



Independent Pricing and Regulatory Tribunal

Special Variation Application Form – Part B

For applications for 2014/15

Issued October 2013

Campbelltown City Council

Date Submitted to IPART:

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1 Introduction

Each council must complete this application form (Part B) in order to apply for a special variation to general income. The same Part B form is to be used for applications made either under section 508A or under section 508(2) of the *Local Government Act 1993*.

IPART assesses each application against the criteria set out in the Division of Local Government (DLG) *Guidelines for the preparation of an application for a special variation to general income for 2014/2015* (the Guidelines). Councils should refer to these guidelines before completing this application form. They are available at www.dlg.nsw.gov.au.

We also publish Fact Sheets on our role in local government rate setting and special variations and on the nature of community engagement for special variation applications. The latest Fact Sheets on these topics are dated September 2013. They are available on our website at www.ipart.nsw.gov.au.

Councils must complete this Part B form with a relevant Part A form, also posted on our website. The relevant Part A form is either:

- ▼ *Section 508(2) Special Variation Application Form 2014/15 – Part A* for a single percentage variation under section 508(2) or
- ▼ *Section 508A Special Variation Application Form 2014/15 – Part A* for more than one percentage variation under section 508A.

The amount of information to be provided is a matter for judgement, but it should be sufficient for us to make an evidence-based assessment of the council's application against each criterion. This form includes some questions that the application should address, and guidance on the information that we require. As a general rule, the higher the cumulative percentage increase requested, and the greater its complexity, the more detailed and extensive will be the information required.

1.1 Completing the application form

To complete this Part B form, insert the council's response in the boxes and the area which is highlighted, following each section or sub-section.

Councils may submit additional supporting documents as attachments to the application. The attachments should be clearly identified in Part B and cross-referenced. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. Please provide details of how we can access the complete publication should this be necessary.

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 - Focus on Integrated Planning and Reporting
- ▼ 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 - Other information
- ▼ Section 9 – Checklist of contents
- ▼ Section 10 – Certification.

1.2 Submitting the application

IPART asks that all councils intending to apply for a special variation use the Council Portal on our website to register as an applicant council and to submit their application.

The Portal is at http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt. A [User Guide](#) for the Portal will assist you with the registration and online submission process.

Councils intending to submit an application should notify us of their intention to apply by **cob Friday 13 December 2013**.

Councils should also submit their applications, both Part A and Part B and supporting documents, via the Portal. File size limits apply to each part of the application. For Part B the limit is 10MB. The limit for the supporting documents is 120MB in total, or 70MB for public documents and 50MB for confidential documents. These file limits should be sufficient for your application. Please contact us if they are not.

We also ask that councils also submit their application to us in hard copy (with a table of contents and appropriate cross referencing of attachments). Our address is:

Local Government Team
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Level 17, 1 Market Street, Sydney NSW 2000.

We must receive your application via the Council Portal and in hard copy no later than **cob Monday 24 February 2014**.

We will post all applications (excluding confidential documents) on our website. Councils should also post their application on their own website for the community to read.

2 Focus on Integrated Planning and Reporting

How a council considers and consults and engages on a special variation as part of its Integrated Planning and Reporting (IP&R) processes is fundamental to our assessment of the application for a special rate variation. Such a focus is clear from DLG's September 2013 *Guidelines*.

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

A council's suite of IP&R documents may also include supplementary and/or background publications used within its IP&R processes. As appropriate, you should refer to these documents to support your application for a special variation.

Briefly outline how the council has incorporated the special variation into its IP&R processes. Include details of and dates for community consultation, key document revisions, exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.

Introduction

In 2009, the Division of Local Government introduced legislation requiring all councils to develop a Community Strategic Plan as part of an Integrated Planning and Reporting process known as IP&R. There was a phased introduction of this legislation, in which councils could nominate a year in which to implement IP&R. Campbelltown City Council nominated group three which required IP&R to be implemented by July 2012.

Council undertook extensive community consultation to inform the development of the strategic planning documents under the Integrated Planning and Reporting framework across 2010-2013. Documents have been reviewed and updated in line with IP&R guidelines throughout this period.

To guide the community consultation and ensure that all areas of the community were provided with an opportunity to participate, an IP&R Community Engagement Strategy was developed. The strategy included a range of consultation techniques to be undertaken throughout the document development and review process. As part of each consultation process, the community was asked for comment on community assets and infrastructure. Feedback received confirmed the community's desire for asset levels to be maintained or improved across the city.

From the development of the IP&R documents, a clear case emerged for Council to address community needs and expectations on asset maintenance and renewal. The proposal to adopt a special rate variation is considered vital to ensure the long term sustainability of providing acceptable standards of infrastructure for the community, as well as catering for the current and future growth and demands expected of an emerging regional city.

The importance of asset renewal was also reinforced through the development of the Long Term Financial Plan and Asset Management Plan. These documents provide a comprehensive and informed position as to the level of funding required for the ongoing maintenance and renewal of the city's current infrastructure, as well as addressing the asset maintenance backlog of \$29.7m.

Community Strategic Plan

The Campbelltown Community Strategic Plan 2012–2022 was prepared by Campbelltown City Council and developed in partnership with residents, local business, community groups, other government agencies and surrounding councils. The Community Strategic Plan is a 10 year plan that outlines the community's aspirations and objectives, and documents the strategies for achieving these objectives. From the feedback received from the community, the Community Strategic Plan was developed to cover five key themes of environment, economy, infrastructure, civic leadership and social issues. The plan provides a framework for all stakeholders to work together to deliver the long term objectives of the City.

To inform the development of the Community Strategic Plan community engagement was undertaken from June – December 2010 and consisted of a variety of consultation methods detailed in the Community Engagement Strategy. A range of consultation methods provided opportunities for a broad cross section of the community to be engaged and to participate according to the individual needs and preferences. Figure 1 is an extract from the initial Community Engagement Strategy and provides a summary of the activities undertaken.

The Community Engagement Strategy was based on the International Association for Public Participation (IAP2) model. This is outlined in the Division of Local Government's planning and reporting manual. The IAP2 model identifies and defines various levels of community engagement. The IAP2 model terminology has been adapted for use in this engagement strategy.

The four levels of community engagement adopted by Council include:

- **Inform:** One way communication providing balanced and objective information to assist understanding about something that is going to happen or has happened
- **Consult:** Two way communication designed to obtain public feedback about ideas, alternatives and proposals to inform decision making
- **Involve:** Participatory process designed to help identify issues and views to ensure that concerns and aspirations are understood and considered prior to decision making
- **Collaborate:** Working together to develop understanding of all issues and interests to work out alternatives and identify preferred solutions.

Figure 1

Level of Engagement	Method	Location	Targeted Stakeholders	Timeframes	Performance Measures
Inform	Advertising	<ul style="list-style-type: none"> Newspapers Radio Compass 	General community, residents	September – December 2010	Build public awareness
Inform	Community exhibitions	<ul style="list-style-type: none"> Libraries Civic Centre Leisure Centres Arts Centre 	General community and facility users	September – December 2010	Displays in all major facilities
Inform	Training	<ul style="list-style-type: none"> Council 	Councillors, Managers, Employees	August – September 2010	Training completed
Consult	Phone survey	Across Campbelltown	Random residents	August 2010	800 residents
Consult	Face to face surveys (questionnaires)	Across Campbelltown <ul style="list-style-type: none"> Events (Fisher's Ghost etc) Utilise existing networks- Main Street Ambassador 	Random community members	September – December 2010	10 sites 25 (min) response per site
Consult	Technology	<ul style="list-style-type: none"> Website 	General community	September – December 2010	Website hits
Consult	Mail out postcards questionnaires	<ul style="list-style-type: none"> Across Campbelltown 	General community/ business community, commuters	September – December 2010	7000 mail outs
Involve	Competitions and education programmes	Across Campbelltown	Children and young people	September – December 2010	100 entrants
Involve	Focus groups (from phone survey)	Across Campbelltown Suburbs <ul style="list-style-type: none"> Campbelltown x 2 Ingleburn x 2 Eagle Vale 	Community groups, government agencies, cultural groups, service providers, other local governments	September – December 2010	5 sessions 10 people per group
Collaborate	Strategic planning workshops	Civic Centre	Councillors, employees	June- July 2010	All Councillors and Management

The results of this consultation were used to develop the Community Strategic Plan. The Community Strategic Plan outlined five objectives underpinned by 16 strategies. Four of the five objectives (A sustainable environment; A strong local economy; A safe, healthy and connected community; and Responsible leadership) clearly align with the quadruple bottom line detailed in the IP&R guidelines. The other objective (An accessible city) was developed around the strong community feedback received about the importance of transport infrastructure for the city.

