



Independent Pricing and Regulatory Tribunal

Special Variation Application Form – Part B

Coffs Harbour City Council

Date Submitted to IPART: 11 March 2013

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1 Introduction

This form must be completed by councils when applying for a special variation to general income under either section 508A or section 508(2) of the *Local Government Act 1993*.

Councils should refer to the Division of Local Government (DLG), Department of Premier and Cabinet *Guidelines for the preparation of an application for a special variation to general income* (the Guidelines) in completing this application form. The Guidelines are available on the Division's website at www.dlg.nsw.gov.au.

In November, IPART will also publish Fact Sheets on our role in local government rate setting and special variations, and community engagement for special variation applications. The Fact Sheets will be available on our website at www.ipart.nsw.gov.au.

This part of the application (Part B) must be completed in conjunction with the relevant Part A form— either:

- ▼ *Section 508(2) Special Variation Application Form 2013/14 – Part A* for single year applications under section 508(2) or
- ▼ *Section 508A Special Variation Application Form 2013/14 – Part A* for multi-year applications under section 508A.

This part of the application consists of:

- ▼ Section 2 - Focus on Integrated Planning and Reporting
- ▼ Section 3—Criterion 1: Need for the variation
- ▼ Section 4—Criterion 2: Community engagement
- ▼ Section 5—Criterion 3: Rating structure and impact on ratepayers
- ▼ Section 6—Criterion 4: Delivery Program and Long Term Financial Plan assumptions
- ▼ Section 7—Criterion 5: Productivity improvements and cost containment strategies
- ▼ Section 8 - Other information (past Instruments of Approval (if applicable), reporting arrangements and the council's resolutions)
- ▼ Section 9 - Checklist of application contents
- ▼ Section 10 - Certification by the General Manager and the Responsible Accounting Officer.

1.1 Information requirements

The spaces provided in each section of this application form may be extended as required to fit information. Each section must be completed before we can assess the application.

Please note that the amount of information to be provided under each criterion is a matter of judgment for the council.

In general, the level of information to be provided should be proportional to the size or complexity of the council's request. Therefore, for relatively small requested increases in general income, less information is necessary than for larger increases. However, you still need to provide enough information and evidence to enable the Tribunal to assess each criterion.

The council may also submit supporting documents, including confidential documents, as part of the application. Supporting information should be relevant extracts of existing publications, if any, rather than the full publication.

If necessary, we may seek further information from you.

1.2 Submitting your application

Both Part A and Part B of the application should be completed and submitted online via the Council Portal on IPART's website at www.ipart.nsw.gov.au. A signed copy of the certification should be attached to the Part B form. We suggest that you access the User Guide for the Portal, also available on our website, to assist you in the online submission process.

Please note that file size limits apply to each part of the application in the online submission process. The limit for Part B forms is 10MB and the limit for all supporting documents together is 120MB (70MB for public documents and 50MB for confidential documents). This should generally be sufficient for the majority of council applications.

Please also submit your application to us in hard copy with a table of contents and appropriate cross referencing of attached plans and reports to:

Local Government Team
The Independent Pricing and Regulatory Tribunal
Level 17, 1 Market Street, Sydney NSW 2000 or
PO Box Q290, QVB Post Office NSW 1230

We will post all applications on our website. You should also make your application available to your community through your website.

You are required to submit your application online via the Council Portal on our website and in hard copy by **cob Monday 11 March 2013**. We encourage you to submit your application as early as possible.

Councils intending to submit an application under section 508A are also required to notify IPART of this intention by **cob Friday 14 December 2012**.

Notification is not a requirement for councils intending to submit an application for a single-year increase under section 508(2), but it would help us in our planning if you did notify us of your intentions by this date.

2 Focus on Integrated Planning and Reporting (IP&R)

How a council has considered and consulted on a special variation in its Integrated Planning and Reporting (IP&R) process is fundamental to our assessment of a special variation application. This is consistent with DLG's October 2012 Guidelines.

As part of our assessment, we will examine whether the council's planning and consultation, as evidenced in its IP&R documents, meets the criteria for a special variation. For example, we will look closely at how the community's service priorities and feedback regarding various revenue options are reflected in the council's application for the special variation.

- ▼ Has the council completed its I&PR documents and relevant annual reviews of plans?

Yes No

COUNCIL'S RESPONSE

Integrated Planning and Reporting Framework Reviews

Coffs Harbour is a Group 1 Council, having implemented the Integrated Planning and Reporting Framework on 1 July 2010.

Since its introduction, the framework has been subject to continuing review. This has included an ongoing review by the organisation, a DLG review (summary received in December 2010) and elements of a Promoting Better Practice Review (recommendations received July 2011).

If the answer is *No* and your council still wishes to proceed with a special variation application, we advise you to discuss your IP&R progress and options with us.

The Guidelines provide for transitional arrangements in 2013/14 regarding IPART's assessment of criteria related to the IP&R process (see Box 2.1).

Box 2.1 Transitional arrangements for assessment in 2013/14

The Guidelines provide for transitional arrangements as follows:

In light of the 2012 local government elections and the requirement for councils to review the Community Strategic Plan and Delivery Program and develop an Operation Plan by 30 June 2013, it is recognised that the revised guidelines and application timing may create a difficulty for councils who wish to apply but have not yet completed the necessary IP&R review.

Therefore, for the 2013/14 rating year only, IPART will have the discretion to award a single year variation where it assesses that the general principles of need, community awareness, reasonable ratepayer impact, realistic financial planning assumptions and cost containment and productivity achievement related to the assessment criteria are met by a council, even though the evidence is not necessarily reflected within the councils IP&R documentation.

2.1 Summary of relevant IP&R documentation

Expand the space below to briefly explain the council's IP&R process in the context of the special variation. Include when plans (eg, Asset Management Plan (AMP) or Long Term Financial Plan (LTFP)) first identified the need for a special variation, and when all relevant IP&R documents were reviewed and finalised. If the council has not yet finalised all of the relevant reviews of plans, explain when this is likely to occur.

COUNCIL'S RESPONSE

Community Strategic Plan Review – Coffs Harbour 2030

Under the Integrated Planning and Reporting Framework (IPRF) Council is required to review its Community Strategic Plan (CSP) every four years following the election of a new Council. The review of Council's CSP, *Coffs Harbour 2030*, has included a range of engagement options providing the community and other stakeholders the opportunity to contribute and provide feedback on the proposed updates to the 2030 Plan. These have included a photographic competition using Facebook for entries, a dedicated website that allows people to comment and make submissions on the document, stakeholder reviews and a public information session at a local market.

The reviewed 2030 Plan remains open for community comment until 10 May 2013 (further information on the review process can be found at www.coffs2030.com.au).

This application supports a number of objectives that had been identified within Council's original 2030 Plan developed in 2009. These objectives, connected to the themes "Places for Living" and "Looking after our Community", have the following relevant strategies:

- Build pride and identity in Coffs Harbour as a community and a place;
- Create facilities and services that allow the community to reach its full development potential;
- Encourage the provision of facilities, services and resources which attract and support young people;
- Create community structures which capitalise on inter-generational knowledge, experience and capacity.
- Create opportunities for enhancement of the community's sense of well-being.

Long Term Financial Plan

Council's ten-year Long Term Financial Plan (LTFP) was amended in 2012 to include expenditure for a ten-year City Centre works program. Business sector support for the previous City Centre revitalisation program has ensured that the extension of the CBD Special Rate has been included in Council's LTFP scenarios for at least another ten years beyond 2012/2013.

Council's ten-year LTFP budget projections indicate ongoing General Fund deficit positions and, without the proposed Special Variation, Council does not have the funding capacity to undertake the proposed City Centre works.

Asset Management Strategy/Plans

Council's Asset Management Strategy/Plans have a focus on the maintenance and renewal of community assets. Council's Asset Management Strategy (adopted in 2010) has been included with this application (see Attachment 1). This Strategy is currently under review.

A new Asset Management Strategy will be considered for Council adoption in conjunction with Council's reviewed Community Strategic Plan and 2013-2017 Delivery Program.

This application seeks funding for a ten-year City Centre works program which includes the renewal of a number of community assets within the City Centre.

Integrated Planning & Reporting (IPR) Review

Council is currently undertaking a review of its IPR documents.

