



Independent Pricing and Regulatory Tribunal  
New South Wales

## Special variation increase

**Randwick City Council 2019-20**

Final Report  
Local Government

May 2019

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# 1 Executive summary

Randwick City Council (the Council) applied to IPART for an amendment to its existing special variation (SV)<sup>1</sup> approved by IPART in 2018. It has applied for an amendment to:

- ▼ Increase its general income by an additional **5.90%** in 2019-20
- ▼ Retain this increase in its rate base **temporarily** for five years until 2023-24.<sup>2</sup>

The Council proposes that the funds from the **proposed amendment** would deliver projects and environmental services as outlined as part of the Council's Sustaining Our City program.<sup>3</sup> This includes energy and water consumption reduction initiatives, community engagement and education, and walking, cycling, and public transport initiatives to reduce transportation emissions.

In 2004, the Council applied for, and was granted, a temporary 5-year environmental levy, which was renewed in 2009 and 2014. This environmental levy of 6.0% will expire on 30 June 2019.<sup>4</sup> The proposed amendment would generate an additional increase in the Council's permissible general income (PGI) of \$4.6 million (5.3% of total income) in 2019-20, and \$24.9 million by 2023-24 when it expires (see Table 1.1).

The SV is an amendment to an **existing SV** that was approved by IPART in 2018 to:

- ▼ Increase the Council's general income by 7.64% in 2018-19 (already applied), **5.52%** in 2019-20, and **5.52%** in 2020-21
- ▼ Retain this increase in its rate base **permanently**.

The purpose of the existing SV is to maintain and renew key public infrastructure, including women's refuge centres and anti-terrorism infrastructure.

The remaining two years of the existing SV will generate an additional increase in the Council's PGI of \$2.2 million (2.5% of total income) in 2019-20, and \$22.0 million by 2023-24.<sup>5,6</sup>

IPART has assessed the Council's application against the criteria in the Office of Local Government's *Guidelines for the preparation of an application for a special variation to general income* (the OLG Guidelines).

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<sup>1</sup> In this context, the term 'special variation' refers to an instrument in writing given to the council by IPART (under delegation from the Minister) under s 508(2) of the Local Government Act 1993 (NSW).

<sup>2</sup> Randwick City Council, *Special Variation Application Form Part B 2019-20* (Randwick City Council, *Application Part B*), p 4.

<sup>3</sup> Randwick City Council, *Application Part B 2019-20*, pp 4 and 9.

<sup>4</sup> IPART, *Local Government Determination for Randwick City Council's application for a special variation for 2014/15*, 2014, p 1.

<sup>5</sup> IPART calculations.

<sup>6</sup> This is the extra income the Council will raise through rates over and above what it would have raised under the rate peg only.

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This report sets out our decision (Section 1.1) and explains how and why we reached that decision.

## **1.1 We have approved Randwick City Council's application for an amendment to its existing Special Variation**

We decided to approve the amendment to the existing SV in full. We have also decided to approve the remaining two years of the existing SV.

Our decision means that the Council may increase its general income in 2019-20 and 2020-21 by the annual percentages outlined in Box 1.1. This will allow the Council to fund environmental projects and services included in its Sustaining Our City program and continue to fund its expenditure on key public infrastructure.

The annual increases include the rate peg<sup>7</sup> of 2.7% in 2019-20, and an assumed rate peg of 2.5% in future years. The increase of 5.90% in 2019-20 may be retained in the Council's general income base for five years and is to be removed from the Council's rate base after 2023-24. The increases of 5.52% in 2019-20 and 5.52% in 2020-21 may be retained in the Council's general income base permanently.

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<sup>7</sup> The term 'rate peg' refers to the annual order published by IPART (under delegation from the Minister) in the gazette under s 506 of the Local Government Act 1993 (NSW).

## Box 1.1 IPART Decision - Randwick City Council

### Approved Special Variation: percentage increases to general income

	2019-20	2020-21
Increase above rate peg – 5-year temporary	5.90	
Increase above rate peg – permanent	2.82	3.02
Rate peg <sup>8</sup>	2.70	2.50
<b>Total increase<sup>9</sup></b>	<b>11.42</b>	<b>5.52</b>

On 1 July 2024, the Council must reduce its general income to what it would have been without the 5.90% temporary special variation.

We have attached the following conditions to this decision, including that the Council uses the additional income raised from the approved amendment for purposes consistent with those set out in its application.<sup>10</sup>

#### Conditions attached to approved amendment

IPART's approval of Randwick City Council's application for a special variation amendment in 2019-20 is subject to the following conditions:

- ▼ The Council uses the additional income for the purposes of funding the proposed program of expenditure set out in the Council's application and listed in Appendix B.
- ▼ The Council reports in its annual report for each year from 2019-20 to 2024-25 on:
  - The program of expenditure that was actually funded by the additional income
  - The actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the Long Term Financial Plan provided in the Council's application, and summarised in Appendix C
  - Any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and the reasons for such variation
  - Expenditure consistent with the Council's application and listed in Appendix B, and the reasons for any significant differences from the proposed expenditure, and
  - The outcomes achieved as a result of the actual program of expenditure.
- ▼ The Council reduces its general income in 2024-25 to what it would have been had the annual increase for 2019-20 been 5.52% instead of 11.42%.

The Council is required to reduce its income for 2019-20 to reflect the expiring special variation amount of \$4,455,954 before increasing its general income for that year.

The Council estimates that over the five years to 2023-24, it will collect an additional \$24.9 million in rate revenue from the proposed amendment (see Table 1.1).<sup>11</sup>

<sup>8</sup> The rate peg of 2.5% for future years is assumed and may vary with the setting of the rate peg by IPART in September each year.

<sup>9</sup> The SV percentage approved will not change to reflect the actual rate peg in future years.

<sup>10</sup> The Office of Local Government is responsible for monitoring and ensuring compliance with this SV and its conditions.

<sup>11</sup> General income in future years cannot be determined with precision, as it will be influenced by several factors in addition to the rate peg. These factors include changes in the number of rateable properties, adjustments for previous under or over-collection of rates and the expiry of any temporary special variations. The Office of Local Government is responsible for monitoring and ensuring compliance with this SV and its conditions.

**Table 1.1 Permissible general income (PGI) from 2019-20 to 2023-24 arising from the proposed amendment**

Year	Increase approved (%)	Increase in PGI above Rate Peg (\$)	Total PGI <sup>b</sup> (\$)
Adjusted notional income 1 July 2019 <sup>a</sup>			78,422,163
2019-20	5.90	4,626,908	87,349,169
2020-21	-	4,882,313	92,170,843
2021-22	-	5,004,371	94,475,114
2022-23	-	5,129,480	96,836,992
2023-24	-	5,257,717	99,257,917
Total cumulative increase approved			
Total additional PGI		<b>24,900,788</b>	

**a** Includes an adjustment of -\$4,455,954 for an SV that expires on 30 June 2019.

**b** Includes additional income from proposed amendment and the two remaining years of the existing SV.

**Note:** The above information is correct at the time of the Council's application (February 2019).

**Source:** Randwick City Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

In addition to the \$24.9 million over five years derived from the 5.90% proposed amendment's temporary increase, a further \$22.0 million will be raised from the existing SV's permanent increase.

On 1 July 2024, the Council must reduce its general income to what it would have been without the 5.90% amendment to the existing special variation. The Council can increase its PGI up to the annual rate peg from 2021-22 unless we approve a further SV.

## 1.2 Reasons for our decision

Our decision reflects our finding that, on balance, the Council's application largely meets the criteria in the OLG Guidelines. While we have identified some minor shortcomings in how some of the criteria have been addressed, we consider that approval of the Council's application is reasonable - taking into account community support for the proposal.

The Council's forecasts show that there is a financial need for it to increase its recurrent revenue to continue to fund its environmental program while maintaining financial sustainability. The Council's Operating Performance Ratio (OPR) over five years with the proposed amendment would average 5.0%, allowing the Council to fund its environmental program while meeting the OLG benchmark of greater than or equal to 0%<sup>12</sup> (see Section 5.1 for more detail).

Without the proposed amendment revenue and with the proposed expenditure, the Council forecasts an OPR averaging 2.2% over the next five years. We note that over 40% of the revenue from the proposed amendment is to pay for capital works. This capital expenditure will be funded by the operating surplus generated by the proposed amendment. Our analysis

<sup>12</sup> Office of Local Government, *Improvement Proposal Reassessment Report Round 3, June 2018*, p 10.



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indicates the Council's net cash position would deteriorate without the proposed amendment revenue, given the program of expenditure set out in its application.

Without the additional income generated from the Council's proposed amendment, our key measure of financial performance, OPR, would remain positive, albeit reduced. However, given there is a reasonable level of community willingness to pay for the environmental projects, we consider the financial need is largely demonstrated. The consistently positive OPR means that financial need is not fully demonstrated.

The Council demonstrated that its community is aware of the need for, and extent of, the proposed amendment. The Council communicated the impact of the proposed amendment in cumulative percentage and dollar terms for residential and business ratepayers, its consultation materials were sufficiently clear, and it used a variety of engagement methods to engage its community. The Council considered its community's feedback in applying for the amendment.

The Council also demonstrated that there is a reasonable level of support and willingness to pay for the proposed amendment. The Council's phone survey of 600 residents found that 72% supported continuing the environmental levy, and the online survey of 5,823 ratepayers found that 54% supported continuing the environmental levy.

We found the impact on affected ratepayers would be largely reasonable. The proposed amendment renews the environmental levy the community has been paying since 2004, there is community support for the continuation of the environmental levy, and the Council area's SEIFA<sup>13</sup> ranking of 117 indicates relatively low levels of disadvantage. However, we note that the Council's rates are higher than neighbouring and similar councils.

