

Independent Pricing and Regulatory Tribunal
New South Wales

Special Variation Application Form – Part B

For 2018-19

Insert Name of Council: RANDWICK CITY COUNCIL

Date Submitted to IPART: 08/02/2018

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Tribunal Members

The Tribunal members for this review are:

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Mr Ed Willett

Ms Deborah Cope

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Contents

1	Introduction	1
1.1	Completing the application form	1
1.2	Notification and submission of the special variation application	2
2	Preliminaries	4
2.1	Focus on Integrated Planning and Reporting	4
2.2	Key purpose of special variation	4
2.3	Capital expenditure review	5
3	Assessment Criterion 1: Need for the variation	6
3.1	Case for special variation – community need	6
3.2	Financial sustainability	8
3.3	Financial indicators	10
3.4	Contribution plan costs above the cap	12
4	Assessment criterion 2: Community awareness and engagement	13
4.1	The consultation strategy	14
4.2	Feedback from the community consultations	14
5	Assessment criterion 3: Impact on ratepayers	19
5.1	Impact on rates	21
5.2	Consideration of affordability and the community’s capacity and willingness to pay	26
5.3	Addressing hardship	33
6	Assessment criterion 4: Public exhibition of relevant IP&R documents	35
7	Assessment criterion 5: Productivity improvements and cost containment strategies	37
8	List of attachments	42
9	Certification	43



1 Introduction

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

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

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

If the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates application form. However, this must be clearly identified and addressed in the special variation application. In such circumstances, councils are encouraged to discuss their proposed application with IPART as soon as possible.

As outlined in the Guidelines, new councils created in 2016 (apart from Mid-Coast Council) will be ineligible for special variations for the 2018-19 rating year.

1.1 Completing the application form

This form is structured to provide guidance on the information we consider is necessary for us to assess a special variation application. To complete the form, the council will need to respond to questions and insert text in the boxed area following each section or sub-section.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size of the variation sought. More complex applications or requests for a high cumulative percentage increase should be supported by stronger, more extensive evidence.

Councils may submit additional supporting documents as attachments to the application (refer to section 8). These attachments should be clearly cross-referenced in Part B. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. If you provide complete documents when only an extract is relevant, we may ask you to resubmit the extract only. (You should provide details of how we can access the complete publication should this be necessary.)

We publish videos and fact sheets on how IPART assesses special variations and on the nature of community engagement for special variation applications. These will assist in preparing the application. The latest videos and fact sheets on these topics are available on [IPART's website](#).

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

This application form consists of:

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

1.2 Notification and submission of the special variation application

Notification of intention to apply


Councils intending to submit an application under either section 508(2) or section 508A should have notified us of their intention to apply, via the Council Portal, by Friday 15 December 2017.

Any councils that did not notify but intend to apply for a special variation for 2018-19 should contact us as soon as possible.

Online submission of applications

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

You are required to submit the application, via the Council Portal, by **Monday 12 February 2018**.



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

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

File size limits apply on the Council Portal to each part of the application. For this Part B application form the limit is 10MB. The limit for supporting documents is 70MB for public documents and 50MB for confidential documents. We generally request supporting documents of the same type to be combined and most supporting document categories have a maximum number of 5 documents allowed. These file limits should be sufficient for your application. Please contact us if they are not.

We will post all applications (excluding confidential content) on the IPART website. Confidential content may include part of a document that discloses the personal identity or other personal information pertaining to a member of the public or whole documents such as a council working document and/or a document that includes commercial-in-confidence content. Councils should ensure that documents provided to IPART are redacted so that they do not expose confidential content.

Councils should also post their application on their own website for the community to access.

2 Preliminaries

2.1 Focus on Integrated Planning and Reporting

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

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

2.2 Key purpose of special variation

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

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

You should summarise below the key aspects of the council's application, including the purpose and the steps undertaken in reaching a decision to make an application.

The purpose of this special variation is to implement the new anti-terrorism obligations placed on Council, fund Council's Digital Strategy and provide major projects while maintaining existing services and providing for intergenerational equity. The application for a special rate variation includes provision to create a business sub-category for Port Botany.

Applying this special variation to rates will enable Council to meet these goals within a seven year period.

In making this application, Council first reviewed its City Plan and resourcing following the election of the new council in September 2017, drawing on extensive consultation undertaken during the previous council term.

The newly elected Council were informed how funding strategies that have been used by Randwick City Council in the past have been very effective and have produced great outcomes for the community and for Council. The Council was informed that the identified programs and projects mentioned above will require resourcing on a scale that is significantly larger than in the past.

Draft IPR documentation was prepared outlining our resourcing and the Council's proposal to apply for a special variation in November 2017. The IPR documentation was placed on public exhibition for a two month period from 1 December 2017 to 1 February 2018 and extensive consultation undertaken. Details of the consultation undertaken are outlined in Section 4 of this application.

Communication on the resourcing options with the councillors has been through council meetings and other channels such as workshops and briefings.

At the conclusion of this extensive engagement process, the results were reported to the councillors for their endorsement.

2.3 Capital expenditure review

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

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

Does the proposed special variation require council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If Yes, has a review been done and submitted to OLG? (Other Attachment 7)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

3 Assessment Criterion 1: Need for the variation

Criterion 1 in the OLG Guidelines is:

The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:

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

Evidence to establish this criterion could include evidence of community need /desire for service levels/projects and limited council resourcing alternatives.

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

The response to this criterion should summarise the council's case for the proposed special variation. It is necessary to show how the council has identified and considered its community's needs, as well as alternative funding options (to a rates rise).

The criterion states that the need for the proposed special variation must be identified and clearly articulated in the council's IP&R documents especially the Long Term Financial Plan and the Delivery Program, and, where appropriate, the Asset Management Plan. The purpose of the proposed special variation should also be consistent with the priorities of the Community Strategic Plan.

3.1 Case for special variation – community need

Summarise and explain below:

- ▼ How the council identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
- ▼ How the decision to seek higher revenues above the rate peg was made and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.
- ▼ Why the proposed special variation is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in council loan borrowings, or private public partnerships or joint ventures.

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

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

In September 2017 a new Council was elected for Randwick City Council. In the period subsequent to the elections the new Council held a workshop where Councillors reviewed all current service levels together with their current and forecasted costs, and determined that they did not wish to change any current service levels or modify any current methods of service delivery. This is underpinned by high levels of community satisfaction (consistently above 90% since 2010) with the delivery of services provided by Council, and was again re-enforced through the results of the recent telephone survey regarding the funding options (attached) being 92%.

The funding strategies that have been used by Randwick City Council in the past have been very effective and have produced great outcomes for the community and for Council. During a recent review of Council's community strategic plan, The Randwick City Plan, it was determined that the identified programs and projects will require resourcing on a scale that is significantly larger than in the past.

As stated above past funding strategies have been every effective. However, these strategies have also been hugely impacted by the construction of the NSW Government's CBD South East Light Rail system stretching from Circular Quay to Kingsford and Randwick. Randwick City Council has entered into a Development Agreement with Transport for NSW which resulted in the Council committing \$36 million to a Light Rail Support Plan (Other Attachment 3)

The Light Rail Support Plan has been a very large, yet necessary, commitment of funds by Randwick City Council. Had that commitment not been required, those funds would have been available for the works associated with this special variation.

Similarly the Federal Government's anti-terrorism obligations have been placed on Council. Those funds, that are now required to be committed to those purposes, would have been utilised for other works associated with this special variation. Council has written to both the State and Federal Ministers responsible for protecting the community from terrorism requesting funding to address Council's anti-terrorism obligations, with no response forthcoming from either Minister (Other Attachment 1 & 2).

Council has also incurred significant expenditure over the last two years on preparing for the now aborted merger with Waverley Council and Woollahra Municipal Council. The NSW Minister for Local Government has recently advised Council that it will not be reimbursed for any of this expenditure despite assurances to the contrary at the time the merger was cancelled (Other Attachment 4).

A new funding strategy was developed and has been determined by Council to be the best available option. Randwick City Council has been debt free for over a decade, however as part of this special rate variation it intends to utilise loan borrowings commencing in the 2018/19 financial year. As part of the funding mix that will be used to fund the major projects listed under this application will be the additional revenue received through the special rates variation and \$27 million of loan borrowings.

When developing the new financial strategy Council reviewed its other sources of revenue to determine if there was any capacity to utilise them for the projects and programs that require funding.

Council has a comprehensive schedule of user fees and charges for its services and facilities, and these are analysed and increased each year during the development of the annual budget. In 2016/17 Council received over \$20 million through user fees and charges, making up over 13% of Council's operating revenue for that financial year. Any introduction of new or higher user charges would not yield sufficient revenue to fully fund the listed projects and have them completed within Council's proposed timeframe.

Further assumptions around long term financial planning are contained within Council's integrated planning and reporting documents.

3.2 Financial sustainability

The proposed special variation may be intended to improve the council's underlying financial position for the General Fund, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council's current and future financial sustainability and the assumptions it has made in coming to a view on its financial sustainability.