Figure 2 is an overview of Campbelltown's objectives and strategies detailed in the Community Strategic Plan. Council adopted Campbelltown's first full suite of IP&R documents on 19 June 2012.

Figure 2



As a result of the 2012 Local Government elections, a review of the IP&R documents was required. A second round of community engagement was undertaken from November 2012 through to April 2013. The approach to this second round of community consultation was similar to the initial round of consultation, apart from the mail out to every resident and the telephone survey. From this, the community vision statement was updated from 'A connected community with opportunities to grow in a safe and *natural* environment' to 'A connected community with opportunities to grow in a *sustainable* environment'. The word change from natural to sustainable was due to community feedback that the word natural may hinder the economic growth of the city.

The revised Community Strategic Plan is included to this submission as Appendix 1.

Resourcing Strategy

The Resourcing Strategy underpins Council's Community Strategic Plan and consists of three components: the Long Term Financial Plan, Asset Management Policy, Strategy and Plan, and the Workforce Management Plan. These interrelated documents focus in detail on how Council will utilise resources to deliver on objectives and strategies in the Campbelltown Community Strategic Plan.

The Long Term Financial Plan (Appendix 2)

The Long Term Financial Plan focuses on Council's long term goal of financial sustainability and delivering quality services and outcomes for the community. The Long Term Financial Plan is a decision making tool and addresses areas that impact on Council's ability to fund services and capital works. The plan is dynamic in nature and subject to continual review to ensure changing community expectations are considered.

The Long Term Financial Plan details the process needed to be undertaken by Council to address community needs and expectations within the parameters of Council's financial position.

The future financial sustainability of Council is dependent on its ability to adapt and respond to the challenges faced in the community including catering for the growth and demands of an emerging regional city, while addressing ageing infrastructure needs and demographic changes.

Asset Management

The Asset Management Policy along with the Strategy (Appendix 3) and Plan (Appendix 4) and are a component of the Resourcing Strategy. The Asset Management Plan is divided into four categories: road network, buildings and facilities, public spaces and stormwater and drainage. The plan provides details regarding Council's approach to the management of community assets in line with appropriate standards and also contributes to the achievement of the objectives and strategies in the Community Strategic Plan.

The plan has been written in line with the International Infrastructure Management Manual (International Edition 2011) and addresses levels of service, demand forecasts, operations and maintenance, renewals, new works (capital), disposals and also includes a reference to the 10 year financial forecasts for the management of the assets as contained in the Long Term Financial Plan.

The implementation of the Asset Management Plan has provided Council with a tool to collect information on the level of funding required for the maintenance and renewal of the City's infrastructure. The intervention levels for maintenance are set by the Asset Management Reporting System to ensure that all assets are kept at an acceptable condition with factors such as lifecycle of assets, collection of data, and manual review of asset condition levels taken into consideration. The

data provided by the system clearly shows that Council has a significant backlog of maintenance requirements that need to be addressed.

Workforce Management Plan

The Workforce Management Plan is instrumental in ensuring that the major drivers of Council's success - its people - are integrated into the total planning picture. The Workforce Management plan is available on Council's website.

Delivery Program (Appendix 5)

The Delivery Program has been developed in line with Council's statutory requirements under the *Local Government Act 1993*, particularly as they relate to IP&R.

In addressing the requirements of IP&R, Council has undertaken significant work on the internal business planning processes. This has resulted in detailed four year section business plans and budgets which are aligned with the objectives and strategies in the Community Strategic Plan and acknowledged at all levels within the organisation. The program documents all the services and functions that Council will implement over the coming four years, with the content being reviewed annually in line with the preparation of the Operational Plan.

Operational Plan (Appendix 6)

The purpose of this plan is to provide a detailed annual overview of the services and functions of Council, expanding on the four year Delivery Program.

The Operational Plan format provides a clear understanding for financial and non-financial users. The data details the funding required for Council's services and functions for the financial year to achieve the objectives and strategies of the Community Strategic Plan.

As part of the process of consultation on the proposed special rate variation, the 2013–2017 Delivery Program was reviewed and placed on public exhibition for community comment across November - December 2013. The Long Term Financial Plan and asset management documents were also revised to reflect the revised Delivery Program. These documents were adopted by Council on 11 February 2014.

Figure 3 Details Campbelltown City Council's key dates in the development and implementation of IP&R including the special rate variation application process.

Figure 3

Summary of IP&R community engagement, exhibition and adoption periods (Appendix 7)			
Document(s)	Action	Date	Page No.
Community Engagement Strategy	Community engagement	September – December 2010	1
Draft Community Strategic Plan	Exhibition	16/11/11 - 13/12/11	14
Draft 2012-2013 Operational Plan, Budget, Fees and Charges, 2012-2016 Delivery Program and 2012-2022 Community Strategic Plan	Exhibition	2/5/12 - 29/5/12	18
2012-2022 Community Strategic Plan, 2012-2016 Delivery Program, 2012-2022 Resourcing Strategy and the 2012-2013 Operational Plan incorporating the Budget and Fees and Charges	Adoption	19/6/12	23
Community Engagement Strategy	Community engagement	November 2012 - March 2013	40
Draft 2013-2014 Operational Plan, Budget, Fees and Charges, 2013-2017 Delivery Program and 2013-2023 Community Strategic Plan	Exhibition	8/5/13 - 4/6/13	50
2013-2014 Operational Plan incorporating Budget and Fees and Charges, 2013-2017 Delivery Program, 2013-2023 Community Strategic Plan and 2013-2023 Resourcing Strategy	Adoption	11/6/13	55
Resolution to conduct community engagement for a special rate variation (SRV)	Resolution	15/10/13	71
SRV community engagement Strategy	Community engagement	4/11/13 - 20/12/13	86
Revised Delivery Program	Exhibition	13/11/13 - 20/12/13	91
2013-2017 Delivery Program and Resourcing Strategy (Long Term Financial Plan and Asset Management Plan)	Adoption	11/2/14	93
Resolution to apply to IPART for a special rate variation	Resolution	11/2/14	97

A copy of relevant resolutions and Council reports are attached as Appendix 7.

3 Assessment criterion 1: Need for the variation

In the DLG Guidelines, criterion 1 is:

The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council's IP&R documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the Council's financial sustainability conducted by the NSW Treasury Corporation. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:

- *Baseline scenario – revenue and expenditure forecasts which reflects the business as usual model, and exclude the special variation, and*
- *Special variation scenario – the result of approving the special variation in full is shown and reflected in the revenue forecast with the additional expenditure levels intended to be funded by the special variation.*

The response in this section should summarise the council's case for the proposed special variation. It is necessary to show how the council has identified and considered its community's needs, alternative funding options and the state of its financial sustainability.

The criterion states that all these aspects must be identified and articulated in the council's IP&R documents.

At the highest level, please indicate the key purpose(s) of the special variation by marking one or more of the boxes below with an "x".

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

Summarise below the council's need for the special variation. Comment on how the need is captured in the IP&R documents, especially the Long Term Financial Plan (LTFP) and the Delivery Program, and, where appropriate, the Asset Management

Plan (AMP). Note that the LTFP is to include both a 'baseline scenario' and an 'SV scenario' as defined in the *Guidelines*.

The need of the special rate variation is summarised in the Delivery Program (Appendix 5) under "Our Situation". Below is an extract from the Delivery Program (page 11).