The Council's Integrated Planning and Reporting (IP&R) documents were exhibited, approved and adopted.<sup>14</sup> These documents communicated the purpose of the proposed amendment, what it would fund, and the impact of the proposed amendment on ratepayers. However, they do not canvas alternatives to the rate rise. Nevertheless, we consider, on balance, the Council's IP&R documents contained sufficient information relating to the proposed amendment.

The Council has also outlined and quantified its productivity improvements and cost containment strategies.

Table 1.2 provides more detail about our assessment and key considerations in making our decision.

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<sup>13</sup> The Socio-Economic Indexes for Areas (SEIFA) is a measure that ranks areas based on their socio-economic conditions. The Australian Bureau of Statistics (ABS) ranks the NSW Local Government Areas in order of their score, from lowest to highest, with rank 1 representing the most disadvantaged area and 130 being the least disadvantaged area. IPART has referred to the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) for our assessment, one of the component indexes making up SEIFA.

<sup>14</sup> We note that they were adopted one day after IPART's deadline to apply for a special variation (11 February 2019).

**Table 1.2 Assessment of Randwick City Council’s proposed amendment application**

<b>1. Financial Need</b>	
Largely Demonstrated	<p>The Council largely demonstrated a financial need for the proposed amendment. Its:</p> <ul style="list-style-type: none"> <li>▼ OPR (average 2019-20 to 2023-24) is: <ul style="list-style-type: none"> <li>– 5.0% with the proposed amendment (the Proposed Amendment Scenario)</li> <li>– 4.0% without the proposed amendment revenue and without the proposed amendment expenditure (the Baseline Scenario)</li> <li>– 2.2% without the proposed amendment revenue but with the proposed amendment expenditure (the Baseline with Proposed Amendment expenditure Scenario).</li> </ul> </li> <li>▼ Net cash is \$18.9 million in 2018-19, with only \$1.1 million unrestricted (as at 30 June 2018).</li> </ul>
<b>2. Community awareness</b>	
Demonstrated	<p>The Council demonstrated the community is aware of the proposed rate rise. It:</p> <ul style="list-style-type: none"> <li>▼ Used a range of engagement methods to make the community aware of the need for and extent of the proposed amendment</li> <li>▼ Provided explanation about the purpose and impact of the proposed amendment and sought feedback</li> <li>▼ Considered community feedback on the proposed rate increase.</li> </ul>
<b>3. Reasonable Impact on ratepayers</b>	
Largely Demonstrated	<p>The Council examined the impact of the proposed amendment on its ratepayers and found it would be reasonable. It considered:</p> <ul style="list-style-type: none"> <li>▼ The proposed amendment is a renewal of an environmental levy that has been in place since 2004</li> <li>▼ There is community support to retain the levy. The phone survey commissioned by the Council showed that 72% of respondents supported the continuation of the environmental levy.</li> <li>▼ The Council has a low outstanding rates ratio (2.41% in 2017-18)</li> <li>▼ The median weekly household income in the council area (\$1,916) is \$166 higher than the Greater Sydney area</li> <li>▼ The Council has pensioner and financial hardship policies, and the pensioner rebate was increased in 2018 by \$75.</li> </ul> <p>IPART considered information on the Council’s rate levels from 2016-17 and found:</p> <ul style="list-style-type: none"> <li>▼ Average residential rates were 20% higher than the average for Group 3 Councils and 20% higher than the weighted average for neighbouring Councils<sup>15</sup></li> <li>▼ Average business rates were 7% higher than the average for Group 3 Councils and 59% higher than the weighted average for neighbouring Councils.</li> </ul> <p>IPART also considered the comparison of the Council’s average rate levels with the proposed amendment, to the estimated OLG Group 3 average rate levels in 2019-20 and found that the Council’s:</p> <ul style="list-style-type: none"> <li>▼ Average residential rate would be 27.3% higher than the estimated average residential rate for Group 3 councils</li> <li>▼ Average business rate would be 33.3% higher than the estimated average business rate for Group 3 councils.</li> </ul> <p>We consider the impact on ratepayers to be largely reasonable, given the Council area’s SEIFA ranking indicates a relatively high level of advantage; the amendment replaces an SV that is expiring on 30 June 2019 meaning the community has already been paying for it; and the community’s willingness to pay.</p>

<sup>15</sup> Councils in the Southern Sydney Region of Councils include Bayside, Burwood, Canterbury-Bankstown, Canada Bay, Georges River, Inner West, Randwick, Sutherland, Sydney, Waverley and Woollahra. Southern Sydney Region of Councils, About Us, <http://ssroc.nsw.gov.au/about-us/>, accessed 29 March 2019.

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#### 4. IP&R documents exhibition

Largely demonstrated      The Council:

- ▼ Exhibited its Community Strategic Plan, Delivery Program and Operational Plan and its Long Term Financial Plan (LTFP) from 12 December 2018 to 9 January 2019
- ▼ Adopted these documents on 12 February 2019
- ▼ Did not canvas alternatives to the rate rise (we note that this proposed amendment application is a renewal of a levy that has been in place since 2004).

In the circumstances, we have assessed this has a minor impact on the effectiveness of consultation and consideration of affordability.

#### 5. Productivity improvements and cost containment

Demonstrated      Over recent years, the Council has realised annual savings through initiatives such as:

- ▼ An online DA Lodgement portal - estimated 20,000- 30,000 sheets of paper saved per year
- ▼ Review of its Microsoft, Adobe and VMWare licensing requirements- \$120,000 saved per year
- ▼ Implementation of eNotices, allowing customers and ratepayers to receive their rates notices online- estimated \$24,000 saved per year.

The Council has also planned future efficiency measures over the proposed amendment period including:

- ▼ The 150 employees at Council that undertake field activities requiring access to the Council's systems to be provided with equipment and applications to do what is required in the field without returning to the office
- ▼ Upgrading street lighting to be 22% more energy efficient, saving an estimated \$100,000 in energy costs per annum
- ▼ Implementing offsite datacentres, reducing energy consumption and providing simpler management and retirement of outdated infrastructure.

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### 1.3 Structure of this report

The rest of this report explains our decision and assessment of the Council's application in more detail:

- ▼ Chapter 2 outlines the Council's application for the proposed amendment
- ▼ Chapter 3 summarises the submissions received by IPART
- ▼ Chapter 4 presents our consideration of the Council's existing SV
- ▼ Chapter 5 explains our assessment of the Council's application against each criterion
- ▼ Chapter 6 discusses how our decision will impact the Council and its ratepayers.

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## 2 Randwick City Council's application

The Council applied to IPART for an amendment to its existing SV, which was approved by IPART in 2018. It has applied for an amendment to:

- ▼ Increase its general income by 5.90% in 2019-20
- ▼ Retain this increase in its rate base temporarily for five years until 2023-24.

The amendment will be used to fund the environmental services and projects outlined as part of the Council's Sustaining Our City program.<sup>16</sup> In 2004 the Council applied for, and was granted, a temporary 5-year environmental levy, which was renewed in 2009 and 2014. This environmental levy of 6.0% will expire on 30 June 2019.

The proposed amendment would generate an additional increase in the Council's PGI of \$24.9 million over the five years from 2019-20 to 2023-24 (see Table 1.1).

The Council also has an existing SV that was approved by IPART in 2018 to:

- ▼ Increase its general income by 7.64% in 2018-19 (already applied), 5.52% in 2019-20, and 5.52% in 2020-21
- ▼ Retain this increase in its rate base permanently.

The purpose of the existing SV is to maintain and renew key public infrastructure, including women's refuge centres, sporting facilities and anti-terrorism infrastructure.<sup>17</sup> The existing SV would generate an additional increase in the Council's PGI of \$22.0 million from 2019-20 to 2024-25.

### 2.1 Purpose

The Council will continue funding ongoing projects and services that are currently funded by its existing environmental levy, which is due to expire on 30 June 2019. The Council is committed to using the revenue generated by the proposed amendment to focus on environmental protection outcomes.<sup>18</sup>

### 2.2 Need

Through the IP&R process, the Council identified a number of priorities. It identified an amendment to the existing SV was required to enable it to continue to fund its environmental projects. The Council decided to renew its environmental levy on a temporary basis so that it can be reviewed at 5-yearly intervals after consultation with the community. During the

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<sup>16</sup> Randwick City Council, *Application Part B* pp 4 and 9.

<sup>17</sup> IPART, *Local Government Determination, Special variation and minimum rate increase Randwick City Council for 2018-19*, May 2018, p 6.

<sup>18</sup> Randwick City Council, *Application Part B* pp 4 and 9.

consultation process, the community expressed support for continuing the environmental levy.<sup>19</sup>

## 2.3 Significance of proposal

Approving the Council's proposed amendment would mean an additional increase in its PGI of \$24.9 million over five years. This represents 5.3% of the Council's total cumulative PGI over the five year period (see Table 2.1).

Assuming a rate peg increase of 2.5% per annum from 2020-21 to 2023-24, the proposed amendment would result in a cumulative PGI that is 5.6% higher than if the Council increased its rates by the existing SV only.<sup>20</sup>

**Table 2.1 Permissible general income (PGI) of Randwick City Council from 2019-20 to 2023-24 under the proposed amendment**

Cumulative increase in PGI above rate peg (\$m)	Total PGI over 5 years (\$m)	Amendment revenue as a percentage of total PGI (%)
24.9	470.1	5.3

**Note:** The above information is correct at the time of the Council's application (February 2019).

**Source:** Randwick Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

The Council will fund this by increasing the average rate for all rating categories.<sup>21</sup> The Council has stated that the proposed amendment will not create a significant rate burden, as the community has been paying the environmental levy since 2004 and the Council has received positive feedback in its surveys of the community regarding continuing the environmental levy.<sup>22</sup>

## 2.4 Resolution by the Council to apply for a Special Variation Amendment

The Council resolved to apply for its proposed amendment on 12 February 2019.<sup>23</sup> Eleven councillors were in favour of the application and three were opposed.<sup>24</sup>

<sup>19</sup> Randwick City Council, *Application Part B*, pp 8-9 and 27.