Documents under review include:

- Community Strategic Plan – Coffs Harbour 2030
- Four-year Delivery Program (and associated budgets)
- Operational Plan
- Workforce Management Plan
- Long Term Financial Plan
- Asset Management Strategy

It is anticipated that the IPR review will be completed by 28 March 2013.

On 11 April 2013 Council will consider a report outlining the IPR review process, including recommendations to place reviewed documents on public exhibition for 28 days from 12 April 2013 to 10 May 2013.

A Council report on 23 May 2013 will seek approval to adopt the reviewed IPR documents - taking into consideration the community submissions made during the exhibition period.

3 Criterion 1: Need for the variation

In this section, you should present a case for the proposed revenue increases by showing why the special variation is needed. The need must be identified and articulated in the council's IP&R documents, including the Delivery Program and LTFFP, and AMP where relevant.

3.1 Variations for capital expenditure

Does the purpose of the proposed special variation require the council to undertake a capital expenditure review in accordance with Council Circular 10-34?

Yes No

If Yes, has a review been undertaken?

N/A

If Yes, has this been submitted to DLG?

N/A

3.2 Strategic planning information

In the section below, provide commentary on how the need for the special variation is reflected in the council's strategic planning documents (ie, Community Strategic Plan and Delivery Program). Provide extracts from or references to the council's IP&R documents as relevant.

Explain the likely benefits of the project, works or other activity the council is proposing to undertake with the additional special variation funds, as outlined in the IP&R documents.

If you are seeking funding for contributions plan costs above the development contributions cap, see Box 3.1.¹

¹ See Planning Circular 10-025 at www.planning.nsw.gov.au for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS10-022.

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

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

- ▼ a copy of the council's s94 contributions plan
 - ▼ a copy of the Minister for Planning and Infrastructure's response to IPART's review and details of how the council has subsequently amended the contributions plan
 - ▼ details of any other funding sources that the council is proposing to seek to use
 - ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council's planning documents (eg, LTFP and AMP)
 - ▼ any necessary revisions to financial projections contained in the LTFP and AMP to reflect the special variation.
-

COUNCIL'S RESPONSE**A 'Need' Driven by Stakeholders**

The proposed Special Variation is required to fund a new City Centre works program which has been developed in conjunction with a new City Centre Masterplan – Coffs Harbour City Centre Masterplan 2031. This Masterplan was developed using CBD Special Rate funds from a one-year Special Variation approved for 2012/2013.

The continuation of the CBD Special Rate to fund future works within the City Centre was an initiative of the Coffs Harbour Chamber of Commerce and the '2050 Think Tank' (a group of local business people) in early 2011.

In response to this initiative, Council staff tabled a report to Council on 26 May 2011 seeking endorsement to undertake a review of the previous CBD Special Rate and to provide recommendations on the future of this funding source.

After receiving positive feedback from the review process, which included results of community consultation, the Council on 23 February 2012 adopted a recommendation to seek IPART approval for a ten-year extension to the existing CBD Special Rate for 2012/2013.

Connection to our Community Strategic Plan – Coffs Harbour 2030

As mentioned in Section 2, this application supports a number of community objectives that have been identified both within Council's original 2030 Plan and reviewed 2030 Plan. These objectives are directly connected to the themes "Places for Living", "Looking after our Community" and "Learning and Prospering".

Relevant strategies supporting objectives within the reviewed 2030 Plan include:

- Provide infrastructure that supports sustainable living and is resilient to climatic events;
- Create balanced pedestrian-friendly communities with a mix of residential, business and services;
- Provide public spaces and facilities that are accessible and safe for all;
- Build pride and identity in Coffs Harbour as a community and a place;

- Support opportunities for artistic and cultural growth and enjoyment;
- Develop inclusive community, sporting and recreational events and activities; and
- Develop the city centre as a social and cultural focus for Coffs Harbour.

Council's 2012-2016 Delivery Program

Council's 2012-2016 Delivery Program has previously informed the community of the proposals to continue the CBD Special Rate to fund a City Centre works program through the development of the City Centre Masterplan.

The proposals include key community priorities to be addressed through the development of the City Centre Masterplan.

Please see Attachment 2 (extract from Council's 2012-2016 Delivery Program) for more details.

Council's Annual Reports

The continuing success of the previous business rate-funded City Centre Revitalisation program is a matter of record. Council's 2010/2011 Annual Report states: *"It is Council's expectation that an application will be made to extend this special variation beyond 2012/2013 to assist in funding an ongoing program of City Centre improvements."* In the preparation of its 2011/2012 budget, Council consulted the Division of Local Government but was advised to delay the application to 2012/2013 when the original approval would expire.

The 2011/2012 Annual Report states: *"Council secured approval to continue this special variation during 2012/2013 to assist in the development of a new Masterplan for the City Centre. A further application is to be made to the Independent Pricing and Regulatory Tribunal (IPART) to extend the special variation for a further ten years to fund an ongoing program of City Centre improvements (as directed by the Masterplan)."*

3.3 Financial planning information

The justification for the special variation and its timing must be based on the council's Long Term Financial Plan (LTFF). The LTFF needs to include various budget scenarios, including scenarios with and without the special variation, that are based on clear and reasonable assumptions (see Section 6).

In the section below, explain the need for the variation in the context of the LTFF and the various budget scenarios. Provide extracts from or references to the LTFF as necessary.

It may also be useful to comment on external assessments of the council's financial sustainability (eg, by Treasury Corporation), or the council's recent revenue and expenditure history and how this relates to the need for the additional funding from the special variation.

COUNCIL'S RESPONSE

The Justification and Timing of the Special Variation

Council's LTFP prior to 2012 did not make provision for this proposed SRV funding and related expenditure.

As mentioned in Section 3.2, the need (and timing) for the further revitalisation of the City Centre through a new works program was an initiative put forward by business stakeholders in 2011. This initiative was further explored by Council with a review of the previous outcomes achieved with funding from the original CBD Special Rate.

Favourable outcomes from the review process were the catalyst for Council to begin a community engagement process to determine key priorities and - most importantly - the 'willingness' of ratepayers to continue to pay a CBD Special Rate.

The outcomes of the community engagement process (detailed further in Section 4.2) resulted in Council applying for a City Centre SRV in 2012/2013.

Council's Long Term Financial Plan

Council's ten-year 'Base-Line' LTFP budget projections show ongoing General Fund deficit positions. Without the proposed Special Variation, Council does not have the funding capacity to undertake the proposed new capital works for the City Centre.

The two budget scenarios ('With' and 'Without' the proposed SRV) supporting this application show similar General Fund deficit positions (see Attachments 3 & 4).

In simple terms, if the proposed SRV is approved, the City Centre works program will be undertaken (with associated revenue and expenditure funding provisions made in Council's LTFP).

If the proposed SRV is not approved, funding provisions for the new City Centre works program will not be included in Council's current ten-year LTFP.

Recent Revenue and Expenditure Trends

Council's more recent revenue and expenditure trends (Operating Result) for the General Fund are summarised in the following table:

\$000,000	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Revenue	86.213	76.502	86.394	102.611	88.475
Revenue (ex Capital Revenue)	72.095	66.937	71.335	82.744	76.512
Expenditure	71.436	79.846	83.690	93.588	91.119
Operating Result	14.777	(3.344)	2.704	9.023	2.644
Operating Result before Capital	0.659	(12.909)	(12.355)	(10.844)	(14.607)

T-Corp's Financial Assessment & Benchmarking Report

An external assessment of Council's financial position was undertaken by the NSW Treasury Corporation (TCorp) in 2012.

This report further highlights the inability of Council's General Fund to afford any new capital works. Council is currently undertaking a number of measures to improve the sustainability of the General Fund (see Section 7 - Productivity Improvements and Cost Containment Strategies).