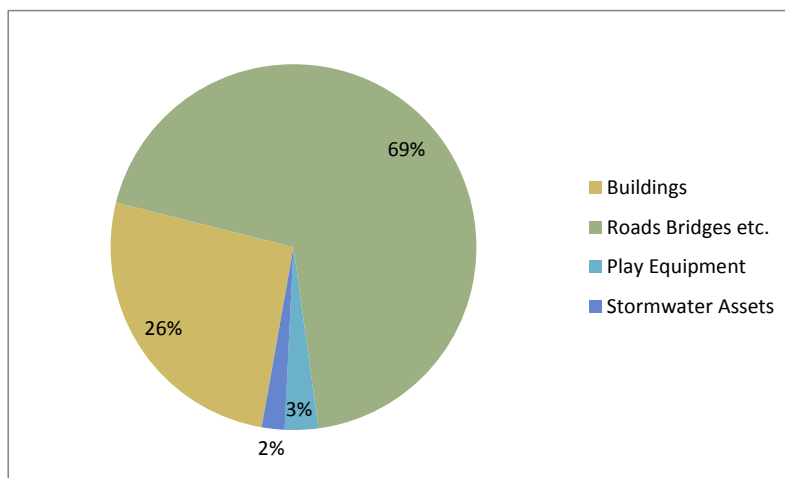
'The long term sustainability of our City is important to us all – from residents of all ages who utilise our local roads, community facilities, services and open spaces; to local businesses and industry that rely on our city's proximity to major transport routes, consistent growth and reliable infrastructure.

While Council's financial position has been independently rated by New South Wales Treasury Corporation (TCorp) as moderate in the medium to short term, our long term financial planning indicates that the current level of revenue will fall short of what is needed to maintain existing infrastructure assets to a standard that our community needs and expects.

The long term TCorp rating reflects Council's financial position to be at a risk at being downgraded to weak. Accordingly, TCorp recommend that Council needs to urgently consider options to address the infrastructure backlog and avoid becoming unsustainable.

Council has been collecting and maintaining a register of all its infrastructure assets which as at 30 June 2013 was valued at \$1.8b. This information informs the Council's Asset Management Strategy, Asset Management Plan and the backlog and funding gap calculation within the long term financial plan. Council has identified a substantial infrastructure backlog, currently valued at \$29.7m that if not addressed could increase to more than \$80m in 10 years.

The below graph outlines a breakdown of the assets backlog by asset categories:



Extensive modelling of financial scenarios has been undertaken to determine the most effective way to address the infrastructure backlog. Council has put forward a proposal for a one-off permanent increase to rates by 11% called a special rate variation (SRV). By increasing rates by 11%, rather than adopting only the annual increase set by IPART, an additional \$5.2m in revenue will be generated. Under this proposal, Council intends to apply for a \$10m subsidised loan under the State Government's Local Infrastructure Renewal Scheme (LIRS) as well as contributing \$1m annually from the asset replacement reserve. This will significantly decrease the funding gap for the upgrade, maintenance and renewal of our assets in 2014-2015 alone. Evidence of the financial modelling can be found in the Long Term Financial Plan.

Eight of the 11% proposed rate increase in 2014-2015 would be used solely for managing existing infrastructure, including the capital renewal and ongoing maintenance of community assets such as public buildings and amenities, roads, bridges, parks and facilities (including leisure centres, pools, playgrounds and community halls). The remaining 3% is required to fund the operational and day to day activities of Council's services.'

In the covering letter from TCorp (Appendix 8) dated 10 April 2013, Council is provided an Outlook rating of 'Negative' which is an assessment of the potential movement of Council's Financial Sustainability Rating (FSR) within the next three years. A negative outlook indicates that a Council's FSR is more likely to deteriorate and is a sign of a general weakening in performance and sustainability. The outlook is TCorp's current assessment of the potential movement of a Council's FSR however will change as Council undertakes actions to reduce the perceived risks such as completing Asset Management Plans and/or obtaining approval for a special rate variation to increase investment in renewal capital expenditure.

An extract from the Financial Assessment and Benchmarking Report prepared by TCorp as part of the Local Infrastructure Renewal Scheme (Appendix 9, page 31) states:

'When analysing Council's long term financial sustainability the challenge of maintaining the quality of council's infrastructure assets is forecast to be an issue. Council has identified that they will be unable to maintain their capital expenditure against depreciation expense. This leads a decreasing Net Asset position over the forecast period, and strategies to reverse this trend should be investigated. Council has indicated that the refinement of their AMP may well provide more accurate figures in this regard that may reduce the annual depreciation expense'.

The Long Term Financial Plan outlines two scenarios on pages 20-21. In summary, Scenario 1 (baseline scenario) maintains a balanced budget over the next 10 years. This scenario will result in reductions in service levels and an escalation of the asset renewal and maintenance backlog.

Scenario 2 addresses the asset maintenance and renewal backlog via a special rate variation and increased borrowings. The scenario also includes a review of all community services and facilities and monitors the rate of growth in a number of areas of the City. This scenario would reduce the asset maintenance and renewal backlog over the next 10 years to \$0.

Council's 2012-2013 Financial Statements, Special Schedule 7 – Condition of Public Works (Appendix 10) and the Asset Management Strategy (Appendix 3, page 8) identifies that Council has an asset backlog as at 30 June 2013 of \$29.7m. Below is an extract from page 8 of the Asset Management Strategy:

The work that has been completed on asset management has provided a sound basis for Council to complete the necessary longer term planning and funding strategies required.

As a result of this work the asset maintenance and renewal backlog stands at \$29.7m as at June 2013. This \$29.7m stands for the amount required to be spent today to bring all assets (roads, buildings, kerb and gutter, footpaths etc) up to an average or better condition. More than half of this backlog is attributable to roads with buildings second.

To address the backlog over 10 years and provide adequate renewal funding on a yearly basis, an additional \$5.2m (with a 3% annual increase) would need to be allocated to Asset Maintenance and Renewal from the 2014-2015 financial year.

If the special variation seeks funding for contributions plan costs above the development contributions cap, refer to Box 3.1.¹

Box 3.1 Special variations for development contributions plan costs above the developer cap

For costs above the cap in contributions plans, a council must provide:

- ▼ a copy of the council's section 94 contributions plan
- ▼ a copy of the Minister for Planning and Infrastructure's response to IPART's review and details of how the council has subsequently amended the contributions plan
- ▼ details of any other funding sources that the council is proposing to seek to use
- ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council's planning documents (eg, LTFP and Asset Management Plans (AMP))
- ▼ any necessary revisions to financial projections contained in the LTFP and AMP to reflect the special variation.

¹ See Planning Circular 10-025 dated 24 November 2010 at www.planning.nsw.gov.au and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010.

If the special variation seeks funding for contributions plan costs above the development contributions cap, set out below:

- ▼ details explaining how the council has established the need for a special variation to meet the shortfall in development contributions, and
- ▼ how this is reflected in the council's IP&R documents.

Not applicable

3.1 Community needs

Indicate how the council has identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision in deciding to apply for a special variation. The application should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

In developing the original IP&R documents, Council undertook a variety of community engagement methods. As part of this process, Council appointed a research company to undertake a survey of 800 residents in September 2010. The survey measured the importance and satisfaction levels of the services and functions that are provided by Council.

Overall, the results were strong with 78% of residents indicating that they were satisfied with the services that Council provides. This feedback, along with the results from the other methods of engagement during this period such as mail outs and focus groups, confirmed that the community as a whole were generally happy with current services provided by Council. The key outcomes of the consultation would suggest that, while there are opportunities for improvement in all areas, areas relating directly to infrastructure such as public toilets, road maintenance and availability of parking in the City Centre, were areas of least satisfaction and most importance.

This consultation assisted with the formulation of the Community Strategic Plan. The Community Strategic Plan outlines five objectives underpinned by 16 strategies. Four of the five objectives (A sustainable environment; A strong local economy; A safe, healthy and connected community; and Responsible leadership) clearly align with the quadruple bottom line detailed in the IP&R guidelines. The other objective (An accessible city) was developed in response to the strong community feedback received about the importance of transport infrastructure for the city.

