(18) Maintenance of bike paths (19) Annual household kerbside clean-up collection (20) Facilities for children (21) Maintenance of public toilets (22) Services for children (23) Maintenance of public car parking (24) Facilities for youth (25) Services for youth	(1) Library services (2) The Pavilion (3) Leisure centre – Hall (4) Kerbside recycling service (5) Maintenance of children's play grounds and equipment (6) Leisure centre – Gym (7) Maintenance of sports grounds and playing fields (8) Maintenance of community halls and civic buildings

The presentation of the initial results of the 2018 survey also showed that the areas of focus for the future should be:

AREAS OF FOCUS FOR THE FUTURE

1. Creating places that all members of the community can use and feel safe
2. Being financially sustainable
3. Supporting local businesses and creating local job opportunities.

Residents believe Council should **not** focus on encouraging housing growth opportunities in Kiama.

Based on the results of the 2016 survey (and now supported by the initial results of the 2018 survey), Council decided to commence conducting detailed audit and analysis of some of the asset classes that had identified performance gaps and revalidate current asset data. The

initial audit conducted was on public facilities throughout the Municipality (see Table 3.1B below) which confirmed that over 60% are in need of major renewal.

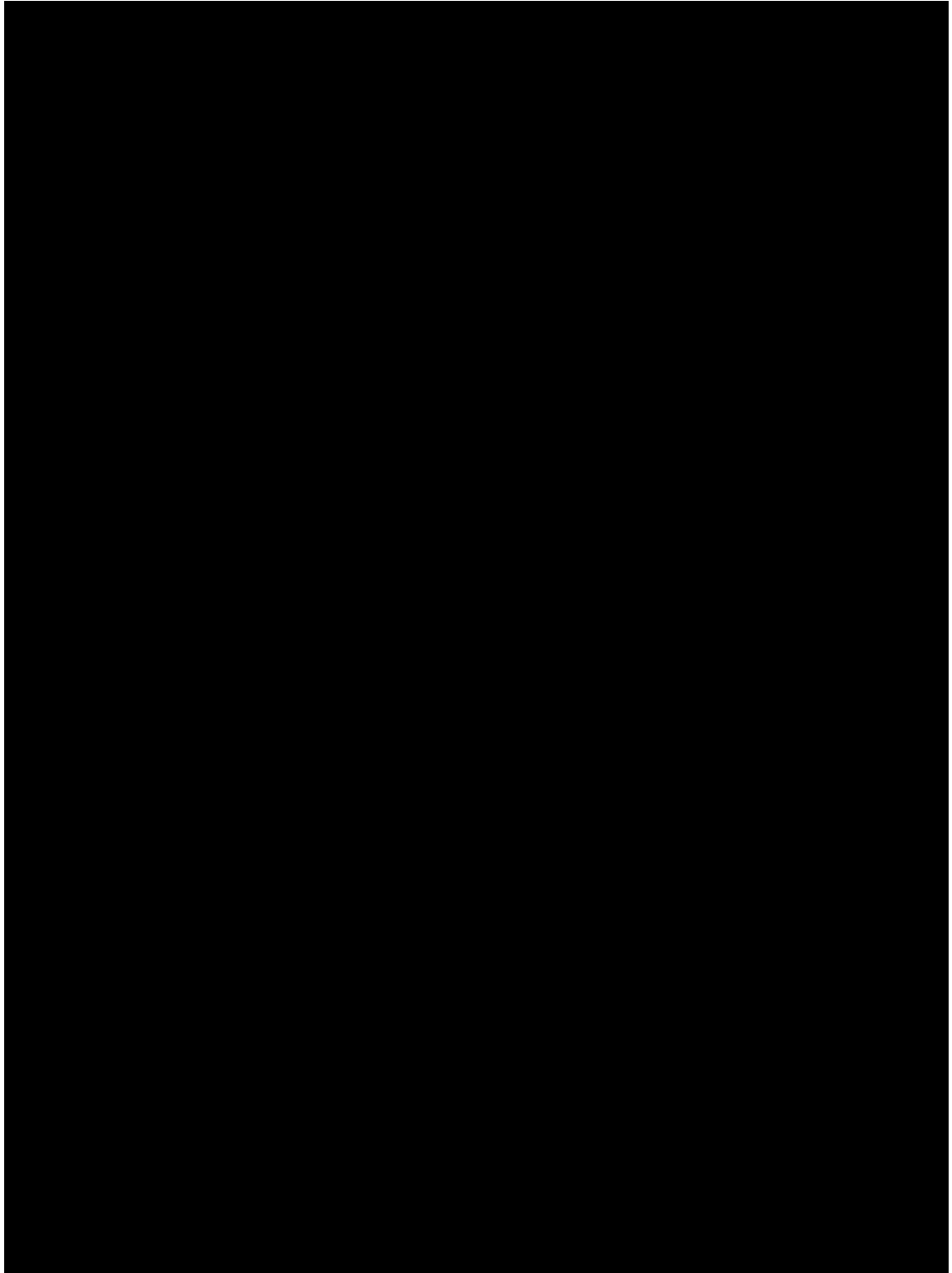
Table 3.1.2 – Amenities Attributes

Amenities Attributes						
<i>Asset ID</i>	<i>Location And Type</i>	<i>Street Address</i>	<i>Suburb</i>	<i>Construction Date</i>	<i>Condition 1-5 (1 is Good 5 is Unserviceable)</i>	<i>Material</i>
16473	Emery Reserve	Park Road	Gerroa	1983	3	Masonry
16478	Crooked River Road Kiosk	Crooked River Road	Gerroa	1993	3	Timber/Cladding
16463	Boat Harbour Reserve	Jupiter Street	Gerringong	1978	3	Masonry
16399	Gerringong Town Hall	106 Belinda Street	Gerringong	1993	4	Masonry
16433	South Werri	Pacific Avenue	Gerringong	1993	4	Masonry
16424	Gerringong SLSC	Pacific Avenue	Gerringong	1993	3	Masonry
16432	Lloyd Rees Reserve	Pacific Avenue	Gerringong	1983	3	Masonry
25991	Kiama Coastal Walking Track	Elanora Road	Kiama Heights	2013	1	Masonry
16641	Saddleback Mountain	Saddleback Mountain Road	Kiama	1983	4	Masonry
24196	Jerrara Dam	Mount Brandon Road	Jerrara	1998	2	Timber/Steel
16391	Coronation Park	Manning Street	Kiama	2008	4	Masonry
16690	Chittick Oval	Bong Bong Street	Kiama	1968	4	Masonry
16405	Kiama Showground	Bong Bong Street	Kiama	1998	2	Masonry

25869	Kiama Boat Ramp	Terralong Street	Kiama	2013	1	Timber/Steel
16472	Kiama Blowhole Point Rock Pool	Terralong Street	Kiama	2014	1	Masonry
16438	Kiama Tourist Information Centre	Terralong Street	Kiama	1989	3	Masonry
16409	Kiama Library	Railway Parade	Kiama	2001	1	Masonry
16421	Administration Building	Manning Street	Kiama	1989	2	Masonry
16621	Black Beach	Terralong Street	Kiama	2017	1	Masonry
16619	Black Beach Amenities North	Shoalhaven Street	Kiama	2013	1	Masonry
16474	Hindmarsh Park	Terralong Street	Kiama	2003	2	Masonry
16675	Kiama Cemetery	Riddell Street	Bombo	1983	4	Masonry
16617	Kevin Walsh Oval	Churchill Street	Jamberoo	1973	4	Masonry
16400	Bombo Beach	Riverside Drive	Kiama Downs	1983	3	Masonry
16453	Jones Beach Reserve	North Kiama Drive	Kiama Downs	1988	3	Masonry
16417	James Oats Reserve	Charles Avenue	Minnamurra	1983	3	Masonry
16702	North Street Reserve	North Street	Minnamurra	1973	4	Masonry
17292	Trevethan Reserve	Riverside Drive	Minnamurra	2015	1	Timber/Cladding

The condition of this particular asset class also received significant media in 2017 where the local paper conducted a poll on the worst public facility in the Municipality. This article is shown below.

Image 3.1.1 – Kiama’s Worst Toilet



- ▼ 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.

The decision taken to make this application for a SRV has not been taken in isolation and was one of 23 actions identified in the adopted CIP that was developed by Council with assistance from Morrison Low in 2015 as part of the FFTF program. The two primary focusses were on revenue generation and expense reduction. The actions adopted by Council in the CIP and their current status of implementation are set out below:

Table 3.1.3 – CIP Actions Adopted

Improvement Opportunity	Total (\$000)	Status
Increased commercial opportunities	\$50	Implemented and ongoing
Holiday Parks additional income	\$100	Implemented. Additional income of \$141K pa
Sale of additional aged care units	\$80	Commenced part of Kiama Aged Care Centre of Excellence project
Application for SRV of 6% (including rate pegging) for three successive years, with the income being permanently retained	\$3,280	IPART notified and application being prepared
Rental of old waste site for storage	\$50	Implemented. Additional income of \$35K pa
Saving on early payment of loans	-\$55	Implemented. Saving of \$71K
JO Staff sharing	-\$85	Implemented. Saving of \$38K pa
Change in Depreciation – buildings	-\$1,200	Implemented – non-cash
Change in Depreciation - transports and drainage assets	-\$450	Implemented – non-cash
Change in depreciation due to hierarchy of roads (15% of Seal)	-\$50	Implemented – non-cash
Change in depreciation non infrastructure assets	-\$265	Implemented – non-cash
Movement of funds holiday parks maintenance to renewal	-\$100	Implemented. Adjustment of \$126K
Service reviews - Waste	-\$100	Implemented. Saving of \$148K pa
Service review - Civil	-\$100	Commenced
Service Review - Parks	-\$100	Commenced
Service Review - Office	-\$100	Stage 1 completed, Stage 2 commenced
Service Review - IT	-\$85	Implemented. Saving of \$58K pa

Rental Saving	-\$50	Investigated and found to be not feasible
Capitalisation of loan costs - Spring Creek Development	-\$467	Project delayed due to a variety of matters
Reduction in Motor vehicle fleet	-\$20	Implemented. Saving of \$51K in first year, saving will be diminishing in future years
Return from Blue haven site - for discussion	TBD	Commenced part of Kiama Aged Care Centre of Excellence project
Land Sales – for discussions	TBD	Ongoing. Asset rationalisation has yielded \$1.37M from sale of 2 properties.
Adjustments to fees and charges based on 14-15 result	\$600	Implemented. Full review conducted on all discretionary fees and charges.

As is demonstrated, Council, since January 2016, has actively either fully implemented all of the proposed improvements or is working towards their implementation. The SRV application in conjunction with a range of other initiatives detailed in Criterion 5: Productivity improvements and cost containment strategies result in Council being able to address the funding gap, whilst achieving positive operating performance ratio and meeting all seven FFTF Benchmarks.

On 15 December 2015, Council endorsed its FFTF CIP demonstrating that it will meet the seven industry performance benchmarks by 2019-20. The relevant minute from the Council meeting is provided below:

16.4 Fit for the Future - Submission to the NSW Government

15-451

Committee recommendation that Council:

1. Authorise the submission to be made to the NSW Government showing that: Council will achieve “Fit for the Future” status as required by IPART by 2019-20, such submission to outline the manner in which that position will be reached.
2. Implement the actions identified in the review process to achieve Fit for the Future status.

(Councillors Petschler and Sloan)

On 23 February 2016 Council endorsed its submission on the proposed merger and it resolved:

4.1 Proposed Merger of Kiama and Shoalhaven Councils - Proposed Submission

16/001

Committee recommendation that Council:

1. Endorse the draft submission to be made to the Delegate appointed to hold the public inquiry into the proposed merger of Kiama and Shoalhaven Councils, and authorise the General Manager to make minor amendments before the submission date if required.
2. Note that Council has made available to the public the draft Morrison Low reports (identifying that Council is financially 'fit for the future') and the Judith Stubbs and Associates report (confirming that there are significant community disadvantages to the proposal).
3. Again urge the Government to release the KPMG reports that it has used to justify forced council amalgamations.
4. Note that the community has not been provided with the opportunity to vote on this matter, either at the recent State Election or as part of the Boundaries Commission assessment process, despite requests from Council, the Member for Kiama and others for a poll to be conducted under Sec 265 (1) of the Act to assist the Boundaries Commission determine the attitude of the residents and ratepayers.
5. Investigate a formal poll of all residents and eligible ratepayers in accordance with Part 11 of the Local Government Regulation 2005, with this question to be posed: "Do you support the State Government's proposal to merge the Kiama and Shoalhaven Local Government Areas?".
6. Request the general manager to prepare an urgent report on the holding of that poll outlining structure, cost and funding, such to be submitted to a special meeting of Council for authorisation so as to meet the requirements of the guidelines issued in December 2015 by the Office of Local Government under Sec 23A of the Act.

(Councillors Sloan and Reilly)

For: Councillors McClure, Petschler, Reilly, Rice, Seage, Sloan, Steel and Way
Against: Nil

It should be noted that point 2 of the abovementioned resolution included the Morrison Low report being made public and Council subsequently was requested by a large number of community members and organisations for a hard copy of this submission so that they could prepare their own submissions to the delegate. The proposed SRV as detailed in this document and also on page 11 in Council's submission to the delegate submission:

- Impact on rates
 - The original merger proposal incorrectly states that Kiama has requested a cumulative 29% rate rise over a three year period. Council's LTFP highlights the need for a 6.0% increase (including rate pegging) for three years commencing in 2018/19 with the income being retained permanently. This represents a cumulative increase of 19.1% over three years, as such the merger proposal is clearly wrong.

On 28 June 2016 Council, after public exhibition, adopted the Integrated Plans including the OP, LTFP and Revenue Policy. The statutory requirements in adopting such plans and making the rate is lengthy by nature and runs for several pages. It is Resolution Number 16/214 and can be found on Council's website.

Council after being invited to submit for FFTF Financial Reassessment by the Minister for Local Government in August 2016, prepared a further submission. As part of the submission the LTFP was again publicly exhibited. This submission directly correlated to the submission made to the Delegate in February 2016 and the submission was adopted and endorsed by Council (Minute No 16/445) on 21 November 2016:

3.1 Long Term Financial Plan and Fit for the Future Reassessment

16/445

Committee recommendation that Council:

1. Adopt the Draft Long Term Financial Plan 2017-18 – 2026-27
2. Endorse the Fit for the Future Reassessment Proposal and authorise the proposal to be submitted to the Office of Local Government.

(Councillors Brown and Reilly)

In April 2017 Council received advice from the Minister for Local Government that Council based on its submission had been declared “Fit for the Future”.

The full suite of IP&R documents were reviewed in consultation and engagement with the community in January – March 2017 and Council adopted these documents after public exhibition on 22 June 2017. The statutory requirements in adopting such plans and making the rate is lengthy by nature and runs for several pages (Minute No. 16/214).

Council at its meeting held on 19 November 2017, and in accordance with the adopted Integrated Plans, LTFP and the adopted CIP, resolved:

11.9 Special Rate Variation

17/183

Committee recommendation that Council notify IPART of its intention to apply for a Section 508A Permanent Special Rate Variation (SRV) of 6% including rate pegging for 3 successive years, to be retained permanently in the rate base.

(Councillors Brown and Reilly)

Council at its meeting on 6 February 2018, after engaging in community consultation and inviting submissions (from 20 November 2017 to 19 January 2018) specifically on the proposed SRV and considering all submissions received, resolved:

15.2 Community Engagement and Feedback on Proposed Special Rate Variation

18/026

Committee recommendation that Council:

1. Endorse the amended Delivery Program.
2. Endorse the actions of the General Manager in making administrative changes to the Delivery Program and placing it on public exhibition.
3. Note that the closing date for these submissions on the amended Delivery Program is 21 February 2018 after allowing 28 days public exhibition.
4. Acknowledge the submissions received during the public exhibition period from 21 November 2017 to 19 January 2018 inclusive, specifically in relation to the proposed special rate variation and that details of all submissions be included in Council's application to IPART.
5. Proceed to formal application to IPART for a section 508(A) special rate variation of 6% (including rate pegging) for three successive years, to be retained permanently in the rate base with the cumulative impact being 19.1% or 12.04% net of rate pegging.

(Councillors Way and Steel)

- ▼ Why the proposed special variation is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in council loan borrowings, or private public partnerships or joint ventures.

As detailed in the Financial Sustainability section of this submission, IPART, in its 2015 FFTF assessment in which Kiama Municipal Council was deemed "unfit", stated in part that:

- The council does not satisfy the sustainability criterion. It does not meet the operating performance and building and infrastructure asset renewal benchmarks by 2019-20.
- The operating performance ratio was -7.7% in 2014-15 and is forecast to be -6.1% by 2019-20 which does not meet the benchmark. These figures rely on a number of assumptions, including the successful application for and adoption of a special variation from 2018-19 of 17.4% cumulative over 3 years (9.7% above the rate peg).

Unless there is a permanent and sustainable structural increase in the Council's annual own source revenue, the challenge of renewing and maintaining the Council's ageing infrastructure for the benefit of residents and visitors is unaffordable. It will result in increased community dissatisfaction, Council being financially unsustainable and unable to meet the required financial FFTF benchmarks and fly directly in the face of what this community expressly fought so hard for.

Morrison Low was commissioned by Council in 2015 to work with the organisation to develop a CIP to address the identified challenges. As part of this work they conducted an audit across the organisation and identified the following:

Table 8 Combined asset funding gap	Asset Maintenance (\$,000)	Renewals (\$,000)	Infrastructure Backlog (\$,000)	Average funding required per annum (5 years) (\$,000)	Average funding required per annum (5 years+) (\$,000)
Kiama Municipal Council	-859	-4,572	-162.2	-5,593	-5,411

If the asset gap is to be addressed over the short term (five years), additional funding in the order of \$5.6m per annum is required.

We have not included the funding gap related to the operating performance ratio in this table as that would not present a realistic picture of the required expenditure. Once Council exceeds the Asset Renewal Ratio benchmark for the modelled period the infrastructure backlog reduces. Any increase in expenditure on maintenance or renewals will flow through to affect the operating revenue and expenses of Council and therefore the operating performance ratio. Additionally, Council may choose to address the funding gaps identified in this report by increasing revenue, shifting funding from another service or activity, reducing overall costs, or a combination of all the above. This will all affect the other ratio. It is therefore not considered possible to simply add the operational funding gap and the asset funding gap identified below together into a single figure.

Source: Morrison Low Kiama Municipal Council FFTF Improvement Proposal - January 2016 Page 14 (Attachment 3 in Other Attachments - Other)

The community has supported Council's direction. As a result, Kiama Municipal Council proposes to continue with its SRV and improvement efficiencies already factored into the current Long Term Financial Plan and include a series of ongoing service reviews that will ensure that Council continues to provide efficient and effective service to the community.

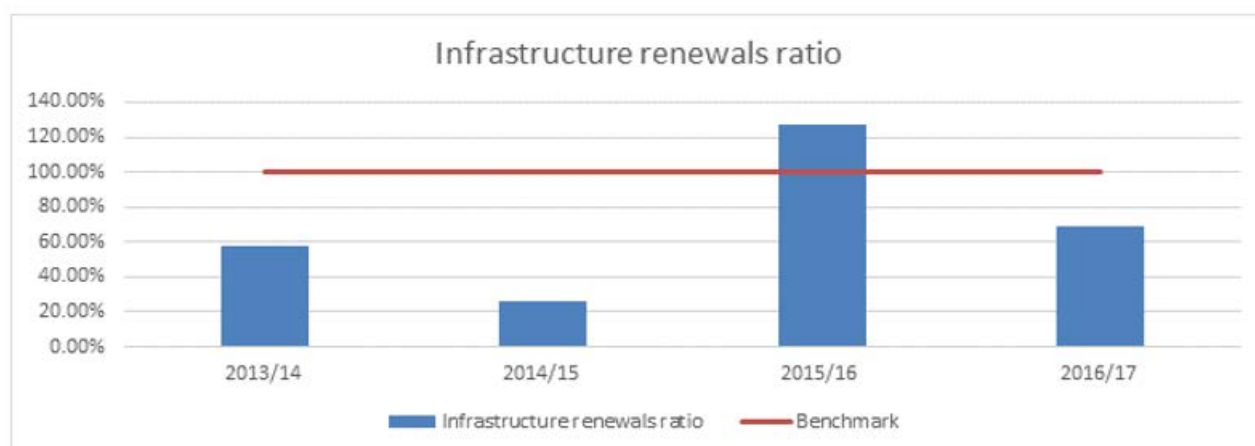
Source: Morrison Low Kiama Municipal Council FFTF Improvement Proposal - January 2016 Page 3 (Attachment 3 in Other Attachments - Other)

To further highlight this point, the table below shows the Infrastructure Renewals Ratio that has resulted from this funding gap over the four years 2013-14 to 2016-17.

Table 3.1.4 – Infrastructure Renewal Ratio

	Excluding Contributed Assets			
	2013-14	2014-15	2015-16	2016-17
Infrastructure renewals ratio				
Asset renewals	3,844	1,747	6,274	3,333
Depreciation, amortisation and impairment	6,712	6,769	4,949	4,852
Infrastructure renewals ratio	57.27%	25.81%	126.77%	68.69%
Benchmark	100%	100%	100%	100%

Graph 3.1.9 – Infrastructure Renewals Ratio



NOTE: In 2015-16 Council received the proceeds from an insurance claim (\$1,136,039) for damage to major infrastructure from a storm event and in addition was successful in obtaining three grants totalling \$956,000 for asset renewal.