You should explain below:

- ▼ The council's understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.
- ▼ Any external assessment of the council's financial sustainability (eg, by auditors, NSW Treasury Corporation). Indicate how such assessments of the council's financial sustainability are relevant to supporting the decision to apply for a special variation.
- ▼ The council's view of the impact of the proposed special variation on its financial sustainability.

Council's primary financial planning instrument, its Long Term Financial Plan ("the Plan"), has been developed to ensure the ongoing financial sustainability of Randwick City Council. The objectives of the Plan are to deliver operating surpluses, fund existing service levels, fund infrastructure renewals, ensure financial stability and create a financial legacy. The modelling contained within the Plan demonstrates that to successfully meet these objectives, deliver its new program of works and also ensure Council's financial sustainability, obtaining a special variation to Council's rates revenue is required.

The intent of the proposed special variation, as stated above, is to preserve and maintain Council’s financial sustainability whilst specifically delivering existing service levels to the Randwick City community, Council’s anti-terrorism obligations, Council’s Digital Strategy and Council’s list of Major Projects.

Randwick City Council is currently in a financially sustainable position, due largely to the fact that its financial planning and management over the past decade has been prudent and responsible. Over the past decade Council has basically been able to set its own rate peg, having operated under a special variation for eight of the last 10 financial years.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
3.20%	9.48%	5.29%	6.24%	6.28%	3.59%	9.59%	3.59%	3.59%	1.50%
PEG	SRV	SRV	SRV	SRV	SRV	SRV	SRV	SRV	PEG

These special variations have enabled Council to deliver service levels that the community expects and infrastructure to the standard that it is required and also expected by the community. This has been through both operating and capital expenditure programs over this period, with the both forms of expenditure being managed to ensure that financial sustainability is being achieved.

In May 2014 NSW Treasury Corporation (T-Corp) conducted an assessment into the *Financial Sustainability of New South Wales Local Government Sector*, during which Randwick City Council was assessed as having a Financial Sustainability Rating (FSR) of “Sound” with an outlook of “Positive” for the subsequent three years. Based on the financial results that Randwick City Council produced in those subsequent three years it would be expected that a new assessment would result in an FSR of “Strong”.

The 2013 *Local Government Infrastructure Audit* undertaken by the NSW Office of Local Government assessed Randwick City Council has having “Very Strong” infrastructure management. This assessment was based on infrastructure management processes and practices, and also historical financial information.

While subject to a proposed merger, Council was not permitted to apply for a special variation to rates. Consequently with the exception of the current financial year (2017/18) when a special variation to rates was not permissible, Randwick City Council has not operated under the rate peg since the financial year commencing July 2009. The financial results and data that were used in both the T-Corp assessment and Infrastructure Audit were from financial years where Randwick City Council was operating under a special variation.

This illustrates that the financial planning that Council uses in determining the size of the special variations necessary has been appropriate. It illustrates that the use of these special variations has placed the financial sustainability of Council in a strong position. And it also illustrates that Council understands the funding necessary to provide the current level of services to the Randwick City community that they expect, and the funding required to appropriately manage its infrastructure.

The results of the external assessments have proven that the use of responsible special variations are pivotal in ensuring the ongoing financial sustainability of Randwick City Council.

The modelling that has been undertaken incorporating the revised funding strategy, including a special rate variation and utilisation of loan borrowings, has illustrated that Council can achieve its objectives and also remain financially sustainable.

The modelling shows that without the special rate variation not only will Council not be able to undertake the projects and programs it has planned, but its financial sustainability will be compromised.

It is the view of Council that failure to obtain a special rate variation will have a detrimental impact on Council's financial sustainability. It is also the view that without the special rate variation the projects and programs that have been planned will not proceed in the foreseeable future and there will be a deterioration of intergenerational equity throughout Randwick City.

3.3 Financial indicators

How will the proposed special variation affect the council's key financial indicators (General Fund) over the 10-year planning period? Please provide, as an addendum to the Long Term Financial Plan, an analysis of council's performance based on key indicators (current and forecast) which may include:

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

Operating Performance Ratio

%	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
PEG	4.18	0.24	-0.59	-0.72	-1.19	-1.52	-2.15	-2.01	-2.44	-2.68
SRV	4.74	2.80	3.10	3.27	2.92	2.57	1.91	2.09	1.79	1.60

Without the additional revenue yielded through the special variation the operating performance ratio of Randwick City Council will be below the industry benchmark of 0.00% by the end of the 2020/2021 financial year. The ratio almost reaches negative three per cent at the end of the period due to operating expenditure continuing to exceed levels of operating revenue. This has a corresponding impact on the asset renewal ratio as surplus operating funds are used to fund those renewal works.

Unrestricted Current Ratio

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
PEG	2.01	1.89	1.78	1.75	1.77	1.78	1.85	1.87	1.81	1.82
SRV	1.83	1.69	1.56	1.53	1.55	1.61	1.65	1.65	1.65	1.63

Council does plan on utilising loan borrowings which will create a new current liability. This will impact the unrestricted current ratio decreasing it below the level of the rate peg scenario, but remaining above the industry benchmark.

Rates and Annual Charges

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
PEG	2.8%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
SRV	2.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Randwick City Council has one of the lowest outstanding rates and annual charges ratios in New South Wales. Over the last 10 years, during which eight were years which Council operated under a special variation, Council had an average ratio of 2.52%. This is a good indication of the capacity to pay by the Randwick City rate payers and this ratio has been forecast to remain steady.

Debt Service Ratio

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
PEG	-	-	-	-	-	-	-	-	-	-
SRV	12.59x	11.95x	12.82x	13.23x	13.38x	13.63x	13.55x	14.06x	14.28x	14.5x

Randwick City Council does not have any loan borrowing liabilities as at 8 February 2018 and it has not utilised debt for over a decade. Council does plan to utilise loan borrowings as part of its future funding strategy with the additional revenue from this application being available and committed to servicing that new debt. There are no current plans to utilise loan borrowings if Council is to operate under the rate peg.

Broad Liabilities Ratio

%	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
PEG	4.20	4.31	4.29	4.28	4.26	4.24	4.22	4.19	4.18	4.16
SRV	20.61	19.59	18.04	16.78	15.53	14.28	13.05	11.84	10.67	9.50

Randwick City Council has a relatively low infrastructure backlog when compared to other councils in NSW, and it also does not have any debt, which is why under the rate peg the Broad Liabilities Ratio is very low. Under the special variation the ratio still remains low, as the amount Council intends on borrowing is still well below its borrowing capacity.

Asset Renewal Ratio

%	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
PEG	98.7	80.2	83.9	89.4	88.4	85.2	80.5	79.9	82.0	79.8
SRV	228.1	117.5	131.0	124.9	122.8	110.4	111.8	104.6	102.9	104.0

Under the rate peg scenario the levels of surplus operating cash that would normally be funding asset renewals, are decreasing as they are required to fund the existing operating service levels.

3.4 Contribution plan costs above the cap

You should complete this section if the proposed special variation seeks funding for contributions plan costs above the development contributions cap. Otherwise, leave this section blank.

Please explain how the council has established the need for a special variation to meet the shortfall in development contributions.

For costs above the cap in contributions plans, a council must provide:¹

- ▼ a copy of the council's section 94 contributions plan
- ▼ a copy of the Minister for Planning's response to IPART's review and details of how the council has subsequently amended the contributions plan
- ▼ details of any other funding sources that the council is proposing to use, and
- ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council's planning documents (eg, Long Term Financial Plan and Asset Management Plan AMP).

The proposed special variation does not involve the development contributions cap.

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

4 Assessment criterion 2: Community awareness and engagement

Criterion 2 in the Guidelines is:

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. 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. 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

Our fact sheet on the requirements for community awareness and engagement is available on the IPART website.²

In responding to this criterion, the council must provide evidence that:

- ▼ it has consulted and engaged the community about the proposed special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases
- ▼ it provided opportunities for input and gathered input/feedback from the community about the proposal, and
- ▼ the IP&R documents clearly set out the extent of the requested rate increases.

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

- ▼ the proposed cumulative special variation rate increases including the rate peg for each major rating category (in both percentage and dollar terms)
- ▼ the annual increase in rates that will result if the proposed special variation is approved in full (and not just the increase in daily or weekly terms)
- ▼ the size and impact of any expiring special variation (see Box 4.1 below for further detail), and
- ▼ the rate levels that would apply without the proposed special variation.

More information about how the council may engage the community is to be found in the Guidelines, the IP&R manual and our fact sheet.

² <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase>

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

The council's application should show how you have explained to its community:

- ▼ There is a special variation due to expire at the end of the current financial year or during the period covered by the proposed special variation. This needs to include when the expiring special variation was originally approved, for what purpose and the percentage of (General Fund) general income originally approved.
- ▼ The corresponding percentage of general income that the expiring special variation represents for the relevant year.
- ▼ Whether the temporary expiring special variation is being replaced with another temporary or a permanent increase to the rate base.
- ▼ The percentage value of any additional variation amount, above the rate peg, for which the council is applying through a special variation.
- ▼ If the proposed special variation was not approved (ie, only the rate peg applies), the year-on-year change in rates would be lower, or that rates may fall.