Page 11 of the Community Strategic Plan (Appendix 1) provides a high level summary of the community's feedback throughout the consultation process and identifies the community aspirations for the city. A number of key themes prevalent in this feedback directly relate to this special rate variation and include:

People want a city where/that...

- Community facilities are kept in good condition
- Develops local roads to keep up with local growth
- Improves the footpath and cycleway network to encourage more people to walk and cycle.

Throughout the consultation process, it was evident that the community was generally satisfied with the current level of services Council provides. This is also noted in the Long Term Financial Plan (Appendix 2, page 10).

Cascading from the Community Strategic Plan, Council developed the Delivery Program with the approach of maintaining existing services and functions based on the feedback received throughout the consultation process. These services and functions are supported by programs of work and activities as evident in the Delivery Program (Appendix 5, pages 18-55). The Delivery Program was placed on public exhibition and did not receive any submissions to suggest a change or reduction to current levels of service provision.

3.2 Alternative funding options

Explain how the decision to seek higher revenues was made after other options such as changing expenditure priorities or using alternative modes of service delivery were examined. Also explain the range of alternative revenue/financing options you considered and why the special variation is the most appropriate option. For example, typically these options would include introducing new or higher user charges and increase council borrowing, but may include private public partnerships or joint ventures.

Provide extracts from, or references to, the IP&R document(s) which show how the council considered the alternatives.

Like most councils in NSW, Campbelltown faces a challenge in funding its ongoing operations and adequately maintaining its existing community assets. The growth in the cost of labour and materials, skills shortages, a complex legislative environment, funding future service delivery gaps, improving infrastructure to handle demands of growth, provision of affordable services and cost shifting combined with a legislated cap in rates income, have created a challenging financial environment and an overall mandate to achieve more with less.

The financial impact on Campbelltown City Council's budget from assets is substantial and increasing as new assets are created and existing assets age. Council aims to maintain its infrastructure and assets to a standard acceptable to the community to ensure delivery of services. This involves developing and integrating long term infrastructure and asset management plans with the Long Term Financial Plan to provide for the continued investment in maintenance, renewal and replacement of assets.

The ongoing effect of not increasing the level of funding for infrastructure maintenance will place pressure on a number of areas and services within the community. The asset and infrastructure backlog does not increase incrementally, but increases exponentially. As this proceeds, it will become increasingly difficult to provide a balanced strategy that ensures the appropriate provision of services and amenities to the community. Ultimately it would be required to reduce program funding for most, if not all services. This would affect hours of operation, service quality or the withdrawal of various services, the number of times parks are mowed, poor condition amenities and roads requiring major treatment works. This could result in higher rate increases in the near future or severely diminished levels of service.

As previously mentioned, Council has been actively consulting the community to develop the Community Strategic Plan for the future of the Campbelltown Local Government Area (LGA) since 2010. The community was asked what services were important and how well they were delivered. 78% of people were satisfied with the current level of services provided by Council. However, there were services the community identified as being important, but requiring improved delivery. They were road maintenance, cleaning of public spaces and public toilets.

Over the past several years, a number of scenarios have been developed, modelled and analysed via the Long Term Financial Plan. The scenarios vary from status quo to fully funding the asset backlog with a number of scenarios in-between. Status quo is not an option due to the declining condition of assets, particularly roads and buildings. To completely address the backlog upfront would mean developing a strategy to fund an additional \$5.5m (+ annual CPI) per year plus an additional one off \$29.7m. There are a number of concerns with this scenario including a large financial burden that would be placed on ratepayers, many disruptions due to the renewal works happening around the LGA at the same time and not having adequate labour resources available. The preferred scenario is a combination approach including targeted service level reviews, additional loan funding, asset amalgamation and special rate variation to address the annual infrastructure and maintenance shortfall and the backlog over a number of years.

The proposal also includes an application to the Local Infrastructure Renewal Scheme (LIRS) for an interest subsidised loan of \$10m for 2014-2015. If approved, these borrowings will be a direct injection into the roads and buildings infrastructure backlog. The additional repayments required to service the loan is proposed to be funded from the special rate variation which promotes intergenerational equity (ie the cost of the asset is spread over those future generations who are receiving the benefit). Over the past several years, Council has taken advantage of the first two rounds of LIRS to obtain additional borrowings with a reduced interest rate to assist with addressing the infrastructure backlog outlined in the Asset Management Strategy (page 8).

This proposal will also require ongoing efficiency savings to ensure a balanced budget, with a strategic review of all Council services to ensure maximisation of resources commencing next financial year.

At a briefing in September 2013, Council was presented with seven scenarios to address the asset backlog (Appendix 11). The scenarios covered a range of different options including a variety of levels and approaches to rate increases, loan borrowings and internal reserve funds. At the ordinary meeting of Council on 15 October 2013 (Appendix 7, page 84), Council resolved to consult the community with two scenarios. These two scenarios are outlined in the Long Term Financial Plan (Appendix 2, pages 20-21).

This proposal is not a short term fix - it's a 10 year plan for a sustainable city. It will enhance the city's long term sustainability and provide infrastructure at a satisfactory level which can cater for the growth and future demands expected of an emerging regional city.

3.3 State of financial sustainability

The special variation may be intended to improve the council's underlying financial position, 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.

The application should set out the council's understanding of its current state of financial sustainability, as well as long-term projections based on alternative scenarios and assumptions about revenue and expenditure. Such evidence can be drawn from the LTFP and from any external assessment, eg by auditors or TCorp.

Explain the council's view of its financial sustainability as it relates to the application for a special variation.

Financial sustainability is an organisation having sufficient funds to meet all of the resource and financing obligations in the short and long term. To do this, Council is required to develop a balanced approach through a range of funding options to provide future generations with sustainable infrastructure and environment. A long term financial plan helps Council to achieve this sustainability.

Council's Long Term Financial Plan summarises Council's approach to financial sustainability and details associated performance indicators (Appendix 2, pages 6-9). The performance against these indicators is published yearly in the financial statements which accompany the Annual Report as Note 13. The financial statements are available on Council's website.

Over a number of years Council's strategy has been to address and strengthen the short term financial position due to major development occurring in the 1970s and 1980s Council is now faced with failing infrastructure. This strategy was further supported by Council's Independent Auditors. Council has been developing comprehensive Asset Management Planning strategies over a number of years that highlight the need to meet a gap in infrastructure funding along with a number of Council reports to increase funding for infrastructure to assist in overall sustainability both from a financial and infrastructure perspective. The IP&R framework has assisted in Council demonstrating the need to

strengthen its long term financial capacity which is highlighted in the Local Government Review Panel report and the TCorp indicators.

Explain how TCorp's recent Report on the council's financial sustainability is relevant in supporting the decision to apply for a special variation.

While Council's financial position has been independently rated by TCorp as moderate in the medium to short term, Council's long term financial planning indicates that the current level of revenue will fall short of what is needed to maintain existing infrastructure assets to a standard that the community needs and expects.

The long term TCorp rating was stated as "Negative" in the Financial Sustainability of the NSW Local Government Sector report (page 17) which indicates Council's financial position is at a risk of being downgraded to weak. Accordingly, TCorp recommended that Council needs to urgently consider options to address the infrastructure backlog and avoid becoming unsustainable.

How will the special variation affect the council's key financial indicators over the 10-year planning period? Key indicators may include:

- ▼ Operating balance ratio excluding capital items (ie, net operating result before capital as percentage of operating revenue before capital grants and contributions)
- ▼ Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities)
- ▼ Rates and annual charges ratio (rates and annual charges divided by operating revenue)
- ▼ Debt service ratio (net debt service cost divided by revenue from continuing operations)
- ▼ Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue)
- ▼ Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

Modelling of the key financial performance indicators have been outlined within the Long Term Financial Plan for both scenarios over the 10 year planning period (Appendix 2, pages 42-44 and 48-50). The new funding proposal for long term sustainability (scenario 2) impacts on the:

- Unrestricted Current Ratio – While the forecasted cash liquidity will remain above 2:1 over the next 10 years and well within benchmark levels, it is a slight decrease in cash position when compared to scenario 1. This is due to the strategy under scenario 2 including an additional \$1m per year to be directed towards infrastructure renewal and maintenance from Council's internal reserves.