Discretionary fees and charges as part of the CIP have been reviewed and where possible increased, giving consideration to affordability across the community. The funding required for asset renewal and maintenance, and the type of assets (roads, public buildings and facilities, footpaths, cycleways and playing fields) are not expenditures which are attractive or marketable as joint ventures or public private partnerships. Loan borrowings were examined but again increased the cost of these works through interest payments. Council has previously utilised Local Infrastructure Renewal Scheme (LIRS) funding for renewals and even with the interest subsidy, this has resulted in over \$300,000 in interest payments.

The implementation of the proposed SRV provides an additional permanent increase in funding to address asset renewal and financial sustainability and more importantly allows

Council to schedule the required renewal and maintenance as and when it is due, compared to the current situation where required asset maintenance and renewal is delayed or deferred and added to the infrastructure backlog with a compounding impact.

The proposed SRV is the most appropriate option for Council and its community when put in context that other options or initiatives identified in the CIP have been implemented or are being implemented, in addition to other cost containment strategies detailed in Assessment Criterion 5 of this application. Furthermore, the funding needs to be ongoing and reliable in order to fund the required maintenance and renewal that will continually be required infinitum.

- ▼ How the proposed special variation impacts the LTFP forecasts for the General Fund and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council's LTFP forecasts.

The proposed SRV, in conjunction with the actions implemented from the CIP, has a positive impact on all financial indicators and enables all FFTF benchmarks to be addressed as shown in the LTFP. The additional revenue fully funds the required asset maintenance and renewal, reduces the infrastructure backlog, and provides financial sustainability. The Asset Management Strategy and associated AMPs are fully integrated with the LTFP and is therefore fully funded under implementation of the SRV and the identified CIP actions.

As previously stated in the development of the LTFP as part of due diligence, Council had the plan reviewed including the assumptions that underpin the LTFP, by both Morrison Low (Attachment 3 in Other Attachments - Other) and Pitcher Partners (Attachment 4 in Other Attachments - Other). Both firms agreed to the assumptions as being reasonable and found no errors or omissions. In addition, upon being declared "Fit" by the Minister for Local Government in April 2017 (Attachment 5 in Other Attachments - Other) after financial reassessment by the Office of Local Government of this LTFP, Council made application to TCorp for loan funding identified in the LTFP. This loan application process required a detailed analysis and review by TCorp of the LTFP and the underlying assumptions. As a result of that process TCorp approved the loan application.

A comparative table of the impacts of the proposed SRV on the LTFP compared to without the SRV, and how this relates to the need Council and the community has identified, is set out below.

Table 3.1.5 – Comparative Table

General Fund - Fit for the Future Ratios	Scenarios	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Operating Performance Ratio	Strategic	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Base Case	✓	✗	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗
Own Source Operating Revenue Ratio	Strategic	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Base Case	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Building and Infrastructure Asset Renewal Ratio	Strategic	✓	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Base Case	✓	✗	✗	✗	✗	✗	✓	✓	✗	✗	✗	✗	✗
Asset Backlog Ratio	Strategic	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Base Case	✓	✓	✓	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗
Asset Maintenance Ratio	Strategic	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Base Case	✗	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Debt Service Cover Ratio	Strategic	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Base Case	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Operating Expenditure per Capita Ratio	Strategic	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Base Case	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note:

The above indicators are based on Kiama Councils General Fund (i.e. excluding the Kiama Aged Care Centre of Excellence (KACCOE) Project)

With the table showing positive operating ratios, full funding of asset maintenance and renewal ($\geq 100\%$) the proposed SRV meets all of the identified needs.

As is demonstrated in the Financial Sustainability section below, Council, since January 2016 has actively either fully implemented all of the proposed improvements or is working towards their implementation. The SRV application in conjunction with a range of other initiatives detailed in Criterion 5: Productivity, improvements and cost containment strategies result in Council being able to address the funding gap, whilst achieving positive operating performance ratio and meeting all seven FFTF benchmarks.

Council, as part of its submission in June 2016 opposing the proposed merger and again in November 2016 when Council was invited to submit for financial reassessment by the Minister for Local Government, engaged both Pitcher Partners (Auditors) and Morrison Low to analyse Council's LTFP both for accuracy and the soundness of the assumptions underlying the plan. Both firms supported the LTFP and the assumptions used. It should also be noted that Council, upon being deemed "fit", made application to TCorp for identified loan funding and the LTFP was again heavily scrutinised. Subsequently, TCorp approved the loan funding.

The linkages and references to Council's IP&R Documents have been extracted in the table below. The complete documents have been included in the attachment section of the application.

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.

The table below details the references in the IP&R documents pertaining to this criterion.

Table 3.1.6 – IP&R Linkages

Linkages to Community Strategic Plan

Objective	Strategy
1.0 A healthy, safe and inclusive community	1.1 Developing and implementing services and programs that promote social cohesion, healthy and active lifestyles for residents of all ages, abilities and interests.
2.0 Well planned and managed spaces, places and environment	2.5 Effectively manage our transport, drainage and other infrastructure and assets
4.0 Responsible civic leadership that is transparent, innovative and accessible.	4.1 Council is financially sustainable

Table 3.1.7 – DP/OP Linkages

Linkages to Delivery Program and Operational Plan

Objective	DP Strategy	Page	OP Action/Activity
1.0 A healthy, safe and inclusive community	1.1.5 Facilitate sport and health related facilities and programs	29	1.1.5.5 Undertake planned program of improvements and renewal to ensure the Leisure Centre and Jamberoo pool facilities are maintained to required standards
	1.1.6 Manage footpath and cycleway infrastructure and assets	31	1.1.6.1 Manage footpath and cycleway asset renewals
			1.1.6.3 Implement maintenance program for footpath and cycleway infrastructure and assets
			1.1.6.4 Consult with people with a range of disability types to establish priorities within Council's pathway plan
	1.1.7 Manage recreation and open space infrastructure to cater for current and future generations	32	1.1.7.1 Manage recreation and open space renewals
			1.1.7.3 Implement maintenance program for recreation and open space infrastructure
2.0 Well planned and managed spaces, places and environment	2.5.1 Manage road infrastructure through the Road Asset Management Plan	51	2.5.1.1 Implement road asset renewal program
			2.5.1.3 Implement maintenance program for roads, footpaths and cycleways
			2.5.1.4 Complete audit of all accessible parking places and identify improvements
	2.5.2 Manage drainage infrastructure through Drainage Asset Management Plans	52	2.5.2.1 Implement drainage asset renewals
			2.5.2.3 Implement maintenance program for drainage infrastructure
	2.5.3 Manage community buildings through the Community Building Asset Management Plan	52	2.5.3.1 Implement Community Buildings assets renewals
2.5.3.3 Implement maintenance program for community buildings			
4.0 Responsible civic leadership that is transparent, innovative and accessible.	4.1.1 Meeting and reporting against IPART / Fit for the Future benchmarks	63	4.1.1.1 Maintain financial sustainability
			4.1.1.4 Implement adopted actions from Council Improvement Program including an application for a Special Rate Variation of 6% (including rate pegging) for three successive years from 2018-19 with the income being retained permanently.
	4.1.2 Identify opportunities to diversity and maximise funding resources	63	4.1.2.1 Maximise return from commercial operations
			4.1.2.3 Maximise interest return from investments
			4.1.2.4 Review fees and charges annually

[Table 3.1.8 – LTFP Linkages](#)

Linkages to Long Term Financial Plan

Page	Details
1	<p>This iteration of the LTFP presents financial forecasts associated with the following assumptions:</p> <ul style="list-style-type: none"> a special variation has been factored into this Plan. The SRV was proposed in Council's Fit for the Future submissions and the quantum of the SRV is consistent with the submission made and the presentations made to the community during the merger proposal. It is proposed (as in the previous LTFP) a 6% SRV (including the rate pegging level) compounding over years 2018-19, 2019-20 and 2020-21, with the additional revenue being retained permanently to fund the required increased asset renewal and maintenance and to improve Council's financial sustainability. The Plan then reverts back to rate pegging at 2.5% for the balance of the horizon.
2	<p>Whilst Council's previous LTFP modelled three Scenarios, this Plan has been developed based on two Scenarios – "Strategic Scenario" with comparison to a "Base Case" scenario excluding the special rate variation. The modelling in this Plan is based on actuals from 2017-2018. A special variation has been factored into this Plan. The SRV was proposed in Council's Fit for the Future submissions and the quantum of the SRV is consistent with the submission made and the presentations made to the community during the merger proposal. It is proposed (as in the previous LTFP) a 6% SRV (including the rate pegging level) compounding over years 2018-19, 2019-20 and 2020-21, with the additional revenue being retained permanently to fund the required increased asset renewal and maintenance and to improve Council's financial sustainability. This is consistent with the previously adopted LTFP in 2013.</p>
15	<p>A special variation has been factored into this Plan. The SRV was proposed in Council's Fit for the Future submissions and the quantum of the SRV is consistent with the submission made and the presentations made to the community during the merger proposal. It is proposed (as in the previous LTFP) a 6% SRV (including the rate pegging level) compounding over years 2018-19, 2019-20 and 2020-21, with the additional revenue being retained permanently to fund the required increased asset renewal and maintenance and to improve Council's financial sustainability. The Plan then reverts back to rate pegging at 2.5% for the balance of the horizon.</p>
19	<p>Strategic Scenario: A special variation has been factored into this Plan. The SRV was proposed in Council's Fit for the Future submissions and the quantum of the SRV is consistent with the submission made and the presentations made to the community during the merger proposal. It is proposed (as in the previous LTFP) a 6% SRV (including the rate pegging level) compounding over years 2018-19, 2019-20 and 2020-21, with the additional revenue being retained permanently to fund the required increased asset renewal and maintenance and to improve Council's financial sustainability. The Plan then reverts back to rate pegging at 2.5% for the balance of the horizon.</p>
24	<p>A special variation has been factored into this Plan. The SRV was proposed in Council's Fit for the Future submissions and the quantum of the SRV is consistent with the submission made and the presentations made to the community during the merger proposal. It is</p>

	proposed (as in the previous LTFP) a 6% SRV (including the rate pegging level) compounding over years 2018-19, 2019-20 and 2020-21, with the additional revenue being retained permanently to fund the required increased asset renewal and maintenance and to improve Council's financial sustainability. The Plan then reverts back to rate pegging at 2.5% for the balance of the horizon.																																																																																																
25	<p>The table below shows the additional rate revenue Council will receive each year as a result of the special rate variation assuming a permanent increase (ongoing) to Councils rate base as per section 508 of the Local Government Act 1993.</p> <table><tr><th>2019 \$,000</th><th>2020 \$,000</th><th>2021 \$,000</th><th>2022 \$,000</th><th>2023 \$,000</th><th>2024 \$,000</th><th>2025 \$,000</th><th>2026 \$,000</th><th>2027 \$,000</th><th>2028 \$,000</th><th>Cumulative \$,000</th></tr><tr><td>580</td><td>1,176</td><td>1,821</td><td>1,867</td><td>1,913</td><td>1,961</td><td>2,010</td><td>2,061</td><td>2,112</td><td>2,165</td><td>17,667</td></tr></table>	2019 \$,000	2020 \$,000	2021 \$,000	2022 \$,000	2023 \$,000	2024 \$,000	2025 \$,000	2026 \$,000	2027 \$,000	2028 \$,000	Cumulative \$,000	580	1,176	1,821	1,867	1,913	1,961	2,010	2,061	2,112	2,165	17,667																																																																										
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36-38	<p>A special variation has been factored into this Plan. The SRV was proposed in Council's Fit for the Future submissions and the quantum of the SRV is consistent with the submission made and the presentations made to the community during the merger proposal. It is proposed (as in the previous LTFP) a 6% SRV (including the rate pegging level) compounding over years 2018-19, 2019-20 and 2020-21, with the additional revenue being retained permanently to fund the required increased asset renewal and maintenance and to improve Council's financial sustainability.</p> <p>Despite ongoing sustainability reviews, current operating and satisfaction levels and sound financial management practices, modelling suggests that a special rate variation of this magnitude is warranted, prudent and manageable. Council is very conscious of the potential impact on ratepayers, particularly pensioners. Council will be looking to providing additional pensioner rebate to help offset the financial impact.</p> <table><tr><th>RESIDENTIAL</th><th>2017-18</th><th>2018-19</th><th>2019-20</th><th>2020-21</th><th>3 year cumulative increase</th></tr><tr><td>Average General Rates</td><td>\$1,413</td><td>\$1,498</td><td>\$1,588</td><td>\$1,683</td><td></td></tr><tr><td>SRV increase %</td><td></td><td>6.00%</td><td>6.00%</td><td>6.00%</td><td>19.10%</td></tr><tr><td>Rate Peg %</td><td></td><td>2.30%</td><td>2.70%</td><td>2.50%</td><td>7.97%</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>\$ increase per year at SRV</td><td></td><td>\$84.78</td><td>\$89.87</td><td>\$95.26</td><td>\$269.91</td></tr><tr><td>\$ increase per year at rate peg</td><td></td><td>\$32.50</td><td>\$40.44</td><td>\$39.69</td><td>\$112.63</td></tr><tr><td>\$ Impact of SRV above rate peg</td><td></td><td>\$52.28</td><td>\$49.43</td><td>\$55.57</td><td>\$157.28</td></tr></table> <table><tr><th>RURAL RESIDENTIAL</th><th>2017-18</th><th>2018-19</th><th>2019-20</th><th>2020-21</th><th>3 year cumulative increase</th></tr><tr><td>Average General Rates</td><td>\$2,719</td><td>\$2,882</td><td>\$3,055</td><td>\$3,238</td><td></td></tr><tr><td>SRV increase %</td><td></td><td>6.00%</td><td>6.00%</td><td>6.00%</td><td>19.10%</td></tr><tr><td>Rate Peg %</td><td></td><td>2.30%</td><td>2.70%</td><td>2.50%</td><td>7.97%</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>\$ increase per year at SRV</td><td></td><td>\$163.14</td><td>\$172.93</td><td>\$183.30</td><td>\$519.37</td></tr><tr><td>\$ increase per year at rate peg</td><td></td><td>\$62.54</td><td>\$77.82</td><td>\$76.38</td><td>\$216.73</td></tr><tr><td>\$ Impact of SRV above rate peg</td><td></td><td>\$100.60</td><td>\$95.11</td><td>\$106.93</td><td>\$302.64</td></tr></table>	RESIDENTIAL	2017-18	2018-19	2019-20	2020-21	3 year cumulative increase	Average General Rates	\$1,413	\$1,498	\$1,588	\$1,683		SRV increase %		6.00%	6.00%	6.00%	19.10%	Rate Peg %		2.30%	2.70%	2.50%	7.97%							\$ increase per year at SRV		\$84.78	\$89.87	\$95.26	\$269.91	\$ increase per year at rate peg		\$32.50	\$40.44	\$39.69	\$112.63	\$ Impact of SRV above rate peg		\$52.28	\$49.43	\$55.57	\$157.28	RURAL RESIDENTIAL	2017-18	2018-19	2019-20	2020-21	3 year cumulative increase	Average General Rates	\$2,719	\$2,882	\$3,055	\$3,238		SRV increase %		6.00%	6.00%	6.00%	19.10%	Rate Peg %		2.30%	2.70%	2.50%	7.97%							\$ increase per year at SRV		\$163.14	\$172.93	\$183.30	\$519.37	\$ increase per year at rate peg		\$62.54	\$77.82	\$76.38	\$216.73	\$ Impact of SRV above rate peg		\$100.60	\$95.11	\$106.93	\$302.64
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FARMLAND	2017-18	2018-19	2019-20	2020-21	3 year cumulative increase
Average General Rates	\$2,444	\$2,591	\$2,746	\$2,911	
SRV increase %		6.00%	6.00%	6.00%	19.10%
Rate Peg %		2.30%	2.70%	2.50%	7.97%
\$ increase per year at SRV		\$146.63	\$155.43	\$164.76	\$466.82
\$ increase per year at rate peg		\$56.21	\$69.94	\$68.65	\$194.80
\$ Impact of SRV above rate peg		\$90.42	\$85.49	\$96.11	\$272.02

BUSINESS COMM - IND	2017-18	2018-19	2019-20	2020-21	3 year cumulative increase
Average General Rates	\$2,147	\$2,276	\$2,412	\$2,557	
SRV increase %		6.00%	6.00%	6.00%	19.10%
Rate Peg %		2.30%	2.70%	2.50%	7.97%
\$ increase per year at SRV		\$128.81	\$136.54	\$144.73	\$410.08
\$ increase per year at rate peg		\$49.38	\$61.44	\$60.30	\$171.12
\$ Impact of SRV above rate peg		\$79.43	\$75.10	\$84.43	\$238.96

BUSINESS ORDINARY	2017-18	2018-19	2019-20	2020-21	3 year cumulative increase
Average General Rates	\$923	\$979	\$1,037	\$1,099	
SRV increase %		6.00%	6.00%	6.00%	19.10%
Rate Peg %		2.30%	2.70%	2.50%	7.97%
\$ increase per year at SRV		\$55.39	\$58.71	\$62.23	\$176.34
\$ increase per year at rate peg		\$21.23	\$26.42	\$25.93	\$73.58
\$ Impact of SRV above rate peg		\$34.16	\$32.29	\$36.30	\$102.75

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.

The LTFP provides a framework in which a Council can assess its revenue building capacity to meet the activities and level of services outlined in its CSP.

Council's path to a SRV proposal has been a three year journey and was accentuated by the FFTF program. As stated earlier in the submission Kiama Municipal Council was deemed "unfit" in the IPART assessment of October 2015. Council had a negative operating performance ratio (ranging from -7.7% to -6.1%, even with the SRV) and failed to meet the building and infrastructure asset renewal criterion.

Council worked with Morrison Low to develop a CIP which resulted in the development of over 20 actions to address financial sustainability and the increasing funding gap in infrastructure renewal and maintenance. This CIP was adopted by Council on 15 December 2015 (Minute No. 15/541) and as demonstrated Council has actively implemented the majority of these actions or are currently implementing the balance, including the SRV application.

In the first half of 2016 Council made significant inroads into the CIP actions and modelled the financial improvements, due to the imperative to provide a submission opposing the proposed merger with Shoalhaven City Council. It was at this point Council took the very deliberate and conscious decision to only model a scenario in its LTFP known as the "Strategic Option." As both the base option and the SRV option in the previous LTFP failed to meet the required FFTF benchmarks and the IPART assessment coupled with the community outcry for Council to provide a response to the merger proposal that ensured Council remained stand alone.

Obviously requirements in Council's submission to the Delegate, Mr Greg Wright, and the OLG Invitation for FFTF Financial Reassessment was to provide a LTFP with one scenario which demonstrated that Council could meet the FFTF benchmarks within the required timeframes and in a sustainable manner based on sound financial assumptions.

It is partly as a result of these two processes and the IP&R guidelines that this LTFP has been exhibited three times in the last two years and been formally adopted by Council on three occasions (28 June 2016 – Minute No. 16/214, 21 November 2016 – Minute No. 16/445, 22 June 2017 – Minute No. 17/206). On two occasions as a standalone document seeking community feedback. As detailed in Assessment Criterion 2 : Community awareness and engagement this document as part of the FFTF process received unprecedented support as part of council's submission to remain standalone.

This proposed SRV has been clearly articulated in the document since April 2016 and references can be found at pages 1, 2, 15, 19, 24, 25 and 36-37 in the adopted LTFP.

The objectives that this LTFP is designed to achieve are:

- an increased ability to fund asset renewal requirements
- to provide financial targets for the next 10 years
- to allow various assumptions to be modelled
- to ensure that external conditions are considered, for example - changes in interest rates and population growth
- an enhanced funding level for capital works in general
- to progress Council towards maintaining a position of financial sustainability in the long term
- rate and fee increases that are both manageable and sustainable
- investment and funding strategies which promote intergenerational equity
- to demonstrate Council's ability to be *Fit for the Future*.

Council's LTFP which was adopted on 22 June 2017 (Minute No. 17/206) incorporates the strategies and commitments contained in Council's FFTF CIP, implemented or in the process of being implemented, which sets a clear pathway to achieve financial sustainability as measured by core infrastructure investment ratios. The LTFP was again adopted on 18 December 2018 as part of the Delivery Program. This LTFP is attached as one of the mandatory forms and attachments section. As required by the SRV application process, an updated base case has now been reinstated, despite, as previously identified by IPART, having failed to meet a number of FFTF benchmarks.

Council engaged Morrison Low and Pitcher Partners to independently assess the LTFP and its assumptions, both firms were satisfied with the financial modelling and assumptions. The LTFP has also been reviewed and analysed by TCorp as part of a loan application.

The additional revenue associated with the proposed SRV will allow Council to progressively bridge the infrastructure funding gap and increase investment in asset renewals. This sustained investment over a long period will halt the accelerating deterioration of assets, most notably roads, and it is anticipated this outcome will be reflected in higher community satisfaction as measured in the recurring surveys.

Council's proposed SRV is balanced and reflects a strategic approach to work towards long term asset maintenance and renewal as well as financial sustainability. If approved, the rate increase would have a positive impact on Council's LTFP (Attachment 1 in Other Attachments - Other) forecasts and allows Council to respond to the increasing needs of the community to address the deteriorating key assets of the Municipality.

The additional funding from a rate increase will achieve the following:

1. Provide Council with a capital renewal program for existing infrastructure currently in less than satisfactory condition.
2. Increase in annual funding to address the funding gap for infrastructure renewal.
3. Increase in annual funding to address the funding gap for infrastructure maintenance.
4. Contribute to the financial sustainability of the organisation.

If approved, Council will undertake a bi-annual audit program of reviewing the funds from the rate increase and the associated works program.

Council's LTFP provides a comparison of the Infrastructure Renewal Ratio and Infrastructure Backlog Ratio outcomes comparing the base case to the proposed SRV outcome. See Section 3.3 below.