The following statement is from Council's 'Financial Assessment & Benchmarking Report' produced by TCorp in October 2012 (Executive Summary – page 4):

“The key observations from our review of Council’s 10 year forecasts for its General Fund are:

- *The General Fund is likely to be unsustainable in the long term. Forecast expenses outstrip revenue, which leads to an increasing deficit each year*
- *The General Fund will not generate sufficient funds for capital expenditure to match depreciation of its assets. It is likely that Council will need to review current service levels, or raise additional revenues to generate funds to keep infrastructure to their current standards”.*

The following statement on Benchmarking was also made by TCorp in the same report (Executive Summary – page 5):

“In respect of the Benchmarking analysis TCorp has compared the Council’s key ratios with other councils in DLG Group 5. The key observations are:

- *Council’s financial flexibility as indicated by the Operating Ratio and Own Source Operating Revenue Ratio are generally below the group’s average*
- *Council currently is more heavily geared than its peers with its DSCR and Interest Cover Ratio below the group average though in the medium term Council is forecasting marginally improving ratios to be close to benchmark*
- *Council was in a sufficient liquidity position though this is expected to marginally deteriorate in the medium term*
- *Council’s performance in terms of its Asset Maintenance Ratio and Infrastructure Backlog are stronger than its peers though they are weaker than the benchmarks”.*

3.3.1 Prioritization of proposed spending

If possible, also explain how the council has prioritized the proposed spending in its program of expenditure (incorporated into its LTFP and as indicated in Worksheet 6 of Part A of the application form). If a special variation application is approved for a lesser amount than requested, it is useful for the council to be able to indicate which projects would be funded first.

COUNCIL'S RESPONSE

The proposed ten-year City Centre works program has been developed around strategies identified in the Coffs Harbour City Centre Masterplan 2031.

The Masterplan contains a number of strategies and projects that support key priorities previously identified through the community consultation process.

The Masterplan contains an 'Implementation Matrix' (page 57) which identifies a Rate Variation-funded works program which reflects the works program detailed in Worksheet 6 (Part A) of Council's Application.

Please see Attachment 5 for a complete copy of the '*Coffs Harbour City Centre Masterplan 2031*'.

3.3.2 Alternative options

In explaining why the special variation is needed, you should indicate how the council has considered a range of alternative financing options (eg, borrowing, private public partnerships, joint ventures, user pays) and why the special variation is the most appropriate option. It is important that you explain how the decision to apply for the variation has been made after all other options (ie, alternative revenue sources, changing expenditure priorities, alternative modes of service delivery) have been considered. Once again, provide extracts from, or references to, the LTFP which shows the council's consideration of alternative revenue options.

COUNCIL'S RESPONSE

Alternative Funding Options

By securing the proposed Special Variation in 2013/2014, Council can proceed with a City Centre works program (developed through the Masterplan), without this program impacting on existing funding resources that are already under strain in meeting community programs and services.

There are currently no alternate funding sources available to Council to proceed with the proposed ten-year City Centre works program outlined in this application.

Section 94 Contributions

There are currently no suitable Section 94 funds available for the proposed ten-year City Centre works program outlined in this application.

Council has a Section 94 Contributions Plan, which was formulated to raise additional funds for the construction of a multi-storey car parking facility. The future construction of this facility is outside the proposed scope of works to be funded by the proposed Special Variation.

User Pay Options

The possibility of additional income streams from 'pay for parking' fees is not considered a viable option. The introduction of 'pay for parking' would have negative financial impacts on businesses within the CBD as customers would be likely to use alternate retail centres (i.e. shopping plazas) outside of the CBD that have free private car parking facilities.

Loan Borrowings

Without the proposed Special Variation, Council has no current funds available to undertake loan borrowings for the proposed City Centre works.

Council's General Fund Debt Service Ratio (DSR) (as at 30 June 2012) is 7.39%. This ratio for General Fund will increase slightly over the next twelve months when Council is required to undertake a new borrowing of approximately \$2.5M to partly fund a compulsory land acquisition (under the provisions of the Land Acquisition – Just Terms Compensation – Act 1991) for open space/public recreation. This loan will be repaid over a ten-year term using associated Section 94 contributions.

If this application is approved, Council is proposing to fund \$4M of the capital-related City Centre works via an internal loan from existing Council Reserves. These reserve funds include monies currently held in Council's Employee Leave Entitlement (ELE) Reserve.

The internal loan will be over a term of ten years at an interest rate of 6%. A loan repayment schedule has been developed which involves interest-only repayments for the first two years of the loan term, with additional principal repayments from year four to ensure this loan is fully repaid within the period of additional SRV funding.

This internal loan will not only save money in regards to external borrowing costs, but will allow high priority capital projects in the proposed City Centre works program to be funded in the first three years.

3.3.3 Impact of special variation on key financial indicators

Outline below how the special variation impacts the council's key financial indicators over the 10 year planning period, as identified in the LTFF. This should include the impact on key indicators under the various budget scenarios (with and without the special variation).

Key indicators may include:

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

If the variation is to fund asset or infrastructure expenditure, the application should include an explanation of relevant asset replacement, renewal or repair expenses, and how the expenditure addresses backlogs over time.

COUNCIL'S RESPONSE

Key Financial Indicators (KPI)

Please see Attachments 6 & 7 which show Council's LTFP Financial Performance Indicators projected for the next ten-years 'With' and 'Without' the proposed Special Variation.

Operating Balance Ratio Percentage

If the Special Variation is approved, this ratio will show a marginal increase as rate income will increase by the special variation - thereby increasing both the operating revenue and net operating result.

Unrestricted Current Ratio

If the Special Variation is approved this ratio will increase slightly.

Rates and Annual Charges Ratio Percentage

If the Special Variation is approved this percentage will increase slightly.

Debt Service Ratio

If the Special Variation is approved this ratio will show a favourable decrease, as the revenue from continuing operations has increased (due to additional rate income).

Broad Liabilities Ratio

If the Special Variation is approved, this ratio will show a marginal increase from 2013/2014 to 2016/2017 (as City Centre works expenditure exceeds additional rate revenue – resulting in an increase in net financial liabilities).

This ratio decreases from 2017/2018 as renewal works reduce the infrastructure backlog and additional rate revenue begins to have a positive impact on net financial liabilities.

Asset Renewals Ratio

If approved, the rate variation will fund a number of asset renewal projects in the first three years of the works program - resulting in an increase in this ratio. This ratio from 2016/2017 decreases as depreciation expense increases.

Explanation of relevant Asset Replacement, Renewal and Maintenance Expenses

The annual depreciation expense for proposed new capital projects within the City Centre works program has been projected at 4% - 10% of the value of the projected asset cost.

The projects which involve the renewal of City Centre assets have existing depreciation allocations.

The annual maintenance expense of new assets has been projected at 5% of the total asset expenditure. This additional operating expense will be funded from existing Council revenues and are therefore not part of the proposed expenditure to be funded by the proposed Special Variation.

Key Financial Indicators (KFI) Used by Council

Council in April 2012 adopted 13 Key Financial Indicators (KFI) which are monitored and reported to Council on an annual basis.

These indicators are used as financial health checks to monitor the operational liquidity (short term focus), fiscal responsibility (elected term focus) and financial sustainability (long term/intergenerational focus) of the Council. The indicator targets have been derived through a combination of management policy, DLG recommendations and industry benchmarking.

These ratios (detailed in the following table) are monitored on a consolidated and individual fund basis.

Some of these KFIs are in addition to the Financial Indicators projected by Council's LTFP models.

Key Financial Indicator	Council Target
Unrestricted Current Ratio	2:1
Working Capital (excluding Internal Restrictions)	> \$1,000,000
Cash Flow Adequacy Ratio (measures the ability of cash from operations to pay for asset purchases & loan repayments)	> 1
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	< 7%
Operating Result adjusted for Renewal Costs	Break even over 5 years
Own Source Revenue Ratio (Income excluding grants & contributions as a % of total income)	65%
Employee Costs as a % of Rates, Annual Charges & United Grants	Between 55% - 75%
Rates & Annual Charges Coverage Ratio	> 40%
Debt Service Ratio (General Fund)	< 10%
ELE Funding Ratio	20%
Building & Infrastructure Renewal Ratio	> 100%
Operating Balance Ratio	> 0%
Broad Liabilities Ratio	< 100%

4 Criterion 2: Community engagement

To meet this criterion, you must provide evidence from the council's IP&R documentation that the council has consulted on the proposed special variation and that the community is aware of the need for, and the extent of, the rate increases. You should also show that the council has sought to obtain community input on both the proposed spending area, the revenue path in the council's LTFFP incorporating the council's proposal, and the community's willingness to pay the rate increases.