<sup>20</sup> IPART calculations.

<sup>21</sup> Randwick City Council, *Application Part A*, Worksheet 5a.

<sup>22</sup> Randwick City Council, *Application Part B*, p 53.

<sup>23</sup> We note that they were adopted one day after IPART's deadline to apply for a special variation (11 February 2019). While Randwick City Council was provided with an extension to the deadline for applications, it was not provided with an extension to adopt its IP&R documentation.

<sup>24</sup> Randwick City Council, *Minutes of extraordinary council meeting of the Council of the City of Randwick held 12 February 2019*, p 3.

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## 3 Submissions to IPART

IPART received 12 submissions during the consultation period from 11 February 2019 to 14 March 2019. Key issues and views raised were:

- ▼ Increasing rates leading to affordability concerns
- ▼ The magnitude and frequency of past rate increases
- ▼ Insufficient rigour in collecting feedback
- ▼ The projects and services funded by the levy are not all necessarily environmental
- ▼ The lack of progress on projects included in past environmental levies.

We considered all of the submissions as part of our assessment of the Council's application against the criteria in the OLG Guidelines, which is discussed in Chapter 5.

In particular:

- ▼ Some submissions suggested that council rates were already high, and the proposed amendment would make them unaffordable. We conducted our own analysis on this and determined that the Council's rates were comparatively high compared to OLG Group 3 and nearby, similar councils (see Section 5.3). However, given the proposed amendment is for a renewal of an existing environmental levy, the community has shown support for continuing it, and the Council area shows low levels of disadvantage, we consider that the ratepayer impact is reasonable.
- ▼ Some submissions suggested that there has been insufficient rigour by the Council in collecting feedback. We found that the quality and scale of the Council's consultation met the criteria in the OLG Guidelines (see Section 5.2).
- ▼ We note that the Council received 164 written submissions in relation to its proposed amendment during its consultation period, with 60% of these opposing the proposed amendment. This is discussed further in Section 5.2.2.

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## 4 Consideration of existing special variation

Randwick City Council has an existing multi-year SV that was approved by IPART in 2018 to:<sup>25</sup>

- ▼ Increase its general income by 7.64% in 2018-19 (already applied), 5.52% in 2019-20, and 5.52% in 2020-21
- ▼ Retain this increase in its rate base permanently.

The purpose of this existing SV is to maintain and renew key public infrastructure, including women's refuge centres, sports facilities and anti-terrorism infrastructure.

### 4.1 Financial need

In our 2018 determination for the existing SV, we found that while the Council was in a strong financial position, its forecast financial performance would not continue to meet the operating performance benchmark without additional revenue.<sup>26</sup>

In order to compare the Council's financial performance in 2018 and 2019, we have recalculated the 2018 OPR figures using the same basis as the figures presented in Section 5.1 of this report. Figure 4.1 below presents the OPR as forecast when the existing SV was proposed in 2018. The environmental levy that the Council is currently seeking to renew expires in 2019-20, producing the dip in the OPR in both cases.

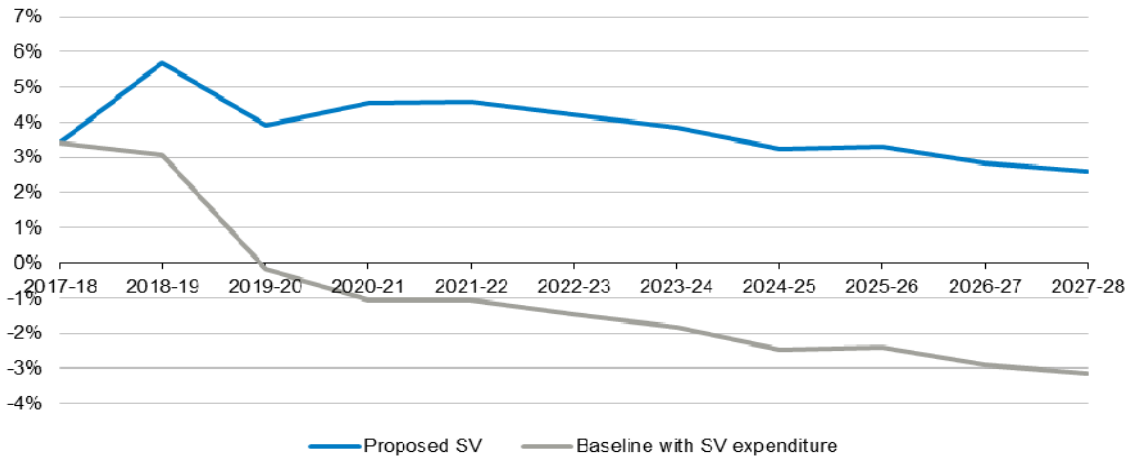
This analysis shows that the Council was forecasting an OPR of 5.7% in 2018-19 with the existing multi-year SV. According to our analysis of the Council's current application, which is presented in Section 5, the Council is now forecasting an OPR of 5.1% in 2018-19, which is broadly comparable. This suggests that the Council's financial situation has not changed significantly from when its existing SV was approved.

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<sup>25</sup> IPART, *Local Government Determination, Special variation and minimum rate increase Randwick City Council for 2018-19*, May 2018, pp 1 and 6.

<sup>26</sup> IPART, *Local Government Determination, Special variation and minimum rate increase Randwick City Council for 2018-19*, May 2018, p 8.

**Figure 4.1 Randwick City Council's Operating Performance Ratio (%) excluding capital grants and contributions (2018-19 to 2028-29) as forecast in 2018**



**Data source:** Randwick City Council, *Application Part A 2018-19*, Worksheet 7 and IPART calculations.

## 4.2 Ratepayer impact

Our assessment of ratepayer impact in Section 5.3 takes into account the cumulative effect of both the existing SV and the proposed amendment. We found that the joint impact of both the existing SV and proposed amendment on ratepayers was largely reasonable.

## 4.3 Reporting against conditions in the existing Special Variation

One of the conditions attached to the approval of the Council's existing SV is that it reports in its annual report for each year from 2018-19 to 2027-28 on the actual revenues and expenses incurred against those provided in the council's application. As the Council's existing special variation was only approved last year, the Council has not had the opportunity to report against these conditions in its annual report.



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## 5 IPART's assessment

To make our decision, we assessed the Council's application against the criteria in the OLG Guidelines.

The five criteria in the OLG Guidelines are:

- ▼ **Criterion 1 - Financial need:** The need for, and purpose of, a different revenue path for the Council's General Fund is clearly articulated and identified in the council's IP&R documents.
- ▼ **Criterion 2 - Community awareness:** Evidence that the community is aware of the need for and extent of a rate rise.
- ▼ **Criterion 3 - Reasonable impact:** The impact on affected ratepayers must be reasonable.
- ▼ **Criterion 4 - Integrated Planning and Reporting (IP&R):** The relevant IP&R documents must be exhibited (where required), approved and adopted by the Council.
- ▼ **Criterion 5 - Productivity:** The Council must explain the productivity improvements and cost containment strategies.

While the criteria for all types of special variations are the same, the OLG Guidelines state that the extent of evidence required for assessment of the criteria can alter with the scale and permanence of the proposed special variation.

### Our Assessment

Our decision reflects our finding that, on balance, the Council's application largely meets the criteria in the OLG Guidelines. While we have identified some minor shortcomings in how some of the criteria have been addressed, we consider that approval of the Council's application is reasonable in the circumstances.

The Council's forecasts show that there is largely a financial need for it to increase its recurrent revenue to continue to fund its environmental program while remaining financially sustainable. The Council's Operating Performance Ratio (OPR) over five years with the proposed amendment would average 5.0%, allowing the Council to fund its environmental program while meeting the OLG benchmark of greater than or equal to 0%.<sup>27</sup>

Without the proposed amendment revenue and with the proposed expenditure, the Council forecasts an OPR averaging 2.2% over the next five years. We note that over 40% of the revenue from the proposed amendment is to pay for capital works. This capital expenditure will be funded by the operating surplus generated by the proposed amendment. Our analysis indicates the Council's net cash position would deteriorate without the proposed amendment revenue, given the program of expenditure set out in its application.

Without the additional income generated from the Council's proposed amendment, our key measure of financial performance, OPR, would remain positive, albeit reduced. However,

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<sup>27</sup> Office of Local Government, *Improvement Proposal Reassessment Report Round 3, June 2018*, p 10.

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given there is a reasonable level of community willingness to pay for the environmental projects, we consider the financial need is largely demonstrated. The consistently positive OPR means that financial need is not fully demonstrated.

The Council demonstrated that its community is aware of the need for, and extent of, the proposed amendment. The Council communicated the impact of the proposed amendment in cumulative percentage and dollar terms for residential and business ratepayers, its consultation materials were sufficiently clear, and it used a variety of engagement methods to engage its community. The Council considered its community's feedback in applying for the amendment.

The Council also demonstrated that there is a reasonable level of support and willingness to pay for the proposed amendment. The Council's phone survey of 600 residents found that 72% supported continuing the environmental levy, and the online survey of 5,823 ratepayers found that 54% supported continuing the environmental levy.

We found the impact on affected ratepayers would be largely reasonable. The proposed amendment renews the environmental levy the community has been paying since 2004, there is community support for the continuation of the environmental levy, and the Council's SEIFA ranking of 117 indicates relatively low levels of disadvantage. However, we note that the Council's rates are higher than neighbouring and similar councils.

The Council's IP&R documents were exhibited, approved and adopted.<sup>28</sup> These documents communicated the purpose of the proposed amendment, what it would fund, and the impact of the proposed amendment on ratepayers. However, they do not canvas alternatives to the rate rise. Nevertheless, we consider, on balance, the Council's IP&R documents contained sufficient information relating to the proposed amendment.

The Council has also outlined and quantified its productivity improvements and cost containment strategies.