- Debt Service Ratio – Council's ability to service its debt is well within benchmark levels of less than 8%. This is slightly impacted by a LIRS application of \$10m however is offset within this ratio, due to the increase in general revenues from rates and a subsidised interest rate of 3%.
- Asset Renewal Ratio – This ratio forecasts that under Council's long term financial sustainability strategy (scenario 2), Council is not making adequate provision towards renewing the existing stocks of assets. However, it is important to note this ratio uses depreciation as the denominator and ignores the calculated renewal funding requirement under lifecycle costing of an asset. Should the ratio use the actual renewal funding required and not depreciation as the benchmark, this ratio would be at 100%. Depreciation overestimates the funding required and therefore reflects a negative ratio.

3.4 Capital expenditure review

Councils undertaking major capital projects are required to comply with the DLG's Capital Expenditure Guidelines, as outlined in DLG 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 as such 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 you to do a capital expenditure review in accordance with DLG Circular to Councils, Circular No 10-34 dated 20 December 2010? Yes No

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

4 Assessment criterion 2: Community awareness and engagement

In the DLG Guidelines, criterion 2 is:

Evidence that the community is aware of the need for and extent of a rate rise. This must be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate variety of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council's consideration of the community's capacity and willingness to pay rates. The relevant IP&R documents must be approved and adopted by the council before the council seeks IPART's approval for a special variation to its general revenue.

To meet this criterion, councils must provide evidence from the IP&R documents² that the council has:

- ▼ Consulted and engaged the community about the 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
- ▼ considered and canvassed alternatives to the special variation
- ▼ provided opportunities for input and gathered input/feedback from the community about the proposal
- ▼ considered the impact of rate rises on the community
- ▼ considered the community's capacity and willingness to pay.

In assessing the evidence, we will consider how transparent the engagement with the community has been, especially in relation to explaining:

- ▼ the proposed cumulative rate increases including the rate peg (including in both percentage and dollar terms)
- ▼ the annual increase in rates that will result if the special variation is approved in full (and not just the increase in daily or weekly terms)
- ▼ the size of any expiring special variation (see Box 4.1 below)
- ▼ alternative rate levels that would apply without the special variation
- ▼ proposed increases in any other council charges (eg, waste management, water and sewer), especially if these are likely to exceed the increase in the CPI.

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

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

The council should have explained to its community:

- ▼ that there is a special variation due to expire at the end of this financial year or during the period covered by the proposed special variation
 - ▼ that, if the special variation were not approved so that only the rate peg applied, the year-on-year change in rates would be lower, or that rates may fall
 - ▼ if applicable, that the expiring special variation is being continued (in full or in part), in the sense that it is being replaced with another that may be either temporary or permanent, or that the value is included in the percentage increase being requested in the following year.
-

More information about how community engagement might best be approached may be found in the *DLG Guidelines*, the IP&R manual, and our Fact Sheet *Community Awareness and Engagement*, September 2013.

4.1 The consultation strategy

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

Please provide relevant extracts of the IP&R documents that explain the council's engagement strategy and attach relevant samples of the council's consultation material.

A specific Community Engagement Strategy was developed for the special rate variation consultation (Appendix 7, page 86) Figure 4 provides a summary of the activities detailed in the community engagement plan:

Figure 4

Level of Engagement	Method	Delivery	Resources\Responsibility	Timeframes
Inform	Education program (staff)	All staff to receive a briefing on the SRV application. Pocket cards and information sheets to be developed.	Governance, Business Assurance, Finance	Late October 2013
Inform	Advertising	Newspapers Compass Radio Messages on Hold Newsletter	Communications and Marketing	November 2013 – January 2014
Inform	Community exhibitions	Libraries Civic Centre Arts Centre Leisure Centres	Governance, Business Assurance, Council Foyers	November 2013 – January 2014
Consult	Face to face surveys (questionnaires)	Across Campbelltown • Events (Fisher's Ghost etc)	Minimum of six people. Business Assurance, Community Resources and Development, Finance	November 2013 – January 2014
Consult	Telephone survey	Statistically valid survey across the LGA.	Business Assurance	Late November 2013
Consult	Technology	Website Social Media Online surveys	Information Management and Technology, Business Assurance	November 2013 – January 2014
Involve	Community forums	Several forums will be held across the City at a variety of locations and times to maximise the potential for the community to be involved.	Community Resources and Development, Business Assurance	November 2013 – January 2014

A summary of the overall engagement process was presented to Council at a briefing on 28 January 2014. The presentation and the community consultation report were placed on Council's website and the dedicated Your City Your Future website from 31 January 2014 (Appendix 12). This document contains a detailed summary of the range of activities Council undertook in consulting the community, along with copies of the materials provided and all feedback received.

4.2 Alternatives to the special variation

Indicate the range of alternatives to the requested special variation that the council considered and how you engaged your community about the various options.

Council was presented a variety of scenarios at a briefing on 17 September 2013. The briefing contained seven scenarios consisting of a number of different options for loan borrowings, special rate variations and operational efficiencies (Appendix 11).

At the Council meeting of 15 October 2013, it was endorsed 'that Council conduct a series of community consultation in relation to the Special Rate Variation requesting public submissions regarding the proposed additional 8% rate income and \$10m borrowing under the LIRS scheme contained within this report' (Appendix 7, page 84).

Through the formal exhibition period, Council provided information to the community on the proposal which included an ongoing 11% rate increase in 2014-2015 financial year, \$10m LIRS loan borrowings, internal reserve funds and a comprehensive services review. Eight of the 11% proposed rate increase would be used solely for managing existing infrastructure, including the capital renewal and ongoing maintenance of community assets such as public buildings and amenities, roads, bridges, parks and facilities (including leisure centres, pools, playgrounds and community halls). The remaining 3% is required to fund the operational and day to day activities of Council's services.

This scenario has also been modelled within Council's Delivery Program, Long Term Financial Plan and Asset Management Plan.

4.3 Feedback from the community consultations

Summarise the outcomes of, and feedback from, your community engagement activities. Such 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 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 special variation during the engagement process, the application should set out the views expressed in those submissions. It should also identify and document any action the council has taken, or will take, to address issues of common concern.

Through Council's community consultation on the proposed special rate variation, community feedback indicated that the majority of residents were proud of the Campbelltown LGA.

Figure 5 outlines the engagement methods used for the consultation period and an overview of the levels of consultation achieved for each method.

Figure 5

Level of Engagement	Method	Delivery	Number of people engaged
Inform	Education program (staff)	All staff received a briefing on the SRV proposal. Pocket cards and information were distributed	All staff (675)
Inform	Advertising	Newspapers Compass Radio Messages on hold Newsletter	Advertiser: Readership 102,000 Circulation 53,103 Chronicle: Readership 108,000 Circulation 75,849 Newsletter 60,129 distributed
Inform	Community exhibitions	Libraries Civic Centre Arts Centre Leisure Centres	Approx 2,000 newsletters were collected from the exhibitions
Consult	Face to face surveys (questionnaires)	Across Campbelltown • Events (Fisher's Ghost)	32 people consulted and informed
Consult	Telephone survey	Statistically valid survey across the LGA	Random 400 people consulted
Consult	Technology	Website Social media Online surveys	Website 200 participated Facebook 48 "likes" Total number of surveys 209 Number of emails and letters received 53 Number of phone calls received 20
Involve	Community forums	Several forums were held across the City at a variety of locations to maximise the potential for the community to be involved.	Monday 2 December – Campbelltown Civic Hall (17) Wednesday 4 December – St. Helens Park Hall (5) Thursday 5 December – Greg Percival Community Centre, Ingleburn (7) Monday 9 December – Eagle Vale Central (23)

Council advertised a dedicated email address, as well as Council's postal address as avenues for the community to provide feedback on the proposal during the consultation period.