The council also must attach, to its application to IPART, a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

4.1 The consultation strategy

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

The council is to provide relevant extracts of the IP&R documents that explain the rate rises under the proposed special variation and attach relevant samples of the council's consultation material.

Randwick City Council conducted a comprehensive community engagement program on the Special Rate Variation to inform residents and ratepayers about the full impact of the proposal and to provide them with multiple opportunities to be involved and to have their say.

The community consultation was guided by a community engagement strategy reported to and endorsed at the Randwick Council Meeting of 28 November 2017. The consultation period was open for eight weeks from 1 December 2017 to 5pm 1 February 2018. This was double the required length of consultation as required by the Independent Pricing and Regulatory Tribunal (IPART) and Office of Local Government guidelines.

People were given the opportunity to comment in general, but also encouraged to provide specific feedback on two special rate variation options and a rate peg only approach. People were also encouraged to provide specific feedback on the proposed projects to enable Council to better understand community priority.

The consultation included the exhibition of a number of detailed documents as listed below. The preparation of these documents and review of the City Plan was initially guided by reviewing the outcome of 59 consultations conducted by Council since 2013 and incorporating the identified issues into the draft three-year delivery program 2018-21.

The Integrated Planning and Reporting documentation and summary documentation branded 'Our Community Our Future' was available for viewing in hard copy at Council's Customer Service Centre, at our libraries in Randwick, Maroubra and Malabar and at the Des Renford Leisure Centre.

The same documentation was available for viewing, download and comment on a dedicated consultation website: www.yoursayrandwick.com.au/OurCommunityOurFuture.

The documentation available for viewing was:

- Information Booklet – Our Community Our Future
- Funding Options – Our Community Our Future
- Future Major Projects list
- The 20-Year Randwick City Plan (Community Strategic Plan)
- The Resourcing Strategy Executive Summary 2018-28
- The Long Term Financial Plan 2018-28
- The Asset Management Strategy 2018-28
- The Asset Management Plans 2018-28
- The Workforce Plan 2018-28
- The Digital Strategy 2018-28

Council identified a number of key stakeholders and developed specific community engagement approaches to communicate with them:

- Randwick City Council residents
- Randwick City Council ratepayers
- Future Major Projects list
- Local Precinct groups
- Port Botany
- Local community and sporting associations
- Local members of parliament
- Local institutions (eg UNSW)

The engagement strategy included open opportunities for general public participation and specific communications including letters, meeting and telephone calls. The community engagement activities undertaken included:

- A dedicated consultation website including submission function
- An information booklet
- Direct mail with reply paid survey/online survey option to 41,804 ratepayers
- Direct mail to 135 real estate agents representing investors of 9,546 ratepaying properties with an easy to complete online survey
- Two full page advertisements in local newspaper *The Southern Courier* on 5 December 2017 and 9 January 2018

- Public information sessions held Wednesday 13 December 2017 6-7pm and Saturday 16 December 2017 11am-12noon
- Interactive Workshops on 18 January and 24 January 2018 at 6pm
- Representative Telephone Survey of 600 local residents conducted by Micromex Research
- Content in Council's Randwick News email sent weekly to 20,000 subscribers on 6 December and 13 December 2017 and 10 January and 24 January 2018
- Dedicated email sent to 20,000 subscribers on 18 January 2018
- Media releases issued 4 December 2017 and 16 January 2018
- Promoting through Council's regular advertisement in *The Southern Courier* and Mayor's column
- Posters displayed at 30 bus stops in Randwick City and at Council facilities including the Administration Building, Libraries at Randwick, Maroubra and Malabar, Des Renford Leisure Centre in Maroubra and Community Nursery in Kingsford
- Digital communication including content on Council's website and posts on Council's Facebook and Twitter accounts
- Specific correspondence and face to face meetings with NSW Ports

Examples of community engagement material

Ratepayer mailout

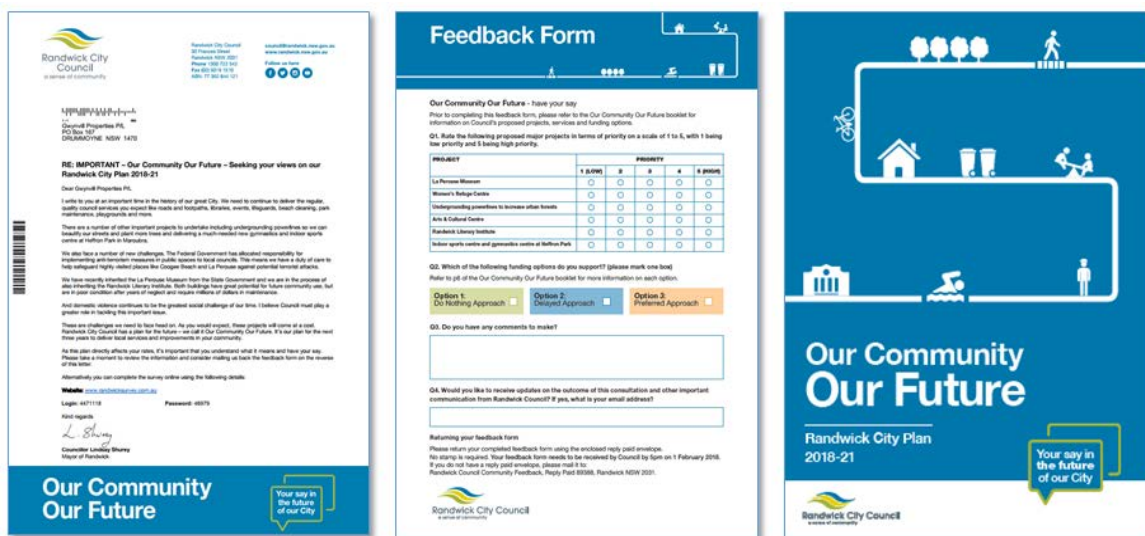


Image: Letter, survey and information booklet sent to ratepayers.

Posters and information displays



Image: Example of bus stop and information display at Council libraries.

The Southern Courier advertising

Our Community Our Future
Randwick City Plan 2018-21

Your say in the future of our City

Our Community Our Future presents you with the challenges we as a community face today. Randwick City Council wants to meet these challenges through our new community facilities, make Randwick City a greener and more sustainable place for everyone to live and work in.

Proposed projects
Randwick City Council has identified a number of priority projects that we want to deliver for our community. These projects have come through Council's ongoing community consultation program, our plans and through your elected Councillors. The projects include:

- La Perouse Museum**
This historic building is in need of restoration and has great potential for an expanded museum collection, cultural facilities, function and cafe facilities.
- Wentworth Village Centre**
Community response to the greatest social challenge of our time and Council is exploring options to provide a dedicated women's refuge centre in Randwick City.
- Indoor sporting amenities**
A long term, ongoing program to remove possibilities from our plans to provide a range of new street trees and greening of our streets.
- Arts & Cultural Centre**
Council will explore options for an arts and cultural centre in Randwick City to celebrate and encourage our natural and artistic diversity.
- Randwick Library facilities**
Proposed future site includes ongoing work as a community centre and possibly a structure centre.
- Indoor sports centre and gymnasium centre**
Council of new community sporting facilities at Manilla Park in Manilla.

How will it be funded?

Option 1 DO NOTHING APPROACH	Option 2 DELAYED APPROACH	Option 3 PREFERRED APPROACH
7.48%	10.21%	10.21%
30	30	327M
11 years	11 years	7 years

More information 1300 722 542
council@randwick.nsw.gov.au

Our Community Our Future
Randwick City Plan 2018-21

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- Indoor sports centre and gymnasium centre**
Council of new community sporting facilities at Manilla Park in Manilla.

How will it be funded?

Option 1 DO NOTHING APPROACH	Option 2 RELATED APPROACH	Option 3 PREFERRED APPROACH
7.48%	10.21%	10.21%
30	30	327M
11 years	11 years	7 years

More information 1300 722 542
council@randwick.nsw.gov.au

Image: Full page advertisements *The Southern Courier* 5 December 2017 p17 and 9 January 2018 p14

Dedicated consultation website

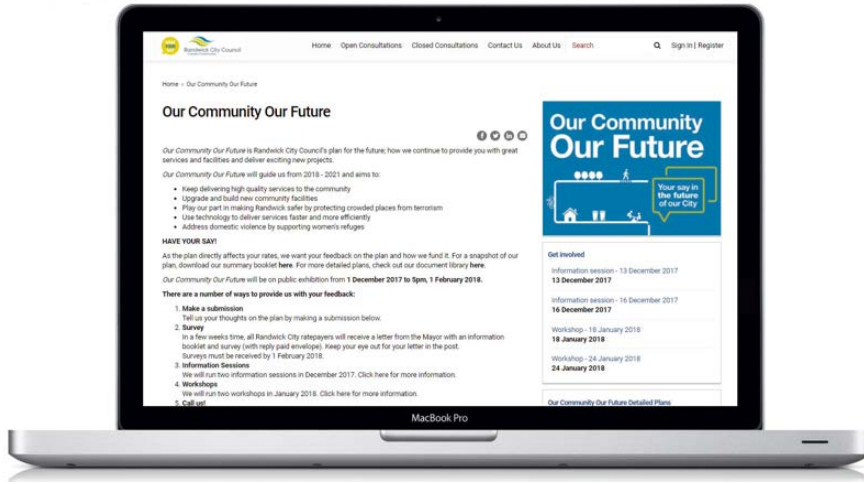


Image: YourSay Randwick website

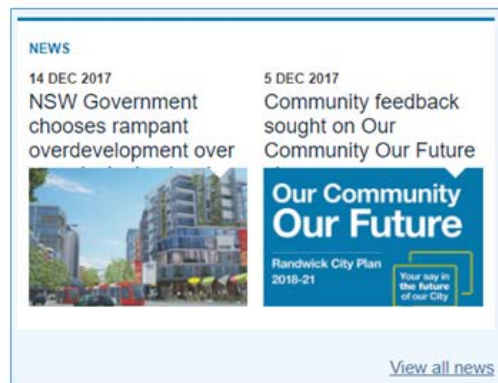
Digital communication



Electronic Direct Mail, 6 Dec 17



Facebook, 8 Dec 17



Randwick Council website, 5 Dec 17

Image: Examples of communication methods via Randwick eNews (circulation 20,000), Randwick Facebook page (audience 16,000) and Randwick Council website.