## **5.1 Financial need for the proposed amendment**

This criterion examines the Council's financial need for the proposed amendment. The OLG Guidelines require the Council to clearly articulate and identify the need for, and purpose of, a different revenue path for its General Fund. This includes that:

- ▼ The Council sets out the need for, and purpose of, the proposed amendment in its IP&R documents, including its Delivery Program, Long-Term Financial Plan (LTFP) and Asset Management Plan where appropriate.
- ▼ Relevant IP&R documents should canvas alternatives to the rate rise.
- ▼ The Council may include evidence of community need/desire for service levels or projects.

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<sup>28</sup> We note that they were adopted one day after IPART's deadline to apply for a special variation (11 February 2019).

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IPART uses information provided by the Council in its application to assess the impact of the proposed amendment on the Council's financial performance and financial position, namely the Council's forecast:

- ▼ Operating performance
- ▼ Net cash (debt).

Where relevant, IPART also uses information provided by the Council to assess its need for the proposed amendment to reduce its infrastructure backlog and/or increase its infrastructure renewals, by assessing the Council's:

- ▼ Infrastructure backlog ratio
- ▼ Infrastructure renewals ratio.

Generally, we would consider a council with a consistent operating surplus to be financially sustainable. The Council's forecast operating result shows whether the income it receives covers its operating expenses each year. We consider that the most appropriate indicator of operating performance is the OPR.

The OPR measures whether a council's income funds its costs and is defined as:

$$OPR^{29} = \frac{\text{Total operating revenue} - \text{operating expenses}}{\text{Total operating revenue}}$$

As the Council's application is for an amendment to its existing SV, in this section we assess the marginal impact of the proposed amendment's revenue and expenditure while assuming the existing SV's revenue and expenditure will continue (as per IPART's decision in 2018<sup>30</sup>) in all scenarios.

Based on the Council's application and LTFP (where appropriate), we calculate forecasts under three scenarios:

1. **The Proposed Amendment Scenario** - which includes the amendment revenue and the Council's forecast expenses if we approve its proposed amendment application.
2. **The Baseline Scenario** - which shows the impact on the Council's operating and infrastructure assets' performance **without the proposed amendment revenue and without the proposed amendment expenditure**.
3. **The Baseline with Proposed Amendment Expenditure Scenario** - which includes the Council's full expenses from its proposed amendment, without the additional revenue from the proposed amendment. This scenario is a guide to the Council's financial sustainability if it still went ahead with its full expenditure program included in its application, but could only increase general income by its existing special variation.

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<sup>29</sup> Expenditure and revenue in the OPR measure are exclusive of capital grants and contributions, and net of gain/loss on sales of assets.

<sup>30</sup> IPART, *Local Government Determination, Special variation and minimum rate increase Randwick City Council for 2018-19*, May 2018, p 1.

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We consider that a council's average OPR over the next five years should be 0% or greater, as this is typically the minimum level needed to demonstrate financial sustainability. An OPR consistently well above 0% would bring into question the financial need for the proposed amendment. We note that other factors, such as the level of borrowings and/or investment in infrastructure, may affect the need for a council to have a higher or lower operating result than the OLG breakeven benchmark.

While the OPR is a good guide to a council's ongoing *financial performance* (or sustainability), we may also have reference to a council's *financial position*, and in particular its net cash (or net debt).<sup>31</sup> This may inform us as to whether the Council has significant cash reserves that could be used to fund the purpose of the proposed amendment. We examined the Council's net cash position in 2018-19 and as a percentage of income to gauge its financial position.

We note the OPR is a measure of the Council's financial performance, measuring how well a council contains its operating expenditure within its operating income. As the ratio measures net operating results against operating revenue, it does not include capital expenditure. That is, a positive ratio indicates operating surplus available for capital expenditure. Therefore, we may also further consider the impact of a proposed SV on a council's infrastructure ratios, where relevant to a council's application, given the management of infrastructure assets is an important component of a council's function.

Where relevant, we consider a council's infrastructure backlog ratio, which measures the council's backlog of assets against its total written down value of its infrastructure. The benchmark set by OLG for the ratio is less than 2%. It is defined as:

$$\text{Infrastructure backlog ratio} = \frac{\text{Estimated cost to bring assets to a satisfactory standard}}{\text{Carrying value of infrastructure assets}}^{32}$$

Where relevant to its SV proposal, we may also consider a council's infrastructure renewals ratio, which assesses the rate at which infrastructure assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG for the ratio is greater than 100%. It is defined as:

$$\text{Infrastructure renewals ratio} = \frac{\text{Infrastructure asset renewals}}{\text{Depreciation, amortisation and impairment}}^{33}$$

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<sup>31</sup> Net debt is the book value of the Council's gross debt less any cash and cash-like assets on the balance sheet. Net debt shows how much debt the Council has on its balance sheet if it pays all its debt obligations within its existing cash balances. Over time, a change in net debt is an indicator of the Council's financial performance and sustainability on a cash basis.

<sup>32</sup> Historical cost less accumulated depreciation.

<sup>33</sup> Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or refurbishment of old assets) that increases capacity/performance.

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### 5.1.1 Assessment of the Council's IP&R documents and alternatives to the rate rise

The Council's combined Community Strategic Plan, Delivery Program and Operational Plan clearly set out the need for, and purpose of, the proposed amendment, which is to continue to provide the services and projects funded by the existing environmental levy. This includes initiatives to reduce energy and water consumption, community engagement and education, and lowering transportation emissions via walking, cycling, and public transport initiatives.<sup>34</sup>

The IP&R documents did not have any discussion on alternatives to the rate rise.

The OLG Guidelines state that the Council should consider alternative funding sources in its application, such as loans, grants, and varying fees and charges. The Council determined that if the community decidedly opposed the levy or if it were to be discontinued, it would fund a reduced version of the current environmental programs through general income, but with a longer timeframe.<sup>35</sup> In addition, we note that the Council is applying to renew a levy that has been in place since 2004, and has indicated the decision to keep the levy temporary is a deliberate strategy to provide ratepayers with the ability to provide feedback and consider whether it should be discontinued every five years.<sup>36</sup>

The updated versions of the Delivery Program and LTFP were adopted on 12 February 2019 (see Section 5.4).

### 5.1.2 Assessment of the impact of the proposed amendment on the Council's financial performance and position

#### The Council's forecast operating result

The **Proposed Amendment Scenario** assumes that the Council will receive the proposed amendment revenue in addition to the revenue from the existing SV. The **Baseline with Proposed Amendment Expenditure Scenario** assumes the Council's expenditure will remain the same as under the Proposed Amendment Scenario and it will continue to receive income from the existing SV, but it will not receive income from the proposed amendment.

Under the Proposed Amendment Scenario, the Council forecasts consistent operating performance results, remaining steady at 4.9% in 2023-24 and then falling to 2.0% in 2028-29. The cumulative value of the forecast operating surpluses is \$65.6 million to 2028-29 under this scenario. This surplus would allow the Council to deliver its proposed levels of service.

Under the Baseline with Proposed Amendment Expenditure Scenario, the Council forecasts lower operating surpluses, as shown in Figure 5.1 and Table 5.1. The cumulative value of these forecast operating results (before capital grants and contributions) is \$40.9 million to 2028-29 under this scenario.

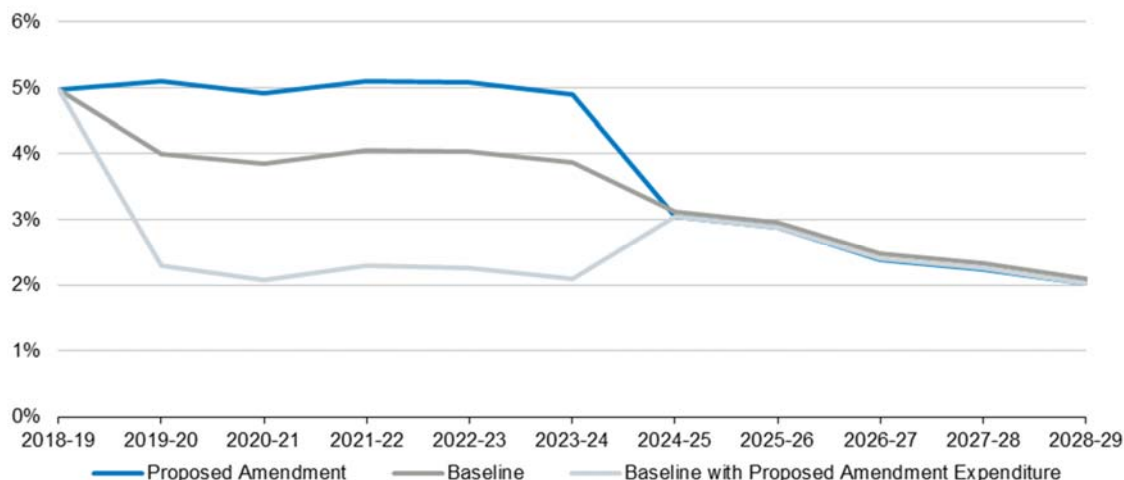
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<sup>34</sup> Randwick City Council, *Randwick City Plan* p 96.

<sup>35</sup> Randwick City Council, *Delivery Program* p 112.

<sup>36</sup> Randwick City Council, *Application Part B*, p 9.

**Figure 5.1 Randwick City Council's Operating Performance Ratio (%) excluding capital grants and contributions (2018-19 to 2028-29)**



**Note:** Baseline with Proposed Amendment Expenditure Scenario shows the impact on the Council's operating position if the proposed projects were to go ahead without the proposed amendment revenue, but with the previously approved SV revenue.