In assessing the evidence, we will consider how transparent the council's engagement with the community has been, and that the information provided to the community shows:

- ▼ the proposed rate increases including the rate peg;
- ▼ the alternative rate levels without the special variation;
- ▼ if the requested special variation includes an expiring special variation (see Box 4.1 below);
- ▼ rates on an annual increase basis (and not just on a weekly basis); and
- ▼ if the council is proposing increases for any of its other charges, for example, waste management, when these are likely to exceed CPI increases.

Box 4.1 Does the council seek to renew or replace an expiring special variation?

If so, this needs to be clearly explained to the community. Councils should explain:

- ▼ that there is a special variation due to expire during the time period covered by the current special variation application, or the time period immediately before
- ▼ that, if the special variation were not approved (ie, only the rate peg were applied), the year-on-year increase in rates would not be as high, or there would be a rates decrease (whichever is applicable)
- ▼ if applicable, that the expiring special variation is being replaced with a permanent increase to the rate base.

Refer to DLG's Guidelines, the IP&R manual, and IPART's fact sheet on community engagement for more information about how community engagement might best be approached.

4.1 The consultation strategy

In the section below, provide details of the consultation strategy undertaken, including the range of methods used to inform the community about the special variation proposal and to obtain community input on this option (eg, media release, mail out to ratepayers, focus group, survey, online discussion, town hall meeting, newspaper advertisement or public exhibition of documents). Provide relevant extracts from the IP&R documentation to explain the strategy, where possible.

The information should clearly identify:

- ▼ key stakeholders in the consultation process
- ▼ the information that was presented to the community regarding the special variation proposal
- ▼ methods of consultation and why these were selected
- ▼ timing of the consultations (including exhibition of Draft Community Strategic Plan, Draft Delivery Program and Draft Operational Plan as applicable).

Attach relevant samples of the council's consultation material to the application.

COUNCIL'S RESPONSE

The Consultation Process

Over the past 12 months Council has continued a community consultation process which began in 2011/2012.

The 2011/2012 Consultation Process

Establishment of the CBD Special Rate Steering Committee – June 2011

Council took a staged approach to its community consultation process. This began with the establishment of a CBD Special Rate steering committee to undertake a review of the outcomes from the previous CBD Special Rate.

The steering committee worked closely with Council from June 2011 to January 2012 and assisted Council in formulating a consultation process which resulted in a clear direction for Council to follow in regards to the development of a City Centre Masterplan to drive a new CBD works program.

The consultation process was simplified by the fact that the proposed rate variation would only have an impact on the 323 business properties within the Coffs Harbour CBD.

Letters to Property Owners – November 2011

Letters (dated 9 November 2011) were sent to all CBD business property-owners that paid the CBD Special Rate.

This letter (see Attachment 8) provided an invitation for stakeholders to provide feedback (via a dedicated e-mail address or in writing) to the various proposals, as well as an information sheet in relation to estimated impacts on average rates for both business areas within the existing CBD boundary and the wider City Centre LEP Boundary. These impacts included a substantial reduction in the average CBD business rate if the Special Rate was not continued. Feedback from the letters is summarised in Section 4.2.

Random Telephone Survey of Business Property Owners – January 2012

Council engaged an external local market research organisation (Jetty Research) in January 2012 to conduct a random telephone survey of business property-owners.

The survey was commissioned as a representative poll of opinion towards a proposed continuation of the Special Rate for CBD business owners, plus the introduction of such a rate to business property owners in the wider City Centre LEP boundary.

Further details and results from this survey can be found in the survey's final report submitted to Council by Jetty Research (see Attachment 9).

Stakeholder Forums – January 2012

Further consultation with business stakeholders was conducted in January 2012 via stakeholder forums facilitated by Council's General Manager and Director of Corporate Business.

Invitations to these forums were sent to all business property-owners within the CBD and the wider City Centre LEP area.

Two separate forums were held on 24 January 2012 – attendance and feedback from these forums is summarised in Section 4.2.

A third forum was held on 30 January 2012. This third forum allowed Council's General Manager and Director of Corporate Business to give a presentation to business stakeholders summarising the feedback Council had already received.

Attendance and feedback from this last forum is summarised in Section 4.2.

Council's 2012-2016 Delivery Program & 2012/2013 Operational Plan (April – May 2012)

As previously mentioned in Section 3.2 of this application, Council's 2012-2016 Delivery Program informed the community of the proposals to continue the CBD Special Rate to fund a City Centre works program through the development of the City Centre Masterplan.

This information was also included in Council's 2012/2013 Operational Plan.

The Continuation of the Consultation Process into 2012/2013

As Council's 2012/2013 SRV application was only approved for a one-year period, it was imperative that community consultation continued to ensure key community priorities were being addressed through the development of the Masterplan.

This continued consultation was achieved through the establishment of the CBD Masterplan Committee, Masterplan Community Engagement Workshops, local media releases and the public exhibition of the draft City Centre Masterplan.

Establishment of the CBD Masterplan Committee – June 2012

Council was presented with a report on 14 June 2012 (see Attachment 10) which recommended the establishment of a CBD Masterplan Committee as a Section 355 committee of Council. The establishment and a 'Terms of Reference' (TOR) of the committee were also adopted by Council at this meeting.

A Letter in June 2012 was sent to all CBD business property-owners requesting applications from interested parties wanting to join the CBD Masterplan Committee.

Council on 26 July 2012 adopted a report (see Attachment 11) which appointed four CBD property-owners and one community representative to the CBD Masterplan Committee. A business owner who is not a property-owner was appointed at a later date.

It is intended that this committee will continue to play an important communication role between Council and the Community in the development and implementation of the City Centre Masterplan.

Masterplan Community Engagement Workshops – (September 2012 to January 2013)

Four Masterplan Community Engagement Workshops were conducted by community engagement consultants Straight Talk. The community feedback from these workshops was used by the urban design consultants, Roberts Day, who had the responsibility for the development of the City Centre Masterplan.

Three of these workshops (17 September, 10 October and 15 November 2012) were held prior to the public exhibition period of the draft Masterplan.

A fourth workshop was held during the exhibition period on 17 January 2013 – at the request of the CBD Masterplan Committee.

Engagement techniques ranged from independently facilitated workshops that involved a combination of individual and large group visioning and exploration sessions to small group work with urban designers.

In addition there was extensive media coverage of the CDB Masterplan project which assisted greatly in ensuring public knowledge of the project.

Attendance and feedback from these workshops is summarised in Section 4.2.

Exhibition of the Draft City Centre Masterplan - (14 December 2012 to 28 January 2013)

A Letter dated 17 December 2012 (see Attachment 12) was sent to all CBD business property-owners advising that the public exhibition period for the draft City Centre Masterplan had begun. This letter provided a dedicated e-mail address, website and mailing address where submissions on the draft Plan could be made.

Feedback from the public exhibition period is summarised in Section 4.2.

Adoption of City Centre Masterplan

Council adopted the City Centre Masterplan on 7 March 2013 at an extraordinary meeting.

4.2 Outcomes from community consultations

In this section provide a summary of the outcomes from the council's community engagement activities, as presented in the council's IP&R documentation (eg, number of attendees at events, percentage of responses indicating support for certain services/projects or rate increases, overall sentiment of representations, results of surveys).

Also provide a summary of submissions received in response to the exhibition of the Draft Operational Plan where they relate to the proposed special variation. Identify the nature of the feedback related to the proposal (including by relevant stakeholder group) and any action proposed by the council to address issues of common concern.

Attach copies of relevant documentation eg, survey reports to the council.

COUNCIL'S RESPONSE

Results from Community Consultation - 2011/2012

Overview

Council in 2011/2012 gained a clear direction from its business community consultation process.

This direction included the following elements:

- There is strong support for the continuation of the existing CBD Special Rate at current levels of funding.
- There was limited support in extending this Special Rate into the wider Business area.
- A CBD Masterplan should be the first step in developing a works program to be undertaken with the Special Variation funds.
- That the Masterplan guide the detailed program of works to be undertaken with the funds raised from the Special Variation.
- That a Section 355 committee (or similar) be established with representatives of Council and those paying the rate.
- That the committee be responsible to oversee the planning, expenditure and assist in the reporting of the funds collected.
- That the funds be used in the area in which the funds are collected.
- That the funds broadly address traffic flow, pedestrian movement, car parking and streetscaping improvements.