In summary, Council's short term financial position is expected to remain satisfactory, however the resulting shortfall in asset renewal will proportionately increase the infrastructure backlog without an SRV, and additional revenue sources and the long term financial prognosis becomes problematic. At a community level, dissatisfaction and performance gaps will increase and Council will be unable to deliver infrastructure to a standard which meets their expectations. Council, as demonstrated in the section 3.3 through financial modelling without the SRV, will have negative operating performance ratio for the next 10 years and fail to meet 4 of 7 FFTF benchmarks.

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:

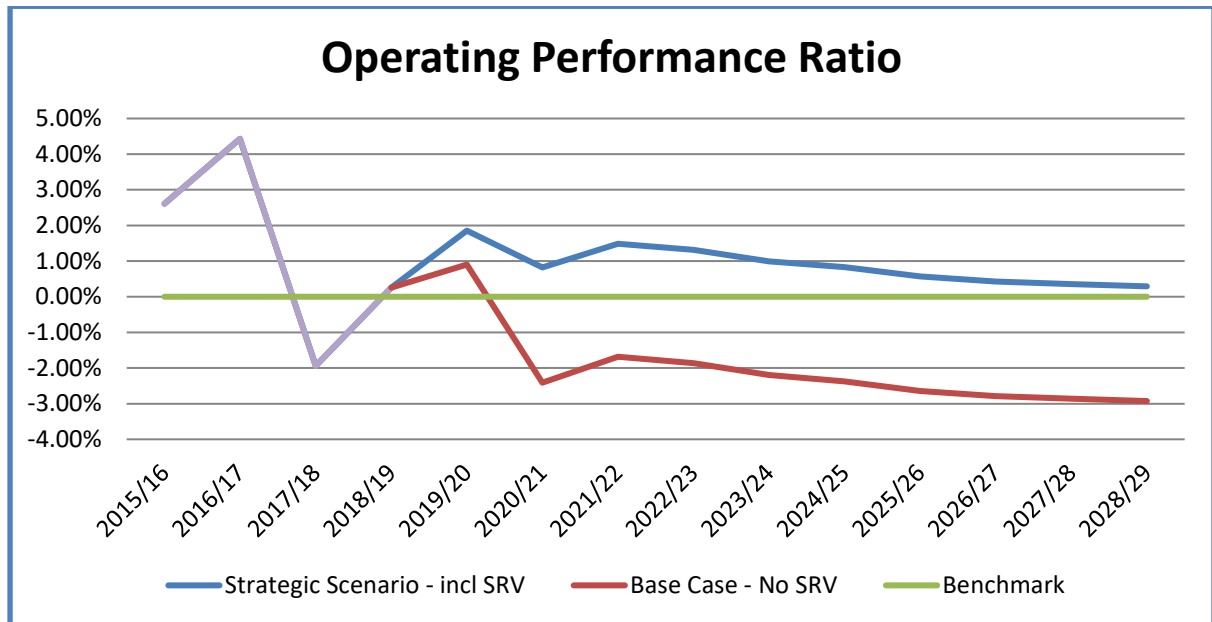
- ▼ Operating performance ratio excluding capital items (ie, net operating result excluding capital grants and contributions as percentage of operating revenue excluding capital grants and contributions).
- ▼ Own source revenue ratio (ie, total operating revenue excluding capital items as a percentage 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).

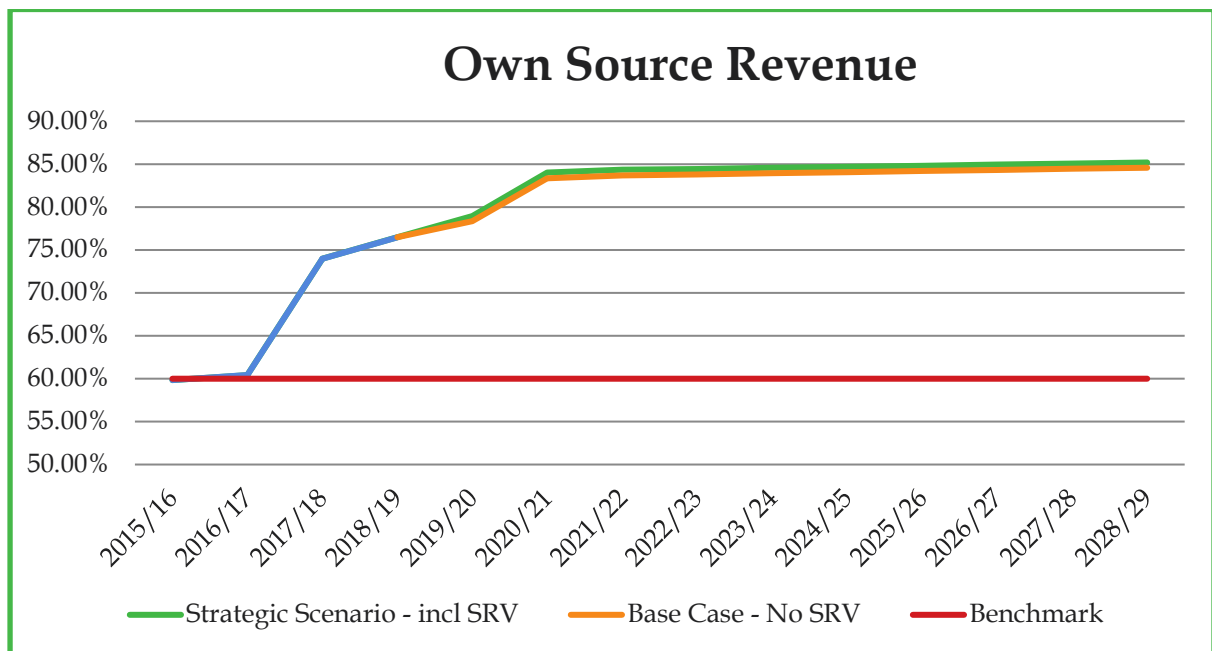
The additional revenue over the next ten years provided by an SRV will improve Council's financial indicators. Contained in Council's LTFP (Attachment 1 in Other Attachments - Other) is a base case scenario with no SRV and a scenario with the SRV. The LTFP provides performance indicators and outcomes for the following items:

- 3.3.1 Operating Performance Ratio
- 3.3.2 Own Source Revenue Ratio
- 3.3.3 Debt Service Cover Ratio
- 3.3.4 Infrastructure Renewal Ratio
- 3.3.5 Infrastructure Backlog Ratio
- 3.3.6 Asset Maintenance Ratio
- 3.3.7 Cash Expense Cover Ratio
- 3.3.8 Unrestricted Current Ratio – General Fund
- 3.3.9 Interest Cover Ratio – General Fund
- 3.3.10 Debt Service Ratio – General Fund
- 3.3.11 Cash Flow – General Fund
- 3.3.12 Rates Revenue – General Fund
- 3.3.13 Broad Liabilities Ratio – General Fund
- 3.3.14 Rates and Annual Charges Ratio – General Fund
- 3.3.15 Operating Balance Ratio – General Fund
- 3.3.16 Real Operating Expenditure Ratio - Consolidated

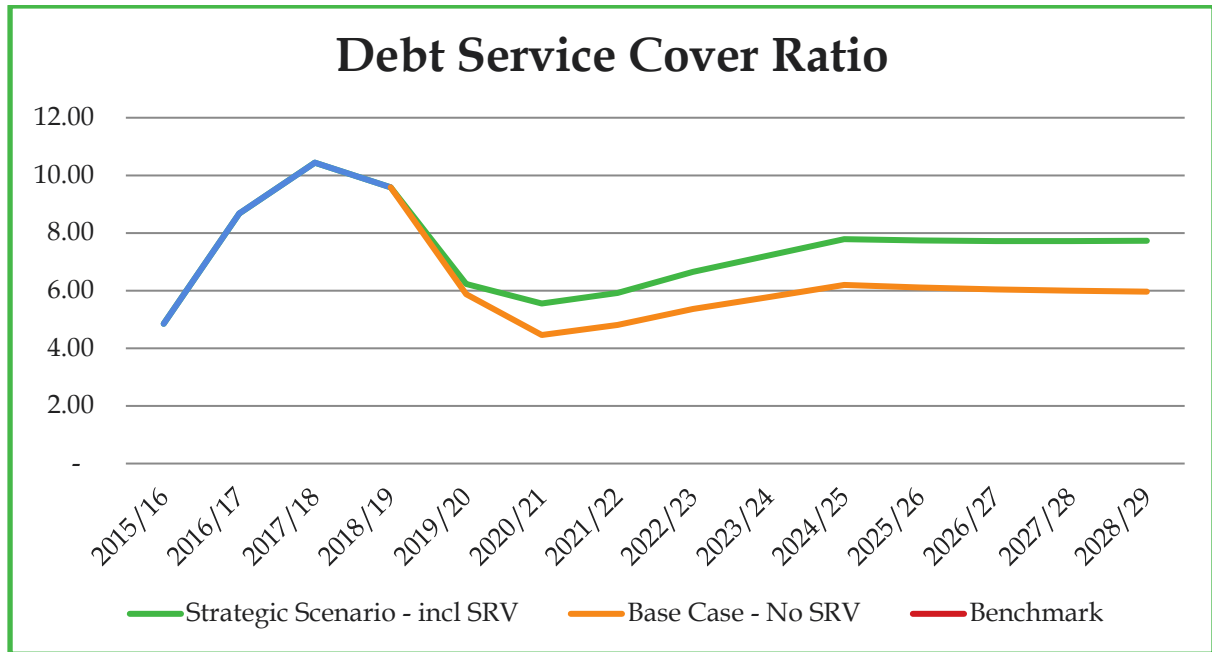
Graph 3.3.1 – Operating Performance Ratio



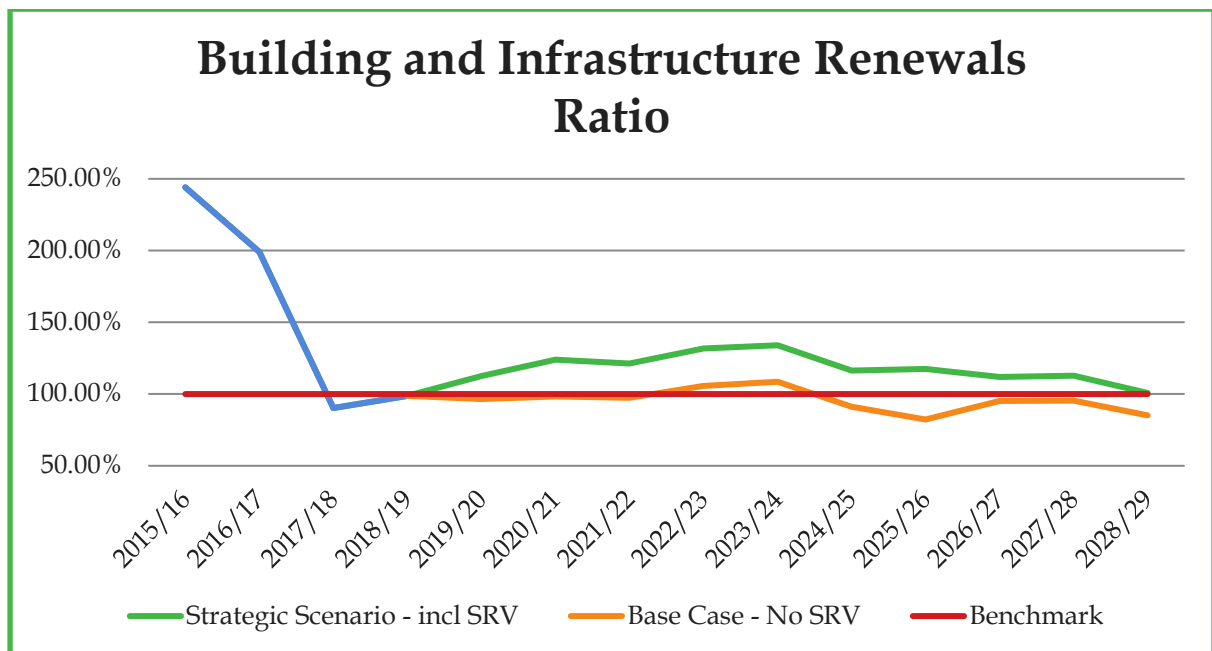
Graph 3.3.2 – Own Source Revenue Ratio



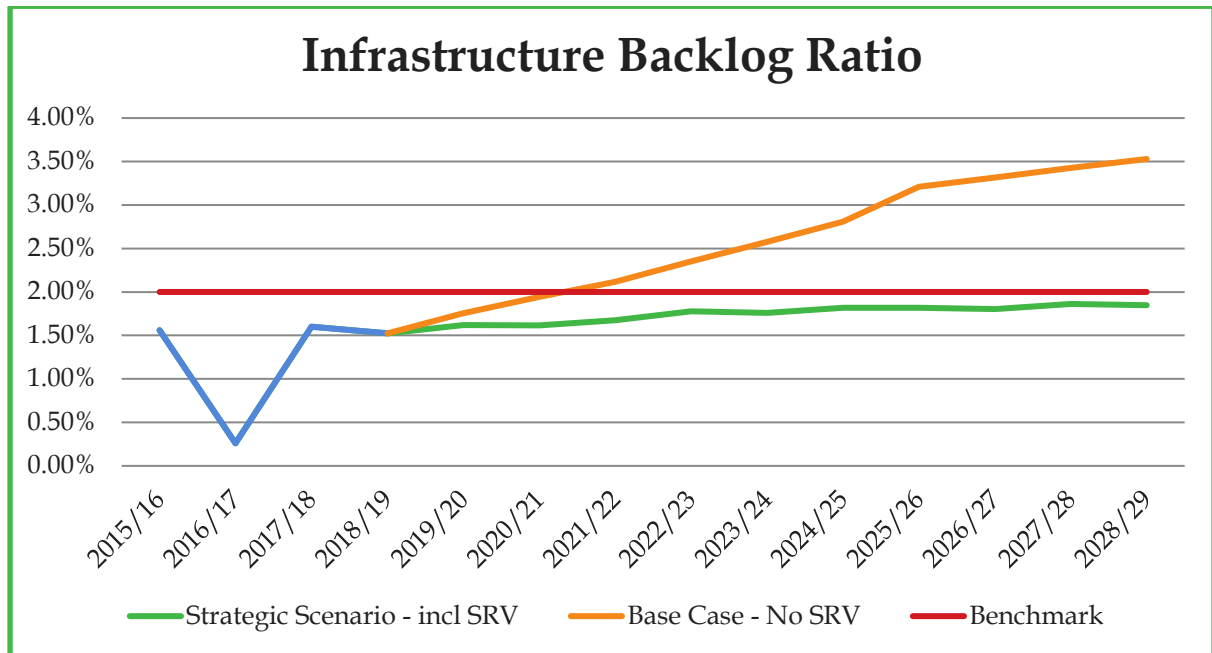
Graph 3.3.3 – Debt Service Cover Ratio



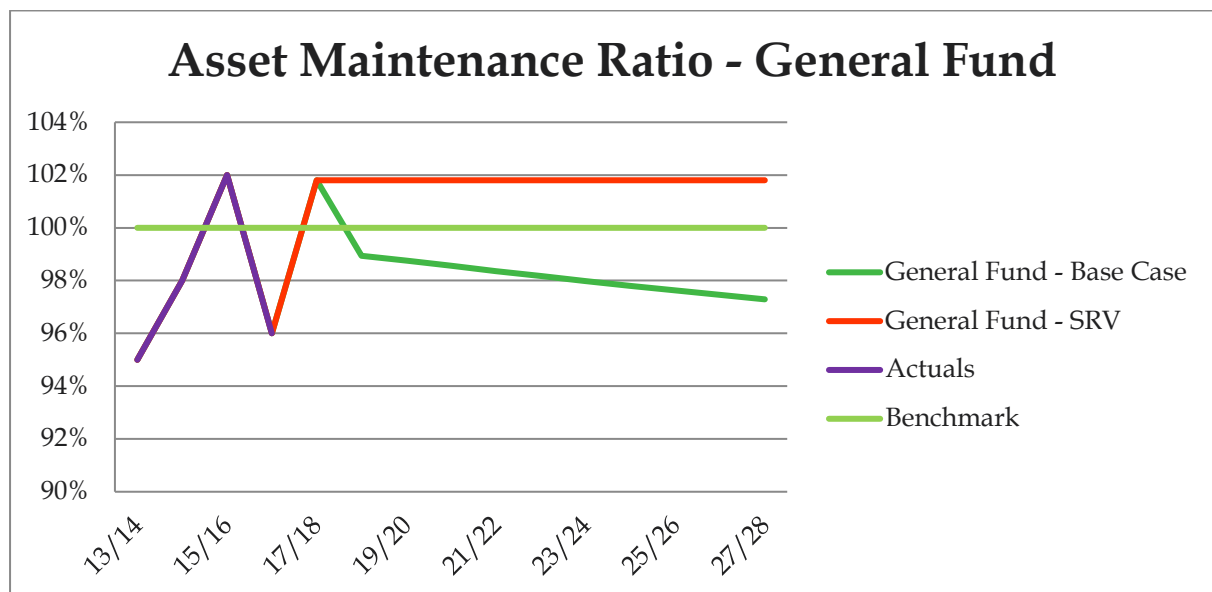
Graph 3.3.4 – Infrastructure Renewal Ratio



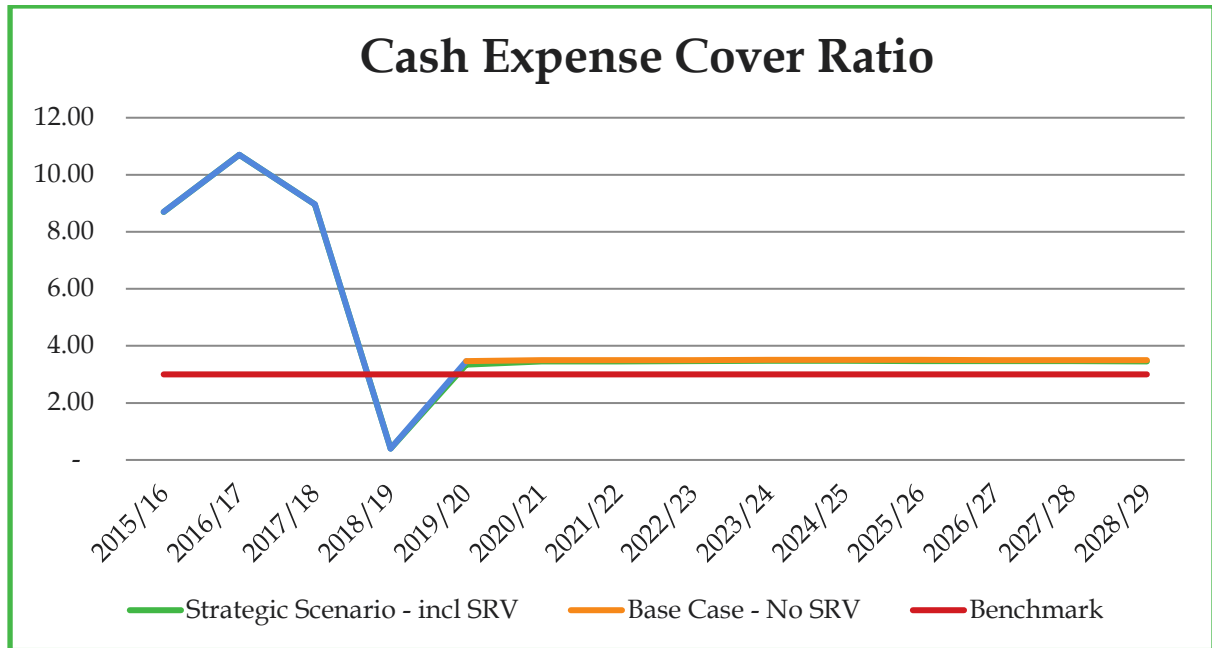
Graph 3.3.5 – Infrastructure Backlog Ratio