**Data source:** Randwick City Council, *Application Part A*, Worksheet 8 and IPART calculations.

**Table 5.1 Projected operating performance ratio (%) for Randwick City Council's amendment application (2018-19 to 2028-29)**

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Proposed amendment	5.1	4.9	5.1	5.1	4.9	3.0	2.9	2.4	2.2	2.0
Baseline	4.0	3.8	4.1	4.0	3.9	3.1	3.0	2.5	2.3	2.1
Baseline with proposed amendment expenditure	2.3	2.1	2.3	2.3	2.1	3.0	2.9	2.4	2.3	2.0

**Source:** IPART calculations based on Randwick City Council, *Application Part A*, Worksheet 8.

Our analysis indicates that over the next five years, the Council's financial performance under each scenario results in an average OPR of:

- ▼ 5.0% under the Proposed Amendment Scenario
- ▼ 4.0% under the Baseline Scenario
- ▼ 2.2% under the Baseline with Proposed Amendment Expenditure Scenario.

### Impact on the Council's net cash (debt)

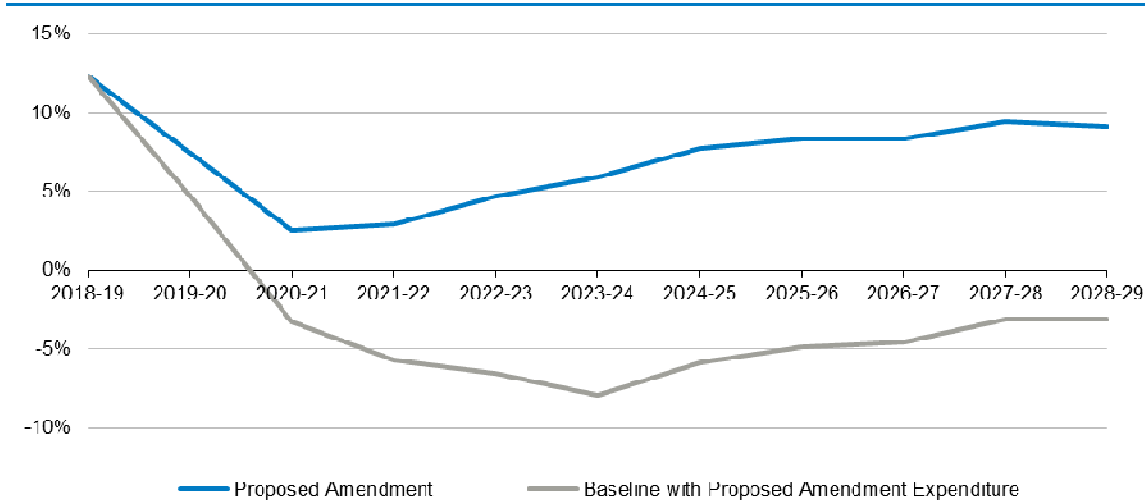
We calculate the Council's net cash is \$18.9 million or 12.3% of income in 2018-19. Over the longer term, with the proposed amendment revenue, net cash would increase.

We forecast that under the Baseline with Proposed Amendment Expenditure Scenario, if the Council proceeds with the expenditure included in its application with the proposed amendment revenue, its net debt position will average -3.8% over the next five years, before

moving to -3.1% by 2028-29. Under the Proposed Amendment Scenario, its net cash position will average 4.7% over the next five years, and be 9.1% by 2028-29.

The Council’s forecast net cash position over the next 10 years is shown in Figure 5.2 below.

**Figure 5.2 Randwick City Council’s net cash (debt) to income ratio (%) (2018-19 to 2028-29)**



**Note:** Baseline with Proposed Amendment Expenditure Scenario shows the impact on the Council’s net cash (debt) to income ratio if the special variation projects were to go ahead without the proposed amendment revenue, but with the existing SV revenue.

**Data source:** Randwick City Council, *Application Part A*, Worksheet 8 and IPART calculations.

Our analysis indicates that over the next five years, the Council’s financial performance under each scenario results in an average net cash (debt) to income ratio of:

- ▼ 4.7% under the Proposed Amendment Scenario
- ▼ -3.8% under the Baseline with Proposed Amendment Expenditure Scenario.

### Submissions from the community to IPART

IPART received 12 submissions during the consultation period from 11 February 2019 to 14 March 2019. Five of these submissions related to the Council’s financial need. One of the key issues raised was the increase in large, rateable high-rise structures and the revenue that they would generate. We note that new development is likely to result in an increased share of total PGI paid by minimum rate payers as a group, but it does not increase the overall income for the Council, as the rate peg caps PGI, rather than rates.

### 5.1.3 Overall assessment of the Council’s financial need

The Council’s forecasts under the Baseline with Proposed Amendment Expenditure Scenario show that if it proceeds with the expenditure included in its application (but without the additional income from the proposed amendment), its OPR would average 2.2% over the next five years. This suggests that over the five years of the proposed amendment, the Council’s financial performance measured by OPR is above the benchmark of 0% or greater. Under the



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Proposed Amendment Scenario, our analysis shows that the Council's OPR in 2023-24 is 4.9% and averages 5.0% over the next five years.

We forecast the Council will have a net cash position of \$18.9 million at 30 June 2019, with total cash and investments greater than total debt. As at 30 June 2018, the Council held a total of \$65.4 million in cash, cash equivalents, and investments, with:

- ▼ \$24.1 million externally restricted
- ▼ \$40.1 million internally restricted
- ▼ \$1.1 million unrestricted.<sup>37</sup>

This suggests that a significant balance of the Council's cash and investments are committed to other purposes and are not available for discretionary use to fund part of the Council's proposed amendment expenditure.

We note that the capital program that is funded over the five years of the proposed amendment is \$10.4 million or around 40% of the total revenue generated.<sup>38</sup> This capital expenditure will be funded by the operating surplus generated by the proposed amendment. Our analysis indicates the Council's net cash position would deteriorate given the program of expenditure set out in its application without the proposed amendment revenue. While the OPR is positive, given the need to generate funds for capital expenditure and the level of community support for the environmental works, we consider the financial need is largely demonstrated.

## 5.2 Community engagement and awareness

The OLG Guidelines outline consultation requirements for the Council when seeking special variations or amendments to special variations. Specifically:

- ▼ The Council's Delivery Program and LTFP should clearly set out the extent of the General Fund rate rise under the proposed special variation or amendment. In particular, councils need to communicate the full cumulative increase of the proposed special variation or amendment in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category (see Section 5.4 for this assessment).
- ▼ The Council's community engagement strategy for the proposed SV or amendment must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occurred.

Ultimately, we consider evidence that the community is aware of the need for, and extent of, a rate rise. That is, whether the consultation conducted by the Council with ratepayers has been effective.

In this section we assess the consultation process, including the clarity of the consultation, the timeliness of the consultation and whether an effective variety of engagement methods were used to reach as many ratepayers as possible across all relevant rating categories.

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<sup>37</sup> Randwick City Council, *Application Part A, Worksheet 7*.

<sup>38</sup> Randwick City Council, *Application Part A, Worksheet 6*.



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We also examine the effectiveness of any direct community engagement and any council response to community feedback.

### **5.2.1 Assessment of consultation with the community**

#### **Process and Content**

The material the Council prepared for ratepayers on its proposed amendment contained most of the elements needed to ensure ratepayers were well informed and able to engage with the Council during the consultation process.

Specifically, the Council:

- ▼ Communicated the need for the proposed amendment to meet the community's desire to fund existing and new environmental initiatives
- ▼ Communicated the impact of the proposed amendment to ratepayers, including the percentage increase of the proposed amendment across various categories of ratepayers<sup>39</sup>
- ▼ Communicated what the proposed amendment would fund.

#### **Clarity**

The Council's consultation material was clear in its presentation of the proposed amendment and not likely to confuse ratepayers about the need for, or impact of, the proposed rate increase.

#### **Timeliness**

The Council carried out community consultation on its proposed amendment from 20 November 2018 to 9 January 2019. This consultation period provided sufficient opportunity for ratepayers to be informed and engaged on the proposed amendment.<sup>40</sup>

#### **Engagement methods used**

The Council provided reasonable opportunities for community feedback, and used a variety of methods to engage with its community, including:

- ▼ A letter mailed out to ratepayers that included the cumulative percentage increase and average dollar cost to residential ratepayers, as well as details on how to provide feedback.<sup>41</sup>
- ▼ Newsletters and fact sheets in the *Southern Courier* and *The Beast*, providing the cumulative percentage increase and average dollar cost increase to residential ratepayers.<sup>42</sup>
- ▼ A dedicated "Your Say" proposed amendment website, with details on the amendment and the ability to provide feedback.<sup>43</sup>

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<sup>39</sup> We note that the Council consulted for a greater percentage than they applied for.

<sup>40</sup> Randwick City Council, *Application Part B*, p 23.

<sup>41</sup> Randwick City Council, *Attachment 19 20 21 and 23 Community Engagement Materials*, p 9.

<sup>42</sup> Randwick City Council, *Attachment 19 20 21 and 23 Community Engagement Materials*, pp 11-14.

<sup>43</sup> Randwick City Council, *Application Part B* p 26.

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- ▼ Information sessions held at Randwick Community Centre, Lionel Bowen Library in Maroubra, and Prince Henry Centre, Little Bay.<sup>44</sup>
  - ▼ Phone, online, and mail surveys (see Section 5.2.2).
  - ▼ Bus stop posters, and newspaper and social media advertisements, with details on how to provide feedback.<sup>45</sup>

The range of engagement methods used by the Council provided sufficient opportunity for ratepayers to be informed and engaged on the proposed amendment application.

### **5.2.2 Assessment of outcomes of consultation with the community**

Although this criterion does not require the Council to demonstrate community support for the proposed amendment, it is required to consider the results of its community consultation in preparing its application.

The Council received 164 written submissions and 5,823 online submissions from ratepayers in relation to its proposed amendment, with 40% of written submissions and 54% of online submissions in favour of the amendment.<sup>46</sup> The main reasons for opposition were:<sup>47</sup>

- ▼ Rates are currently too high
- ▼ Affordability
- ▼ Proposed uses of the funds.

In addition, the Council engaged Taverner Research to conduct a phone survey of residents to measure ratepayers' willingness to pay for the amendment. This survey had 600 respondents selected to ensure a representative sample of the population. The survey found that 72% of residents surveyed supported the levy continuing.<sup>48</sup> Support among residents responsible for paying the rates was 65%.