These elements have been key factors in the development of the City Centre Masterplan.

Letter to CBD Business Property Owners – November 2011

Council's initial letter (9 November 2011) - *The 'Vision' for the Future Growth of our City Centre* (Attachment 8) was sent out to all 249 property-owners of the 323 CBD business properties.

These property-owners were asked to comment on the proposals put forward for the possible continuation of the CBD Special Rate.

From this initial letter Council received 62 responses.

Of these 62 responses – 41 (or 66%) indicated support for the initial proposals while 21 (or 34%) were against the initial proposals.

Random Telephone Survey of CBD Business Property Owners – January 2012

Council commissioned Jetty Research to conduct a random telephone survey of business property-owners to measure their support for the proposals.

Of the 69 CBD property-owners surveyed, 62% indicated support for the continuation of the Special Rate (please see pages 4 and 21 of the final survey report – Attachment 9).

Stakeholder Forums – January 2012

Council sent out a letter to invite all business property-owners to attend information forums (held on the 24/01/2012) to discuss the future growth of the City Centre and, in particular, the proposal to continue the CBD Special Rate.

These forums included a separate feedback session at a later date, which provided an opportunity for Council to present information collated from the consultation process. This session helped form the basis for recommendations to be considered by Council.

The two information forums held on 24 January 2012 provided an opportunity for business stakeholders to workshop ideas for projects – some of which were previously identified from feedback received from the initial mail out.

The separate feedback session held on 30 January 2012 provided an opportunity for Council to provide the results of the consultation process to date.

Number of attendees at the forums:

Date	Number of Attendees
24 January 2012 Morning	20
24 January 2012 Evening	20
30 January 2012 Evening	25

Key outcomes/feedback from the forums included:

- Development of a Masterplan to determine a works program for the CBD
- Improvements required for car parking, pedestrian and traffic flows, streetscape
- Give those paying the rate responsibility and input into how the funds are spent.

Submissions of Support received after Stakeholder Forums – February 2012

Following the business forums, further submissions of support were received from 17 CBD property owners.

All 17 submissions (see Attachment 13) provide support for this Special Variation application.

These 17 property-owners represent a total of 34 CBD business properties which collectively contribute over 22% of the total rate revenue derived from the existing Special Rate.

Council's 2012-2016 Delivery Program & 2012/2013 Operational Plan

Council's 2012-2016 Delivery Program and 2012/2013 Operational Plan informed the community of the proposals to continue the CBD Special Rate to fund a City Centre works program through the development of the City Centre Masterplan.

The Draft Delivery Program and Draft Operational Plan were placed on public exhibition from 26 March 2012 to 23 April 2012.

No public submissions on the rate variation proposals detailed in the draft documents were received during the exhibition period.

Results from the 2012/2013 Consultation Process

Establishment of the CBD Masterplan Committee – June 2012

Council on 26 July 2012 adopted a report which appointed four CBD property-owners and one community representative to the CBD Masterplan Committee.

Further details on this committee can be found in Council's report (see Attachment 11).

Masterplan Community Engagement Workshops – (September 2012 to January 2013)

Four Masterplan Community Engagement Workshops were conducted by the community engagement consultants, Straight Talk.

These workshops were attended by approximately 150 people.

The community feedback throughout these workshops has been consistent. All agreed the City Centre Masterplan must have a focus on revitalising the City Centre to stimulate economic activity. Participants also wanted to see a change in how people live, work and move through the City Centre in order to create a more vibrant hub for the City.

The Masterplan urban design team identified, with the consent of the workshop participants, a Vision that Coffs City Centre can be the beating heart of the Coffs Coast. The heart of the City Centre will remain as Harbour Drive and the City Square whilst growing towards its natural assets to become a vibrant, connected and green City Centre.

Exhibition of the Draft City Centre Masterplan - (14 December 2012 to 28 January 2013)

The draft City Centre Masterplan was placed on public exhibition from 14 December 2012 to 28 January 2013. Whilst on exhibition, the fourth and final engagement workshop was held and community submissions on the draft Masterplan were encouraged through post, email and a specific website.

There was also extensive promotion through local media, including a number of front page and editorial articles in the Coffs Coast Advocate newspaper, as well as radio and television coverage.

Overall, community response was very strong with 195 formal submissions made. These comprised 960 unique comments or points, plus 139 posts on the exhibition website.

The findings of the public exhibition are outlined in the 'Coffs Harbour City Centre Master Plan 2031 Public Exhibition findings' report (see Attachment 14) issued by the consultation consultants (Straight Talk).

The CBD Masterplan Committee has subsequently considered these responses and made adjustments to the draft Masterplan, in consultation with the urban design consultants (Roberts Day).

Adoption of City Centre Masterplan

Council adopted a final version the City Centre Masterplan on 7 March 2013 at an extraordinary meeting. The adopted Masterplan has been included with this application (see Attachment 5).

Council-owned Properties

Council owns 20 properties within the CBD and through these properties contributes a further 10% to the total revenue derived from the Special Rate.

Council supports the continuation of the Special Rate and can see a direct benefit to the commercial value of its properties through the implementation of the proposed ten-year City Centre capital works program.

Summary of the Consultation Process

The direct consultation process with business stakeholders began in November 2011 and has continued throughout the period leading up to this application. The aim of the process was to ensure that the City Centre business community were aware of Council's proposals, gauge support for the proposed continuation of the CBD Special Rate and to provide an opportunity for input into the Coffs Harbour City Centre Masterplan.

The outcomes from the consultation process have guided the direction and scope of this application.

5 Criterion 3: Rating structure and the impact on ratepayers

Councils must also fill in the worksheets in Part A of the application in order to provide the information and calculations underpinning the proposed rating structure, the impact of the special variation and rate increases.

5.1 Proposed rating structure

In the section below, provide an explanation of the proposed rating structure for the variation under two scenarios – the proposed rating structure if approved and the proposed structure should it not be approved.

COUNCIL'S RESPONSE

Proposed Rating Structures for 2013/2014

This application seeks to continue a Special Rate which is applied to CBD Business properties – identified in Council's rating structure as a sub-category of Business named 'Business City Centre'.

The two proposed rating structures (detailed below) for 2013/2014 ('With' and 'Without' the Special Variation) only differ by the ad valorem and minimum rate applied to this Business sub-category.

Rating Structure for 2013/2014 – 'WITHOUT' the Proposed Special Variation

Rating Category / Sub-Category	Number of Properties	Ad Valorem Rate (\$)	Base Amount (\$)	Minimum Amount (\$)	Properties on Minimum	Land Value	Land Value on Minimum	Estimated Yield (\$)
Residential	28,403.70	0.0034058	305.00			5,228,820,462		26,471,445
Farmland	716.00	0.0034058	305.00			296,854,800		1,229,408
Business	1,416.22	0.0079325		515.00	248	584,654,165	8,367,634	4,699,113
Business (Business City Centre)	322.08	0.0077275		475.00	8	215,525,298	289,840	1,667,032
Totals	30,858				256	6,325,854,725	8,657,474	34,066,998

Special Rate	Number of Properties	Ad Valorem Rate (\$)	Base Amount (\$)	Minimum Amount (\$)	Properties on Minimum	Land Value	Land Value on Minimum	Estimated Yield (\$)
Environmental Levy	30,858	0.0001016	19.65			6,325,854,725		1,249,067

Rating Structure for 2013/2014 – ‘WITH’ the Proposed Special Variation

Rating Category / Sub-Category	Number of Properties	Ad Valorem Rate (\$)	Base Amount (\$)	Minimum Amount (\$)	Properties on Minimum	Land Value	Land Value on Minimum	Estimated Yield (\$)
Residential	28,403.70	0.0034058	305.00			5,228,820,462		26,471,445
Farmland	716.00	0.0034058	305.00			296,854,800		1,229,408
Business	1,416.22	0.0079325		515.00	248	584,654,165	8,367,634	4,699,113
Business (Business City Centre)	322.08	0.0109381		500.00	4	215,525,298	56,240	2,358,822
Totals	30,858				252	6,325,854,725	8,423,874	34,758,788

Special Rate	Number of Properties	Ad Valorem Rate (\$)	Base Amount (\$)	Minimum Amount (\$)	Properties on Minimum	Land Value	Land Value on Minimum	Estimated Yield (\$)
Environmental Levy	30,858	0.0001016	19.65			6,325,854,725		1,249,067

5.2 Impact on rates

Comment on the cumulative impact of the proposed increases on different rating types and categories, as detailed in Worksheet 5 of Part A of the application, and explain why the rate increases are reasonable.