Face to face engagement



Image: Public information sessions held on Wed 13 and Sat 16 December 2017.

The rate rise proposed under this application was detailed in the City Plan (refer page 92) and in the Long Term Financial Plan (refer page 30).

4.2 Feedback from the community consultations


Summarise the outcomes and feedback from the council's community engagement activities. Outcomes could include the number of attendees at events and participants in online forums, as well as evidence of media reports and other indicators of public awareness of the council's special variation intentions. Where applicable, provide evidence of responses to surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases.

Where the council has received submissions from the community relevant to the proposed special variation, the application should set out the views expressed in those submissions. Please refer to Section 1.2 concerning how the council should handle confidential content in feedback received from the community. The council should also identify and document any action that it has taken, or will take, to address issues of common concern within the community.

Council undertook extensive engagement during the period 1 December 2017 to 1 February 2018 using a variety of channels to consult with the community on their views on the proposed resourcing options. A representative telephone survey undertaken by independent research agency- Micromex Research, and a Ratepayer Survey were part of the consultation.

Of significance the results from the consultation were consistent across the different mediums used. The key results of the surveys included:

- "Option 3 – Preferred approach" for a rate variation of 19.85% cumulative over three years received majority support and is the community's most preferred approach. It was chosen by 57% of respondents in the Telephone Survey and 49% of respondents in the Ratepayer Survey as their first preference.



- “Option 1 - Do Nothing Approach” where the rate peg only would be applied giving a cumulative rate increase over three years of 7.48% is the least supported option. Just 15% of Telephone Survey respondents and 22% of Ratepayer Survey respondents chose it as their first preference.

- 30% of Telephone Survey respondents were aware of Council’s plans for a Special Rate Variation.

- 51,349 surveys were issued to Randwick City ratepayers with a response rate of 5,713 being 11.13%. This represents a good return rate and demonstrates high level awareness.

- All proposed major projects received support with the Women’s Refuge Centre, Undergrounding Powerlines and Indoor Sports Centre at Heffron Park the top prioritised projects in both the Telephone Survey and Ratepayer Survey.

Details of feedback received from the various mediums used by Council can be found in the Mandatory Attachment Community Feedback.

5 Assessment criterion 3: Impact on ratepayers

Criterion 3 in the Guidelines is:

The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The Delivery Program and Long Term Financial Plan should:

- *clearly show the impact of any rises upon the community*
- *include the council's consideration of the community's capacity and willingness to pay rates, and*
- *establish that the proposed rate increases are affordable having regard to the community's capacity to pay.*

The impact of the council's proposed special variation on ratepayers must be reasonable. To do this, we take into account current rate levels, the existing ratepayer base and the purpose of the proposed special variation. We also review how the council has assessed whether that the proposed rate rises are affordable having regard to the community's capacity and willingness to pay.

5.1 Impact on rates

Much of the quantitative information we need on the impact of the proposed special variation on rate levels will already be contained in Worksheet 5a and 5b of Part A of the application.

To assist us further, the application should set out the rating structure under the proposed special variation, and how this may differ from the current rating structure, or that which would apply if the special variation is not approved.

We recognise that a council may choose to apply an increase differentially among categories of ratepayers. If so, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, and how this was communicated to the community. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

Councils should also indicate the impact of any other anticipated changes in the rating structure.

In reviewing the Resourcing Strategy the Council has balanced the service needs of the community relative to their capacity and willingness to pay rates. In addition to the activities, the Council has assessed its rating policy and analysed the community's median household income and socio-economic index.

Existing Rating Structure

Randwick Council currently applies a relatively simple rating structure to properties within the Local Government Area (LGA). The current rating policy is structured on an ad valorem basis with two categories, Residential and Business, shown in figure below. For each category, a minimum rate applies.*¹



Environmental Levy

In addition to ordinary rates, the rating policy includes a special rate, known as the Environmental Levy, which applies to all rateable properties on an ad valorem basis. The Environmental Levy is currently funded by a 508(2) special variation approved by IPART in June 2014, which is due to expire on 30 June 2019.

Charges

Council's rating structure also includes two charges; the Domestic Waste Management Charge and the Stormwater Management Charge.

Charges are applied annually to properties in accordance with the Local Government Act and Regulations. The Domestic Waste Management Charge is adjusted each year in relation to the Domestic Waste Strategy in compliance with the 'reasonable cost' calculation for service delivery.*³ The current 2017-18 waste charge is \$554 and the proposed 2018-19 charge is \$567.85.

The Stormwater Management Charge is applied to occupied Residential and Business properties. The annual charge is nominal residentially at \$25 for each dwelling and \$12.50 for each strata unit. The Business charge is calculated at \$25 per 350m² of land area. The value of the stormwater charge has remained the same since its adoption in 2008/09 and the charge will remain unchanged throughout the special variation period.

Proposed Rating Policy

In 2018-19, the Council proposes to introduce a sub-category of the Business category, which will apply to the centre of activity defined by the Three Ports State Environmental Planning Policy (Three Ports SEPP)*⁴, specifically to land zoned SP1 Special Activities located at Port Botany within the Randwick LGA. It is proposed that the sub-category will be known as 'Port Botany Business'.

The Port Botany Business centre of activity is an nationally significant port operations site – being the largest container port in Australia ... “Port Botany is a deep-water seaport located in Botany Bay”.⁵ The geographical location of Port Botany is divided by the local government boundary of Bayside and Randwick Councils.

The proposed Port Botany Business sub-category is comprised of only 31 parcels of land for rating purposes, with 27 of these assessments being rateable and four assessments exempt from rates, (exemptions include; State-owned water and rail infrastructure as well as a State-owned bus depot).

The uniqueness of the Port Botany site significantly contributes to the overall land use diversity within the Randwick LGA.

The rationale driving the sub-categorisation of port related properties is based on a number of considerations:

- delineate/distinguish unique port activities from surrounding uses
- acknowledge impact on local amenity
- evaluate the contribution the area makes to Randwick City

The Council has timed the sub-categorisation of Port Botany, with the multipronged financial strategy presented by *Our Community Our Future*, to ensure that the unique area can adequately contribute to the City-wide solution.

With the introduction of Port Botany Business, Randwick Council's rating structure will comprise of Residential and Business categories and a Port Botany Business sub-category, each subject to a Minimum rate. The Environmental Levy special rate will remain in addition to ordinary rates until it expires at the end of the first year, 30 June 2019.

Application for a special variation

Randwick City Council is applying for an overall increase in rates of 7.64 per cent in year 1, 5.52 per cent in year 2 and 5.52 percent in year 3. The increase of 7.64 per cent in year 1 allows 2.12 per cent for the introduction of the Port Botany Business sub-category and 5.52 per cent for ordinary and special rates. The first year increase is 5.34 per cent above the rate peg of 2.3 per cent, while the second and third year increases are 3.02 per cent above the assumed rate peg of 2.5 percent.

The total overall increase will provide the funds required to deliver existing facilities, programs and services at the agreed standards, while addressing the specific challenges and implementing the major projects encompassed by the *Our Community Our Future* plan.

An eight-page information booklet was distributed to all ratepayers in early January 2018, accompanied by a letter from the Mayor explaining *Our Community Our Future*. The booklet presented three separate funding models, with each model showing the cumulative impact of the increases for Residential and Business ratepayers over three years 2018/19 to 2020/21.