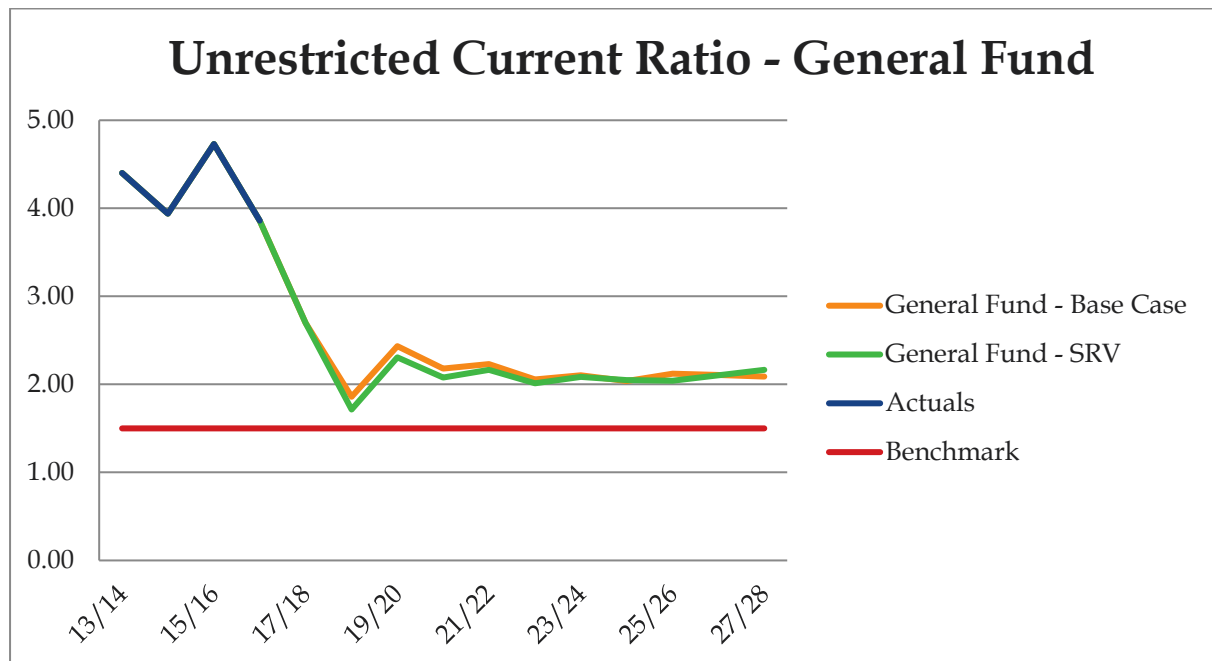
Graph 3.3.6 – Asset Management Ratio



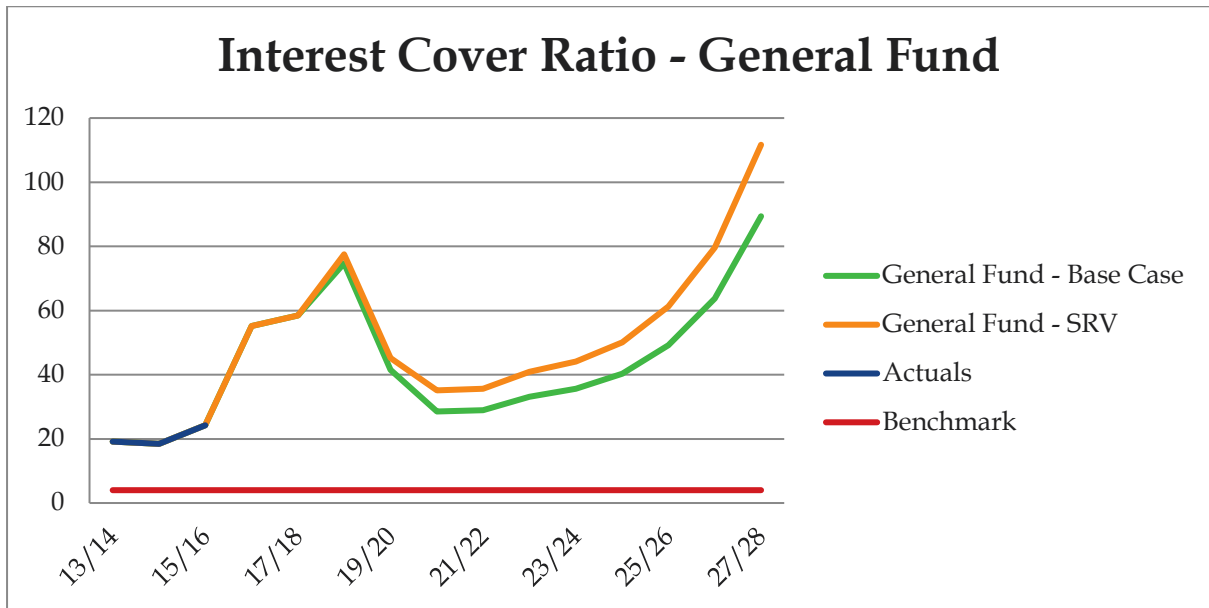
Graph 3.3.7 – Cash Expenses Cover Ratio



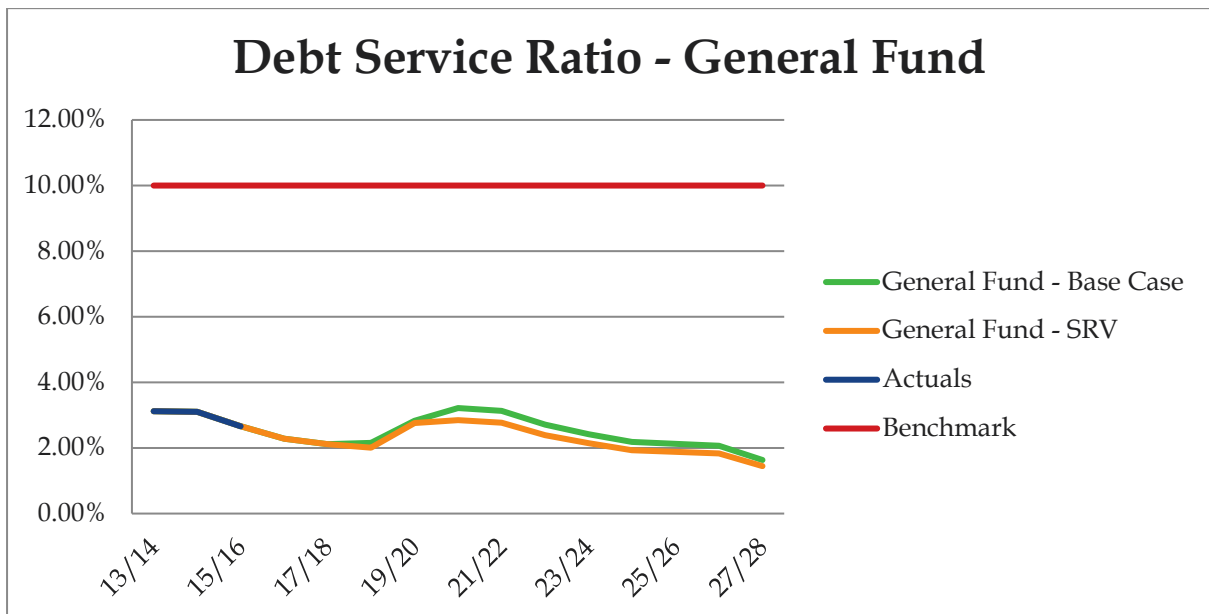
Graph 3.3.8 – Unrestricted Current Ratio – General Fund



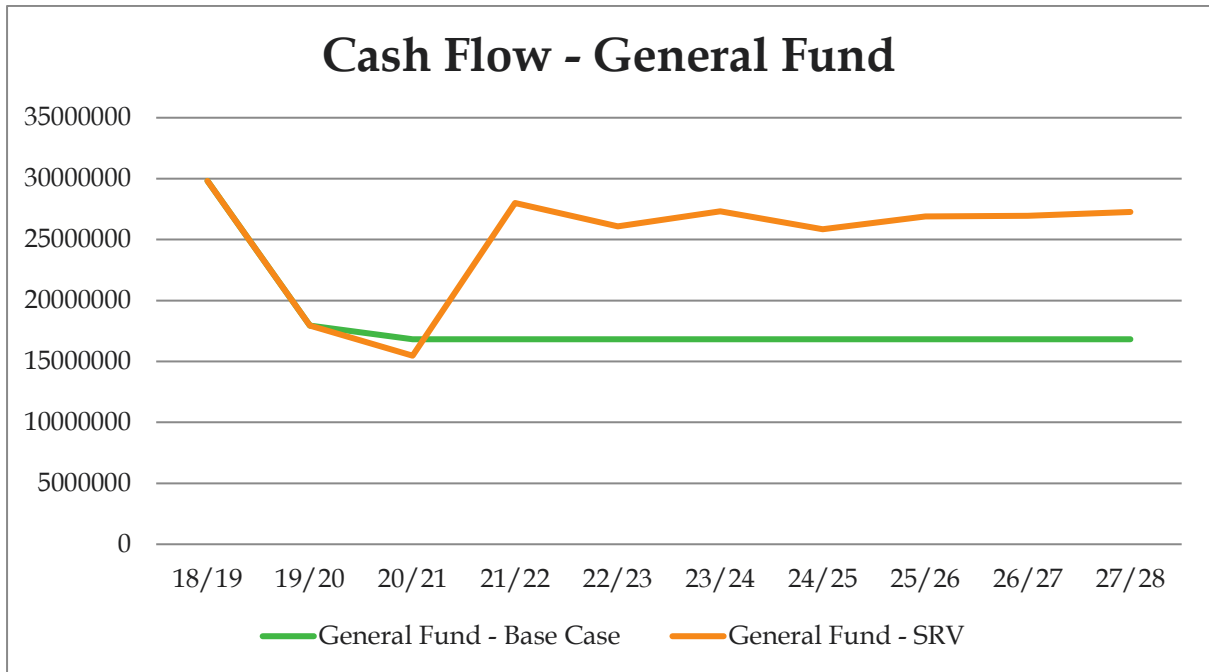
Graph 3.3.9 – Interest Cover Ratio – General Fund



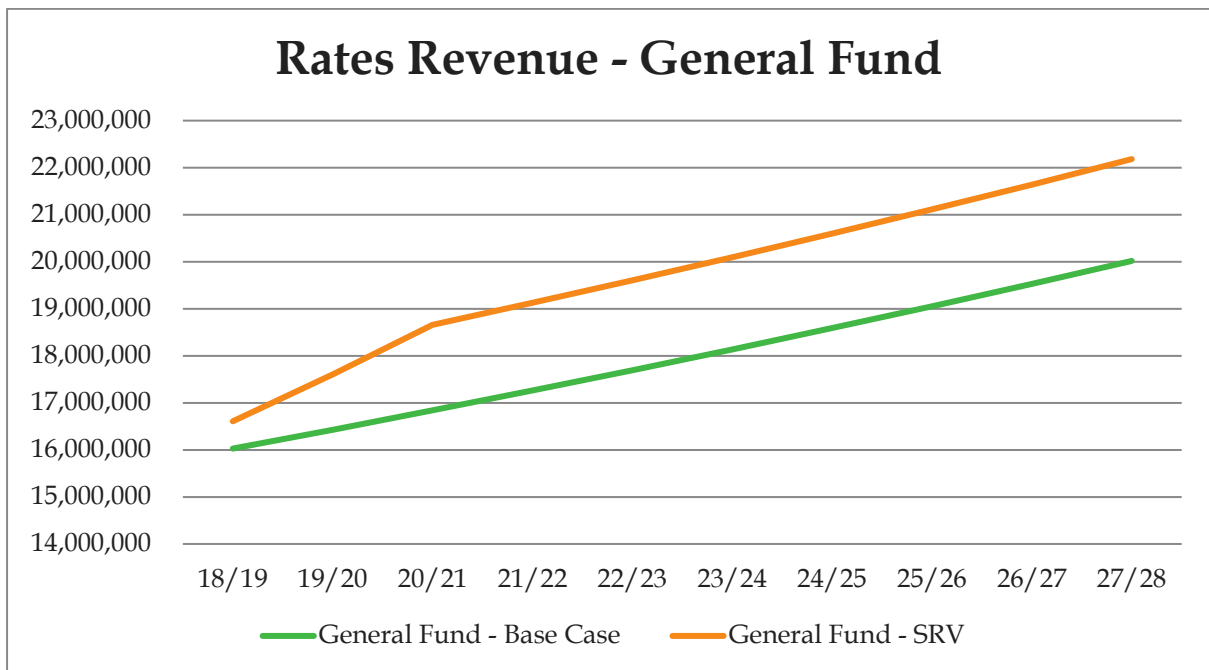
Graph 3.3.10 – Debt Service Ratio – General Fund



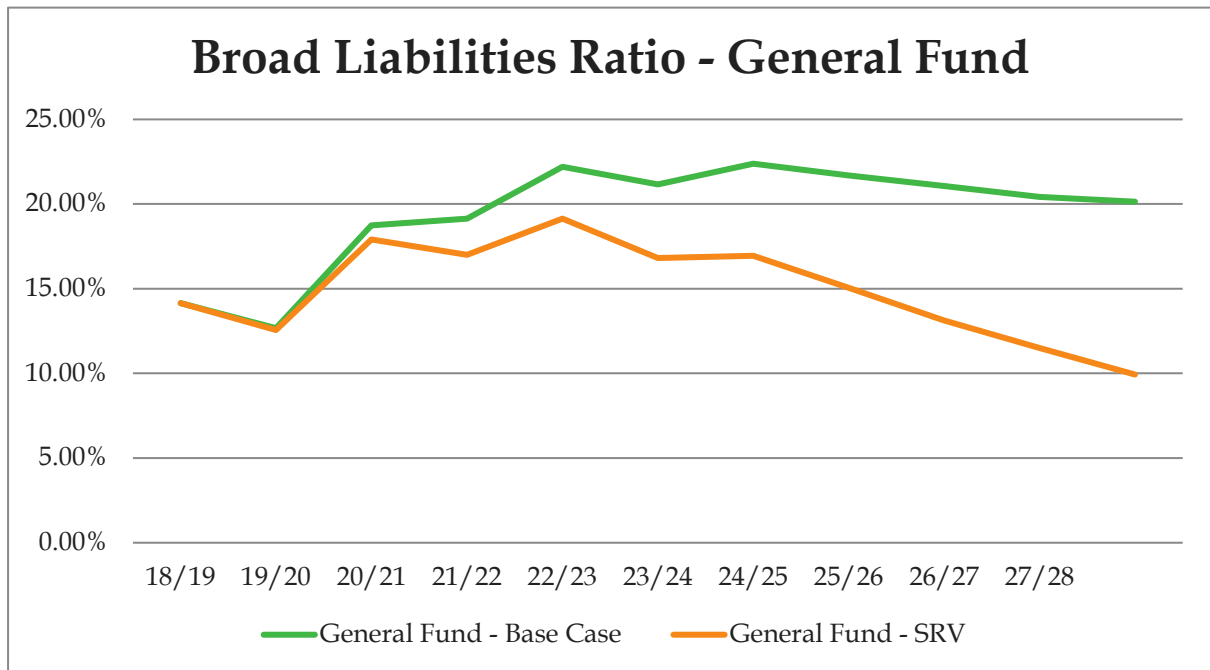
Graph 3.3.11 – Cash Flow – General Fund



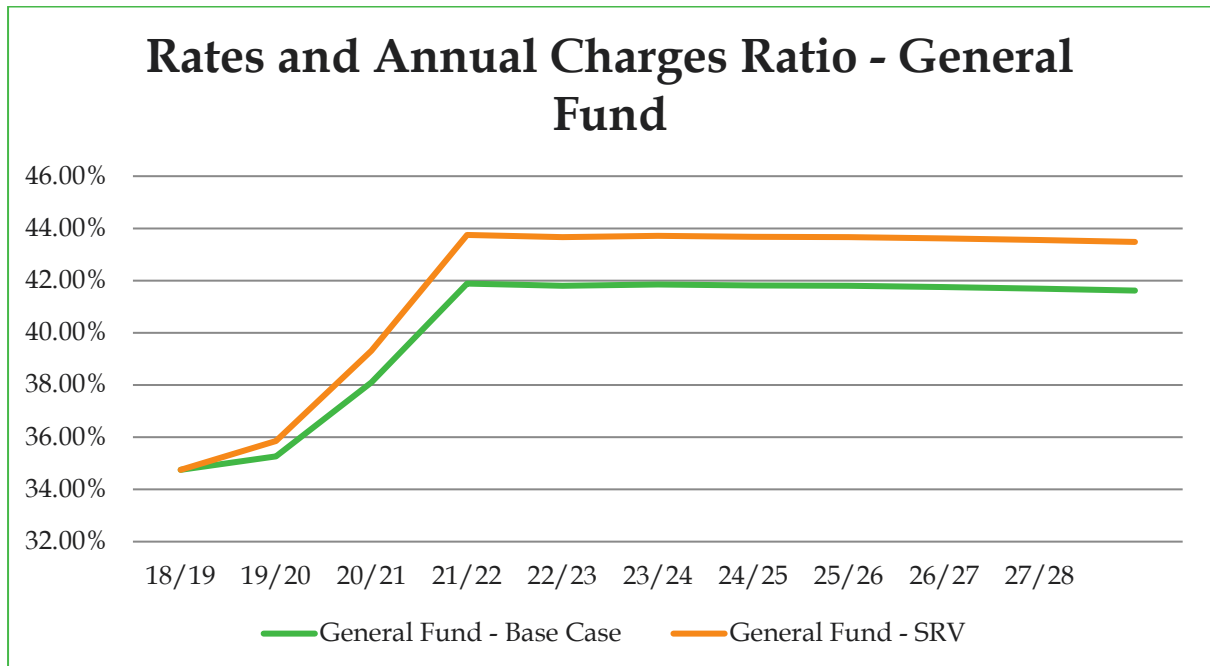
Graph 3.3.12 – Rates Revenue – General Fund



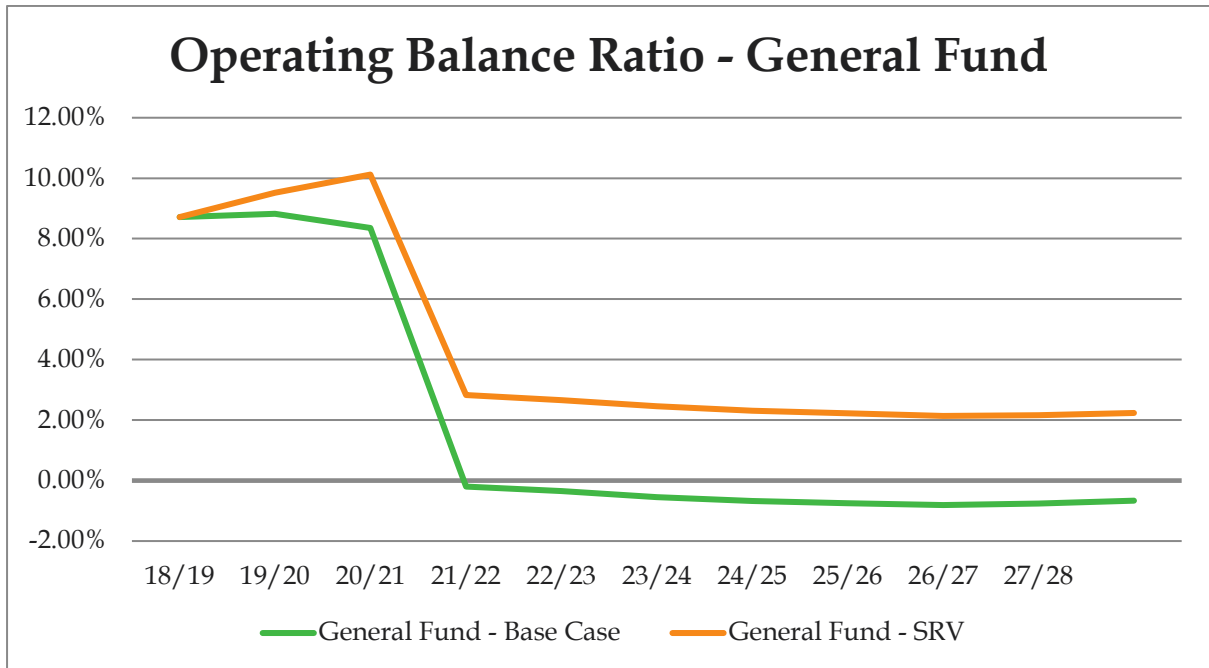
Graph 3.3.13 – Broad Liabilities Ratio – General Fund



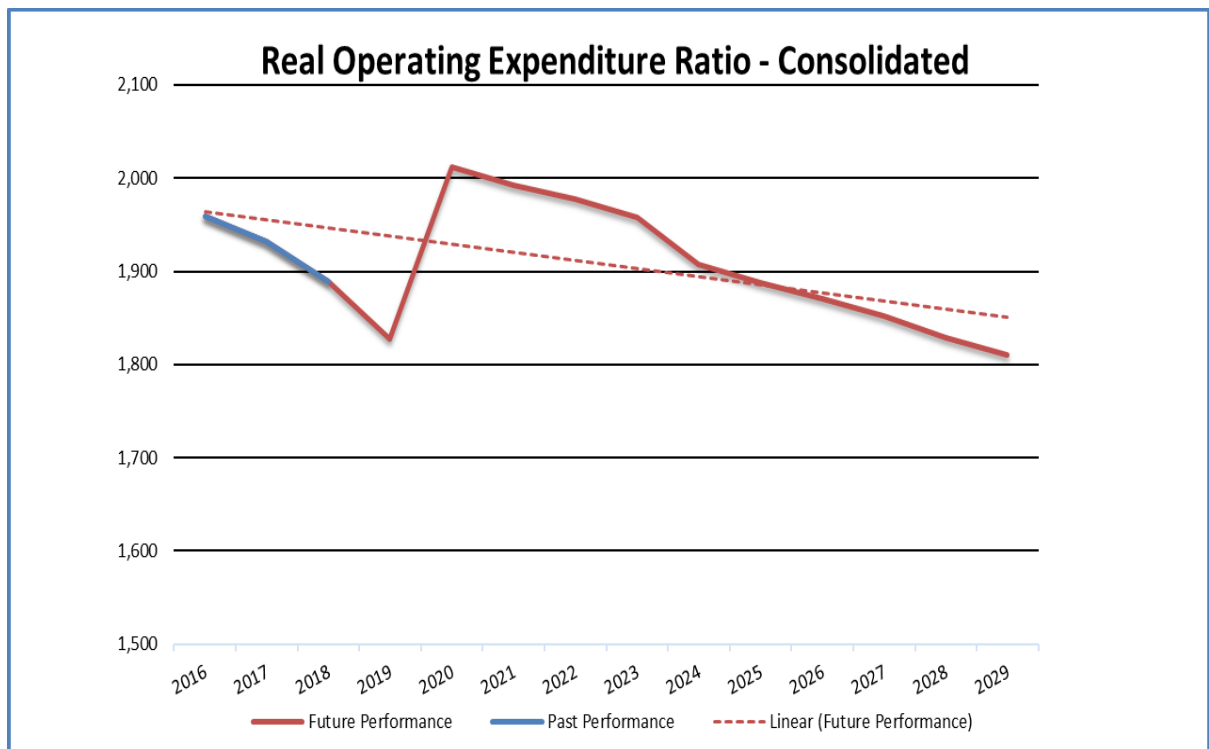
Graph 3.3.14 – Rates and Annual Charges Ratio – General Fund



Graph 3.3.15 – Operating Balance Ratio – General Fund



Graph 3.3.16 – Real Operating Expenditure Ratio - Consolidated



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.