A total of 53 emailed or mailed submissions were received providing feedback on the proposal. Of the submissions received, 41 were not supportive, 10 people were supportive of the proposal, and two did not indicate whether they supported the proposal or provided feedback on an unrelated area.

A detailed copy of all email and written correspondence and their responses are included in Summary of Community Consultation Report (Appendix 12, page 56).

Some areas of concern were raised by the community including clarification of information on the proposal, Council's financial position and the effect on the community of a proposed rate increase.

An example of concerns raised included clarification of the meaning of the wording 'one-off' and 'permanent' relating to the rate increase. Council staff addressed these concerns proactively during the consultation period by providing further information to the community via the website and through Facebook posts, as well as updating the frequently asked questions information and community presentation material.

Information was also provided directly to community members on individual areas of concern, both relevant to the proposal (eg projected rate increase for individual properties) and not relevant to the proposal (eg neighbourhood issues, lawn mowing).

The issues that were raised the most frequently can be categorised under three themes:

a) Capacity to pay

Community members raised concern that either they as individuals or other sections of the community would have difficulty with the proposed rate rise. The majority of concerns related to pensioners or people on low incomes, although the impact on ratepayers with larger properties in semi-rural areas was also raised.

Council currently has a pensioner rebate of \$300 in place. Council also has a Hardship Policy which provides financial relief for ratepayers in financial difficulty. Information was also provided, when requested, to residents on semi-rural properties on the proposed individual impact of the increase and potential rebates that may be applicable on their land.

b) Financial/asset management

Some issues were raised on perceptions of Council's current and future financial and asset management strategies that have impacted on the need for a rate increase. The community wished to ensure that Council used existing and proposed future funds in a transparent and efficient manner to benefit the local community.

Council advised that all works undertaken would be reported to the community on a regular basis through channels such as Council's residential newsletter, Compass, as well as the Annual Report. Council's Long Term Financial Plan and Asset Management Plan also detail information on Council's current and future situation and the need for the special rate variation.

Council provided information on the NSW Treasury Financial Assessment and Benchmarking Report, detailing Council's financial position in the short, medium and long term. Council also provided information on other current and proposed initiatives implemented to reduce expenditure and increase efficiencies across all Council services, including a comprehensive Council services review to be conducted across the 2014-2015 financial year.

c) Imbalance of infrastructure/services across LGA

Residents in some areas of the LGA (eg semi-rural areas) raised concerns that there were less services and infrastructure provided in their suburbs than other areas of the LGA.

Information was provided to community members on the location of proposed works to be carried out in each area (North/South/Eastern and Western) of the LGA, as well as larger community assets including main roads, footpaths and CBD areas which are shared by all community members.

The special rate variation community consultation provided a broad range of opportunities for the community to be informed and provide feedback around the proposal. More than 100,000 community members were directly informed about the proposal through the distribution of newsletters and Council's radio, paper and online presence. In total, 682 people directly engaged in discussions with Council on the proposal with 64% of these respondents supportive, 33% not supportive and 3% undecided.

4.4 Considering the impact on ratepayers

Indicate how the council assessed the impact of the special variation on ratepayers, and where this was addressed within the community awareness and engagement processes. Where the impact will vary across different categories and/or sub-categories of ratepayers, the council should consider the circumstances of the various different groups.

Figure 6

	2013/14	2014/15
RESIDENTIAL		
How much will average rates be without the proposed increase?*	\$980	\$1,009
How much will rates be with an 11% increase?	\$980	\$1,088
What is the average one-off annual increase?	N/A	\$108
What is the average weekly increase?	N/A	\$2
How much will quarterly instalments increase by?	N/A	\$27
BUSINESS		
How much will average rates be without the proposed increase?*	\$5,885	\$6,062
How much will rates be with an 11% increase?	\$5,885	\$6,532
What is the average one-off increase?	N/A	\$647
What is the average weekly increase?	N/A	\$12
How much will quarterly instalments increase by?	N/A	\$162
FARMLAND		
How much will average rates be without the proposed increase?*	\$7,237	\$7,454
How much will rates be with an 11% increase?	\$7,237	\$8,033
What is the average one-off increase?	N/A	\$796
What is the average weekly increase?	N/A	\$15
How much will quarterly instalments increase by?	N/A	\$199

* Based on an assumption of a 3% rate increase.

Figure 6 was included and referred to throughout the community engagement process. Council was mindful of keeping the effect on ratepayers to a minimum and an average equal to around \$2 per week has been achieved for residential ratepayers. The revenue streams have been maintained in a manner consistent with previous years; there has not been any transfer of revenue between the various categories in order to achieve the above results.

Council has only three mining categorised properties that are recorded with two owners. A copy of the community engagement flyer and table containing the same data as above was provided via letter to the affected ratepayers.

4.5 Considering the community's capacity and willingness to pay

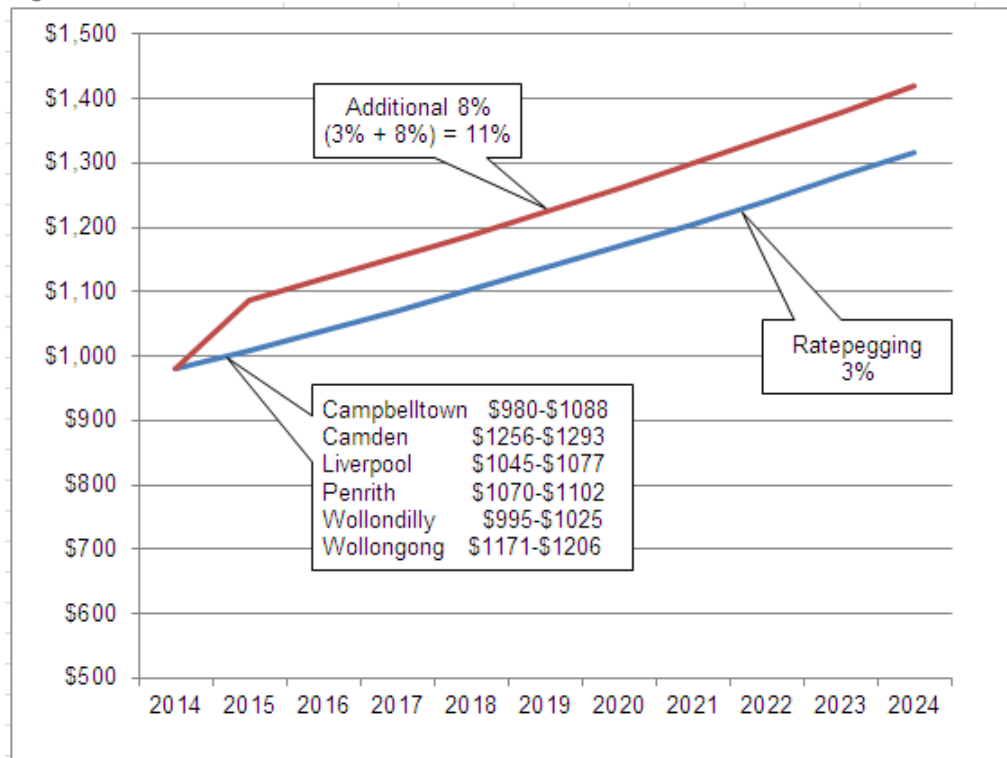
Indicate how the council has assessed the community's capacity to pay for the rate increases being proposed, and also assessed its willingness to pay.

Evidence on 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 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.

Council has historically been very conservative when considering special rate variations. As such, the number of increases in rates by Council has been very low. In the last 20 years, the permissible increase has only been exceeded on five occasions - two of these were for specific purpose projects with revenues matching the expenditure (ie 530A applications not on-going). The three variations that have been successful were for small amounts of 1.65%, 3% and 2% in the financial years 2001, 2005 and 2006 respectively.

The initial information presented to Council included comparisons to neighbouring local government areas and areas of similar demographic. The following graph is based on the information supplied by those councils and includes the total annual rates payable (ie any special rates).