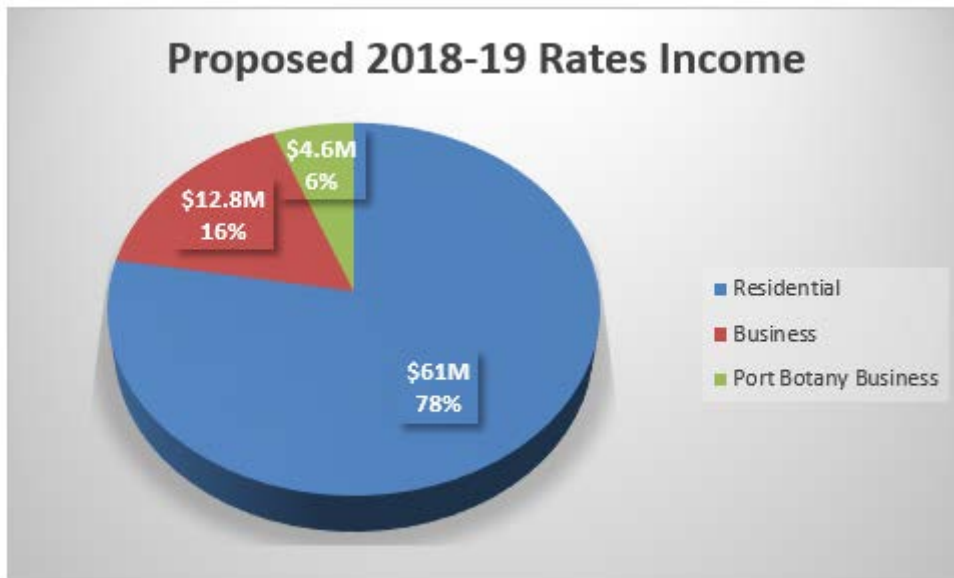
Option 3 PREFERRED APPROACH			
Under Option 3, Council would apply for an SRV with a cumulative effect of 19.85% over three years to maintain services and deliver major projects and anti-terrorism measures as a priority within seven years. Council would also borrow \$27M in funds to expedite projects and apply a rate increase for Port Botany to create equality with Port Botany in Bayside Council.			
Anti-terrorism measures	<input checked="" type="checkbox"/>	Women's refuge	<input checked="" type="checkbox"/>
Major projects	<input checked="" type="checkbox"/>	Digital strategy	<input checked="" type="checkbox"/>
Maintain services	<input checked="" type="checkbox"/>	Cultural facilities	<input checked="" type="checkbox"/>
Cumulative rate increase over 3 years	19.85%		
Rate increase	2018/19 7.64%	2019/20 5.52%	2020/21 5.52%
Proposed borrowings	\$27M		
Project delivery timeframe	7 years		

The booklet also introduced all ratepayers to the planned sub-categorisation of Port Botany properties while explaining how the contribution from port properties would be increased in 2018-19 should the special variation be approved.

Separate letters were issued to property owners affected by the Port Botany Business sub-category proposal. These letters explained the proposed creation of a Business sub-category and how that related to the *Our Community Our Future* consultation and subsequent proposal to lodge a special variation with IPART. These letters included a specific table, showing current 2017/18 rates and the impact all three funding models (including the cumulative impact) for each individual property located in the defined Port Botany Business centre of activity.*6

Notwithstanding Year 1 with the introduction of Port Botany Business, and Year 2 with the expiration of the Environmental Levy, the SRV annual increases are applied consistently to Residential, Business and Port Botany Business properties, maintaining distribution equities between the categories from year to year through the SRV period.

Part A of the application shows the cumulative impact on Residential, Business and Port Botany Business ratepayers over the next seven years, as well as the expiration of the Environmental levy at the end Year 1 (Other Attachment 5). The figure below shows proposed 2018/19 general rates yields, excluding the Environment Levy.



In Year 1, the proposed ad valorem for the Port Botany Business properties will be struck at 0.819261 (a rate of approximately 82 cents in the dollar). This rate was derived by observing the current ad valorem applied by Bayside Council to their longstanding 'Business Port Botany' sub-category of 0.800842, and indexing this rate by 2.3 per cent for the 2018/19 rate-peg.^{*7}

Multiple local government areas are encompassed by the Three Ports SEPP, ie; Newcastle, Wollongong, Bayside and Randwick councils.

2017-18 Business rates - Three Ports SEPP		
LGA	Sub-category	ad valorem
Bayside	Port Botany	0.800842
Wollongong	Heavy 1 Activity 1	2.767851
Wollongong	Heavy Industrial	1.910011
Newcastle	Carrington Industrial - coal and port zone	2.847350
Newcastle	Carrington Industrial - port operations	2.288222
Randwick	N/A	0.470790

References

1. Randwick City Council Operational Plan 2017-18, page
2. Expiration amounts confirmed with Office of Local Government 19 January 2018 (Attachment)
3. Domestic Waste Strategy
4. Port Botany 3 Ports SEPP map (www.legislation.nsw.gov.au/maps/518f4c59-8c3e-4184-8818-9a26f5de532b/SEPP_TPT_LZN_001_030_20140218.pdf)
5. Port Authority of NSW website, www.portauthoritiesnsw.com.au
6. Copy of Letter and Table to Port Botany Lessor (Other Attachment 6)
7. Bayside Operational Plan, 2017-18 Port Botany rate-in-the-dollar amount

5.1.1 Minimum Rates

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

As previously discussed, if the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates application form. However, this must be clearly identified and addressed in the special variation application.

Does the council have minimum Ordinary rates? Yes No

If Yes, does the council propose to increase minimum Ordinary rates by:

The rate peg percentage

The special variation percentage

Another amount Indicate this amount : 5.52% (Years 1-3)

What will minimum Ordinary rates be after the proposed increase? Residential \$805.68, \$850.15, \$897.08

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

You should also explain the types of ratepayers or properties currently paying minimum rates, and the rationale for the application of the special variation to minimum rate levels.

It is proposed that minimum rates increase in alignment with the SRV increases of 5.52 per cent each year for three years 2018/19, 2019/20 and 2020/21, (i.e.; Year 1, the increase to minimum rates excludes the 2.12 per cent increase allotted for the introduction of the Port Botany Business sub-category). A new minimum rate is proposed for Port Botany Business, introduced at the equivalent of the Business minimum in Year 1. For SRV years 4-7, minimum rates will increase with the assumed rate peg of 2.5 percent.

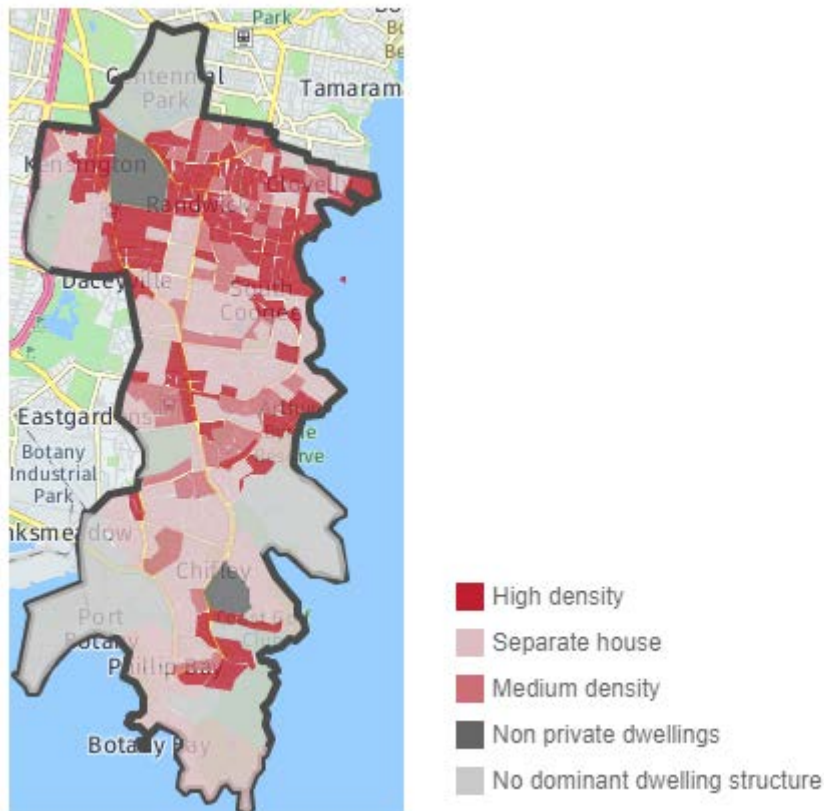
Worksheet 5a Impact on Rates, clearly shows the impact on Minimum rates over the special variation period. The table below summarises increases to Minimum rates over the course of the variation.

Proposed Minimum Rates 2018 - 2025

Rating Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Increase %	current	5.52%	5.52%	5.52%	2.5%	2.5%	2.5%	2.5%
SRV Year	\$ Yr0	\$ Yr1	\$ Yr2	\$ Yr3	\$ Yr4	\$ Yr5	\$ Yr6	\$ Yr7
Residential	763.53	805.68	850.15	897.08	919.51	942.49	966.06	990.21
Business	1,230.40	1,298.32	1,369.99	1,445.61	1,481.75	1,518.79	1,556.76	1,595.68
Port Botany sub	N/A	1,298.32	1,369.99	1,445.61	1,481.75	1,518.79	1,556.76	1,595.68

In 2018/19, 54 per cent of Residential properties will attract the Minimum rate of \$805.68. These properties are predominately strata residential units with land values less than \$612,000. Randwick City has undergone a transformation to become a high density area and the number of residential apartments in the area is continuing to grow.

Randwick City Council housing profile, based on 2016 census.



