



All communication addressed to:
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30 November 2012

The Independent Pricing and Regulatory Tribunal
PO Box Q290
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Attention: Nick Singer

**Notification of Council's Intention to apply for a
Special Variation to General Income**

Dear Mr Singer

I refer to previous discussions between Council's Lee Furness and Tony Gearon, with IPART's Denis Mahoney and yourself.

Shellharbour Council has resolved to apply for approval of a Special Variation to General Income, to generate income which will be directed to the rehabilitation of city assets and infrastructure. Much work has been done over the past two years, on the refinement of a long term financial plan and on organisational improvements to optimise the productivity of what resources Council currently has. Council recognises its need to raise additional income for investment in the rehabilitation of assets, including buildings and infrastructure and to place the city in a better financial situation to meet future financial needs.

Council has complex challenges to meet, in maintaining services while increasing its investment in rehabilitation of a wide range of infrastructure assets. Included among those assets requiring reinvestment, are those captured in Council's Special Schedule 7, as buildings and infrastructure. Council's Building and Infrastructure Renewal Ratio as described in Note 13a(i) of Council's 2011/2012 Financial Report, indicates a Renewal Ratio of 26%. This is an improvement on the previous year, when Shellharbour's index was 15.5% and the State average was 84.4%. This temporary improvement was due to allocation of the proceeds of sale of nearby Lamerton Crescent, to the Stockland group. While the ratio is improving with the commitment of council to lift it to at least 80% or State average levels, it is understood that to achieve the level of reinvestment appropriate for the future sustainability of the City, we need additional, consistent income.

Council has considered the merits of a variation under S508(A), but a final decision on the type of variation is still to be made.

The focus of the most advantageous variations discussed by Council to date, has been for increases of 5%, 6%, 7%, and 7% over the next four years, under S 508A. The yield from these increases is estimated for each year in turn, as \$1.44m; \$3.33m; \$5.71m; and \$8.34m. This form of variation would yield an additional \$8.34m plus pegged increases per year from July 2017, an amount which would enable Council to boost its Infrastructure renewal ratio to the targeted 80% and with good management, to maintain that ratio.

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Council will finalise its programme of community engagement and will submit an application by the due date.

Please direct any questions about this matter to Council's Director Corporate Policy, Mrs Lee Furness, on 4221 6254.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Willis', written in a cursive style.

Michael Willis
General Manager