Include an explanation of any differences between the requested percentage increases of different rating types or categories.

Also include commentary on average rates (defined as Notional Income Yield divided by the number of assessments for each rating category, sub-category or special rate) and the impact of the proposed rate increases across the rates distribution.

Provide references from the relevant pages in the council’s IP&R documents to demonstrate reasonableness.

COUNCIL’S RESPONSE

Impact on Rates

Impact on the Average CBD Business Rate

As mentioned in the previous section, the proposed Special Variation will only have an impact on Business properties within the Coffs Harbour CBD.

The additional rate yield requested for 2013/2014 is \$691,640 being the approximate difference in the estimated yields in the two rating structures for the Business City Centre sub-category (see rating structures under Section 5.1).

If the Special Rate is to continue for 2013/2014, an average ordinary rate for a CBD Business property will increase from approximately \$7,085 in 2012/2013 to \$7,324 for 2013/2014. This represents an average increase of approximately \$239 or 3.4%.

If the Special Rate is not to continue for 2013/2014, an average ordinary rate for a CBD Business property will decrease from approximately \$7,085 in 2012/2013 to \$5,031 for 2013/2014. This represents an average decrease of approximately \$1,909 or 26.9%.

Both rating structures for 2013/2014 will be detailed in the 'Statement of Revenue Policy' within Council's Draft Operational Plan for 2013/2014. The draft Operational Plan is proposed to be placed on public exhibition from 12 April 2013 to 10 May 2013.

5.2.1 Minimum Rates

Does the council have minimum rates? Yes No

If Yes, provide details of the proposed increase in minimum rates and the proposed share of ratepayers on the minimum rate for the relevant category, with and without the special variation.

COUNCIL'S RESPONSE

As detailed in the proposed rating structures for 2013/2014 (see tables in section 5.1) – the structure 'Without' the Special Variation indicates eight business properties within the CBD will be levied a minimum rate of \$475.00.

The proposed structure 'With' the Special Variation for 2013/2014 shows four business properties within the CBD paying an increased minimum rate of \$500.00. This represents an increase of \$15 (or approximately 3.1%) when compared to the minimum rate for 2012/2013.

As the total percentage of CBD properties having a minimum rate is relatively low (1% to 2%) – the proposed increase in the minimum rate has little impact on the two rating structures for 2013/2014.

5.3 Community's capacity to pay proposed rate increases

Discuss the capacity of ratepayers (in each sub-category) to pay for the rate increases. Provide relevant supporting information from the council's IP&R documentation, in particular any reference to the "affordability" of the proposed increases. Examples of supporting evidence could include discussion of affordability measures such as SEIFA rankings, land values, average rates and disposable incomes, or the outstanding rates ratio. It could also include comparisons of socioeconomic indicators or rate levels with peer group councils. Remember that the amount of information required is generally proportionate to the size and complexity of the proposed increase.

IPART may consider indicators such as the SEIFA index rankings and income levels, as well as the council's current average rate levels, as part of its assessment of capacity to pay in the LGA, even if the council does not provide this information in its application.

COUNCIL'S RESPONSE

Capacity to Pay the Proposed Special Rate Variation

This application seeks to continue a Special Rate which is only to be applied to business properties within the Coffs Harbour CBD and therefore has no impact on other ratepayers.

The existing Special Rate has been applied to CBD properties since July 2000. The proposed Special Variation is to maintain a level of funding that businesses in the CBD have been contributing towards for the past thirteen years.

Group 5 Comparatives

Coffs Harbour City Council is classified by the Australian Classification of Local Government (ACLG) as urban, regional and large (URL), this classification places the Council in 'Group 5' by the Division of Local Government (DLG) in regards to data comparatives.

The DLG comparative information for 2010/2011 shows Coffs Harbour as having an 'Outstanding Rates and Annual Charges' percentage of 6.12% for all rating categories.

This percentage is slightly higher than the 5.99% average for Councils within Group 5 but less than the state median of 6.3%.

The DLG comparative data for 2010/2011 also shows Coffs Harbour having an average rate per business assessment of \$3,563.97. This was lower than both the Group 5 average being \$4,902.47 and the State average of \$4,305.

Outstanding Rates % for CBD Business Properties

Council's 'Outstanding Rates and Annual Charges' percentage for 2011/2012 has slightly increased to 6.52% for all rating categories (as reported in Note 13 of Council's 2011/2012 Financial Statements).

The 2011/2012 'Outstanding Rates and Annual Charges' percentage for CBD Business properties (only) – was approximately 2.6%, which is significantly less when compared to the percentage for all rating categories. This percentage of 2.6% incorporates all rates and annual charges (including the existing Special Rate) and implies that the current level of rating for CBD properties is affordable.

5.4 Addressing hardship

Does the council have a Hardship Policy in place? Yes No

If Yes, is the Policy identified in the council's IP&R documentation? Yes No

Please attach a copy of the Policy to the application. Please see link below

Does the council propose to introduce any measures to limit the impact of the proposed special variation on vulnerable groups such as pensioners? Yes No

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

COUNCIL'S RESPONSE

Council has a 'Rates, Charges and Fees – Financial Hardship Policy' which was adopted in March 2010. This policy provides assistance for both residential and business ratepayers suffering from financial hardship.

As this policy has been proven sufficient to address financial hardship, no further measures are deemed to be required at this time.

Council's 'Rates, Charges and Fees – Financial Hardship Policy' can be accessed via Council's website under the following link:

<http://www.coffsharbour.nsw.gov.au/Coffs-And-Council/Documents/Approved%20Policies/Rates-Charges-and-Fees-Financial-Hardship-Policy.pdf>

This application for a Special Rate Variation has no impact on pensioners as it only applies to business properties within the Coffs Harbour CBD.

6 Criterion 4: Delivery Program and Long Term Financial Plan assumptions

The council's planned service delivery and budgeting must be based on realistic assumptions in order for an application to be approved by IPART.

Given the importance of the Delivery Program and LTFP in providing the strategic and financial justification for a special variation, it is critical that the assumptions underpinning these plans, in particular, are realistic. Questions that we will consider in assessing this criterion include:

- ▼ Is the proposed scope and level of service delivery in the Delivery Program appropriate given the council's financial outlook and the community's priorities?
- ▼ Are the council's estimates of specific program or project costs which have been incorporated into the LTFP feasible and based on an efficient allocation of resources?
- ▼ Are the council's projected cost components (including labour costs) in the LTFP based on realistic assumptions?
- ▼ Has the council incorporated other realistic assumptions about the expected rate of growth in the LGA?

In explaining the council's assumptions, identify any industry benchmarks or independent cost assessments that have been utilised by the council in developing them. Also include details of any relevant research or feasibility work undertaken eg, related to new program or project costs.

6.1 Delivery Program assumptions

Explain the key assumptions underpinning the council's Delivery Program and why they are realistic. For example, assumptions will relate to:

- ▼ the community's priorities and expectations, in order of importance
- ▼ proposed level of service for assets
- ▼ speed at which asset backlogs are to be addressed
- ▼ speed at which other identified gaps in service provision are addressed.

COUNCIL'S RESPONSE

Delivery Program Assumptions

Community Expectations

The current community engagement process for the Community Strategic Plan review and Council's 2012 community survey have provided guidance on what the community wants for its future and what its priorities are.

Council's 2013-2017 Delivery Program will be based on responding to the expectations expressed during these engagement processes.

Council's 2013-2017 Delivery Program will list all the strategies from the Community Strategic Plan, but focus specifically on Council's role within these strategies.

Level of Service for Assets

Recent asset data places Council's annual 'infrastructure gap' (for the General Fund) around \$6.2M. If this infrastructure gap is not addressed, asset service levels will decline as community assets deteriorate.

This annual funding gap has an impact on Council's ability to meet community strategies captured within the reviewed Community Strategic Plan.