The Council has considered its community's feedback in applying for the renewal of the levy.

### **Submissions from the community to IPART**

IPART received 12 submissions during the consultation period from 11 February 2019 to 14 March 2019. Five of these submissions were in relation to the Council's consultation and feedback processes. The key issues raised were a lack of rigour in the surveys and a lack of unbiased consultation material.

We found that the Council consulted with the community using surveys of an appropriate size and including the relevant information. In particular, a few submissions suggested that the Council's survey results were not valid as they included residents and not just ratepayers.

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<sup>44</sup> Randwick City Council, *Application Part B* p 24.

<sup>45</sup> Randwick City Council, *Application Part B* p 26.

<sup>46</sup> Randwick City Council, *Attachment 22 and 27 – Community Feedback Community engagement results* p 3.

<sup>47</sup> Randwick City Council, *Application Part B* p 43.

<sup>48</sup> Randwick City Council, *Application Part B* p 27.

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We note that the Council's online survey was only sent out to ratepayers.<sup>49</sup> The phone survey also provided a breakdown of results separately identifying the responses of ratepayers.

### **5.2.3 Overall assessment of community engagement and awareness**

We found that the Council demonstrated that its community is sufficiently aware of the need for, and extent of, the proposed amendment.

## **5.3 Impact on affected ratepayers**

The OLG Guidelines require that the impact of the proposed amendment on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the amendment. Specifically, the Delivery Program and LTFP should:

- ▼ Clearly show the impact of any rate rises upon the community
- ▼ Include the Council's consideration of the community's capacity and willingness to pay rates
- ▼ Establish that the proposed rate increases are affordable, having regard to the community's capacity to pay.

Section 5.4 of this report considers the Council's Delivery Program and LTFP.

The focus of this criterion is to examine the impact that the proposed amendment would have on ratepayers, in the context of the purpose of the proposed amendment.

In this section we consider how the Council has informed ratepayers of the impact of the proposed amendment on their rates and addressed affordability concerns.

We also undertake our own analysis of the reasonableness of the proposed rate increase by considering the average growth in the Council's rates in recent years, how the Council's average rates compare to similar councils and other socio-economic indicators such as median household income and SEIFA ranking.

The Council has calculated that in 2019-20, with the proposed amendment and the existing special variation:

- ▼ The average residential rate will increase by \$70
- ▼ The average business rate will increase by \$468.

Table 5.2 sets out the Council's estimates of the expected increase in average rates in the main ratepayer categories with the proposed amendment and the existing SV applied.

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<sup>49</sup> Randwick City Council, *Attachment 22 and 27 – Community Feedback Community engagement results* p 12.

**Table 5.2 Indicative annual increases in average rates under Randwick City Council's proposed amendment and existing SV (2019-20 to 2020-21)**

Year	2018-19	2019-20	2020-21	Cumulative Increase
<b>Residential rate \$</b>	<b>1,294</b>	<b>1,364</b>	<b>1,439</b>	
\$ increase		70	75	145
% increase		5.4	5.5	11.2
<b>Business rate \$</b>	<b>8,621</b>	<b>9,089</b>	<b>9,591</b>	
\$ increase		468	502	970
% increase		5.4	5.5	11.2

**Note:** 2018-19 is included for comparison. The average rate is calculated by IPART, and includes the ordinary rate and any special rates applying to the rating category. Includes decrease of 6.0% in 2019-20 due to the expiring SV.

**Source:** Randwick, Application Part A, Worksheet 5a and IPART calculations.

### 5.3.1 Assessment of the Council's consideration of impact on ratepayers

The Council has considered the impact on ratepayers in its application. It examined indicators such as community feedback, outstanding rates ratios, median household income, hardship policies, and SEIFA rankings to assess the impact on ratepayers. It concluded its ratepayers have the capacity and willingness to pay the rate levels proposed under the proposed amendment as:<sup>50</sup>

- ▼ The proposed amendment is a renewal of an environmental levy that has been in place since 2004.
- ▼ There is community support to retain the levy.
- ▼ The Council has a low outstanding rates ratio (2.41% in 2017-18).
- ▼ The median weekly household income in the council area (\$1,916) is \$166 higher than the Greater Sydney area.
- ▼ The Council has pensioner and financial hardship policies, and the pensioner rebate was increased in 2018 by \$75.
- ▼ The Council has an above average SEIFA ranking.

As Section 5.2.2 outlined, the Council's survey results indicated that 72% of respondents supported the retention of the environmental levy.<sup>51</sup>

### 5.3.2 IPART's consideration of the impact on ratepayers

To assess the reasonableness of the impact of the proposed amendment on ratepayers, we examined the Council's SV history and the average annual growth of rates in various rating categories. We found that since 2008-09:

- ▼ The Council has applied for, and been granted, a 9.81% SV in 2009-10 and a 6% SV in 2014-15 for environmental sustainability outcomes. Both were temporary and for a period of five years.

<sup>50</sup> Randwick City Council, *Application Part B*, pp 27 and 52-56.

<sup>51</sup> Randwick City Council, *Application Part B*, p 13.

- ▼ The Council applied for, and was granted, a 4-year SV in 2013-14 for a cumulative increase of 15.15% that was used to fund community assets and remained permanently in the rate base.
- ▼ The average annual growth in residential and business rates between 2008-09 and 2018-19 was 4.4% and 5.2%, respectively, which compares with the average annual growth in the rate peg of 2.6% over the same period.

We also compared rates and socio economic indicators in the Local Government Area (LGA) with OLG Group 3 and similar, nearby councils (as shown in Table 5.3).

**Table 5.3 Randwick City Council - comparison of rates and socio-economic indicators with neighbouring and similar councils and Group 3 averages (2016-17)**

Council (OLG Group)	Average residential rate (\$) <sup>a</sup>	Average business rate (\$)	Median annual household income (\$) <sup>b</sup>	Ratio of average rates to median income (%)	Outstanding rates ratio (%)	SEIFA Index NSW Rank <sup>c</sup>
Woollahra (2)	1,308	3,512	139,724	0.9	4.1	129
North Sydney (3)	751	3,696	122,720	0.6	1.1	127
Waverley (3)	1,043	6,126	120,016	0.9	3.8	124
<b>Randwick (3)</b>	<b>1,204</b>	<b>6,823</b>	<b>99,632</b>	<b>1.2</b>	<b>2.8</b>	<b>117</b>
Group 3 average	1,005	6,396	98,249	1.0	3.2	-

**a** The average residential rate (ordinary and special) is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category. **North Sydney** has applied for a rate increase in 2019-20. The data in this table does not capture this proposed increase.

**b** Median annual household income is based on 2016 ABS Census data.

**c** The highest possible ranking is 130 which denotes a Council that is least disadvantaged in NSW.

**Source:** OLG, Time Series Data 2016-2017; ABS, *Socio-Economic Indexes for Areas (SEIFA) 2016*, March 2018; ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, *Median Weekly Household Income* and IPART calculations.

Based on 2016-17 data, we found that the Council's:

- ▼ Average residential rates of \$1,204 were 19.9% higher than the average for Group 3 councils and 20.3% higher than the weighted average for neighbouring councils.
- ▼ Average business rates of \$6,823 were 6.7% higher than Group 3 councils and 58.8% higher than the weighted average for neighbouring councils.
- ▼ Average rates to income ratio was 0.2 percentage points higher than for Group 3 councils and higher than the average for neighbouring councils.
- ▼ Outstanding rates ratio was 0.4 percentage points lower than for Group 3 councils and higher than the average for neighbouring councils.
- ▼ SEIFA ranking indicates that the Council area is moderately more disadvantaged than all three comparison councils, with considerably lower median annual household income.

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We also compared the Council's average rate levels under the proposed amendment, given the existing SV, to the OLG Group 3 average rate levels in 2019-20.52 We found that the Council's:

- ▼ Average residential rate of \$1,364 would be \$292 (27.3%) higher than the estimated average residential rate for Group 3 councils of \$1,071
- ▼ Average business rate of \$9,089 would be \$2,268 (33.3%) higher than the estimated average business rate for Group 3 councils of \$6,821.

We considered the community willingness to pay, and found that community feedback to the Council's survey regarding retaining the environmental levy has been largely positive.

### **5.3.3 Submissions from the community to IPART**

IPART received 12 submissions during the consultation period from 11 February 2019 to 14 March 2019. Seven of the submissions were in relation to concerns about the rate increase impacting affordability. We found that the Council's average residential rates were higher than OLG Group 3 and nearby, comparable councils, but that the Council demonstrated that there was a reasonable level of community support for the proposed amendment and a willingness to pay.

### **5.3.4 Overall assessment of the impact on affected ratepayers**

We found that the impact on affected ratepayers would be largely reasonable, given:

- ▼ The proposed amendment replaces an existing SV that expires on 30 June 2019, which means the community is already paying the levy this amendment seeks to renew.
- ▼ The community feedback regarding retaining the environmental levy has been largely positive, with 72% of respondents to the Council's phone survey and 54% of respondents to the Council's online survey supporting the retention of the environmental levy.
- ▼ The community's capacity to pay, given its SEIFA ranking indicates a relatively low level of disadvantage.

However, we note that the Council's rates are higher than neighbouring and similar councils.

## **5.4 Integrated Planning and Reporting documents**

The IP&R framework provides a mechanism for councils and the community to engage in important discussions about service levels and funding priorities and to plan in partnership for a sustainable future. The IP&R framework therefore underpins decisions on the revenue required by each council to meet the community needs and demands.

The OLG Guidelines require the Council to exhibit, approve and adopt the relevant IP&R documents before submitting an application for a proposed amendment, to demonstrate sufficient planning.