Kiama Municipal Council has been open with the community about the challenges faced in relation to funding asset renewal and maintenance and long term finances.

As identified within our CIP, and in all FFTF submissions, a SRV was a key component of becoming financially sustainable and being able to address the funding shortfalls for asset renewal and maintenance.

To fully appreciate the level of community awareness regarding the proposed SRV, Council has outlined background information below which was in addition to any requirements of the IP&R Reporting Guidelines.

Background

Fit for the Future

October 2015 - Kiama Municipal Council was deemed “unfit” by IPART, even with the proposed SRV.

15 December 2015 – Council adopted a CIP (Minute No. 15/451)

18 December 2015 – announcement of proposed merger between Kiama Municipal Council and Shoalhaven City Council.

January 2016 – A number of large public meetings/rallies were held with over 2000 people in attendance at which Council detailed their strategy to oppose the merger. The information provided to them included details of a CIP developed with the assistance of Morrison Low and adopted by Council which included the proposed SRV as one of the initiatives.

February 2016 – Council prepared a detailed submission against the proposed merger and again this contained the size of the required SRV. Page 11 of Council’s submission states:

- Impact on rates
 - The original merger proposal incorrectly states that Kiama has requested a cumulative 29% rate rise over a three year period. Council’s LTFP highlights the need for a 9.7% increase above the rate cap over the three years representing a cumulative increase of 17.4% over three years, as such the merger proposal is clearly wrong

The submission also included a number of consultant reports including the Morrison Low assessment and the adopted CIP, also again including reference to the proposed SRV from 2018-19. The action list from the CIP is included in Section 3.1 of this submission. The submission was publicised, placed on Council’s website. Council received a large number of requests for hard copies so community members and groups could prepare their own submissions to the Delegate.

March 2016 - The Delegate, [REDACTED] issued his report on the “Examination of the Proposal to Merge Kiama Municipal Council and Shoalhaven City Council” [REDACTED] references the SRV on Page 15 of his report, stating:

Current Position of the Councils

The Fit for the Future performance and sustainability benchmarks have been publicly available for some time and the two Councils' ratings are now common knowledge. It is not my intention to revisit any of that work other than to identify that I believe them to be generally fair assessment tools.

In my assessment, both Councils require substantial rating increases over time to return to, or improve, financial sustainability. Kiama has flagged a Special Rate Variation of 9.7% over a three-year period, while Shoalhaven intends to request a 15.9% over two years.⁷

Both Councils both have 2% infrastructure backlogs. In the case of Kiama Municipal current estimates to bring assets to an acceptable standard is \$3.1 million while Shoalhaven City Councils requirement is \$38 million. The combined area would need to spend more than \$40 million to bring its assets up to an acceptable standard. Both Councils have commented that valuation methodologies might vary, however even if valuations of required works reduced by a significant 10%, the backlog still requires a substantial investment.

also made the following observation on page 10 of his report:

- Kiama Municipal residents and ratepayers were much more activated and engaged with the proposal than Shoalhaven residents and ratepayers (see Figure 1 & 2 below);

Figure 1. General View of Residents and Ratepayers (as demonstrated through submissions)

	In Favour	Opposed	Alternate or No Position	Unclear	Total
Kiama residents and ratepayers	31	1,125	5	46	1,325
Shoalhaven residents and ratepayers	14	226	3	12	263
Non-resident submissions ¹	2	44	0	3	69
Total	47	1,395	8	61	1,657

Notes: 1 Residents of other areas, representative organisations and parliamentary representatives

Figure 2. Levels of Activation of Residents & Ratepayers⁴

	Kiama Residents & Ratepayers	Shoalhaven Residents & Ratepayers	Other Locations	Total Proposed Area
Submissions lodged in total	1,325	263	69	1,657
Attendees at Public Inquiries	450	95	2	547
Total	1,775	358	71	2,204
Total population of LGA	21,314	99,016		120,330
Proportion of population active in Delegate's process	8.32%	0.36%		1.83%

Figure 3 of [REDACTED] report shows the proportion of submissions relating to key issues:

Figure 3. Proportion of Submissions Relating to Key Issues					
S.263(3) Consideration	Kiama (1,325)		Shoalhaven (263)		Combined
	Number	%	Number	%	
Financial advantages/disadvantages	558	42%	139	53%	42%
Community of interest	763	58%	127	48%	54%
Historical and traditional values	234	18%	21	8%	15%
Attitudes of residents and ratepayers	674	51%	149	57%	50%
Elected representation	535	41%	63	24%	36%
Adequate, equitable services	777	59%	141	54%	55%
Employment of staff	294	22%	58	22%	21%
Impact on rural communities	153	12%	17	6%	10%
Need for wards	75	5%	15	6%	5%
Opinions of diverse communities	121	9%	22	8%	9%
Other relevant factors	272	21%	56	21%	20%

7 May 2016 – Council held a voluntary plebiscite around the proposed merger and detailed to the community again the reasons for not merging and how the organisation was implementing the actions of the CIP to meet the community's overwhelming desire for Kiama Municipal Council to be a standalone organisation serving the community. On this day, the NSW Electoral Commission conducted the plebiscite and 8,198 community members turned out on mass to participate (a participation rate unprecedented in a voluntary plebiscite). The vote was 95.4% voting NO to the merger and supporting Council as a standalone organisation.

The community is very engaged and informed and in supporting Council overwhelmingly in being standalone were informed and had detailed knowledge of the proposed SRV.

Integrated Planning and Reporting Guidelines

The current suite of IP&R documents was adopted on 22 June 2017 (Minute No. 17/206) after being placed on public exhibition from 11 May 2017 to 15 June 2017 (inclusive). The exhibition of these documents was also advertised in local papers, detailed in Council's community newsletter "Kimunico" and promoted on Council's website.

In addition, and prior to this, as part of the FFTF Financial Reassessment in November 2016 Council again adopted the LTFP, after it had been again publicly exhibited for 28 days and referenced in detail the proposed SRV. The LTFP was adopted along with the submission on 21 November 2016 (Minute No. 16/445).

Council also in February 2017 exhibited its detailed AMPs that were integrated into the LTFP. Council adopted these plans on 11 April 2017 (Minute No. 17/126)

As previously acknowledged in this submission, a proactive initial review by IPART staff in January 2018, after being notified of Council's intention to apply for a SRV, advised that the current DP did not provide detailed information on the proposed SRV. The DP only referenced the SRV on page 59 as shown below:

4.1.1.4	Implement adopted actions from Council Improvement Program including an application for a Special Rate Variation of 6% (including rate pegging) for three successive years from 2018-19 with the income being retained permanently.	Director Corporate, Commercial and Community Services	Implementation of all actions detailed in the adopted Council Improvement Program
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Council immediately implemented actions to address this shortcoming and added a detailed section on the SRV towards the front of the document and placed it on public exhibition. It was advertised and placed on public exhibition on the 24 January 2018 for 28 days closing on 21 February 2018. Council at its meeting held on 6 February 2018 (Minute No 18/002) resolved:

15.2 Community Engagement and Feedback on Proposed Special Rate Variation

18/002

Committee recommendation that Council:

1. Endorse the amended Delivery Program.
2. Endorse the actions of the General Manager in making administrative changes to the Delivery Program and placing it on public exhibition.
3. Note that the closing date for these submissions on the amended Delivery Program is 21 February 2018 after allowing 28 days public exhibition.
4. Acknowledge the submissions received during the public exhibition period from 21 November 2017 to 19 January 2018 inclusive, specifically in relation to the proposed special rate variation and that details of all submissions be included in Council's application to IPART.
5. Proceed to formal application to IPART for a section 508(A) special rate variation of 6% (including rate pegging) for three successive years, to be retained permanently in the rate base with the cumulative impact being 19.1% or 12.04% net of rate pegging.

(Councillors Way and Steel)

On 16 October 2018 (Minute No 18/252) Council resolved to notify IPART of its intention to a SRV for the remaining two years of the original SRV which was applied for in February 2018 and only the first year was approved by IPART based on a technicality:

11.2 Special Rate Variation application - 2019/20, 2020/21

18/003

Committee recommendation that Council notify IPART of its intention to apply for a Section 508A Permanent Special Rate Variation of 9.83% for 2019-20 and 6.00% for 2020-21, inclusive of the rate peg, to be retained permanently in the rate base.

(Councillors Westhoff and Reilly)

On 7 November 2018, following exhibition of the Amended Delivery Program 2017-21, incorporating the revised Long Term Financial Plan 2018-19 to 2027-27, Council resolved, in part, to proceed to formal application to IPART for a Section 508A SRV (Minute No 18/168), as follows:

3.1 Revised Long Term Financial Plan 2018-19 to 2027-28, Operational Plan 2018-19 and Delivery Program 2017-21 to go on public exhibition.

18/004

Committee recommendation that Council:

1. endorse the amended Delivery Program
2. endorse the actions of the General Manager in making administrative changes to the Delivery Program and placing it on public exhibition
3. note that the closing date for these submissions on the amended Delivery Program is 6 December 2018 after allowing 28 days public exhibition
4. proceed to formal application to IPART for a section 508(A) special rate variation including rate pegging of 9.83% for 2019-20 and 6.00% for 2020-21, to be retained permanently in the rate base.

(Councillors Brown and Westhoff)

Since that resolution, Council has undertaken community engagement around the proposed SRV and placed the draft Operational Plan 2018-19 and Delivery Program 2017-21 and the Long Term Financial Plan 2018-19 to 2027-28 on public exhibition for 28 days, per Council resolution of 7 November 2018. This engagement has included the following:

1. Notification in the Kiama Independent and Bugle inviting submissions on the proposed SRV.
2. Notification on Council's website inviting submissions on the proposed SRV.
3. The development of a dynamic FAQ and answers on Council's website (which had 87 direct hits).
4. The development of a rates estimator that calculated individual impacts of the SRV (83 users).
5. Detailed explanation of the SRV in Council's special edition of Kimunico which was sent to every household, also inviting submissions.

-
6. Presentations made to the Central Precinct Committee, South Precinct Committee, Northern Precinct Committee, Jamberoo Valley Ratepayers and Residents Association and the Minnamurra Progress Association.

Submissions were open from 8 November 2018 through to the 6 December 2018. At the close of this period, Council had received a total of 4 submissions on the SRV. There were no submissions received for the amended Operational Plan 2018-19 and Delivery Program 2017-21 or the Long Term Financial Plan 2018-19 to 2027-28.

On 18 December 2018 Council adopted the amended Operational Plan 2018-19 and Delivery Program 2017-21 (incorporating the Long Term Financial Plan 2018-19 to 2027-28):

11.1 Community Engagement and feedback on the proposed Special Rate Variation and draft Operational Plan 2018-19 and Delivery Program 2017-21 (incorporating the Long Term Financial Plan 2018-19 to 2027-28)

18/338

Committee recommendation that Council:

1. Acknowledge the submissions received in relation to the proposed special rate variation and that all submissions be included in Council's application to IPART.
2. Adopt the amended Operational Plan 2018-19 and Delivery Program 2017-21.

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.

On 20 November 2017, Council enacted a detailed community engagement plan to discuss the proposed SRV in full detail to ensure the community was aware of the need for a SRV, the implications of the SRV being considered and the extent and impact of the possible rate increase, including down to individual assessments.

The multi-phased community engagement program was based on social justice principles of access, equity, participation and rights and has used these as guiding principles in the development of the engagement plan.

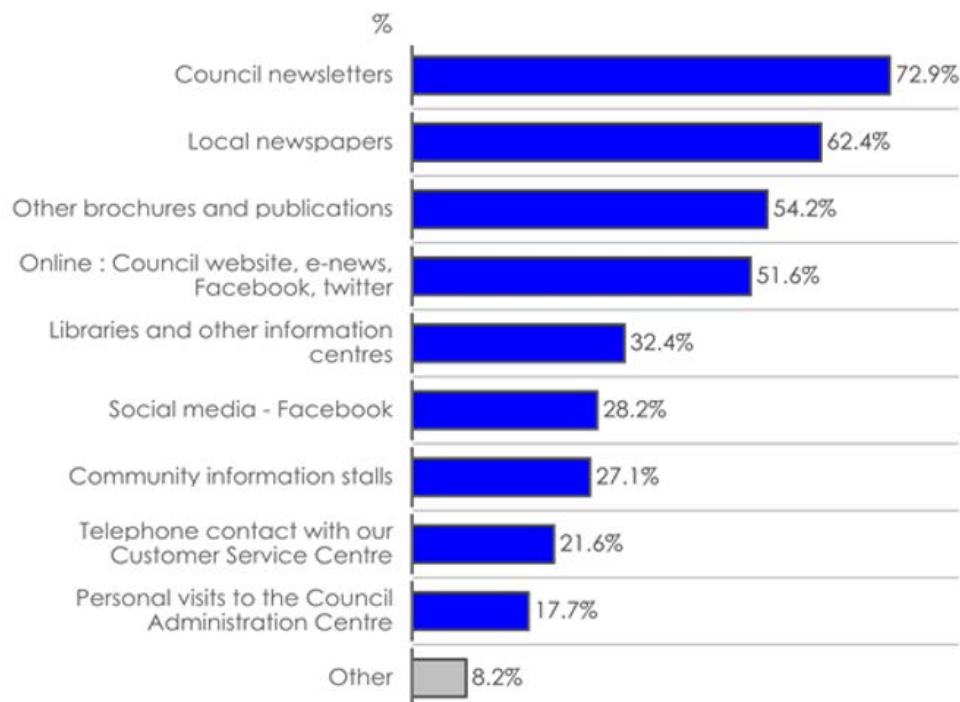
Engagement principles:

1. open and honest and supported with messages that are clear, concise and easy to understand
2. responsive and actively engage with, and listen, to the diverse range of needs and expectations of our communities
3. genuine and seek to gather feedback from a broad representation of our community to ensure inclusiveness
4. reliable, accessible and use a variety of resources to provide opportunities for input and feedback
5. respectful of community input and ensure that is presented to the Council to help influence decision making.

In determining the most appropriate forms of communication for this consultation, Council elected to utilise the community's identified preferences from the 2016 Community Satisfaction Survey. What the community told us in that survey is set out below:

8.2 Preferred source for information

Question: How would you prefer to receive information about the facilities, services and events offered by Kiama Council?



Key results:

- When asked what would be the preferred way to receive information, 'Council newsletters' (72.9%) and 'local newspapers' (62.4%) emerged again as the top two responses.
- Other prominent preferred sources for attaining information on Council activities were 'other brochures and publications' (54.2%), 'online: Council website, e-news, social networking' (51.6%).

Table 4.2.1 - Community Engagement Strategy - SRV

Timeframe November 2017 – January 2018		
Purpose	<ol style="list-style-type: none"> 1. Create further awareness about the proposed Special Rate Variation (SRV). 2. Clearly articulate the need, impact and outcomes of a SRV. 3. Ensure residents and rate payers are effectively engaged about the proposed SRV. 4. Ensure multiple opportunities for residents and ratepayers to provide feedback are available. 	
Objectives	<ol style="list-style-type: none"> 1. Clearly demonstrate the need for a SRV to maintain, renew and upgrade infrastructure assets. 2. Determine the level of community support for a SRV. 	
Key messages	<ol style="list-style-type: none"> 1. The SRV is part of our Council Improvement Proposal that helps us meet the state government's Fit for the Future requirements. 2. Council's short term financial position is considered moderate – however our long term position is not sustainable at the current levels of service and the condition of infrastructure will deteriorate. 3. In response to Community expectations over the past 40 years Council is providing over \$31,000 of infrastructure per rate assessment far higher than many other Councils. 4. The challenge of long term financial sustainability is common across the majority of NSW councils. 5. Many of Kiama Municipality's roads, footpaths, buildings and community facilities were built in the post-war era, making them over 70 years old; the challenge we are currently facing is how we maintaining and renewing these assets into the future with a growing community and changing needs. 6. Over the past three years, Council has made internal savings from procurement and efficiency savings and the implementation of the Council Improvement Plan. These funds have been invested in our ageing assets. 7. Council will meet to consider the consultation results a Council meeting on 6 February 2018. 8. Council will need to formally submit its proposed SRV application to the IPART by 12 February 2018. 	
Stakeholders	Internal <ul style="list-style-type: none"> <input type="checkbox"/> Staff <input type="checkbox"/> Customer service <input type="checkbox"/> Councillors <input type="checkbox"/> Internal working group 	External <ul style="list-style-type: none"> <input type="checkbox"/> Ratepayers <input type="checkbox"/> Residents <input type="checkbox"/> Business organisations (e.g. Business Chambers) <input type="checkbox"/> Precinct Committees <input type="checkbox"/> Progress Associations <input type="checkbox"/> Local media

Timeframe November 2017 – January 2018		
How will we reach them?	<ul style="list-style-type: none"> • Internal staff email • Internal staff briefings • Customer Service briefing • Councillor workshop prior to commencement • Council Report – pre and post • Media releases 	<ul style="list-style-type: none"> • Special edition of Council newsletter “Kimunico” delivered to all ratepayers • Media releases • Social media posts • Local one-on-one media briefings • Local newspaper advertising • Community radio advertising • Facebook advertising • Community and Business presentations • Website home feature • Online fact sheet / FAQ • Interactive online Rates Estimator

Preference 1 - Council Newsletter 'Kimunico'

Council produces a "Kimunico" Council newsletter four times per year. As a result of the Council decision to notify IPART of its intention to apply for the SRV, Council produced at the beginning of December 2017 a special edition of this newsletter highlighting and detailing the proposed SRV. As shown above this is our community's preferred means of communication. Shown below is the SRV information provided in the special edition of the newsletter:

Image 4.2.1 – SRV Frequently Asked Questions – Kimunico extract



Special Rate Variation 2018-19 to 2020-21 Frequently Asked Questions

What is a Special Rate Variation?
A Special Rate Variation (SRV) allows a Council to increase its general income above the rate peg.

What is rate pegging?
The NSW Government (through IPART) sets a limit (peg) that determines how much councils can increase rates overall each year. The rate peg for 2017-18 is 1.5%. Over the last three years, rate pegging increases have averaged 2%.

What is IPART?
IPART is the Independent Pricing and Regulatory Tribunal. It sets water, electricity, gas and transport prices as well as the rate peg limit for local councils.

What is the proposed SRV?

- 6% in 2018-19 (including the rate peg of 2.3%).
- 6% in 2019-20 (including an estimated rate peg of 2.5%).
- 6% in 2020-21 (including an estimated rate peg of 2.5%).

The total increase in rates at the end of the three years will be 19.1%, made up of 7.47% in normal rate pegging and 11.63% of SRV. If the actual rate peg differs from the estimated 2.5%, the SRV will vary to ensure the combined figure is still 6% per annum.

When will rates rise?
If approved, rates will rise from 1 July 2018.

Why does Council need an SRV?
The SRV is part of the Long Term Financial Plan developed to meet the NSW Government's Fit for the Future requirements and remain independent. To be Fit for the Future councils need (among other things) be able to 'effectively manage infrastructure'. The Long Term Financial Plan includes asset management plans which ensure Council has sufficient money to renew and maintain public assets such as libraries, pools and cycleways.

The Kiama Municipality has a significant range of assets and infrastructure. In fact, Council provides 25% more infrastructure per property than Shellharbour City Council. The community expects these assets and facilities to be maintained at a high standard, especially roads, footpaths, toilets, parks and playing fields. Developing the asset management plans for the Long Term Financial Plan showed a need for additional revenue to fund maintenance and renewal. The SRV is being sought to fund that need. Another significant reason for the SRV is the long term decline in revenue from major income sources such as Financial Assistance Grants (FAGs). FAGs have been provided by the Australian Government to councils since 1974 to help fund local projects, especially for maintaining local roads. However, the level of grants has been frozen since 2014, meaning councils across Australia have missed out on an estimated \$1 billion in extra funding, and Kiama Council missed out on approximately \$750,000. Further, the NSW Government through IPART has set a rate peg in recent years that has prevented councils from meeting annual increases in costs. For example, the 2017-18 rate peg is 1.5%, which is below Council's general cost increases.

Are there alternatives to an SRV?
Council has spent two years considering and implementing a range of ways to fund its asset management plans. These have reduced the size of the SRV required, but an SRV is still required to meet the ongoing costs of asset renewal and maintenance. Council has set an efficiency target of 2.5% each year to reduce costs.

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and improve efficiencies. It met this target in 2016-17, and is on track to meet the target again this financial year. This has been made possible by improvements in procurement, streamlining of processes and reviewing the way services are delivered.

Council did consider increasing user pay fees. However, many of our customers are pensioners and community organisations with limited ability to afford price increases.

Other services and facilities have limited demand.

Council will continue to look at other sources of revenue, including land development.

Where will the money from a rate increase be spent?

The funds raised by the SRV will be restricted to maintaining or renewing current assets and infrastructure.

What options are available if I can't pay a rate increase?

Council can help ratepayers with payment schedules that make paying their rates more manageable. Ratepayers are encouraged to contact Council to discuss these options.

What is Council doing to reduce the effect of the SRV on pensioners?

There will be an additional pensioner rebate of \$10 which will increase over the three years of the SRV to \$25, and remain in place afterwards.

This will be funded from the SRV. Based on current pensioner numbers in the residential category, the cost of the rebate will be \$16,570 (2018-19), \$28,169 (2019-20) and then \$41,425 from each year forward.

What else is Council doing to minimise the impact of the SRV on ratepayers?

