

Ms Alison Milne  
Project Manager  
Local Government Team  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB POST OFFICE NSW 1230

Our Ref: Z13/252840  
File: EM-030.45.013  
Date: 12 December 2013

Dear Ms Milne

## **SPECIAL RATE VARIATION 2014/15**

Like many councils in NSW, Wollongong City Council is faced with the challenge of ageing infrastructure and declining condition of our assets. Over the last five years, Council has developed and implemented a number of initiatives to harvest operational improvements and make the savings available for capital expenditure on asset renewal. As a result, approximately \$20 million per annum in additional revenue capital spending has been achieved.

However, Council continues to operate in deficit, and requires a further \$21 million per annum improvement over a three to five year period to fully fund depreciation and achieve a small operating surplus. This additional \$21 million per annum will allow us to be able to maintain the serviceability of our existing stock of assets which have a replacement value of \$4 billion.

Council has conducted three stages of engagement with the community on Securing our Future. The engagement has looked at options for finding the additional funds required by considering service adjustments, operational efficiency measures, and opportunities for revenue increases, including fees and charges and rates. Since September 2013, Council has involved more the 800 community members directly, including the engagement of a deliberative Citizens Panel.

After considering the Citizens Panel Report Wollongong City Council resolved on 9 December 2013:

1. *The (Securing our Future Council) report be received and noted.*
2. *The approach that a combination of operational efficiencies, service adjustments and increased revenue must be part of the solution toward achieving financial sustainability, and therefore is an essential component to the Securing our Future Review, be endorsed.*
3. *The Draft Resourcing Strategy 2012-22 (revised 1 December 2013) and Draft Delivery Program 2012-17 (revised 1 December 2013) be placed on public exhibition from 11 December 2013 to 5 February 2014, and Council undertake community engagement during this period on the proposed efficiency targets, service changes and special rate variation options contained within the report.*
4. *Council endorse notification to the Independent Pricing and Regulatory Tribunal of its intent to apply for a Special Rate Variation by 13 December 2013.*
5. *Attachment 3 of the report – Citizen's Panel Report, and Attachment 4 - Securing our Future Community Engagement Report, be received and noted and the input provided by the community into this phase of the Financial Sustainability Review be acknowledged.*

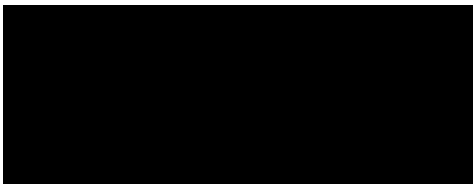
This letter constitutes Council's formal notification of intent to apply for a s508A special rate variation in 2014. Subject to the additional community engagement, it is proposed that the rate increase may be between 5%-8% per year for three years, inclusive of a rate peg. The rates increase would mean Council would secure additional revenue between \$8.4 million and \$16.5 million to contribute to the \$21 million gap and would bridge the balance with a mix of efficiency targets, changes to service levels and, potentially, additional fees and charges.

Engagement will continue into 2014 with the exhibition of Council's draft Delivery Program and Resourcing Strategy between 11 December 2013 and 5 February 2014, which includes the three financial sustainability funding scenarios. A preferred funding scenario will be determined as a result of this process in February 2014 and will confirm a preferred rating option.

In summary, Council will be seeking a rate increase of between 5% and 8% per year for 3 years in order to reinvest in the renewal of the City's assets and achieve a small operating surplus within 3 – 5 years.

Please do not hesitate contact me should you require further information.

Yours faithfully



**David Farmer**  
**General Manager**  
Wollongong City Council  
Direct Line ( [REDACTED] )