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<sup>52</sup> Based on the 2016-17 data obtained from OLG, IPART has performed calculations to increase the OLG Group 3 average rate levels by the rate peg each year from 2017-18 to 2028-29 to allow for comparison of the Council's proposed average rate levels with the special variation over the proposed SV period.

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The relevant documents are the Community Strategic Plan, Delivery Program, LTFF and, where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program (if amended) require public exhibition for 28 days. The OLG Guidelines also expect that the LTFF be posted on the Council's website.

In this section we assess whether the Council has included the proposed amendment in its IP&R framework as outlined in Criterion 1 to 3 of the OLG Guidelines and exhibited, approved and adopted its IP&R documents. According to the OLG Guidelines, the elements that should be included in the IP&R documentation are:

- ▼ The need for, and purpose of, the proposed amendment
- ▼ The extent of the general fund rate rise under the proposed amendment
- ▼ The impact of any rate rises upon the community.

#### **5.4.1 Assessment of content of IP&R documents**

##### **The need for, and purpose of, the proposed amendment**

The Council presented the need for, and purpose of, the proposed amendment in both the Delivery Program and the LTFF. However, the Council's Delivery Program did not canvas alternatives to the rate rise. The OLG guidelines state that councils should consider all alternative funding sources in their application, such as loans, grants, and varying fees and charges. The Council determined that if the community decidedly opposed the levy or if it were to be discontinued, it would fund a reduced version of the current environmental program through general income, but with a longer timeframe. In addition, we note that the Council is applying to renew a levy that has been in effect since 2004, and has indicated that the temporary levy is used as a deliberate strategy to provide ratepayers with the ability to provide feedback and consider whether it should be discontinued every five years (see Section 5.1.1).

The LTFF indicates the financial impact of the proposed amendment by presenting both a Baseline Scenario reflecting the business as usual model excluding the proposed amendment and a Proposed Amendment Scenario reflecting the additional revenues and expenditures expected with the proposed amendment in place.<sup>53</sup>

##### **The extent of the general fund rate rise under the amendment**

The Council's combined Community Strategic Plan, Delivery Program and Operational Plan included the full extent of the proposed amendment in percentage terms. It consistently communicated the proposed amendment would be in addition to the existing SV.<sup>54</sup>

The Council's combined Community Strategic Plan, Delivery Program and Operational Plan communicated the total increase in dollar terms for the average residential and business ratepayer throughout all five years of the proposed amendment. We consider its IP&R documents sufficiently communicated the proposed amendment would be applied across all ratepayers.

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<sup>53</sup> Randwick City Council, *Long Term Financial Plan* pp 14-22.

<sup>54</sup> Randwick City Council, *Delivery Program* p 112.



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## **The impact of any rate rises upon the community**

The Council's IP&R documents identify that in order to meet the community's priority to maintain services at current levels and proceed with proposed environmental projects it would need to apply for an amendment.<sup>55</sup> The Council's application shows the Council considered the community's capacity and willingness to pay rates under the proposed amendment.<sup>56</sup> Within its IP&R documents, the Council presented information on average household incomes, relative levels of socio-economic disadvantage, outstanding rates and annual charges, and hardship and concession policies.<sup>57</sup>

## **Assessment of the exhibition, approval and adoption of IP&R documents**

The Council publicly exhibited its Community Strategic Plan, Delivery Program and LTFP from 12 December 2018 to 9 January 2019. The Council advertised that the documents were available in hard copy at all Randwick City Council Libraries, at the Customer Service Centre, and online at [www.yoursay.randwick.nsw.gov.au/EnviroLevy2019](http://www.yoursay.randwick.nsw.gov.au/EnviroLevy2019).<sup>58</sup> The updated Community Strategic Plan, Delivery Program and LTFP were adopted on 12 February 2019.<sup>59</sup>

### **5.4.2 Overall assessment of the IP&R documents**

The Council's IP&R documents largely contained the relevant information and were exhibited, approved and adopted by the Council. We note that the Delivery Program and LTFP did not canvas alternatives to the rate rise. Nevertheless, we consider, on balance, that the Council's IP&R documents relating to the proposed amendment are satisfactory.

## **5.5 Productivity improvements and cost containment strategies**

The OLG Guidelines require councils to explain the productivity improvements and cost containment strategies that have been realised in past years and are expected to be realised over the proposed amendment period.

Achieving cost savings through improved productivity can reduce the need for, or extent of, the increase to general income needed through a proposed special variation or amendment.

### **5.5.1 Assessment of efficiency gains achieved**

The Council's application sets out the productivity improvement and cost containment initiatives it has undertaken in recent years. These include:<sup>60</sup>

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<sup>55</sup> Randwick City Council, *Operational Plan and Budget*, p 109.

<sup>56</sup> Randwick City Council, *Application Part B*, pp 45-56.

<sup>57</sup> Randwick City Council, *Operational Plan and Budget*, p 11, Randwick City Council, *Randwick City Plan*, p 15; and Randwick City Council, *Long Term Financial Plan*, p 7.

<sup>58</sup> Randwick City Council, *Application Part B*, p 23.

<sup>59</sup> Randwick City Council, *Attachment 1 – resolution to adopt revised Community Strategic Plan and or Delivery Program*.

<sup>60</sup> Randwick City Council, *Application Part B* pp 60-64; and email to IPART, Randwick City Council, 12 March 2019.



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- ▼ Implemented an online DA Lodgement portal, resulting in efficiency improvements, convenience and environmental benefits, with more than 20% of all development applications lodged online (from less than 5% four years ago) and an estimated 20,000- 30,000 sheets of paper saved each year.
  - ▼ Continued to remove fixed line PSTN services and other legacy telephony requirements, as well as reducing the number of simultaneous fixed line channels from 100 to 60 to reflect accurate usage, with a reduction in costs of approximately \$130,000 per annum.
  - ▼ Reviewed its Microsoft, Adobe and VMW licensing requirements as a result of the datacentre and device consolidation project, and reduced the licence footprint by \$120,000 per annum.
  - ▼ Reduced the service level agreement for on-call clean up from nine days to two days, saving \$20,000 per year plus 20 hours staff time per week.
  - ▼ Implemented eNotices, allowing customers and ratepayers to receive their rates notices online, saving approximately \$24,000 per year in printing and postage costs.

### **5.5.2 Assessment of strategies in place for future productivity improvements**

The Council indicated that it is planning future efficiency measures over the proposed amendment period. Some included:<sup>61</sup>

- ▼ The 150 employees at the Council that undertake field activities requiring access to the Council's systems, such as health inspectors, engineers, works gangs, will be provided with the equipment and apps they need to do what is required in the field without returning to the office to enter their work notes.
- ▼ The new CRM consolidation and Customer portal systems will provide customer relationship management with support for many channels of communication, including SMS, email and notifications. All dealings with customers will be automatically routed to the record keeping system, which will significantly reduce the overhead of the current customer communication methods.
- ▼ Upgrading street lighting to be 22% more energy efficient, saving an estimated \$100,000 in energy costs per annum.
- ▼ Implementing a new datacentre strategy through co-location of the Council systems into professionally managed datacentres remote from the Council's main sites, reducing energy consumption from running two server rooms onsite and providing productivity benefits through simpler management and retirement of outdated and complex infrastructure; as well as a consolidation of virtual machine infrastructure to reduce management overheads.

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<sup>61</sup> Randwick City Council, *Application Part B* p 65; and Email to IPART, Council Coordinator, Randwick City Council, 12 March 2019.

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### **5.5.3 Overall assessment of productivity improvements and cost containment strategies**

We found that the Council has explained its productivity improvements and cost containment strategies, as well as its proposed future strategies. It has also quantified the cost savings resulting from these efficiency measures.

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## 6 Our Decision

We have decided to approve the proposed amendment in full. This amendment will apply in addition to the existing SV. We have attached conditions to this decision, including that the Council use the income raised from the amendment for purposes consistent with those set out in its application as outlined in Box 1.1.

The approved amended variation to general income is the maximum amount the Council may increase its income by.

### 6.1 Our decision's impact on the Council

Our decision means the Council may increase its general income from \$78.4 million in 2018-19 to \$92.2 million in 2020-21 as a result of the approved amendment and the existing SV. On 1 July 2024, the Council must reduce its general income to what it would have been without the 5.90% temporary component.

Table 6.1 shows the percentage increase we have approved and the percentage increases approved for the existing SV, and estimates the annual increases in the Council's general income incorporating adjustments that will occur as a result of various catch-up and valuation adjustments.

**Table 6.1 Permissible general income (PGI) from 2019-20 to 2023-24 arising from the approved amendment and existing SV**

Year	Increase approved (%)	Cumulative increase approved (%)	Increase in PGI above rate peg (\$)	Cumulative increase in PGI (\$)	PGI (\$)
Adjusted notional income 1 July 2019					78,422,163
2019-20	11.42	11.42	6,838,413	8,927,006 <sup>a</sup>	87,349,169
2020-21	5.52	17.57	9,647,318	13,748,680	92,170,843
2021-22	2.50	20.51	9,888,501	16,052,951	94,475,114
2022-23	2.50	23.52	10,135,713	18,414,829	96,836,992
2023-24	2.50	26.61	10,389,106	20,835,754	99,257,917
Total cumulative increase approved				77,979,220	
Total above rate peg			<b>46,899,051</b>		

<sup>a</sup> Includes an adjustment of -\$4,455,954 for an SV that expires on 30 June 2019.

**Note:** The above information is correct at the time of the Council's application (February 2019).

**Source:** Randwick City Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

We estimate the cumulative increase arising from the combined effect of the approved amendment and the existing SV over 10 years is \$74.5 million. This is 7.6% above what the Council would have received if limited to just the assumed rate peg.

This income will enable the Council to proceed with its environmental projects and continue its program of expenditure under its existing SV.

## 6.2 Our decision's impact on ratepayers

IPART sets the allowable increase in general income, but it is a matter for each council to determine how it allocates any increase across different categories of ratepayer, consistent with our determination.