The Council has long questioned the effectiveness of the Minimum rate in adequately rating residential multi-unit properties, while land values in NSW continue to be determined on an unimproved basis. The Council is also of the view that residents of unit/apartments tend to generate a higher demand on council services than residents of stand-alone properties, particularly recreation and leisure facilities, parking management schemes, storm water system capacity and illegal dumping. On this basis, the Council's approach to minimums each year is to apply the maximum permissible increase available.

A third of all Business properties will attract a minimum rate of \$1,298.32 in year 1.

Of the 27 rateable assessments within the proposed Port Botany Business sub-category, only two properties are currently subject to the 2017/18 Business minimum rate of \$1,230.40. With the introduction of the sub-category (which will include a minimum rate equivalent to the Business ordinary minimum in 2018/19), only one of the two properties will remain paying the minimum rate throughout the special variation period.

5.2 Consideration of affordability and the community's capacity and willingness to pay

The council is required to provide evidence through its IP&R processes, and in its application, of how it assessed the community's capacity and willingness to pay the proposed rate increases. This is to include an explanation of how the council established that the proposed rate rises are affordable for the community.

Evidence about capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable or neighbouring council areas.

As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

We may also consider how the council's hardship policy (see Section 5.3 below) might reduce the impact on socio-economically disadvantaged ratepayers.

Randwick Council reviews its rating structure annually within the confines of the Local Government Act and Regulations to ensure equitable distribution among ratepayers.

Land Values

Land values for rating within the LGA are spread over a significant range, reflecting the varied mix of properties across Randwick City, including a housing profile of low, medium and high density.

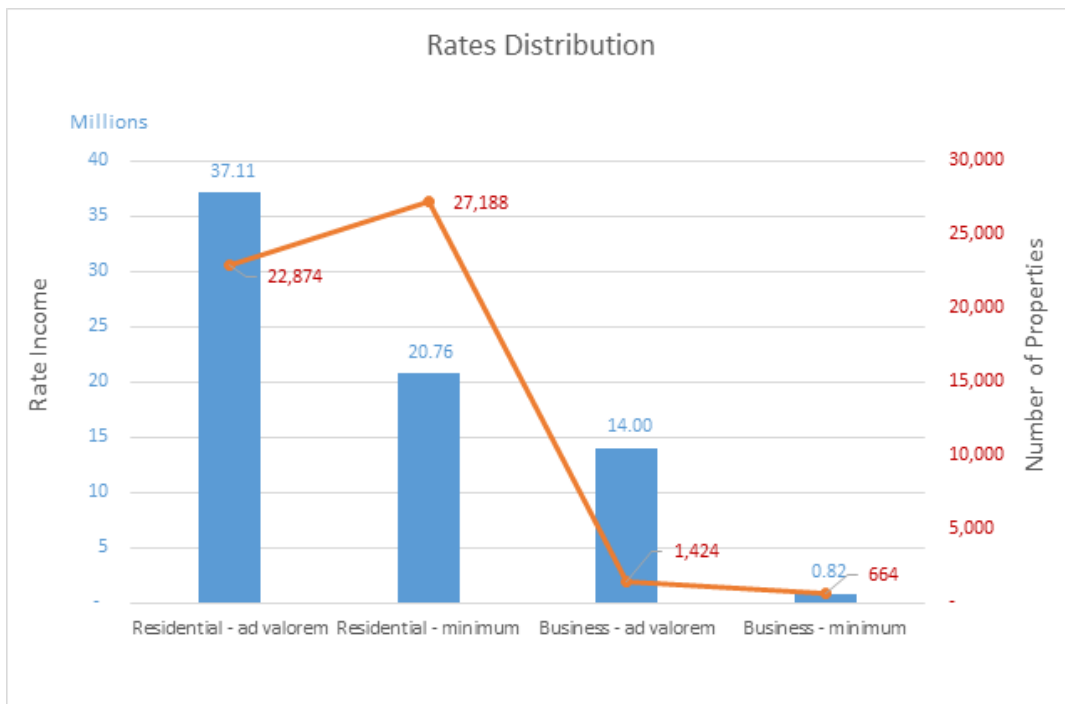
There are major health and education precincts surrounding Prince of Wales Hospital and the UNSW, much of which is non-rateable. Distinct pockets of industrial land also exist, including heavy industrial and some working waterfront. Commercial properties are distributed throughout.

The current land value base date for all councils in NSW is 1 July 2016. The 2016 land values were used for rating in 2017/18 and will be used for two subsequent years, 2018/19 and 2019/20. In accordance with the three-yearly land valuation schedule for councils, the Valuer General will release new values in late 2019, for use in rating from 1 July 2020. This means that the distribution of rates will change across ratepayers in 2020-21, ie; the 3rd year of rate increases proposed by the SRV.

Land value ranges and property count - 2016 base date			
Rateable land value range	# Residential prop's	# Business prop's	# Port Botany prop's
\$0 - \$99,999	1,520	296	1
\$100,000 - \$199,999	5,857	255	-
\$200,000 - \$299,999	8,794	162	1
\$300,000 - \$399,999	6,829	87	-
\$400,000 - \$499,999	2,754	100	-
\$500,000 - \$599,999	1,364	119	-
\$600,000 - \$699,999	1,283	112	-
\$700,000 - \$799,999	1,326	91	-
\$800,000 - \$899,999	1,906	85	-
\$900,000 - \$999,999	2,476	82	-
\$1,000,000 - \$1,499,999	11,273	291	3
\$1,500,000 - \$1,999,999	3,018	138	-
\$2,000,000 - \$2,999,999	1,284	103	-
\$3,000,000 and greater	375	143	22
TOTAL properties	50,059	2,064	27
Average land value	742,406	1,158,646	20,672,911
Median land value	459,820	584,000	14,700,000

More than 50% of all rateable properties in the LGA are residential strata units, while the majority of approvals for all new housing is for the construction of more multi-unit housing. This trend is consistent with the State's *A Plan for Growing Sydney* to increase the supply of housing in metropolitan Sydney.

The following graph illustrates the existing rates distribution across Randwick City. Whilst the majority of residential properties attract the minimum rate (strata units) this group only contributes 36 per cent of overall residential yield.



The capacity to pay principle that underpins the ad valorem rating system results in properties with higher rateable land values attracting a higher rate. The land value of a LGA is considered a reflection of the revenue raising capacity of a council. Randwick City has one of the highest average land values in the state and as a result receives the lowest Financial Assistance Grant per capita in Australia. Properties with high land values are concentrated towards the north and coastal areas of the City. These areas tend to also have higher household incomes.

Outstanding rates ratio

This ratio assesses the impact of uncollected rates and annual charges on liquidity and the efficiency of a council's debt recovery effort. The industry benchmark for metropolitan councils is to achieve an annual ratio of less than 5 per cent, ie; at the end of the year, of all the rates and charges levied for the year, less than 5 percent should remain as uncollected.

Randwick Outstanding Rates Ratio results – 2012-17

Year	2012-13	2013-14	2014-15	2015-16	2016-17
Ratio	2.48%	2.11%	2.26%	2.27%	2.84%

The efficiency of rates recovery at Randwick City Council is highlighted in the table above. This has been achieved with a fairly passive approach to rates recovery as very few matters are pursued via the courts. In fact, during 2016/17, Council issued no Statements of Claim (summons) for the recovery of rates. Council's preference is to talk to customers and to establish payment arrangements, which are monitored and followed-up. Evidence suggests that this approach is working.

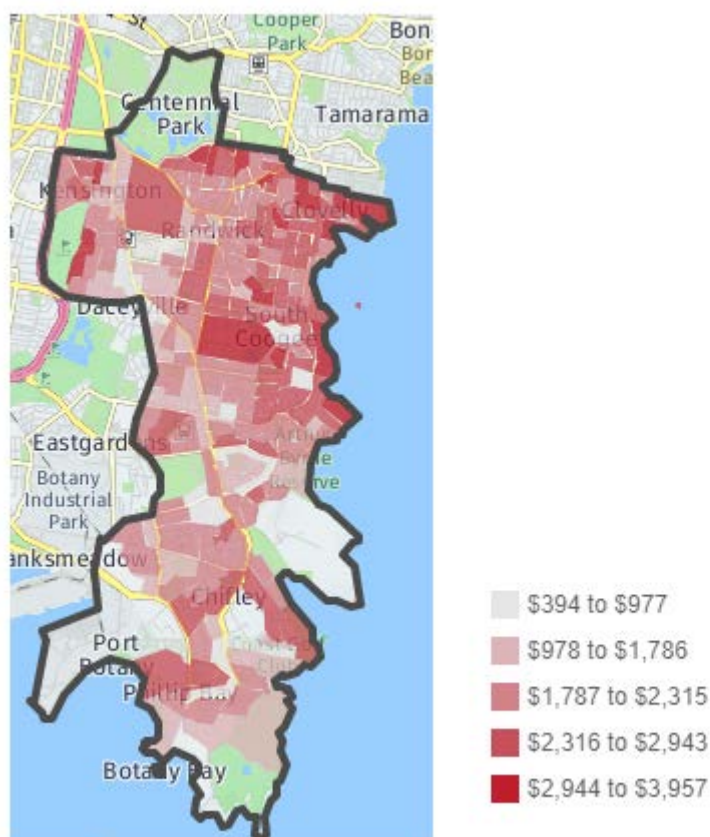
Affordability and capacity – Residential ratepayers

Council has formed the view that the proposed SRV increases are affordable for Randwick City ratepayers who have the capacity to pay the increases. Notwithstanding the rate-peg percentage of 2.3 percent in year 1, and 2.5 per cent in years 2 and 3, the special variation increase for Residential properties in 2018/19 is therefore 3.24 percent above rate pegging in 2019/20 and 3.04 per cent above rate pegging in 2020/21.