Council is limiting increases in the Domestic Waste Management Charges (DWM) to 2.5% over the three years of the SRV. Normally the DWM increases 5% each year, but the success of the OK Organics Kiama program has resulted in efficiencies that will allow Council to temporarily restrict the DWM increase.

What will the actual weekly impact be on me?

The majority of residential ratepayers (63%) will pay less than \$519 a week in additional rates by the end of the third year.

A majority (61%) of rural residential ratepayers will pay less than \$999 a week extra.

The vast majority of business/commercial/industrial ratepayers (91%) will pay less than \$788 a week extra, while 78% of business ordinary ratepayers will pay less than \$340 a week more. Finally, 55% of farm ratepayers will pay less than \$898 a week more.

How do my rates compare to other Councils?

If we use the average residential land value in Kiama of \$418,274, residential rates remain lower than nearby councils (Wingecarribee, Wollongong, Shellharbour, Shoalhaven).

For the full comparison go to www.kiama.nsw.gov.au/srv

For businesses, using the average commercial land value of \$429,798, rates will remain substantially lower than other nearby councils.

Why don't developers contribute?

Developers contribute to new infrastructure or the upgrade of existing infrastructure that is required as a result of their development. However, the funds generated cannot be spent on unrelated assets or infrastructure.

What happens if Council's application is unsuccessful?

The condition of facilities will decline over time. Assets will deteriorate, making the eventual maintenance costs even higher. Service levels may be cut.

Importantly, Council will be unable to meet several Fit for the Future financial benchmarks, and put the long term future of the Council and community at risk.

To access the Rates Estimator and for detailed comparison tables go to

www.kiama.nsw.gov.au/srv

Council welcomes public submissions on the SRV.

Submissions close
4pm Friday 19 January 2018.

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This special edition newsletter was delivered to every property in the week beginning 4 December 2017. Over 10,000 copies were delivered as well as copies available from the Administration Offices and the Libraries. The full edition of the newsletter was also available on Council's website with a direct linkage on the home page.

Preference 2 – Local Newspapers

Council is fortunate to have two local newspapers that have a significant and active following, The Bugle (fortnightly and circulation 10,000) and The Kiama Independent (weekly and circulation 7,200).

In addition, the Editors of both newspapers ran their own news stories on the SRV and the Kiama Independent also ran a poll on the question “Do you think a rate rise for Kiama residents is a good idea?” The poll received a total of 108 votes of which 92 said “no.” The question posed in the poll was always going to receive a no vote as it is premised on being a good idea rather than is it supported. The Poll Results are included under Community Feedback in the mandatory forms and attachments section to this document.

Discussions with both Editors confirm that neither received any Letters to the Editor on the proposed SRV.

Preferences 4 & 6 – Council website, e-news, facebook

Council ran a specific banner on the home page and a direct linkage to the following:

Frequently asked questions from the community:

Council captured frequently asked questions from the community and developed the following FAQ's with responses. See website link: <http://www.kiama.nsw.gov.au/srv>

SRV FAQs

- How do I make a submission?
- What is a Special Rate Variation?
- What is a rate peg?
- What is IPART?
- What is the proposed SRV?
- Why does Council need an SRV?
- When will rates rise?
- Are there alternatives to an SRV?
- Where will the money from a rate increase be spent?
- How much additional money will be raised through the SRV by the end of the third year (2020-21?)
- What options are available to those that can't pay a rate increase?
- What is Council doing to reduce the effect of the SRV on pensioners?
- What else is Council doing to minimise the impact of the SRV on ratepayers?
- What will the actual weekly impact be on me?
- How do my rates compare to other Councils?
- Why don't developers contribute?
- What happens if Council's application for an SRV is unsuccessful?

In addition Council had a SRV Rate Estimator built onto the Council website that enabled ratepayers to be able to enter their assessment number and the impact of the SRV was calculated and displayed. During the consultation period for the original SRV application, the SRV Rate Estimator was used by 673 individual and unique users. During the consultation period for the new SRV application, there has been 83 users to date.

An example of the information displayed from the Rate Estimator is shown below for a property with \$391,000 UCV being close to the average UCV for a residential property:

Special Rate Variation Estimator

These results are estimates only. If you require further information or have any follow up questions about your property, please contact the Rates Team.

Current Rates (excluding a Special Rate Variation) for Assessment Number xxxxx

The following results have been calculated based on the actual current property values and year rates levied. Annual indexation factors have been applied to estimate future year values with the general rates indexation being based on the current general rate peg only.

Charges	2017-18		2018-19		2019-20		2020-21	
	Actuals	Indexation	Estimates	Indexation	Estimates	Indexation	Estimates	
General Rates	\$1,366.31	2.3%	\$1,397.74	2.3%	\$1,429.88	2.3%	\$1,462.77	
Waste Charge	\$544.45	2.5%	\$558.06	2.5%	\$572.01	2.5%	\$586.31	
Stormwater Charge	\$25.00	0%	\$25.00	0%	\$25.00	0%	\$25.00	
Total	\$1,935.76		\$1,980.80		\$2,026.90		\$2,074.08	

Estimated Rates (including a Special Rate Variation) for Assessment Number xxxxx

This table estimates the impact of an SRV for the selected rate assessment number. The SRV is calculated at 6% which includes the current general rate peg of 2.3% for each year.

Charges	2017-18		2018-19		2019-20		2020-21	
	Actuals	Indexation	Estimates	Indexation	Estimates	Indexation	Estimates	
General Rates	\$1,366.31	6%	\$1,448.29	6%	\$1,535.19	6%	\$1,627.30	
Waste Charge	\$544.45	2.5%	\$558.06	2.5%	\$572.01	2.5%	\$586.31	
Stormwater Charge	\$25.00	0%	\$25.00	0%	\$25.00	0%	\$25.00	
Total	\$1,935.76		\$2,031.35		\$2,132.20		\$2,238.61	

Overall Cumulative Impact of the SRV for Rates Assessment Number xxxxx

The table below shows the estimated cumulative difference between a 6% pa SRV (including the current 2.3% pa general rate peg) scenario and an assumed general rate peg only (2.3% pa) scenario over 3 years for this assessment.

Charges	2017-18	2018-19	2019-20	2020-21		
General Rates	\$0.00	\$50.55	\$105.31	\$164.53		
Waste Charge	\$0.00	\$0.00	\$0.00	\$0.00		
Stormwater Charges	\$0.00	\$0.00	\$0.00	\$0.00		
Total	\$0.00	\$50.55	\$105.30	\$164.53		
Estimated Cumulative General Rates Increase				Cumulative Increase from 2017-18 – 2020-21		
	2017-18	2018-19	2019-20	2020-21	\$	%
General Rates (2.3% pa General Rate Peg Only)	\$1,366.31	\$1,397.74	\$1,429.88	\$1,462.77	\$96.46	7.06 %
OR						
General Rates (6% pa SRV incl. current 2.3% pa General Rate Peg)	\$1,366.31	\$1,448.29	\$1,535.19	\$1,627.30	\$260.99	19.10 %

Please note this estimator is provided for illustrative purposes and does not reflect actual charges or amounts due. It provides an estimate only and does not include rebates or other adjustments and is subject to change.

This estimate cannot be substituted for actual Rates Notices or Certificates from the Council and Council cannot be held liable for an incorrect estimate.

The information contained on this site is provided in good faith, however Council makes no statements, representations or warranties about the accuracy or completeness of any information provided by this estimator.

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Facebook

Council has an active facebook following with over 6,534 followers. Posts on the proposed SRV were regularly updated during the exhibition period. The Kiama Community also has a closed group, known as the Kiama Community Group. Council actively promoted the proposed SRV on both facebook pages.

A summary table of the SRV community engagement and promotion activity is detailed below, broken down by community engagement undertaken in respect of Council's original SRV application as well as the current application in February 2019.

Table 4.2.1 – SRV Coverage Extract

SRV coverage summary – Kiama Council – 22 Nov 2017 to 12 Feb 2018

Date	Article	Format	Outlet	Reach
Nov 2017	Special Rate Variation	Paper Public Notice	Bugle + Independent	10,000 6,082
22 Nov 2017	Kiama Residents could end up paying an extra \$5 a week...	Radio	I98 FM	7,900
22 Nov 2017	Proposed Special Rate Variation	Online	KMC Facebook	6,534 49 reactions 96 comments 2,200 clicks 19% engagement
22 Nov 2017	Proposed Special Rate Variation	Online	Kiama Community Page (closed group)	52 comments 34 reactions 8,644 members
22 Nov 2017	Tell us what you think of council's decision to increase rates	Online	Kiama Independent	N/A
22 Nov 2017	Poll result	Online	Kiama Independent	NO - 92 votes YES – 12 votes OTHER – 4 votes
22 Nov 2017	Rate Rise	TV	WIN News Illawarra	20,000
29 Nov 2017	Mayoral Column	Paper	Kiama Independent	6,082
29 Nov 2017	Rate Rise Imminent	Paper	Kiama Independent	6,082
30 Nov 2017	Submissions Invited for proposed SRV	Media Release	KMC	N/A
1 Dec 2017	Ratepayers are being urged to give feedback on proposed SRV	Radio	ABC Illawarra	N/A
2 Dec 2017	Mayoral Column	Paper	The Bugle	10,000
13 Dec 2017	Have a say on rate rise	Paper	Kiama Independent	6,082

15 Dec 2017	Rates Est Now Available	Media Release	KMC	N/A
29 January 2018	Operational Plan and Delivery Program	Paper Public Notice	Kiama Independent	6,082
8 Feb 2018	IV with Kerry McMurray	Radio	ABC Illawarra	N/A
8 Feb 2018	Caller Warren supporting SRV	Radio	ABC Illawarra	N/A

SRV coverage summary – Kiama Council – 16 October 2018 to 1 Feb 2019

Date	Article	Format	Outlet	Reach
8 Oct 2018	FAQs updated	Website	Online	43 page views (16/10/18 to date)
18 Oct 2018	SRV update	Media release	KMC	N/A
18 October	Media release (website)	Website	Online	73 page views (18 October to date)
19 Oct 2018	Have your say on SRV	Enews	Kimunico	205 emails delivered 119 opened 1 click on SRV article
26 October 2018	SRV update	Email News	Kimunico	215 emails delivered 106 opened 2 clicks on SRV story
27 Oct 2018	SRV needs approval again	Newspaper story	The Bugle	10,000
2 Nov 2018	SRV update	Email News	Kimunico	216 emails delivered 109 opened No clicks on SRV
7 Nov 2018	Have your say on SRV	Media release	KMC	N/A
7 Nov 2018	Have your say on SRV	Online	Facebook	1,178 people reached 135 engagements
8 Nov 2018	How to make submissions	Online	Website	9
9 Nov 2018	Have your say on SRV	Email News	Kimunico	218 emails 83 opens 2 Clicks on SRV
10 Nov 2018	Special Rate Variation update	Print ad	The Bugle	10,000
14 Nov 2018	Have your say on rates	Newspaper story	Kiama Independent	Audience: 6,050
16 Nov 2018	Have your say on SRV	Email Newsletter	Kimunico	220 emails delivered

				95 opened 1 click on SRV story
21 Nov 2018	Special Rate Variation	Print Ad	Kiama Independent	Readership 7,000
22 Nov 2018	SRV story	TV News	WIN News	Audience: 16,900
23 Nov 2018	Have you say on SRV	Email News	Kimunico	220 emails delivered 94 opened 1 click on SRV
24 Nov 2018	Special Rate Variation update	Print Ad	The Bugle	10,000
24 Dec 2018	SRV update	Enews	Kimunico	228 emails delivered 106 opened 0 clicks on SRV story
24 Dec 2018	SRV update	Media release	KMC	N/A
1 Jan 2019	Kiama Council applying for SRV	Newspaper	Illawarra Mercury	Audience: 10, 806

Further details of media undertaken during these public exhibition periods can be found in the mandatory forms and attachments section of this application.

Community Meetings

The community is represented by a number organisations across the Municipality. Principally there are six primary groups:

- Central Precinct Committee
- South Precinct Committee
- North Precinct Committee
- Jamberoo Valley Residents and Ratepayers Association (JVRRA)
- Minnamurra Progress Association
- Kiama and District Business Chamber

In November/December 2018 Council arranged to address the same community groups with an update on the new SRV application, as well as the newly formed Northern Precinct. The dates of all meetings are listed below:

Table 4.2.2 – Community Presentations

Date	Community Organisation
23 October 2018	Central Precinct Committee
6 November 2018	Jamberoo Valley Ratepayers and Residents Association
6 November 2018	Minnamurra Progress Association
14 November 2018	North Precinct Committee
15 November 2018	South Precinct Committee
11 December 2018	Kiama and District Business Chamber

All of these groups were generally supportive of the proposed SRV and the reasons behind the need for the SRV. A copy of the presentation provided can be found at Attachment 6 in Other Attachments - Other.

Radio and Television

On 8 February 2018, in relation to the original SRV application, Council was involved in a TV news story for WIN TV. After the interview, WIN TV interviewed people on the street as part of the news story, and the majority of those they interviewed were supportive of the proposed SRV. Should IPART require a copy of the news story Council can purchase it from WIN TV.

Multiple radio interviews were conducted during the period. ABC radio conducted several interviews, the most recent after the Council decision on the 6 February 2018 to proceed with the SRV application. A caller after the story contacted the ABC on air to express support for the SRV.

This interview and the caller's interview can be found in the Media document in the mandatory forms and attachments section of this application.

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.

The consultation material produced by Council projected the impact on the different rating categories under the proposed SRV. Based on the adopted 6.0% increase (including rate pegging) for three years, the impact on rates per year of the proposed increase and the cumulative result of the increase is reflected in the following table:

Table 5.1 - Cumulative Impact on rates per year with 6% increase (including Rate pegging but excluding waste and stormwater).

<u>Rate Type</u>	<u>Average Land Value</u>	<u>% of Assessments under Average</u>	<u>Year</u>	<u>Rate Peg impact/ week</u>	<u>SRV Impact/ week</u>	<u>Combined Impact/ week</u>
Residential	\$418,274	63%	2018-2019	\$0.68	\$0.95	\$1.63
			2019-2020	\$1.38	\$1.98	\$3.36
			2020-2021	\$2.09	\$3.10	\$5.19
Rural Residential	\$1,056,740	61%	2018-2019	\$1.31	\$1.83	\$3.14
			2019-2020	\$2.65	\$3.82	\$6.47
			2020-2021	\$4.02	\$5.97	\$9.99
Business Commercial Industrial	\$429,798	91%	2018-2019	\$1.03	\$1.44	\$2.47
			2019-2020	\$2.09	\$3.01	\$5.10
			2020-2021	\$3.17	\$4.71	\$7.88
Business Ordinary	\$268,512	78%	2018-2019	\$0.44	\$0.62	\$1.06
			2019-2020	\$0.90	\$1.30	\$2.20
			2020-2021	\$1.37	\$2.03	\$3.40
Farmland	\$1,394,638	55%	2018-2019	\$1.17	\$1.64	\$2.81
			2019-2020	\$2.38	\$3.43	\$5.81
			2020-2021	\$3.61	\$5.36	\$8.98

The consultation material provided to the community was based on the assumption the existing rating structure used by Council in 2017-18 would be retained and remain so for the period of the SRV. Council also had certainty around land values as the Municipality was valued in 2016 (for the Fire Services Levy) and no revaluation is scheduled to occur in the SRV period (2018-19 to 2020-21).

At the time of preparing this application, Council has determined not to examine any alternative rating structure other than the current adopted structure. It is on this basis the impacts, as described in the Part A workbook to this application, have been presented.

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 ☐ indicate this amount (%) _____ (\$)

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

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? \$ _____

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.

Not applicable

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.

The capacity to pay is not limited to the indicators listed above that show a snapshot in time. The change over time in the economy, employment, income and labour force conditions, shows that the community has the capacity to pay due to significant improvements in each of these indicators.

Land Values

Council has updated its databases to include the revised 2016 land values supplied by the Valuer General received on 11 January 2017, to this SRV application. Council also received new land valuations in 2015 to apply for the 2016-17 rating year. Within a 12 month period, the total land valuation in the Kiama Municipality increased 3.2%.

Given rating is based on the utilisation of land value to reflect a 'capacity to pay', there has been an increase in the asset wealth of landowners, albeit unimproved land value, in the Kiama Municipality averaging 6.85% per annum over the last six years.

Average Rates

In consideration of the SRV proposal, Council conducted research and has compared average rates from Councils on the South Coast/Illawarra to gauge existing rates being raised. In preparing the table below Council took the average land value for each rate category and applied the other Council's rating to that value. The table below provides a comparison of the average rate ranges in the major rating categories of Residential and Business based on 2017-18 rates (general fund only).

Table 5.2.1 – Residential Rates Comparison

Applying surrounding Councils approved rating factors to Kiama Council's average residential land value of \$418,274, Kiama's estimated residential rates are/will be the lowest.

Residential Rate Comparison - Neighbouring Council's					
Council	Value	2017-2018 Rates	2018-2019 Rates	2019-2020 Rates	2020-2021 Rates
Wingecarribee Shire Council *	\$418,274	\$1,614.08	\$1,763.38	\$1,977.63	\$2,027.07
Wollongong City Council	\$418,274	\$1,765.16	\$1,809.29	\$1,854.52	\$1,900.89
Shellharbour City Council	\$418,274	\$1,844.49	\$1,890.60	\$1,937.87	\$1,986.31
Shoalhaven City Council **	\$418,274	\$1,486.99	\$1,561.33	\$1,639.40	\$1,721.37
Kiama Council	\$418,274	\$1,412.65	\$1,497.41	\$1,587.26	\$1,682.49
* Wingecarribee Shire Council - includes SRV increases of 2017-18 - 9.25%, 2018-19 - 9.25%, 2019-20 - 12.15%, 2020-21 - 2.5%					
** Shoalhaven City Council - applying for an SRV increase of 5% for three years and is included in this table					
*** Kiama Council – includes proposed SRV increases					

Table 5.2.2 – Business/Commercial/Industrial Rates Comparison

Applying surrounding Councils approved rating factors to Kiama Council's average Business/Commercial/Industrial land value of \$429,798, Kiama's estimated Business/Commercial/Industrial rates are substantially the lowest in the region.

Business/Commercial/Industrial Rate Comparison - Neighbouring Council's					
Council	Value	2017-2018 Rates	2018-2019 Rates	2019-2020 Rates	2020-2021 Rates
Wingecarribee Shire Council *	\$429,798	\$3,371.28	\$3,683.12	\$4,130.62	\$4,233.89
Wollongong City Council	\$429,798	\$6,526.22	\$6,689.38	\$6,856.61	\$7,028.03
Shellharbour City Council	\$429,798	\$4,662.24	\$4,778.80	\$4,898.27	\$5,020.72
Shoalhaven City Council **	\$429,798	\$3,439.34	\$3,611.31	\$3,791.87	\$3,981.47
Kiama Council ***	\$429,798	\$2,147.24	\$2,276.07	\$2,412.64	\$2,557.40
* Wingecarribee Shire Council includes SRV increases of 2017-18 - 9.25%, 2018-19 - 9.25%, 2019-20 - 12.15%, 2020-21 - 2.5%					
** Shoalhaven City Council are applying for an SRV increase of 5% for three years and is included in this table					
*** Kiama Council – includes proposed SRV increases					

Out of the five Councils in the Illawarra, Kiama Municipal Council currently has the lowest average residential rate, and lowest average business rate now and after the implementation of the SRV.

Outstanding Rates and Annual Charges Ratio

Council's outstanding rates and charges ratio, as disclosed in its audited financial statements, has over the last five years been as follows:

2013-14	2.25%
2014-15	1.77%
2015-16	2.16%
2016-17	1.47%
2017-18	1.55%

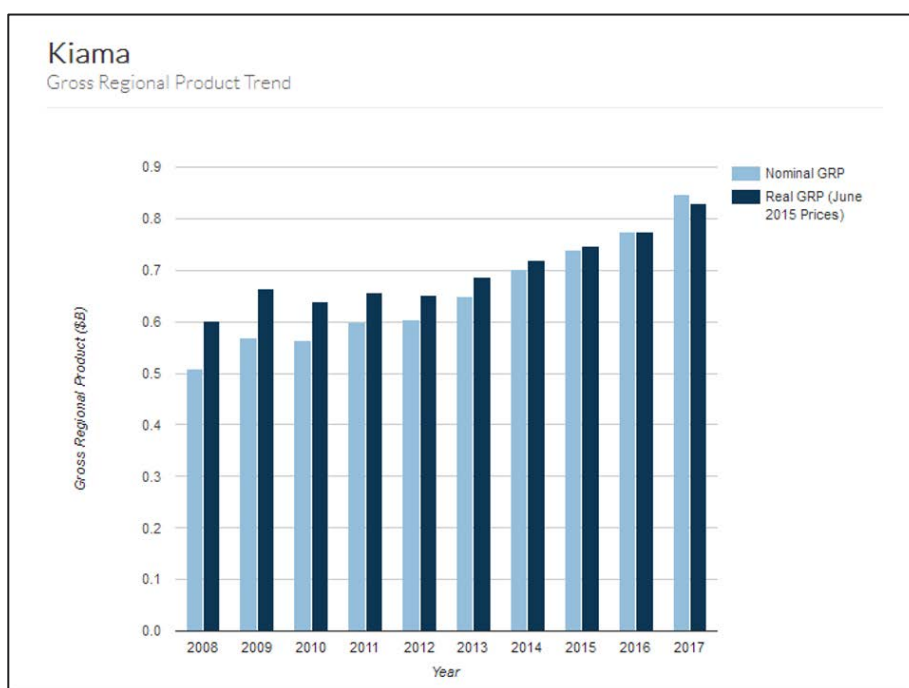
The accepted benchmark for Councils is 5%. This ratio demonstrates that generally, Council is able to recover up to 98% of the rates and annual charges levied each financial year and the high collection rate has been stable. This goes to ratepayers' capacity to pay and provides an indication that ratepayers have historically been able to pay the rates and annual charges consistently.