In its application, the Council indicated it intended to:

- ▼ Renew its current environmental levy, which expires on 1 July 2019, and apply it across all rating categories for five years
- ▼ Continue with its existing SV increases of 5.52% in 2019-20 and 5.52% in 2020-21, and retain these increases in its rate base permanently.

If the Council increases its rates as indicated in its application, then the impact on ratepayers will be as shown in Table 5.2. The average residential rate will increase by \$145 (11.2%) and the average business rate will increase by \$970 (11.2%) by 2020-21. This includes the combined effect of the approved amendment and the existing SV.

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This represents an increase **above the rate peg** for the average residential rate of \$90 (6.6%) and the average business rate of \$180 (1.9%) by 2020-21.<sup>62</sup>

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<sup>62</sup> Randwick City Council, *Application Part*, Worksheet 5a; and IPART calculations.





## Appendices

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## A Assessment criteria for Special Variation applications

**Table A.1 Assessment criteria for special variation applications**

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### Assessment criteria

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#### **Criterion 1 – Financial need**

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 canvas 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/project and limited council resourcing alternatives. Evidence could also include analysis of council's financial sustainability conducted by Government agencies.

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#### **Criterion 2 – Community awareness**

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 SV 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.

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#### **Criterion 3 – Impact on ratepayers is reasonable**

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 rate 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.
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#### **Criterion 4 – IP&R documents are exhibited**

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 income.

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**Criterion 5 – Productivity improvements and cost containment strategies**

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 SV period.

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**Additional matters**

In assessing an application against the assessment criteria, IPART considers the size and resources of the council, the size of the increase requested, current rate levels and previous rate rises, the purpose of the special variation and other relevant matters.

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**Source:** Office of Local Government, *Guidelines for the preparation of an application for a special variation to general income*, October 2018, pp 8-9.

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## B Expenditures to be funded from the proposed amendment

Table B.1 and Table B.2 show the Council's proposed expenditure of the amendment funds over the next five years.

The Council will use the additional revenue from the amendment of \$24.9 million over five years to fund environmental initiatives such as:<sup>63</sup>

- ▼ Coastal walkway construction
- ▼ Wastewater re-use program upgrades
- ▼ Energy efficiency upgrades
- ▼ Solar power installations.

As a condition of IPART's approval, the Council will indicate in its Annual Reports how its actual expenditure compares with this proposed program of expenditure.

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<sup>63</sup> Randwick City Council, *Application Part A*, Worksheet 6.

**Table B.1 Randwick City Council – Revenue and proposed expenditure over five years related to the Special Variation (2019-20 to 2023-24) (\$000)**

	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Special variation revenue above assumed rate peg	4,627	4,882	5,004	5,129	5,258	<b>24,901</b>
Funding for operating expenditures to maintain current service levels	2,662	2,848	2,924	2,988	3,072	<b>14,494</b>
Funding for capital expenditure	1,965	2,034	2,081	2,141	2,186	<b>10,406</b>
<b>Total income/expenditure</b>	<b>4,627</b>	<b>4,882</b>	<b>5,004</b>	<b>5,129</b>	<b>5,258</b>	<b>24,901</b>

**Note:** Numbers may not add due to rounding. Total special variation expenditure equals funding for increased operating expenditures plus funding for capital expenditure. Data is only available for 2019-20 to 2023-24 due to 5-year scope of the special variation.

**Source:** Randwick City Council, *Application Part A*, Worksheet 6.

**Table B.2 Randwick City Council – Proposed 10-year capital expenditure program related to the Special Variation (2019-20 to 2023-24) (\$'000)**

	2019-20	2020-21	2021-22	2022-23	2023-24	Total
<b>Renewals</b>						
Energy Efficiency Program	265	276	278	291	291	1,401
Gross Pollutant Traps	130	133	136	139	142	680
<b>Total Asset Renewal</b>	<b>395</b>	<b>409</b>	<b>414</b>	<b>429</b>	<b>434</b>	<b>2,081</b>
<b>New assets</b>						
Coastal Walkway	940	970	995	1,025	1,051	4,981
Water Conservation Program	600	620	636	650	666	3,172
Energy Program	30	35	36	37	35	173
<b>Total New Assets</b>	<b>1,570</b>	<b>1,625</b>	<b>1,667</b>	<b>1,712</b>	<b>1,752</b>	<b>8,325</b>
<b>Total Capital Expenditure</b>	<b>1,965</b>	<b>2,034</b>	<b>2,081</b>	<b>2,141</b>	<b>2,186</b>	<b>10,406</b>

**Note:** Numbers may not add due to rounding.

**Source:** Randwick City Council, *Application Part A*, Worksheet 6.

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## C Randwick City Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, the Council is to report annually in its annual report for each year from 2019-20 to 2024-25 against its projected revenue, expenses and operating balance as set out in its LTFP (shown in Table C.1).

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capital grants and contributions. To isolate ongoing trends in operating revenues and expenses, our analysis of the Council's operating account in the body of this report excludes capital grants and contributions.

**Table C.1 Summary of projected operating statement for Randwick City Council (2019-20 to 2028-29) (\$000)**

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Total revenue	165,159	172,460	177,299	182,349	187,616	187,722	192,734	197,841	203,173	209,790
Total expenses	152,351	159,515	163,839	168,671	173,928	177,487	182,615	188,453	194,050	200,852
Operating result from continuing operations	12,808	12,945	13,460	13,678	13,688	10,236	10,118	9,388	9,123	8,938
Net operating result before capital grants and contributions	8,006	8,127	8,626	8,827	8,821	5,352	5,218	4,470	4,188	3,986

**Note:** Numbers may not add due to rounding.

**Source:** Randwick City Council, *Application Part A, Worksheet 8.*

## D Comparative indicators

### Performance indicators

Indicators of council performance may be considered across time, either for one council or for a group of similar councils, or by comparing similar councils at a point in time.

Table D.1 shows how selected performance indicators for the Council have changed over the four years to 2016-17. Table D.2 compares selected published and unpublished data about the Council with the averages for councils in its OLG group, and for NSW councils as a whole.

**Table D.1 Trends in selected performance indicators for Randwick City Council (2013-14 to 2016-17)**

Performance indicator	2013-14	2014-15	2015-16	2016-17	Average annual change (%)
FTE staff (number)	522	530	523	501	-1.4%
Ratio of population to FTE	273	274	285	298	2.9%
Average cost per FTE (\$)	104,648	108,825	118,002	120,613	4.8%
Employee costs as % operating expenditure (General Fund only) (%)	43.7%	43.8%	44.2%	41.1%	

**Note:** Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

**Source:** OLG, unpublished data.

**Table D.2 Select comparative indicators for Randwick City Council (2016-17)**

	Randwick	OLG Group 3 average	NSW average
<b>General profile</b>			
Area (km <sup>2</sup> )	36	-	-
Population	149,276	-	
General Fund operating expenditure (\$m)	147.0	181.2	76.3
General Fund operating revenue per capita (\$)	1,051	-	
Rates revenue as % General Fund income (%)	68.2%	48.3%	42.5%
Own-source revenue ratio (%)	89.6%	70.8%	66.0%
<b>Average rate indicators<sup>a</sup></b>			
Average rate – residential (\$)	1,204	1,005	1,053
Average rate – business (\$)	6,823	6,396	5,738
Average rate – farmland (\$)	.	2,840	2,500
<b>Socio-economic/capacity to pay indicators</b>			
Median annual household income, 2016 (\$) <sup>b</sup>	99,632	98,249	77,272
Average residential rates to median income, 2016 (%)	1.2%	1.0%	1.4%
SEIFA, 2016 (NSW rank: 130 is least disadvantaged)	117		
Outstanding rates and annual charges ratio (General Fund only) (%)	2.8%	3.2%	3.5%
<b>Productivity (labour input) indicators<sup>c</sup></b>			
FTE staff (number)	501	761	356
Ratio of population to FTE	298.0		
Average cost per FTE (\$)	120,613	100,803	91,762
Employee costs as % operating expenditure (General Fund only) (%)	41.1%	41.5%	38.8%

**a** Average rates equal total ordinary rates revenue divided by the number of assessments in each category.

**b** Median annual household income is based on 2016 ABS Census data.

**c** Except as noted, data is based upon total council operations, including General Fund, Water & Sewer and other funds, if applicable. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

**Source:** OLG, *Time Series Data 2016-2017*, OLG, unpublished data; ABS, *Socio-Economic Indexes for Areas (SEIFA) 2016*, March 2018, ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, *Median Weekly Household Income* and IPART calculations.



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## E Glossary

ABS	Australian Bureau of Statistics
Baseline Scenario	The Baseline Scenario shows the impact on the Council's operating and infrastructure assets' performance without the proposed amendment revenue and without the proposed amendment expenditure.
Baseline with proposed amendment expenditure Scenario	Includes the Council's full expenses arising from its proposed amendment, and the income received if we were to not approve its application. This scenario is a guide to the Council's financial sustainability if it still went ahead with its full expenditure program included in its application, but could only increase general income by the rate peg percentage.
Existing SV	The existing permanent SV that was approved in 2018.
General income	Income from ordinary rates, special rates and annual charges, other than income from other sources such as special rates and charges for water supply services, sewerage services waste management services, annual charges for stormwater management services, and annual charges for coastal protection services.
IPART	The Independent Pricing and Regulatory Tribunal of NSW
Local Government Act	<i>Local Government Act 1993</i> (NSW)
OLG	Office of Local Government
Proposed Amendment	The proposed amendment for an additional temporary increase starting in 2019-20.
Proposed amendment Scenario	Includes both the Council's forecast expenses incurred and income received if we approve its proposed amendment application.

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SEIFA

Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census. It consists of four indexes, the Index of Relative Socio-economic Disadvantage (IRSD), the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD), the Index of Economic Resources (IER), and the Index of Education and Occupation (IEO).

SV

Special Variation is the percentage by which a councils' general income for a specified year may be varied as determined by IPART under delegation from the Minister.