Median weekly household income

According to the 2016 Census the median weekly income of households across Randwick City was \$1,916, being \$166 more than the Greater Sydney area. Within the City, median household weekly incomes ranged from a low of \$1,374 in Kingsford to a high of \$2,768 in Clovelly. The wide range of incomes is reflective of the City's population mix, while the Kingsford low can be attributed to the many students, who are generally not ratepayers, living and studying in proximity of the UNSW.

Median weekly household income in Randwick City



In the 2016 census, compared to the Sydney average, Randwick City's population had a higher proportion of young adults, people who rent and people living alone. There are also several public housing estates located in the City, with rate charges paid by Housing NSW.

Randwick's median of \$1,916 compares well to greater Sydney's median of \$1,750 – and the whole of NSW of \$1,486.

The number of residents receiving government pensions and allowances is decreasing over time and this correlates with the reducing number of rates rebates that are being granted by Council each year.

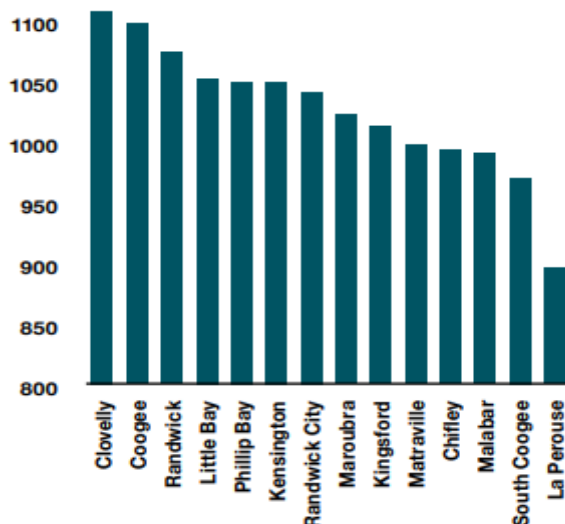
The Socio-economic Indexes for Areas

The Social-Economic Indexes for Areas (SEIFA) are produced by the ABS using data collected through the Census of Population and Housing. The Index of Relative Socio-Economic Disadvantage (IRSED) is based on the 2011 Census and is useful in identifying geographic areas that are relatively disadvantaged. An area with an IRSED of 1,000 is considered average while a lower score indicates that the area is experiencing high levels of disadvantage.

With an average IRSED of 1042.7 Randwick City, as a whole, is considered to have a slightly higher than average level of socio-economic advantage. The graph below shows the SEIFA Index for each of Randwick City's 12 suburbs based on the 2011 Census. The majority of the population is relatively advantaged when compared to the overall Sydney population. The

areas experiencing socio-economic disadvantage are the southern suburbs of Malabar, Chifley, South Coogee and La Perouse. The three largest pockets of disadvantage within the LGA are located in and around the City's public housing estates.

Randwick City, Index of Relative Socio-economic Disadvantage, 2011



Affordability and capacity – Business ratepayers

During the *Our Community Our Future* submission period, the Council did not receive any specific feedback from non-port related business ratepayers about the impact of the proposed business rates.

The Council does not typically experience recovery issues with business ratepayers.

Willingness to pay

Feedback from the *Our Community Our Future* awareness campaign revealed overall community support for the plan and the corresponding funding option that includes special variation increases to rates.

Council has received some opposition in regard to creating a sub-category for rating Port Botany. Firstly to the idea of the Council's proposal to treat the area any differently to other business properties in the LGA, and secondly in response to the extent of the proposed rates increase.

Officers of the Council recently met with representative of NSW Ports, who advised they are representing owners and tenants affected by the sub-categorisation proposal. A number of written objections have been received from both land owners and tenants located at the port. All objections are concerned about the rates increase that would come with sub-categorisation and the impact that this increase will have on their financial bottom-line.

It is acknowledged that the increase for Port Botany ratepayers is significant. It is noted however, that the Council is only proposing to apply an ad valorem to Port Botany in the first

year, which is equivalent to the ad valorem that our neighbour, Bayside Council, will also apply in 2018/19. Bayside Council has consistently rated similar properties located at the same site at a much higher rate than Randwick has ever applied.

5.3 Addressing hardship

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

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

You should attach a copy of the Hardship Policy and explain below who the potential beneficiaries are and how they are assisted.

Please provide details of any other measures addressing hardship to be adopted, or alternatively, explain why no measures are proposed.

The council is also to indicate whether the hardship policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided).

Mechanisms are in place to assist ratepayers and pensioners should they face difficulty keeping up with their rates payments. These measures include:

1. Pensioner Accrual Policy - whereby aged pensioners may accrue rates and charges (including interest) against their estate for payment when their property is eventually transferred. Whilst covered by the accrual policy pensioners can pay as much or as little as they like, although they are encouraged to make any payments they can afford in order to minimise interest.
2. Debt Recovery Policy - Council's recovery policy prescribes that court recovery actions are not initiated against pensioners. Council's preference is always to work with pensioner and non-pensioner ratepayers at times when they may be facing financial difficulty. Council offers flexibility in establishing payment plans for all ratepayers. Pensioners can pre-arrange to make payments throughout the year at times and amounts that are convenient to them outside of the normal quarterly payment schedule. At the end of the year Council will waive current interest so long as their annual amount has been paid in full.

All rate notices refer to Council's preference to make alternative payment arrangements when a ratepayer is unable to pay.

PAYMENT OPTIONS

- **Instalments:** The Council offers the convenience of paying your rates quarterly. There is no additional charge to pay your rates quarterly and we will issue a notice to remind you of the due date for each instalment (Section 562).
- **Full payment:** If you wish to pay the full year amount, payment must be made by the due date of the first instalment, 31 August (Section 562).
- **Arrangements:** The Council is flexible and will negotiate alternative payment arrangements if you are unable to pay as per the normal quarterly instalment schedule (Section 564).
- **Interest charges:** Interest accrues daily on overdue amounts, charged at the annual rate shown on the front of this notice. The Council may waive interest charges in extenuating circumstances (Sections 566 and 567).

3. Hardship Policy – is available to all ratepayers. A copy of the policy as attached to this application is published on the Council’s web site and referenced on page 7 of Council’s LTFP.

Council does not propose to offer any dedicated hardship relief in regard to this special variation.

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

Criterion 4 in the Guidelines is:

The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.

Briefly outline the significant IP&R processes the council has undertaken to reach the decision to apply for a special variation. Include the details of and dates for key document revisions, public exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.³

You should also include extracts from council minutes as evidence that the documents were adopted.

The council is reminded that the Community Strategic Plan and Delivery Program (if amended), require public exhibition for at least 28 days prior to adoption. Amendments to the Long Term Financial Plan and Asset Management Plan do not require public exhibition.⁴ However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council's website.

The Randwick City Plan was founded in 2006 and prepared by Council through engagement and collaboration with residents, local community groups and businesses, other levels of government and major institutions within the City. The Plan was reviewed and updated in 2009, 2012 and in November 2017. The 2017 review was undertaken with information resulting from 36 major and city wide consultations and 23 local consultations, and the relevance of the information in the Plan against the current and future needs of our community. The review took the outcomes of these 59 consultations undertaken since 2013, and incorporated the identified issues into the draft three-year delivery program 2018-21.

The Council met to consider the reviewed City Plan and updated Resourcing Strategies 2018-28 at the ordinary Council meeting on 28 November 2017. The suite of IPR documents developed and exhibited include:

- The 20-Year Randwick City Plan
- The Resourcing Strategy Executive Summary 2018-28
- The Long Term Financial Plan 2018-28
- The Asset Management Strategy 2018-28
- The Asset Management Plans 2018-28
- The Workforce Plan 2018-28

³ The relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan.

⁴ Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6.

- The Digital Strategy 2018-28

The City Plan and Resourcing Strategies 2018-28 were placed on public exhibition from 1 December 2017 until 1 February 2018. The exhibition included the display of each of these documents on Council's dedicated Your Say website.

Details of the Council's intention to apply for a special variation to rates were provided in the City Plan (refer page 92) and in the Long Term Financial Plan (refer page 30

The Randwick City Plan and associated resourcing strategies will be presented at the Committee Meeting on 13 February 2018 for adoption by the Council.

7 Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 in the Guidelines is:

The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.

In this section, you must provide details of any productivity improvements and cost containment strategies that you have implemented during the last two years (or longer) and any plans for productivity improvements and cost containment over the duration of the proposed special variation.

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

Where possible, the council is to quantify in dollar terms the past and future productivity improvements and cost savings.

The council may also provide indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and OLG data provided to us.