Economy

Improved Economic Conditions

Kiama LGA Gross Regional Product (GRP) was \$.775bn as of 30 June 2016. Economic growth has continually improved since 2011. Since 2013 the economy has been growing steadily and recently our economy has experienced extremely strong growth of 7.2%, with our GRP as of 30 June 2017 now \$.831bn. This growth is significantly higher than Regional NSW.

Graph 5.2.1 – Kiama Gross Regional Product Trend



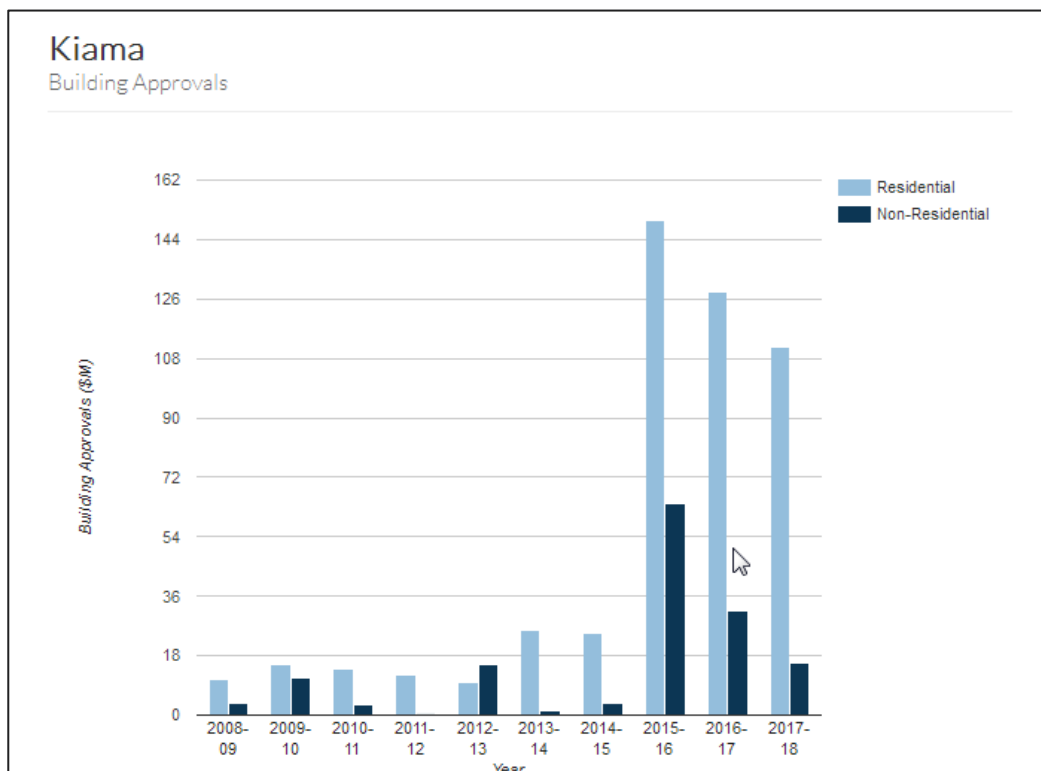
Source: Latest REMPLAN data incorporating Australian Bureau of Statistics' (ABS) June 2017 Gross State Product, 2014 -15 National Input Output Tables and 2016 Census Place of Work Employment Data.

Stronger Economic Growth than Benchmark Average

The Kiama LGA has had a higher average growth in GRP over the past six years, with an average growth rate of 4.3%. The Illawarra Region has had an annual average growth of 2.6% over the same period.

New developments will see an increase in the number of retail and commercial properties which will also lead to an increased number of jobs in the Kiama and Gerringong business districts.

Graph 5.2.2 – Kiama Building Approvals



Source: Australian Bureau of Statistics, Building Approvals, Cat. 8731.0. (2017-18 data was released 7 August 2018, 2018-19 data is expected to be available in August 2019).

Improving Labour Force Conditions

Historically, unemployment in the Kiama LGA has been much lower than the NSW average. In June 2017 the unemployment rate was 2.7% compared to the NSW average of 4.6% and the Illawarra average of 6%. The improvement in economic conditions has also driven growth in the labour force in Kiama with an additional 894 jobs created in the LGA between 2011 and 2016. This represents a growth of 9% over this period. Although not shown in the table below the updated unemployment rate for Kiama in June 2018 was 1.9%.

Table 5.2.3 – Kiama Unemployment Rate

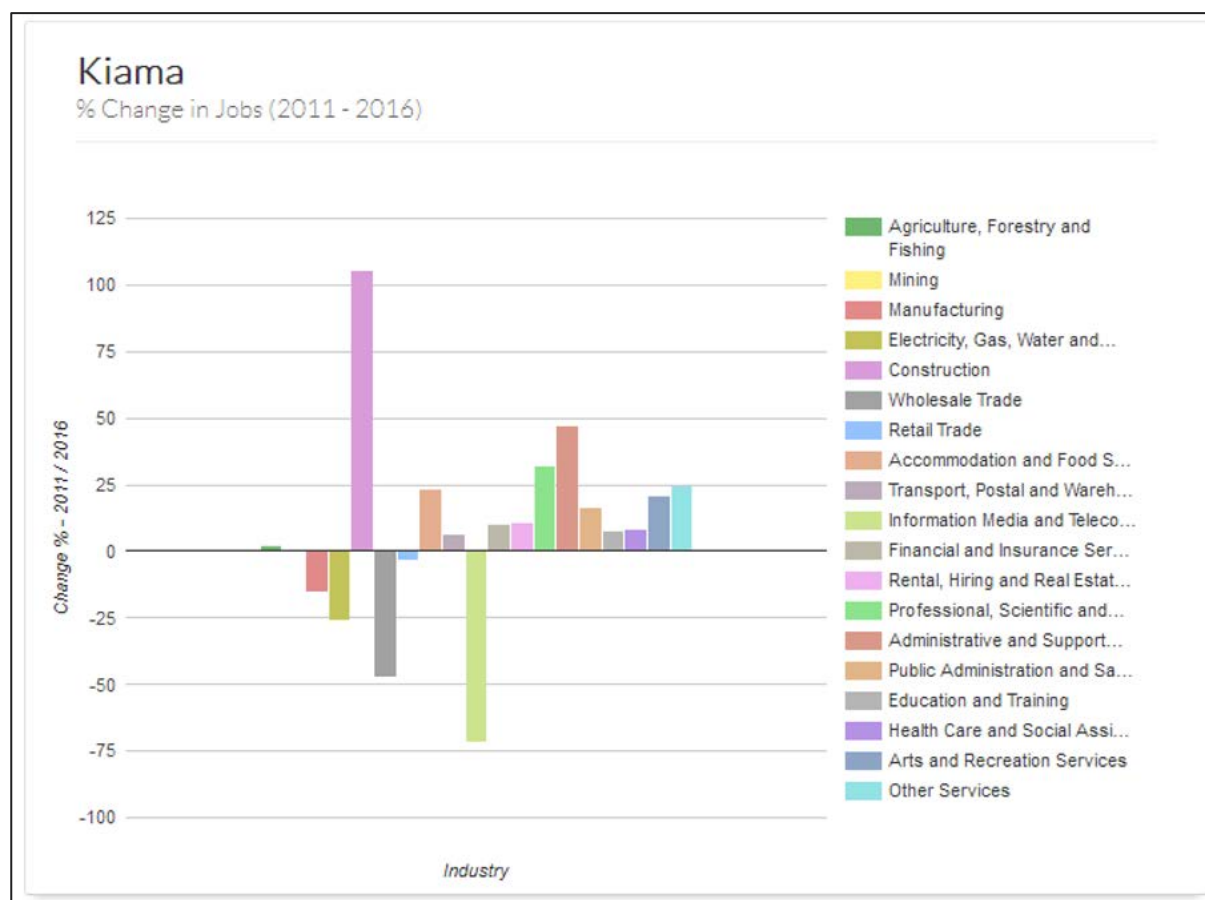
Kiama	
Unemployment Rate	
Unemployment	Kiama
Sep-14	2.9%
Dec-14	2.8%
Mar-15	2.9%
Jun-15	3.3%
Sep-15	3.3%
Dec-15	3.1%
Mar-16	3.3%
Jun-16	3.0%
Sep-16	3.0%
Dec-16	3.2%
Mar-17	2.8%
Jun-17	2.6%
Sep-17	2.4%
Dec-17	2.2%
Mar-18	2.1%
Jun-18	1.9%

Source: Department of Jobs and Small Business, Small Area Labour Markets (SALM). (June Quarter 2018 was released in September 2018.

Australian Bureau of Statistics (ABS) Labour Force, Australia, Detailed, Cat. 6291.0.55.001 (June Quarter 2018 was released in July 2018.

**The presentation in this profile of ABS Labour Force unemployment data for states and large regions is delayed by REPLAN in order to align with subsequent releases of Small Area Labour Market (SALM) unemployment data by the Jobs and Small Business.*

Graph 5.2.3 – Kiama % Change in Jobs (2011-16)



Source: Australian Bureau of Statistics 2016 Census of Population and Housing, Place of Work Employment Data

Business Counts

Business counts are based on snapshots of actively trading businesses from the Australian Bureau of Statistics Business Register (ABSB). The ABSB contains counts and rates of business entries and exits from the Australian economy, as well as counts and rates pertaining to the survival of businesses. This count only includes businesses that actively traded in goods or services during the reference period. As at 30 June 2015 there were 1,677 business registered. As of 30 June 2016 there were 1,707 registered. This represents an increase of approximately 2%.

Individual and Household Income

According to the 2011 Census, the average household weekly income for the Kiama LGA was \$1,234. The 2016 Census Quickstats indicate that Kiama had a household weekly income of \$1,509 - a significant increase. This is higher than the NSW and Australian average and much higher than the Wollongong average of \$1,339. The Kiama LGA has one of the lowest proportions of low income households, indicating that our residents have a capacity to pay increased rates.

Table 5.2.4 – Kiama Gross Regional Product Trend

Median weekly incomes People aged 15 years and over	Kiama (A)	%	New South Wales	%	Australia	%
Personal	683	--	664	--	662	--
Family	1,820	--	1,780	--	1,734	--
Household	1,509	--	1,486	--	1,438	--

The median weekly personal income for people aged 15 years and over in Kiama (A) (Local Government Areas) was \$683.

View the data quality statements for: [Total personal income \(INCP\)](#) [Total family income \(FINF\)](#) [Total household income \(HIND\)](#)

Wellbeing and the need for Assistance

People with a profound or severe disability are defined as those people needing help or assistance in one or more of the three core activity areas of self-care, mobility and communication, because of a disability, long term health condition (lasting six months or more) or old age. This data provides an indication of the characteristics of people who report a need for assistance as opposed to the total population prevalent of people with a profound or severe disability. Again this figure is lower at 4.54%, than the Illawarra which is reported as 6.68%.

Table 5.2.5 – Kiama Wellbeing – Need for Assistance

Kiama		
Wellbeing - Need for Assistance		
The total number of people counted in <u>Kiama</u> on Census Night 2016 was 21,104.		
Cohorts		Kiama
Does not have need for assistance with core activities	18,745	88.82%
Has need for assistance with core activities	959	4.54%
Overseas visitor	106	0.50%
Not stated	1,294	6.13%
Total	21,104	100%

Source: Australian Bureau of Statistics 2016 Census of Population and Housing, REMPLAN Community.

Socio-Economic Indexes for Areas (SEIFA)

A low SEIFA score indicates relatively greater disadvantage in general. For example, an area could have a low score if there are (among other things):

- Many households with low income, many people with no qualifications, or many people in low skill occupations.

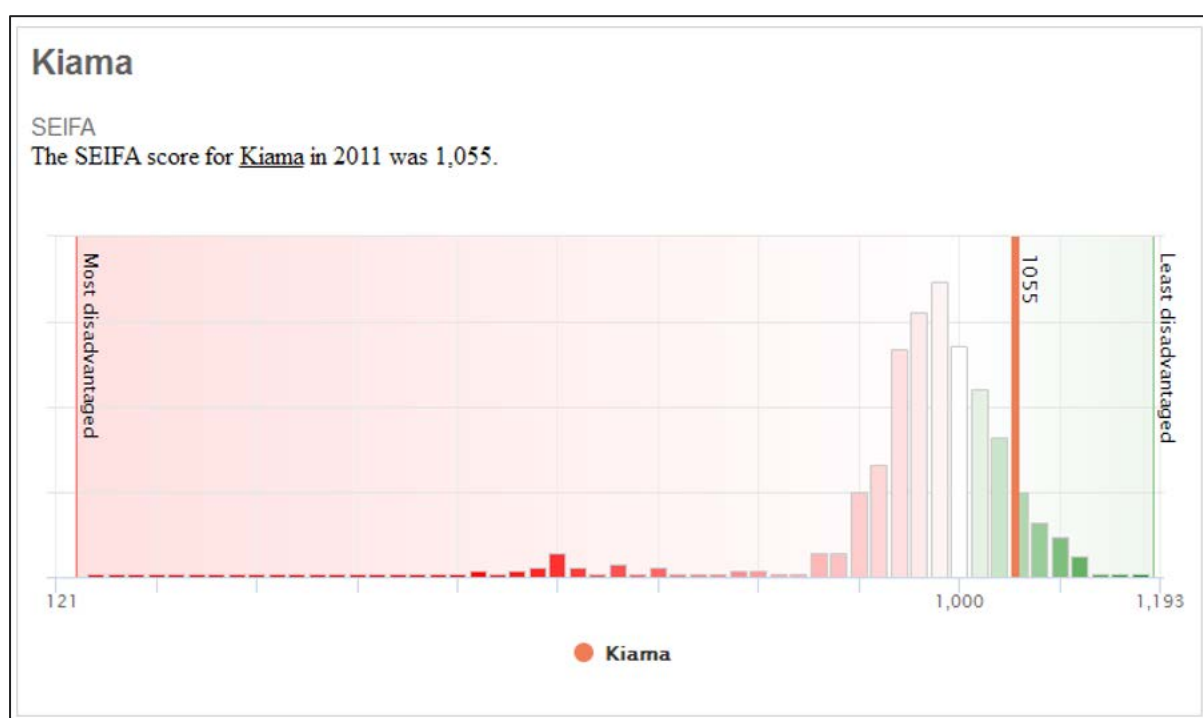
A high SEIFA score indicates a relative lack of disadvantage in general. For example, an area may have a high score if there are (among other things) few households with low incomes, few people with no qualifications, and few people in low skilled occupations.

In 2011 Kiama had a high SEIFA score of 1,055 compared to neighbouring councils of Shellharbour (961), Shoalhaven (944) and Wollongong (981).

This index, when ranked amongst all areas of NSW, puts it 24th least disadvantaged, of 153 Local Government Areas at that time.

Kiama Municipality is in the 20% of less disadvantaged areas at an LGA level, this score also indicates that the Municipality is less disadvantaged than the national (1002.0) and NSW (995.8) averages. It is slightly better off than the Regional NSW average (968.6).

Graph 5.2.4 – Kiama SEIFA



Source: Australian Bureau of Statistics, *Socio-Economic Indexes for Areas*, Cat. 2033.0.55.001 (2011 data was released on 28 March 2013).

The Kiama LGA Community's Capacity to Pay

Improving economic and employment conditions, and improvements in business numbers, suggests that there is a capacity to apply a SRV amongst the Kiama residents.

The following points highlight the capacity to pay:

1. Economic conditions have improved and growth is very strong.
2. Extremely low levels of unemployment and strong wages growth.
3. The wellbeing indicators for the Kiama LGA show a lack of disadvantage in general.

5.3 Addressing hardship

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

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

A copy of the adopted Hardship Policy is attached to this application as part of the mandatory forms and attachments.

The Hardship Policy is available for any ratepayer experiencing financial hardship in relation to the payment of Council rates and charges. The policy follows the following framework as provided by Section 564, 567, 582, and 601 of the Local Government Act 1993:

Hardship Policy

1. In the first instance Council will endeavour to establish a short term payment arrangement with ratepayers, offering a due date extension or regular periodical payment. Under this arrangement interest charges would apply to any rates or charges overdue. This would apply to ratepayers ineligible for hardship assistance.
2. If a ratepayer meets the eligibility criteria for financial hardship assistance, Council will establish a formal regular payment agreement with the ratepayer requiring payment as soon as possible but considering the ratepayer's current payment and future payment capabilities.

If a ratepayer substantially honours the payment agreement, Council will reduce or write off any interest charges applicable to the overdue rates and charges.

3. If financial hardship is created because of a change in new land valuations, Council will allow deferral of the increase in the ordinary rate to the following rating year with interest not being charged on the deferred amount provided it is paid within instalment arrangements in the next rating year.

Council has referenced its Hardship Policy in its IP&R documents in the 2018-19 Revenue Policy and was included in Council's 2018-19 Operational Plan.

It should be noted that Council has not received any applications under this policy since 2011.

Pensioner Rebates

Council has considered the impact of the proposed increase in rates on pensioners and those people in the community experiencing hardship. Kiama currently provides a mandatory pensioner concession to 1,693 or 16% of our 10,467 rating assessments.

Furthermore, 99% of our pensioners receive the maximum \$250 mandatory pensioner concession for a property's combined ordinary rate and domestic waste management charge.

Council has been very conscious of the potential impact on pensioners and has decided to provide a non-subsidised additional pensioner rebate to offset a portion of the proposed SRV impact. The proposed additional pensioner rebate is set out in the table below, and formed part of the community presentations during the period October - November 2018:

How is the impact on pensioners going to be minimized?	
As part of the SRV proposal, in order to help reduce the impact on pensioners, there will be an additional pensioner rebate provided fully funded by Council from the SRV. This additional pensioner rebate will incrementally increase over the 3 years and be capped after 2020/2021.	
The additional annual pensioner rebate proposed is as follows:	
2018/2019	\$10.00
2019/2020	\$17.00
2020/2021	\$25.00
The additional pensioner rebate of \$25 will be retained permanently after 2020/2021.	

The cost of this additional pensioner rebate based on current pensioner assessments will be:

Table 5.3.2 – Pensioner Rebates

2018-19	\$16,930
2019-20	\$28,871
2020-21	\$42,325
Ongoing	\$42,325

This additional rebate has been costed into the adopted LTFP.

Domestic Waste Management Charges

As detailed in Section 3.1, as part of the adopted CIP, Council has actively conducted service reviews provided by Council, including waste. Whilst significant costs including the waste levy and fuel are outside Council's control, Council has actively been looking at expenditure reduction strategies whilst maintaining the current high standard of service. The increase in Domestic Waste Management (DWM) has averaged 5.15% annually over the past four years. Council set a target to achieve efficiencies in this service so that by the time the proposed SRV was implemented that the DWM charges increased by no more than the approved rate pegging level.

Council is now in a position to achieve this and has given the commitment to the community through the SRV presentations to maintain increases in DWM charges at less than or equal to the rate pegging level for the first three years of the SRV. Based on current DWM charges this is an effective saving of \$50.09 by 2020-21 compared to average past four year increases.

For the average valued residential property the cumulative impact of the SRV (excluding rate pegging) in 2020-21 is \$161.20. The DWM saving in the same year is \$50.09. If this property is subject to a pensioner rebate, there is a further reduction in the impact by the additional \$25 pensioner rebate. Under this cumulative net impact on this property in 2020-21 would be \$86.11 for the year.

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.

1	Fit for the Future submission and Council Improvement Program (CIP) including proposed SRV.	
	Public exhibition	Nil
	Council meeting date	15/12/15
	Minute number	15/451
	Committee recommendation that Council: 1. Authorise the submission to be made to the NSW Government showing that Council will achieve "Fit for the Future" status as required by IPART by 2019/20, such submission to outline the manner in which that position will be reached. 2. Implement the actions identified in the review process to achieve Fit for the Future status. (Councillors Petschler and Sloan)	
2	Council submission to delegate including Morrison Low report, Council Improvement Program, proposed SRV and other consultant reports	
	Public exhibition	24/02/16 to 26/03/16
	Council meeting date	23/02/16
	Minute number	16/001 (in part)

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.