The following asset-specific strategies from the reviewed 2030 Plan are impacted by the amount of Council's General Fund asset maintenance and renewal spends.

- Provide infrastructure that supports sustainable living and is resilient to climatic events
- Provide public spaces and facilities that are accessible and safe for all
- Provide safe and accessible play spaces for our children within each community
- Improve the effectiveness of the existing transport system
- Ensure adequate maintenance and renewal of roads, footpaths and cycleways

Addressing the Funding Challenge

Council's 2013-2017 Delivery Program will be based on a '**Sustainable**' level of service for assets. This level of service will require additional funding to eliminate the annual General Fund infrastructure gap (\$6.2M) as well as projected General Fund budget deficits (\$1M - \$2M).

Council's 'Sustainable' 2013-2017 Delivery Program will be based on the following elements:

- Projected operating General Fund deficits returned to balanced budgets
- General Fund infrastructure backlog remains static
- No increase to set program of capital works
- Some change to service levels upon further service review
- Further productivity improvement
- Increase in General Fund asset maintenance spend
- Increase in General Fund asset renewal spend
- Current levels of asset service delivery maintained
- Additional Funding of approximately \$8M per annum

Funding Options – 'Sustainable' Level of Service

The required additional funding to achieve a 'Sustainable' level of service delivery will come from a number of funding options which are likely to include:

- Productivity improvements
- Changes to current levels of service delivery
- Resource sharing opportunities
- Commercialisation of council services
- New revenue opportunities
- Additional Rate income

Council over the next 12 months will focus on exploring funding options which will result in reducing the need for additional rate revenue in future years.

Council's Infrastructure Backlog

Council's preference at the present time is to reduce unfunded borrowing liabilities in the General Fund, which will have a positive impact on its long-term financial sustainability and thereby places Council in a better position to be able to selectively use borrowings for major infrastructure renewal projects. This will have the added advantage of reducing Council's current level of infrastructure backlog.

6.2 Long Term Financial Plan assumptions

Explain the key assumptions underpinning the LTFP and why they are realistic. For example, assumptions will relate to:

- ▼ the rate peg (if different from 3%)
- ▼ rate of growth in labour costs
- ▼ rate of growth in non-labour costs
- ▼ cost of service provision in the council's proposed program of expenditure (as per Part A)
- ▼ level of cost recovery for provision of services (eg, full or partial cost recovery)
- ▼ expenditure growth rate
- ▼ major asset disposals/investments/capital commitments
- ▼ population and rate assessment growth rate
- ▼ major borrowings/repayments
- ▼ grants and other revenue.

COUNCIL'S RESPONSE

Key Assumptions in LTFP Modelling

'Base-Line' LTFP Model

Council's 'Base-Line' LTFP model produces financial projections over the next ten years based on a 'business as usual' scenario. Financial forecasts in this model exclude the proposed City Centre Special Variation and associated works program.

Please see Attachments 15 and 16 which show the Income Statement and Balance Sheet positions for General Fund under this model.

Council's 'Base-Line' LTFP Model contains the following key assumptions:

- Annual increases in rate revenue of 4% (including 1% for assessment growth)
- Revenue from annual charges increasing by 4% - 5% per annum (including growth)
- Other Revenues increasing by 3%
- Recurrent grant funding capped at (0% - 3%) increase per annum
- Annual increases of 6% for salary expenditure
- Operational expenditure increases capped at 3% per annum
- Recurrent capital expenditure capped at (0% - 3%) increase per annum
- A set program of capital projects over 10 years
- \$2.5M for a new loan borrowing in General Fund
- Existing Loan repayments (per loan repayment schedules)

'Base-Line + CBD SRV' LTFP Model

Council's 'Base-Line + CBD SRV' model has produced financial projections over the next ten years based on a 'business as usual' scenario, but including the proposed City Centre Special Variation and associated works program. This model also includes additional operating expenditure relating to the provision of ongoing maintenance and depreciation for the new capital projects contained in the ten-year Masterplan works program.

Please see Attachments 17 and 18 which show the Income Statement and Balance Sheet positions for General Fund under this model.

'Sustainable' LTFP Model

Council is currently reviewing its 'Sustainable' LTFP Model which will form the basis of Council's 2013-2017 Delivery Program.

Council's 'Sustainable' LTFP Model, while still under review, is likely to contain the following key assumptions:

- Annual increases in rate revenue above rate peg% for 4 years (2014/15 – 2017/18)
- Revenue from annual charges increasing by 4% - 5% per annum (including growth)
- Other Revenues increasing by 3%
- Recurrent grant funding capped at (0% - 3%) increase per annum
- Annual increases of 6% for salary expenditure
- Operational expenditure increases capped at 3.5% per annum (from 2014/15)
- Recurrent capital expenditure capped at 3.5% increase per annum (from 2014/15)
- A set program of capital projects over 10 years
- \$2.5M for a new loan borrowing in General Fund
- Existing Loan repayments (per loan repayment schedules)
- Increases in General Fund Asset Maintenance
- Increases in General Fund Asset Renewal expenditure.

7 Criterion 5: Productivity improvements and cost containment strategies

In this section, provide details of any productivity improvements and cost containment strategies that the council has undertaken in the last 2 years (or longer), before considering an increase in rates.

Also provide details of plans for productivity improvements and cost containment strategies during the period of the special variation. These proposed initiatives, which may be capital or recurrent, must be to reduce costs.

Where possible, all productivity improvements and savings (including forward plans) should be quantified in dollar terms. The council may also wish to identify its current and/or projected financial position without the (savings) initiatives.

Productivity improvements should include consideration of:

- ▼ levels of service provision (eg, utilisation rates of community halls and number of service enquiries per FTE)
- ▼ measures of input (eg, FTE levels, contracting costs)
- ▼ reviews of organisational structures or service delivery.

Identify how and where the proposed initiatives have been factored into the council's resourcing strategy (eg, LTFP and AMP).

As additional supportive information, the council may wish to provide evidence of improvements in its performance on key indicators that measure productivity or efficiency. This information is not essential for this criterion to be met. However, we will be reviewing the council's labour costs against the DLG Group average, to help assess the council's costs.

COUNCIL'S RESPONSE

Productivity Improvements and Cost Containment Strategies

Service Review Process

Council has been very pro-active in finding cost savings and sources of income other than Government funding or rates. This approach to finding cost savings has been a long-standing approach of Council.

Over the past 18 months Council has undertaken a full service review to enable Council to make decisions regarding the allocation of its limited resources.

The process involved clearly identifying each service from three perspectives. These were:

- The *reason* for the service,
- The *resources* required for the service, and
- The *results* the service is delivering.

The service review was focused around identifying the levels of service options - but most importantly - identifying opportunities for improvement in Council efficiency and effectiveness.

The service review process attempts to link the long term financial plan that provides for sustainable service provision, towards achieving the objectives of the Coffs Harbour 2030 Community Strategic Plan.

Across 41 services, a number of 'Opportunities for Improvement' (OPI) were identified that have the potential to better satisfy customers or otherwise meet Council's objectives, will save money, increase revenues and create efficiencies.

Some of these OPIs also involve the implementation of structural changes within Council to improve efficiency and the effectiveness of service delivery.

The service review process has established a framework for an ongoing continuous improvement program across Council. This program includes the development of a pilot project to improve productivity.

Productivity Improvement Pilot Project

Council's long-term financial plans make it clear that the cost of continuing to deliver the services the community expects is greater than the amount Council generates in revenues.

Whilst the solution to this problem in the longer term may involve a number of measures - including a reduction or cessation of services and/or the increase of revenues via fees, charges and rates - Council is currently investigating another option to help close the funding gap: productivity improvement.

Council's Senior Management Team over that past few months have been reviewing various Local Government service delivery models both here in Australia and in the United Kingdom (UK) and Singapore. An outcome of this review process has been the development of a productivity improvement pilot project - 'Strategic Business Initiatives and Transformation Pilot Project'.

This pilot project is to be presented to Council in late March/early April with the aim of being implemented over the next 12 to 18 months.