In the last four years the productivity factor calculated by IPART has been 0.0% in 2018/19, 0.001% in 2017/18, 0.05% in 2016/17 and 0.04% in 2015/16.

The Randwick City Council 2018-28 Long Term Financial Plan includes a productivity improvement factor of 0.3% for labour costs and 0.3% for material and contract and other expenses.

Although the productivity factor calculated by IPART is trending down, Council believes that it can achieve productivity improvements and continue to contain costs.

Below is a summary of the current and past productivity improvements and cost containment initiatives implemented by Randwick City Council:

In-house developed Fleet Management System utilising existing corporate systems saved Council \$100k from acquiring a third-party system

Online DA Lodgement portal – offers significant efficiency improvements, convenience and environmental benefits with more than 20% of all development applications lodged online (from less than 5% four years ago). Customers can lodge applications whenever and wherever they want, workloads are reduced for our information management staff, and an

estimated 20,000-30,000 sheets of paper saved each year (PIA award for our suite of online planning tools - DA lodgements, ePlanning, DA tracking - 2017)

Integration between Council's Purchasing and Contracts systems to instantly track spend by contract and/or supplier. This ensures almost 100% compliance with the local government act and tendering regulations. Having various reports easily accessible and flexible has also made staff far more accountable

Online invoicing system to streamline the payment of suppliers and completely eradicate duplicate payments

Implement annual Procurement Activity Plan which results in savings for Council through a system of planning and strategic procurement across the organisation

Development of Council's business paper software to include an automatic electronic approval process

Implementation of The Hub Dashboard software to instantly push Council business papers, budget documentation and other important documents to Councillors

Development and introduction of online video tutorials to Council which have greatly enhanced the ability to train staff on an ongoing basis

Electronic archiving and destruction of TRIM documents has been introduced in accordance with the State Records Act and is a real innovation in local government, not to mention the savings in storage space on the document servers

Development of an Information Management (Records) Strategic Plan which compliments our extensive IM Procedure Manual, Archives Plan, Records Management Policy, Business Continuity Plan and TRIM Business Rules

Major wide area network upgrade interconnecting 21 sites to deliver improved performance of staff computer systems and public access library systems

Network switching replacement to deliver high speed networks to all staff and public computers to remove performance bottlenecks and improve reliability

Installation of a new phone system with a modern call centre, video desk to desk calling, free outbound calls to all Australian numbers and portable extensions allowing staff to work from any location as needed

Deployment of up to date computer hardware and the Windows 10 operating system, reducing the complexity and support requirements for staff and IT

Consolidation and repurposing of Council's datacentre computational and storage systems into two locations, driving efficiency from existing investments and allowing for significant growth to be accommodated within the existing capacity, deferring the need for investment for the last two years

- Rebuild of the datacentre systems to tune performance and ensure efficient utilisation of resources, and overall consolidation of the server environment to reduce costs
- Implementation of a thorough and tested backup system and replication to provide substantial business continuity capabilities for the first time, reducing risk and providing assurance that Council's information will be protected
- Integration of Council's fleet of iPads and laptops into the staff network using special mobile data services, allowing remote work and access to the systems from any location with mobile coverage
- Major investment in security and identity systems for the organisation, including deployment of 465 swipe card access control points, issuing of photographic ID to staff (currently underway) and integration of swipe card system with other systems such as fuel pumps, key lockers, print release systems and attendance systems, all of which reduce risk of theft or misuse of Council resources and allows staff accountable yet flexible access to all Council premises
- Deployment of 220 CCTV cameras throughout public spaces and Council premises to provide security and reassurance to staff and members of the public accessing Council facilities
- Improved the Traffic Committee processes by gather like Traffic Committee items together - Time savings approx. 90 minutes / month x 15 attendees (internal and external)
- Installed new outdoor pool heaters (4) - increased efficiency of heaters and reduced electricity usage & cost
- Installed a new roof over Training Pool - installed new roof structure over indoor pool with insulation (previously roof had no insulation and was translucent). This has reduced heat loss to this area and reduced pool heating costs
- Installed automatic Sodium Bicarbonate dosing system - increases efficiency in chemical usage and reduces costs
- Installed new functional training equipment for the gym to increase income and provide new service to community
- Installed new virtual spin bike equipment to enable the community to access classes at any time
- Won RH Doughty award for Reporting to Community - new public website
- Introduced online planning tool (check development at your property)
- Improved the use of automated pay rules throughout the organisation reducing time spent on administration of timesheets
- Reengineered the Depot mobility integrations, reducing downtime and improving responsiveness for all operational areas

- Implemented eRates, allowing customers and ratepayers to receive their rates notices online
- Implemented new emailed receipts for online transactions, improving service to customers and reducing operational administration of payment processing
- Released new version of myRandwick, improving the customer experience and introducing notifications and alerts for DAs, waste dates and events
- Upgraded seven key business systems to improve performance and reliability
- Introduced mobile technology for compliance staff, reducing the time to process requests and improving the customer experience
- Library upgraded its PC and print management system to Monitor - Full self-service of all payments through Kiosks at every branch, as well as online payments of fines has resulted in less cash handling tasks for staff on the desk, as well as reduced banking reconciliations on a daily basis
- Website printing has been enabled, allowing users of our public Wi-Fi network, and members from home to upload and send their documents to the library for printing
- Self-service PC booking system, and self-made booking extensions has reduced time required for staff for these tasks and empowered users
- Implementation of online booking system for events
- Online Forms - online InterLibrary loan form and membership form for the public to fill out, which has streamlined the system, reduced paperwork and increased staff productivity
- Randwick City Library, through the Library.Link Network now have made our library's holdings visible to search engines on the web

A large proportion of Council's future productivity and cost containment strategies will be born out of the Digital Strategy 2018-28. Major projects listed in there include:

- CRM consolidation and Customer Portal: The new CRM system 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.
- Mobile Workforce: There are in the order of 150 employees at Council that undertake field activities requiring access to Council's systems, such as health inspectors, engineers, works gangs, etc. To increase the efficiency of these employees and to make our services better for our customers, Council will enable mobile workers with the equipment and apps they need to do what is required in the field without returning to the office to enter their work details.

- Location based Business Intelligence: reporting and the way we visualise data on maps are merging. To provide our employees with the information they require to make informed decisions, “location” should not be ignored. By integrating our reporting systems into our GIS system, we will be able to create and deliver “location intelligence” based dashboards and reports to employees that will allow smarter and more informed decisions about where to better target service delivery and how to increase efficiencies.
- On call clean up bookings - within the next couple of months customers will be able to make bookings for clean up collections directly into our waste management system. Once launched this will reduce the SLA from 9 days to 2 days for the Council’s highest requested service (11,751 requests per year) = saving \$16,000 postage per year + approx. 20 hours staff time per week
- Food inspections on mobile devices - also within the next couple of months our staff will be able to conduct a food inspection on a mobile device. Inspection reports will be emailed to our 800 registered food premises licensees including photos and star ratings. All related letters and notes can be viewed from the field, inspection results are updated automatically in Pathway and reports saved to TRIM and reinspections can be scheduled from the field. Once implemented this will save approx. \$2k in paper inspection forms per year and approx. 15 hours staff time collectively per week
- Promapp - we have recently purchased this online process improvement toolset. With this, we are creating a library of Council processes that are tailored to every staff member’s role - ensuring we provide consistency to our customers and make it easy for everyone to share, collaborate, innovate and improve what we do. Expected benefits include: capturing corporate knowledge and enhancing risk management; reduced time required to induct new staff and easy for internal customers to find and follow processes; and more staff engaged and empowered to own their processes and collaborate across areas to improve the quality and currency of process documentation and drive improvements.

8 List of attachments

The following is a list of the supporting documents to include with your application.

Some of these attachments will be mandatory to all special variation applications (eg, extracts from the Community Strategic Plan).

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

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

Item	Included?
Mandatory forms and Attachments	
Part A Section 508A and Section 508(2) Application form (Excel spreadsheet)	<input checked="" type="checkbox"/>
Part B Application form (Word document) – this document	<input checked="" type="checkbox"/>
Relevant extracts from the Community Strategic Plan	<input checked="" type="checkbox"/>
Delivery Program	<input checked="" type="checkbox"/>
Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	<input checked="" type="checkbox"/>
NSW Treasury Corporation report on financial sustainability	<input checked="" type="checkbox"/>
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation	<input checked="" type="checkbox"/>
Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Hardship Policy	<input checked="" type="checkbox"/>
Resolution to apply for the proposed special variation (To be provided Wed 14 Feb 2018)	<input type="checkbox"/>
Certification (see Section 9)	<input checked="" type="checkbox"/>
Other Attachments	
Relevant extracts from the Asset Management Plan	<input type="checkbox"/>
Past Instruments of Approval (if applicable)	<input checked="" type="checkbox"/>
Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program (To be provided Wed 14 Feb 2018)	<input type="checkbox"/>
Other (See Cover Letter)	<input checked="" type="checkbox"/>

9 Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: RANDWICK CITY COUNCIL

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

General Manager (name): RAY BROWNLEE

Signature and Date: *see attachment*

Responsible Accounting Officer (name): MITCHEL WOODS

Signature and Date: *see attachment*

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