<p>Committee recommendation that Council:</p> <ol style="list-style-type: none"> 1. Endorse the draft submission to be made to the Delegate appointed to hold the public inquiry into the proposed merger of Kiama and Shoalhaven Councils, and authorise the General Manager to make minor amendments before the submission date if required. 2. Note that Council has made available to the public the draft Morrison Low reports (identifying that Council is financially 'fit for the future') and the Judith Stubbs and Associates report (confirming that there are significant community disadvantages to the proposal). 3. Again urge the Government to release the KPMG reports that it has used to justify forced council amalgamations. 4. Note that the community has not been provided with the opportunity to vote on this matter, either at the recent State Election or as part of the Boundaries Commission assessment process, despite requests from Council, the Member for Kiama and others for a poll to be conducted under Sec 265 (1) of the Act to assist the Boundaries Commission determine the attitude of the residents and ratepayers. 5. Investigate a formal poll of all residents and eligible ratepayers in accordance with Part 11 of the Local Government Regulation 2005, with this question to be posed: "Do you support the State Government's proposal to merge the Kiama and Shoalhaven Local Government Areas?." 6. Request the general manager to prepare an urgent report on the holding of that poll outlining structure, cost and funding, such to be submitted to a special meeting of Council for authorisation so as to meet the requirements of the guidelines issued in December 2015 by the Office of Local Government under Sec 23A of the Act. <p style="text-align: right;">(Councillors Sloan and Reilly)</p>		
3	2016-17 Operational Plan, Revenue Policy and Long Term Financial Plan	
	Public exhibition	28/04/16 to 31/05/16
	Council meeting date	28/06/16
	Minute number	16/214
<p>Committee recommendation that:</p> <ol style="list-style-type: none"> 1. It be noted in accordance with Section 402 to 406 of the Local Government Act, 1993, Council is required to prepare an Integrated Plan with respect to: <ol style="list-style-type: none"> a) an Operational Plan for 1 year b) a Delivery program for 4 years c) a Community Strategic Plan for 10 years <p>The Community Strategic Plan 2013-23 and the Delivery Program 2013-17 were adopted by Council in June 2013.</p> <p>The Operational Plan 2016-17 was notified to the public through newspaper advertisements and was placed on public exhibition at various locations from 28 April 2016 to 31 May 2016 as required under the Local Government Act. It was advised to</p> 		

	<p>the public that written submissions may be made in accordance with legislation to the Council any time during the period of the exhibition.</p> <p>2. Council adopt its Operational Plan 2016-17 in accordance with Sections 402 to 406 of the Local Government Act, 1993.</p> <p>(Councillors Sloan and Steel)</p>	
4	Revised Long Term Financial Plan	
	Public exhibition	11/10/16 to 98/11/16/16
	Council meeting date	21/11/16
	Minute number	16/445
	<p>Committee recommendation that Council:</p> <p>1. Adopt the Draft Long Term Financial Plan 2017-18 – 2026-27.</p> <p>2. Endorse the Fit for the Future Reassessment Proposal and authorize the proposal to be submitted to the Office of Local Government.</p> <p>(Councillors Brown and Reilly)</p>	
5	Asset Management Plans	
	Public exhibition	21/03/17 to 16/06/17
	Council meeting date	11/04/17
	Minute number	17/126
	<p>Committee recommendation that Council adopt the following Asset Management Plans:</p> <p>a) Buildings</p> <p>b) Footpaths and Cycleways</p> <p>c) Recreation and Open Space</p> <p>d) Roads</p> <p>e) Stormwater</p> <p>f) Other assets</p> <p>(Councillors Westhoff and Way)</p>	
6	Full suite of Integrated Plans – Community Strategic Plan, Delivery Program/Operational Plan, Long Term Financial Plan, Resourcing Strategy	
	Public exhibition	16/05/17 to 16/06/17
	Council meeting date	22/06/17
	Minute number	17/206 (in part)
	<p>Committee recommendation that :</p> <p>1. It be noted in accordance with Section 402 to 406 of the Local Government Act, 1993, Council is required to prepare an Integrated Plan with respect to:</p> <p>a) an Operational Plan for 1 year</p> <p>b) a Delivery program for 4 years</p> <p>c) a Community Strategic Plan for 10 years</p> <p>The Community Strategic Plan 2017/2027, Delivery Program 2017/2021 and Operational Plan 2017/18 were notified to the public through newspaper advertisements and was placed on public exhibition at various locations from 16 May 2017 to 16 June 2017 as required under the Local Government Act. It was</p>	

	advised to the public that written submissions may be made in accordance with legislation to the Council any time during the period of the exhibition.	
	<p>2. Council adopt its Community Strategic Plan 2017/2027, Delivery Program 2017/2021 and Operational Plan 2017/2018 in accordance with Sections 402 to 406 of the Local Government Act, 1993.</p> <p style="text-align: right;">(Councillors Reilly and Steel)</p>	
7	Notify IPART	
	Public exhibition	21/11/17 to 17/12/17
	Council meeting date	21/11/17
	Minute number	17/183
	<p>Committee recommendation that Council notify IPART of its intention to apply for a Section 508A Permanent Special Rate Variation (SRV) of 6% including rate pegging for 3 successive years, to be retained permanently in the rate base.</p> <p style="text-align: right;">(Councillors Brown and Reilly)</p>	
8	2018-19 Draft Operational Plan	
	Public exhibition	17/05/18 to 20/06/18
	Council meeting date	26/06/18
	Minute number	18/005 (in part)
	<p>Committee recommendation that Council:</p> <p>1. Notes, in accordance with Sections 402 to 406 of the <i>Local Government Act 1993</i>, that Council is required to prepare Integrated Planning documents with respect to:</p> <ul style="list-style-type: none"> a) a Community Strategic Plan for 10 years b) a Delivery Program for four years c) an Operational Plan for one year <p>and also notes that the Community Strategic Plan 2017-27, and the Delivery Program 2017-21 were adopted by Council on 22 June 2017.</p> <p>3. Notes that the Draft Operational Plan 2018-19 and the Delivery Program 2017-21 were placed on public exhibition at various locations for a period of 28 days as required under the <i>Local Government Act</i>. The community was advised that written submissions could be made to Council at any time during the exhibition period, also in accordance with legislation.</p> <p style="text-align: right;">(Councillors Reilly and Brown)</p>	

9	Community Engagement and feedback on the proposed Special Rate Variation and draft Operational Plan 2018-19 and Delivery Program 2017-21 (incorporating the Long Term Financial Plan 2018-19 to 2027-28)	
	Public exhibition	08/11/18 to 06/12/18
	Council meeting date	18/12/18
	Minute number	18/338
	Committee recommendation that Council: <ol style="list-style-type: none"> 1. acknowledge the submissions received in relation to the proposed special rate variation and that all submissions be included in Council's application to IPART. 2. adopt the amended Operational Plan 2018-19 and Delivery Program 2017-21. <p style="text-align: right;">(Councillors Reilly and Rice)</p>	

After reviewing its CSP, Council was able to highlight elements already contained within its CSP linking to the need for a rate variation and the content of the DP. The key IP&R document which was reviewed and amended to include a specific section on the proposed SRV scenario include the Revised Delivery Program 2017-21 (Jan 2018).

It should be noted that whilst the Delivery Program 2017-21 has been amended (Jan 2018) by the addition of a specific section dedicated to the proposed SRV to meet the specific requirements of the application process, the capital maintenance and renewal program already contained in this DP included the proposed works to be covered by the SRV.

Further the LTFP, including specific reference to the SRV has been publicly exhibited three times since 2016.

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 is committed to continuing its strong strategic focus on efficient financial and operations management. Council has implemented, and is in the process of implementing, all currently legally available revenue raising strategies to improve financial sustainability under the IP&R framework and CIP, including this SRV application.

The improvements and cost containment strategies implemented and their resulting success can be proven in their entirety by the following:

- In 2015 IPART deemed Kiama Municipal Council as “unfit” and in part made the following observation:

The operating performance ratio was -7.7% in 2014-15 and is forecast to be -6.1% by 2019-20 which does not meet the benchmark. These figures rely on a number of assumptions, including the successful application for and adoption of a special variation from 2018-19 of 17.4% cumulative over 3 years (9.7% above the rate peg).

In the submission considered in 2015 by IPART, Council was predicted to have a **negative 6.1%** operating performance ratio **or -\$3,026,342 in 2019-20**. The current LTFP including this proposed special rate increase shows a **negative 1.42%** operating performance ratio or **(\$878,359)**. This represents an improvement through implementation of the CIP initiatives, productivity improvements and cost containment strategies of \$2,147,983. The 2015 submission did not take into account the cost of opening a new aged care facility and the associated costs of transferring clients to the new building.

Finally, the above figures demonstrate that the proposed SRV of 6% for three years from 2018-19 (cumulative increase of 19.1% or 12.1% (excluding rate pegging of 2.3%)) has been calculated in detail.

Implemented cost containment and efficiency strategies

Return to work management improvements and safety initiatives

Commencing in 2012, Council has progressively introduced and maintained a program of proactive improvement to Return to Work Management and introduced safety audits and initiatives.

These have achieved cumulative savings to date of \$1.26M in reduced workers compensation insurance premiums (compared to 2012-13 premiums, down from \$1.253M to \$774k in 2016-17) and receipt of the full suite of available insurance incentive payments each year. The savings combined with ongoing reduced projected workers compensation insurance premiums have been factored into Council's LTFP.

Continuous process improvements

Every operational area within Council is required to proactively and regularly review their operational processes and identify and act on opportunities for improvement, big and small. We have business process management software called Promapp to help us build and share our process knowledge, and Council-wide training has been delivered to build skills in identifying and actioning process improvement opportunities. Many process improvements, by their nature, are small compared to the overall budget but their collective value contributes to improving overall efficiency within Council. Some examples include:

- Council has invested in building a comprehensive centralised Asset Register that is integrated with financial work orders. Council is also implementing an Authority Capital Value register to improve data quality and efficiency of the yearly financial reporting requirements. In accordance with the 2016 Local Government Audit Review, an Asset Risk Register was developed to assist with prioritising critical high risk assets.
- Council has implemented the LEAN methodology to identify opportunities for improvements and harvest efficiency savings. Council has mapped over the past 18 months over 220 processes and has established working groups to review these processes with the LEAN methodology. It should be noted that Council has developed an organisational capability by having staff at all levels in the organisation trained in both Promapp and LEAN. Kiama Municipal Council is one of only four in NSW that, in applying the LEAN methodology, has actually engaged with the users of these processes from the community to develop an “outside-in” approach to organisational efficiency. Whilst this is an ongoing program, this approach ensures not only efficient processes but more importantly that are fit for purpose and engaged our community.
- In 2017, Council reviewed its after-hour operations and introduced a single Council-wide after-hours service across all asset classes which has reduced the number of personnel on call. This resulted in reduced costs of approximately \$30,000 pa spread across All Funds as well as improved after-hours service delivery.
- Electronic billing allows Council to reduce paper and postage costs and collect rates and charges faster due to timeliness of delivery of invoices. While Council still has a lower adoption rate than our target, we now have one of the highest take up rates in NSW. Council now has 11% of ratepayers registered to receive their notices electronically.
- Paper reduction: Through process improvement including introduction of e-agenda software and digital technology, Council has year on year reduced its paper consumption and costs, to the extent that in 2017 they were below 23% of what they were in 2014. This is a very small saving compared to the overall budget, but it is an example of Council making the most of every opportunity to contribute to overall financial, and in this case environmental, improvement.

Procurement cost savings

Council has included procurement cost savings in its LTFFP. Council is implementing a range of strategies to achieve its cost savings including:

- joint regional procurement activities through Illawarra Shoalhaven Joint Organisation (ISJO, formerly the Illawarra Pilot Joint Organisation (IPJO))
- developing new contracts
- improving existing contracts
- structuring tenders and quotes to ensure competition in the marketplace is maximised.

As part of the FFTF process the Illawarra Pilot Joint Organisation (IPJO) was set up to maximise the regions potential and to serve the interests of the regional communities. The members of the ISJO are Kiama Municipal, Shellharbour City, Shoalhaven City and Wollongong City Councils. The ISJO, IPJO and the former Southern Councils Group (SCG) have contributed substantially to the economic landscape of the region.

In relation to joint procurement, the ISJO and former IPJO/SCG have:

- commissioned a 'spend and opportunity' analysis for each individual council and the region to develop a Road Map of priority regional and council projects
- purchased a regional VendorPanel licence to allow ISJO member councils to obtain quotes for Local Government Procurement (LGP), State Government and ISJO contracts
- purchased a TenderLink licence to advertise regional tenders, evaluate responses and increase probity
- increased opportunities for businesses to engage with Councils
- negotiated a greatly enhanced rebate to the Joint Organisation on goods and services purchased through LGP contracts when all councils use LGP contracts – final quarter of 2014-15 was \$47,000, 2015-16 exceeded \$200,000
- delivered collaborative procurement projects including fleet, trade services, legal services, construction materials, tree services – to deliver administrative efficiencies and savings with improved performance and practices.

Savings from collaborative activity to date are estimated to be in the order of \$350K to \$400K this year, and are expected to continually grow.

To date joint procurement has been undertaken for the following:

1. Code of Conduct Reviewer Panel (all councils) plus renewal
2. Fleet passenger vehicles (all councils)
3. Trade Services Panel (three councils)
4. Construction materials (all councils led by Wollongong)
5. Legal Services Panel (three councils)
6. Tree Services Panel (all councils)
7. External printing and related services (three councils)
8. Sanitary services (all councils)
9. Pavement (line) marking (all councils - currently being finalised)
10. Landfill Gas Management (three councils - in progress)
11. Economic Gardening - business training (three councils - in progress)

In 2015-16, Council aimed to save 1.0% of its contracts and materials budget through procurement initiatives. Council exceeded this goal and saved 1.75% of its contracts and materials budget, equivalent to \$187,538. For 2016-17 and beyond, Council has a goal of saving 1% of its contracts and materials budget (approximately \$300,000) per year and is currently on target to achieve these savings. This is included in the LTFP.

Table 7.1 – Procurement Initiatives Savings

Contract Name	Commence Date	Principal Term	Participants	Existing Contract in Place	Est annual spend prior to RFx	Annual savings	Est accumulated savings to 30JUN18
Code of Conduct Reviewers	4-Jul-13	3 years	Wollongong, Shellharbour, Kiama, Shoalhaven, Wingecarribee, Bega Valley	No			
Fleet passenger vehicles	9-Oct-14	4 years	Wollongong, Shellharbour, Kiama, Shoalhaven, Wingecarribee, Bega Valley	RFQ under LGP Contract			
Trade Services	21-Apr-15	3 years	Shellharbour, Kiama, Shoalhaven	No	\$4,444,000	**	
Legal Services	1-Sep-15	4 years	Shellharbour, Kiama, Shoalhaven	Some panels in place expiring 2015-16	\$1,287,557	**	
Tree Services	Sep-16	3 years	Wollongong, Shellharbour, Kiama, Shoalhaven	No	\$690,000 ¹	**	
External Printing & Related Services	27-Mar-17	3 years	Wollongong, Shellharbour, Shoalhaven	Yes - expiry 30JUN17	\$130,000	\$12,711	\$16,019
Sanitary Services	Jun-17	3 years	Wollongong, Shellharbour, Kiama, Shoalhaven	Individual services agreements only	\$200,000	\$112,521	\$121,461
Code of Conduct Reviewers - Renewal	1-Sep-17	4 years	Wollongong, Shellharbour, Kiama, Shoalhaven	Renewal			
Pavement (Line) Marking	8-Feb-18	3 years	Wollongong, Shellharbour, Kiama, Shoalhaven	No	\$1,046,000		

*Planned commencement date; ** Assessment with 2016/17 data planned

¹ Data excludes Wollongong council spend

As part of its Procurement Initiatives, Council is implementing a range of strategies to improve staff productivity when undertaking procurement activities. Since February 2016, Council has achieved the following productivity improvements:

Table 7.2 – Productivity Improvements

Strategy	Productivity Improvement
Revised procurement thresholds to make low value procurement more efficient	1700 staff hours saved per year
Reduction of invoice numbers through consolidated invoicing	1500 staff hours saved per year

Council is currently working on a project to improve the efficiency of the purchase order process by better utilising its existing software. This project will save an additional 2000 staff hours per year and is due to be finished in December 2018.

Savings from environmental initiatives

Council continues to pursue opportunities to achieve environment and social objectives at the same time as achieving costs savings.

As an action under Council's Waste Management Strategy, introduction of an OK Organics waste program, phased in from 2012 and fully implemented in 2016, resulted in a reduction in waste going to landfill of over 40% (1,300 tonnes) (compared to 2014-15 results), an estimated waste management saving of \$153,000 per annum.

Implemented revenue generation strategies

Strategic procurement efficiency dividend

Council's 2015-16 budget was developed generally incorporating an indexation factor of 0.80%, representing the rate peg for 2016-17 of 1.80% less a 1% 'efficiency dividend'.

The efficiency dividend did not apply to costs where there were statutory or existing contractual increases; for example, salaries governed by the Local Government (State) Award or on-costs governed by the Award and increases in insurance premiums, but it was applied to general operational expenses in each budget program where possible.

The efficiency dividend does not apply to capital works, but strategic procurement initiatives to deliver savings do apply to capital works – see Procurement Cost Savings section above.

Asset realisation

Council's property portfolio was reviewed through the CIP and, for appropriate properties, a program of asset realisation has been undertaken. As assets have been remediated or redeveloped and realised, proceeds have been reinvested into other property assets or funds released for key infrastructure projects. In the last two years Council has sold assets worth over \$1.35M through asset realisation, including the sale of a parcel of land to the State Government for a new ambulance station. Council has also reclassified some land from Community to Operational to allow it to be either developed by Council or sold engloblo.

Council has the preference at this stage to carry out the development of both Iluka and Spring Creek and the development costs and sale proceeds are included in the LTFP.

Optimising working capital

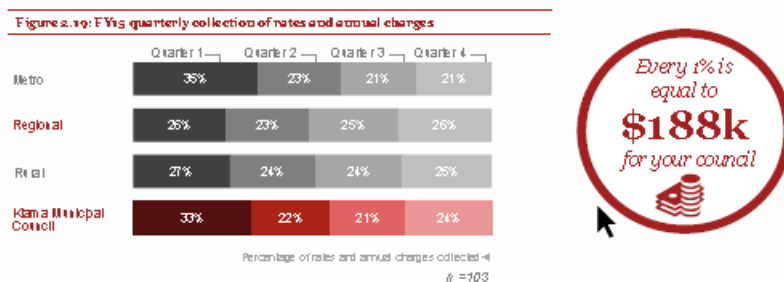
Council has made concerted efforts to optimise working capital by:

- focusing on the speed at which rates and annual charges are invoiced and collected; and
- providing easy payment options for customers.

The Figure (2.19) below is an extract from the most recent Price Waterhouse Cooper (PwC) and Local Government Professionals Australia "Local government operational and management

effectiveness report – FY15” showing that Council had collected 33% of rates and annual charges by the end of the first quarter, significantly more than the regional average of 26%.

In 2015 every 1% represented \$188,000 in working funds. Council's improved results meant that within the first quarter of the financial year, Council collected nearly \$1.316M more rates revenue than comparable regional councils.



Grant revenue

Wherever possible, Council has invested in its capacity to attract grant funding to meet not just capital but also operational expenses. Council acknowledges that grant funding is not a sustainable revenue source. Moreover, when it is available it can significantly increase Council's ability to deliver more services and work with the same amount of, or less, Council expenditure. Council has partnered with a professional grant writer and registered lobbyist to maximise its opportunities to attract grant funding and ensure Council is aware of all available grant programs

Future cost containment and efficiency initiatives

Efficiency dividends

The LTFP has had a 1% “efficiency” dividend included for each year of the plan. This has been in place since the 2016-17 budget and the first year resulted in a 1.9% saving and currently the dividend is likely to be 1.6% for 2017-18. This money has been specifically quarantined for funding asset maintenance and renewal. The use of the efficiency dividend for this purpose has been included in the LTFP.

Depot services review

Council will commence a review of its Depot Services, including its Stores and Workshop Services, based on Council’s rolling Service Review Program. The intention of the review is to place Council in the best position to maximise results from the SRV by ensuring future store and workshop services are adequate and designed to meet the demand of works programs under the SAMP.

Performance management review of sealed road surface treatments/reseal operations

In 2019, Council will engage consultants to undertake an independent review of efficiency in the way Council carries out its sealed road works and the quality of the sealed road products Council is delivering. The intention of the review is to action any identified opportunities for improvements to processes, efficiencies and output quality, to optimise expenditure on sealed roads.

Innovations in works/project design and delivery

Examples that have been implemented or that are scheduled, that will return future savings include:

- Innovative preventative maintenance programs for different asset types.
- Improvements to development assessment services. During 2018, Council had a program to implement progressive improvements to development assessment services, which includes:
 - a) introduction of pre-lodgement services to improve the quality of applications and reduce assessment times
 - b) introduction of e-lodgement services
 - c) full process review of all interrelated processes and associated forms.

Environmental initiatives

Council has established a Revolving Energy Fund (created through energy efficiency savings) to fund future cost and emissions saving projects.

Current projects that are being either investigated or scoped include:

- Retrofitting building lighting. The Council Administration Building is to be retrofitted with LED lighting. The building was constructed in 1983. The estimated saving will be over the life of the light fittings, with estimated savings of \$100,000.
- Solar panels fitted to the Kiama Library. Saving is calculated at \$11,000 per annum and has been factored into the LTFP.
- Installation of solar panels at the Kiama Leisure Centre. This site is the largest Council electricity user and investigations have commenced to install solar panels at this facility. Council is currently having structural engineers review the roofing structure, due to concerns around the roof trusses. The savings are estimated at \$65,000 pa but as this is still subject to finding a structural solution to proceed, the uncertainty means that this has not been factored into the LTFP yet.
- Retrofitting street lighting – Council has been in discussion with energy companies for a number of years seeking in-principle support for retrofitting street lights. The savings are estimated at \$186,000 pa but as this is still subject to State agency agreement to proceed, the uncertainty means that this not been factored into the LTFP yet.

Internal Audit Performance Reviews

Council has established an Audit, Risk and Improvement Committee, with an independent chair, and has recently appointed an Internal Auditor. This will further strengthen organisational capability in auditing and reviewing not only internal controls but also the review of processes. These audits will critically review Council's current processes and performance, not just for compliance purposes but also to identify opportunities for improvement.

Recent performance audits have included Procurement, Work Health Safety, Governance and Complaints Handling, Secondary Employment, Recruitment and Delegations.

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

Other (please specify)



1. LTFP 2018-19 to 2027-28
 2. 2016 FFTF reassessment
 3. Morrison Low report
 4. Pitcher Partners report
 5. OLG FFTF advice
 6. SRV community presentation
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8 Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: Kiama Municipal Council

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

General Manager: Kerry McMurray

Signature and Date:

Responsible Accounting Officer: Robert Owens

Signature and Date:

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