Figure 7



Council established a customer call centre for community members to call and discuss any concerns. One of the tools available to these staff members was a rate calculator that determined the proposed amount in full and by quarterly instalments for each rateable property. Consideration was given to making this tool public, however, it was decided that the correct calculation of concessions for pensioners and variations of the domestic waste charges payable could lead to inaccurate determinations, and there may also be privacy of information issues. It was considered more appropriate that this tool be used by staff and provided to property owners on an individual basis.

The Independent Local Government Review Panel was tasked with formulating options for a stronger and more effective system of local government. The final report details a number of findings which included an assessment of community attitudes and stated there is broad acceptance that Council rates may need to increase faster to avoid cuts to local services and make necessary improvements to infrastructure.

The report goes on to say surveys have shown consistently that special rate variations costing in the range of \$1 to \$2 per week are widely accepted. Council rates are seen as 'fairly good value' and most respondents would rather see rates rise than have cuts to local services.

The report highlights that on the whole, councils continue to deliver reasonable services and do so quite efficiently, but financial problems and infrastructure backlogs are mounting. It also suggests many more councils should have been applying for special rate variations to restore and strengthen their revenue base.

5 Assessment criterion 3: Impact on ratepayers

In the DLG Guidelines, criterion 3 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. Council's IP&R process should also establish that the proposed rate increases are affordable having regard to the local community's capacity to pay.

We are required to assess whether the impact on ratepayers of the council's proposed special variation is reasonable. To do this, we are required to take into account current rate levels, the existing ratepayer base and the purpose of the special variation. We must also assess whether the council's IP&R process established that the community could afford the proposed rate rises.

5.1 Impact on rates

Much of the quantitative information we need on the impact of the special variation on rate levels will already be contained in Worksheet 5 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 differs from the current rating structure, 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. However, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, particularly in light of the purpose of the special variation. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

Council has not redistributed any revenue streams across the ordinary rating base. It is proposed to withdraw the current 'Special Rate – Loan' which Council has levied for decades on all ratepayers and replace this rate with a 'Special Rate – Infrastructure'. Historically the 'Loan' rate had been levied representing Council's debt servicing costs; these costs are associated with funding capital works satisfying the borrowing criteria set by the Division of Local Government.

The new 'Special Rate – Infrastructure' will be levied on all ratepayers and achieve a total revenue stream equal to the expenditure on capital infrastructure renewal programs in accordance with the proposed 8% of the 11% special rate increase. Based on current estimates, there should not be any significant changes to the rates estimated, as both of these special rates should achieve similar levels of revenue and therefore not impact significantly on the current distribution. The new 'Special Rate – Infrastructure' will also provide a summary of what portion of an individual property owners rates from the special rate variation are being directed towards infrastructure and asset renewal and maintenance works.

5.1.1 Minimum Rates

The special variation may affect ordinary rates, special rates and minimum rates.

Does the council have minimum rates? Yes No

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

So that we can assess the reasonableness of the impact on minimum ratepayers, briefly explain the types of ratepayers that are on minimum rates, and the rationale for the proposed impact of the special variation on minimum rate levels.

Council does have minimum rates on all categories and on both ordinary and special rates. Approximately 21% of all (ordinary rate) ratepayers pay the minimum amount.

The proposal is to increase the minimum by 11% in accordance with the special variation. The minimum for special rates is set by the *Local Government Act 1993* at \$2 and Council does not propose to levy an amount inconsistent with the statutory limit.

5.2 Affordability and community capacity to pay

Show how your IP&R processes have established that the proposed rate rises are affordable for your community, and that affected ratepayers have the capacity to pay the higher rate levels. (Indicators considered in this context may be similar to those cited under criterion 2.)

Council is aware of the SEIFA rankings and how these are juxtaposed to the communities' capacity, and/or willingness to pay. The 2011 SEIFA rankings returned a mean national score of 1000. One suburb within the Council area scored among the least disadvantaged 10% with a score of 1114, while another suburb returned a score of 495, ranking among the most disadvantaged. Council's rates are calculated on the land valuation which is determined on market value; generally, the higher valued land is located in the more desirable suburbs and values are lower for the less desirable localities. The average land value and hence rates payable in the higher SEIFA ranking suburb are proposed to be \$1836 per annum, while the lower scoring suburb average rates are proposed to be \$728 per annum.

Considerations to alternative rating structures are modelled annually, with the impact on ratepayers paramount in determining an appropriate rating structure.

Council listens to all ratepayers concerns and regularly reviews its rating structure with a view to implement change where and when necessary. An example of this would be objections lodged by Council to valuations made that caused financial hardship to the residents of an urban fringe suburb. New land values caused significant increases to land rates which could not be adjusted by any other means, so Council resolved to lodge objections with the Valuer General on behalf of the affected residents.

As part of the annual operational plan process modelling is undertaken to assess the impact of changing the rating structure from minimum plus ad-valorem to base rating.

As mentioned earlier, The Independent Local Government Review Panel was tasked with formulating options for a stronger and more effective system of local government. The final report details that surveys have shown consistently that special rate variations costing in the range of \$1 to \$2 per week are widely accepted.

In assessing whether the overall impact of the rate increase is reasonable, we may use some of the same indicators cited in section 5.2 above. In general, we will consider indicators such as the local government area's SEIFA index rankings, average income, and current rate levels as they relate to those in comparable councils. We may also consider how the Council's Hardship Policy might reduce the impact on ratepayers.

Council's rates and annual charges outstanding percentage as at 30 June 2013 stood at 4.82% which has decreased from the previous year's level of 5.36%.

Council has also introduced an additional pensioner rebate effective 1 July 2013. This has increased the total pensioner rebate to \$300 per applicable property.

5.3 Other factors in considering reasonable impact

In assessing whether the overall impact of the rate increases is reasonable we may use some of the same indicators that you cite in section 5.2 above. In general, we will consider indicators such as the local government area's SEIFA index rankings, average income, and current rate levels as they relate to those in comparable councils. We may also consider how the council's hardship policy might reduce the impact on ratepayers.

5.3.1 Addressing hardship

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

Does the council have a Hardship Policy? Yes No

If Yes, is it identified in the council's IP&R documents? Yes No

Please attach a copy of the Policy and explain who the potential beneficiaries are and how they are addressed. Appendix 13

Does the council propose to introduce any measures to limit the impact of the proposed special variation on various groups? Yes No

Provide details of the measures to be adopted, or alternatively, explain why no measures are proposed.

Council has developed a Hardship Policy (Appendix 13) that enables ratepayers to access interest free payment periods for unpaid amounts, and also to smooth out the effect of large increases in valuation movements.

Council regularly reviews the Hardship Policy to ensure it is relevant to community needs and expectations.

As mentioned earlier, Council has also recently introduced an additional pensioner rebate effective 1 July 2013. This has increased the total pensioner rebate to \$300 per applicable property.

6 Assessment criterion 4: Assumptions in Delivery Program and LTFP

The DLG Guidelines state this criterion as follows:

The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.

Summarise below the key assumptions adopted by the council and indicate where they are set out in your Delivery Plan and LTFP. We will need to assess whether the assumptions are realistic. For your information, we will consider such matters as:

- ▼ the proposed scope and level of service delivery given the council's financial outlook and the community's priorities
- ▼ estimates of specific program or project costs
- ▼ projections of the various revenue and cost components.

To also assist us, identify any in-house feasibility work, industry benchmarks or independent reviews that have been used to develop assumptions in the Delivery Program and LTFP if these are not stated in those documents.

Council undertakes an extensive section business planning process each year. Throughout this process, financial projections are made for programs and projects over a four year period. These activities are detailed in the Delivery Program (Appendix 5, pages 18-55) with expenditure for the activities linked back to the strategies detailed in the Community Strategic Plan.

There are a number of assumptions that are used in order to project the long term financial results. These assumptions are outlined in detail from page 24 of The Long Term Financial Plan (Appendix 2), however, the key assumptions are summarised below:

- future determinations of the rate peg are forecast to be 3%, however, this may vary depending on the recommendation of the Independent Pricing and Regulatory Tribunal (IPART)

- increase in 2013-2014 to the pensioner rebate subsidy on rate accounts by \$50 to \$300
- service levels are largely maintained throughout the plan
- the Consumer Price Index (CPI) is estimated at a flat rate of 2.5% per annum
- in general, future expenses and revenues have been calculated to reflect forecasts for the CPI
- increases in revenue from user charges have been maintained using a combination of the CPI and the IPART Local Government Cost Index with utilisation rates remaining steady
- salary and wage increases are estimated to be on average 4% per annum
- new borrowings are restricted to ensure the Debt Service Ratio remains less than 8%. Strategic capital expenditure will be considered suitable for funding from loans in line with intergenerational equity considerations
- it is estimated that the population will continue to grow from the reported 155,000 in 2011, with forecasts for 2021 reaching 185,000.

7 Assessment criterion 5: Productivity improvements and cost containment strategies

The DLG Guidelines state this criterion as follows:

An explanation of 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, provide details of any productivity improvements and cost containment strategies that you have implemented in the last 2 years (or longer) and any plans for productivity improvements and cost containment during the period of the special variation. These plans, capital or recurrent in nature, must be aimed at reducing costs. Please also indicate any initiatives to increase revenue eg, user charges. Identify how and where the proposed initiatives have been factored into the council's resourcing strategy (eg, LTFP and AMP).

Where possible, quantify in dollar terms the past and future productivity improvements and savings.

You may also use indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and the DLG Group data provided to us.

The Innovation and Performance Sub Committee was formed in 2005 to consider reports and make recommendations to Council with respect to:

- i. The adoption of an annual audit program so as to ensure that:
 - a. Appropriate standards of probity are maintained throughout the organisation
 - b. Opportunities for financial waste and indiscretion are minimised.
- ii. The findings of the audit reports prepared pursuant to the Annual Audit Program
- iii. The adoption of an annual program of "service review" to identify opportunities for the refinement and/or enhancement of existing services and functions
- iv. The findings of the "service reviews" prepared pursuant to the annual "service reviews" program
- v. The Delivery Program and Financial Reports.

The Sub Committee oversees operational savings through improved efficiencies and technological advances, with more than \$9m worth of efficiencies being reported since its introduction to Council. Figure 8 details the cost saving initiatives.

Figure 8



Cost Saving Initiatives

Reported through the Innovation and Performance Sub Committee

Program	Savings per annum
Initiatives previously reported	
Credit Card Commission	150,000
Original Telecommunications contract	100,000
Gas and Electricity	70,000
Original Restructure	200,000
Printing (change in technology)	99,000
Workers Compensation Self Insurance	300,000
Road Pavement Contract	220,000
Domestic Waste Management	500,000
Sub Total	1,639,000
October 2005 Report	
Compliance Program (rangers)	180,000
Renegotiated Telecommunications Contract	197,000
Sub Total	377,000
Running Total	2,016,000
February 2006 Report	
Insurance P/L ISR and Motor Vehicles	339,251 Year 1 168,736 Year 2
Tender Footpaths	32,500
Tender K&G	33,500
Tender Hurley St.	55,000
Sub Total	460,251
Running Total	2,476,251
May 2006 Report	
Assets and Supply	50,000
Corporate Governance - Administration Assistant	50,000
Leumeah Carpark	500,000
IM&T Initiatives	45,000
Bridge Deck Treatment	8,000
Sub Total	653,000
Running Total	3,129,251
September 2006 Report	
Landfill Savings	11,000
Fitness Equipment Lease	27,000
Cash Collection Contract	11,500
Sub Total	49,500
Running Total	3,178,751
May 2007 Report	
eRates	300
Flood Modelling	6,000
Fringe Benefit Tax	30,000
Photocopy	60,000
Sub Total	96,300
Running Total	3,275,051

March 2008 Report

Sanitary Depot Income	144,000
Commercial Waste pickup DOH Minto	36,400
Commercial Waste Tender	83,000
Childrens Services Administrative Savings	10,000
City Works Tenders Road Rehabilitation	360,000
City Works Tender - K&G.	35,000
City works - Footpath	40,000
Domestic Waste Contract	2,457,000
Prevention of Access to Bushland	500,000
Sub Total	3,665,400

Running Total **6,940,451**

June 2008 Report

Ingleburn Library Radio Frequency ID Security System	58,000
Replacement of Cooling Tower in Civic Centre	150,000
Folding & Inserting Machine	19,500
Sub Total	227,500

Running Total **7,167,951**

November 2008 Report

Printing costs - Kyocera Multifunction devices	267,000
Replacement of personal computers	77,676
Renegotiation of Telecommunications contract	300,000
Sub Total	644,676

Running Total **7,812,627**

April 2009 Report

Virtualisation	841,000	over 3 year period
Inhouse printing	132,000	
Sub Total	973,000	

Running Total **8,785,627**

November 2009 Report

MS Office Printing & Copyright Licence	1,700
Fishers Ghost Creek Pedestrian Bridge	190,000
Relocation of Records Compactus to Central Store	91,500
Sub Total	283,200

Running Total **9,068,827**

April 2010 Report

Development of Service Desk Solution-Sharepoint	10,000
Sub Total	10,000

Running Total **9,078,827**

May 2013 Report

Tree lopping contract	48,000	per annum
Green waste - recycling	20,000	
Re-use of soil	30,000	
Roadworks - re-use of road materials	90,000	
Day Labour	30,000	
Sub Total	218,000	

Running Total **9,296,827**

8 Other information

8.1 Previous Instruments of Approval

If you have a special variation which is due to expire at the end of this financial year or during the period of the proposed special variation, when was it approved and what was its purpose?

Please attach a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

Not applicable

8.2 Reporting to your community

The *Guidelines* set out reporting mechanisms that show your accountability to your community. Please tell us how you will go about transparently reporting to the community on the proposed special variation, should it be approved. Also indicate the performance measures you will use to demonstrate how you have used the additional funds (above the rate peg) generated by the special variation.

The additional funds obtained through the special rate variation will be used to help Council reduce the current asset back log of \$29.7m, as well address the ongoing infrastructure asset maintenance and renewal gap. The works completed with the additional funds will be reported in Council's Annual Report and Quarterly Financial Reviews. Council will also report status of projects and funds spent via Council's website and other appropriate means. Signage for major projects will also be used to acknowledge the funding sources.

The effective use of the funds will also be measured via future reductions in Council's backlog in the Special Schedule 7 (Appendix 10) to the Annual Financial Statements.

8.3 Council resolution to apply to IPART

The *Guidelines* require the council to have resolved to apply for a special variation. Please attach a copy of the council's resolution to make a special variation application. Our assessment of the application cannot commence without it.

Council resolved to apply to IPART for a special rate variation at the Ordinary meeting of Council held on 11 February 2014. A copy of the resolution is attached as Appendix 7, page 102.

9 Checklist of contents

The following is a checklist of the supporting documents to include with your Part B application:

Item	Included?
Relevant extracts from the Community Strategic Plan (Appendix 1)	<input checked="" type="checkbox"/>
Delivery Program (Appendix 5)	<input checked="" type="checkbox"/>
Long Term Financial Plan (Appendix 2)	<input checked="" type="checkbox"/>
Relevant extracts from the Asset Management Plan (Appendix 3 and 4)	<input checked="" type="checkbox"/>
TCorp report on financial sustainability (Appendix 8 and 9)	<input checked="" type="checkbox"/>
Contributions Plan documents (if applicable)	N/A
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation (Appendix 12)	<input checked="" type="checkbox"/>
Community feedback (including surveys and results if applicable) (Appendix 12)	<input checked="" type="checkbox"/>
Hardship Policy (Appendix 13)	<input checked="" type="checkbox"/>
Past Instruments of Approval (if applicable)	N/A
Resolution to apply for the special variation (Appendix 7)	<input checked="" type="checkbox"/>
Resolution to adopt the Delivery Program (Appendix 7)	<input checked="" type="checkbox"/>

10 Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: Campbelltown City Council

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

General Manager (name): Paul Tosi

Signature and Date:

Responsible Accounting Officer (name): Corinne Mears

Signature and Date:

Once completed, please scan the signed certification and attach it to the Part B form before submitting your application online via the Council Portal on our website.