Previous Productivity Improvement and Cost Saving Measures

Productivity improvements, expenditure reductions and other initiatives in the past two years (or more) include the following:

- Introduction of zero based budgeting for the 2009/2010 budget – resulted in substantial savings for the year plus cumulative efficiency gains in future periods.
- Introduction of VOIP phone system in 2008/2009 saving over \$150,000 in the first year with cumulative savings in following years.
- Changes to mailing system in 2009/2010 resulting in savings of approximately \$30,000 annually.
- Council initiatives to increase the number of four cylinder and diesel vehicles.
- Introduction of new revenue raising projects such as the Local Government IT Conference, profit from this conference is > \$100,000 annually.
- Development of business plans for existing and prospective business units to generate a profit to the General Fund including 'The Technology Group' with projected annual profits of \$700,000 to \$1.2M. The 2011/2012 actual profit was \$966,000.
- A standard set of Financial Performance Indicators have been established drawing on the NSW Local Government Health Check, South Australian Local Government Financial Indicators and Business Indicators.
- Council is participating in the NSW Procurement Roadmap Program (Stage 2) in an effort to improve the procurement process and develop key actions for efficiency and productivity gains. Key achievements to date include the creation of a centre-led procurement model and the development of organisational-wide expenditure category codes to capture more meaningful expenditure data. This gives Council better category management and supplier rationalisation. Council is also currently in the process of shifting all expenditure below \$1,000 from a labour intensive purchase order system to credit cards wherever possible – again, to improve operations and gain efficiencies. Further productivity and efficiency gains are expected in the future as we continue on the procurement roadmap.
- No increase in annual program budgets for General Fund for 2011/2012, which has driven further efficiencies in processes estimated to result in savings of approximately \$300,000.
- Introduction of Efficiency Leaders software system – electronic scanning of timesheets and invoices to reduce manual data entry.
- Creation of Cultural Fund "Prosper Coffs Harbour" – set up for environmental and cultural donations and bequests (two previous projects have received large private donations of \$750,000 and \$1,000,000).
- From 2010/2011 to the 2011/2012 financial year there were no CPI increase allowances for capital expenditure generating substantial budget savings of \$115,000.
- Council has implemented energy-efficient and waste-reducing projects which have had significant financial benefits. These projects include the introduction of solar panels for the generation of electricity for its buildings and landfill gas extraction to offset carbon tax impacts.

8 Other information

8.1 Previous Instruments of Approval for expiring special variations

If your council has an existing special variation which is due to expire in the proposed special variation period, we request that you attach a copy of the Instrument of Approval for this variation, which has been signed by the Minister or IPART Chairman.

COUNCIL'S RESPONSE

CBD Business Special Rate Variation

Council's 2012/2013 SRV application (requesting the continuation of the CBD Business Special Rate) was approved for a one-year term and expires on 30 June 2013. A copy of the 'Instrument of Approval' for this Special Variation is included with this application (see Attachment 19).

As stipulated in the Instrument, SRV funds for 2012/2013 have been used to develop a City Centre Masterplan. The final cost of the Masterplan has been estimated to be \$230,000. The remaining SRV funds for 2012/2013 (approx \$438,900) will be spent on intersection upgrade works in the CBD (on the corner of Harbour Drive and Gordon Street).

These works have not yet commenced due to a pending development application from a large shopping centre, which is likely to have an impact on the upgrade works. These funds will remain in reserve until the works can begin.

Flood Mitigation and Drainage Works SRV

Council's 2010/2011 SRV application (requesting additional funding for a flood mitigation and drainage works program) was approved for a ten-year term and expires on 30 June 2020.

This variation continues to fund a major program of flood mitigation and drainage works with a focus of improving public health and safety in response to major flood events.

The centrepiece of the mitigation program is a series of flood detention basins to reduce flooding from Coffs Creek in the CBD and surrounding residential areas. Two of the basins have been completed and have been tested by major storms in recent months. They have been found to be very effective in cutting floodwater levels and no flooding of private property has occurred.

An early warning system installed in Coffs Creek and its tributaries under the same mitigation program has also been found to be highly effective in providing early warning of possible problem areas.

The application for this variation was made pursuant to Section 508(2). A copy of the 'Instrument of Approval' for this Special Variation is included with this application (see Attachment 20).

8.2 Reporting

Provide details of the mechanisms that the council will put in place to transparently report to the community on the special variation (being applied for).

Indicate how the council proposes to report this information to the community and what performance measures it will be putting in place to measure the success of the projects or activities funded from the variation.

As specified in the Guidelines, reporting information should clearly identify:

- ▼ the additional income obtained through the variation
- ▼ the productivity offsets outlined through the variation
- ▼ the projects or activities funded from the variation
- ▼ details of any changes to the projects or activities funded from the variation compared with the council's initial proposal (noting such changes must be consistent with the terms of the Instrument of Approval)
- ▼ the outcomes achieved as a result of the projects or activities.

COUNCIL'S RESPONSE

The Establishment of a Section 355 CBD Masterplan Committee

Council was presented with a report on 14 June 2012 (see Attachment 10) which recommended the establishment of a CBD Masterplan Committee as a Section 355 committee of Council. The establishment and a 'Terms of Reference' (TOR) of the committee were adopted by Council at this meeting.

At this meeting Council also resolved that the CBD Masterplan Committee report at least bi-annually to Council on the implementation of the Masterplan and all the related income and expenditure of the future planned works.

The TOR which was adopted by Council requires the CBD Masterplan Committee to play an important communication role between Council and the community. The following points from the TOR define this communication role further:

- To act as a communication conduit between Council and the CBD stakeholders in respect to the CBD Masterplan.
- To advocate the CBD Masterplan to the community.
- Consult with the Chamber of Commerce, Tourism Association and other relevant bodies as needed.
- When endorsement is required from Coffs Harbour City Council, approval must be sought through the formal processes.

Council's Reporting Framework

Council has a reporting framework in place to monitor progress on all of the organisation's projects and services. This framework includes budget review and project/activity reporting.

Budget Review

Council currently undertakes monthly budget reviews. Program managers are provided with monthly reports (via Council's "Enterprise Budgeting" software system) on the status of their associated budgets. Council has a set of internal guidelines which address budget responsibility, revision and movement.

If this application is approved the CBD Masterplan works will be set-up as a separate budget program detailing revenue, expenditure and reserve movement. This budget program would also be incorporated into Council's IPR documents.

Project / Activity Reporting

Operational Plan 'reportable' items are structured in Council's "Performance Planning" software system, with a requirement that responsible officers provide progress reports every six months.

Rate variation funded projects are identified separately in the Delivery Program (and consequently included in the six-monthly progress report on the Delivery Program, which is tabled to Council) and managed as reportable items within Performance Planning.

All rate variation funded activities are accounted for in the Annual Report and include the following information:

- Additional income generated by the variation;
- Activities funded by the variation;
- Any changes relating to the proposed activities; and
- The outcomes of the variation funded activities.

All levels of reporting can be accessed via Council's website (see 'Reports' under the following link):

<http://www.coffsharbour.nsw.gov.au/Coffs-And-Council/running-council/Pages/corporate-planning-reporting.aspx>.

8.3 Council resolution

Attach a copy of the council's resolution to apply to IPART for the special variation.

Note that IPART's assessment of the application cannot commence without a copy of this resolution.

COUNCIL'S RESPONSE

Council Resolution to Apply for a Special Rate Variation

Please refer to Attachment 21 for a copy of Council's resolution to apply to IPART for a Special Rate Variation for 2013/2014.

9 Checklist of application contents

Item	Included?
Community Engagement Strategy, Community Strategic Plan, Delivery Program & Draft Operational Plan extracts	<input checked="" type="checkbox"/>
Long Term Financial Plan extracts	<input checked="" type="checkbox"/>
Asset Management Plan extracts	<input checked="" type="checkbox"/>
Contributions Plan documents (if applicable)	N/A
Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Hardship Policy (if applicable)	<input checked="" type="checkbox"/>
Productivity/cost containment examples	<input checked="" type="checkbox"/>
Past Instruments of Approval (if applicable)	<input checked="" type="checkbox"/>
Reporting mechanisms	<input checked="" type="checkbox"/>
Resolution to apply for the special variation	<input checked="" type="checkbox"/>

It is the responsibility of the council to provide all relevant information as part of this application.

10 Certification by the General Manager and the Responsible Accounting Officer

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

[See Attachment 22 for a signed version of this certification](#)

General Manager (name): [Mr Steve McGrath](#)

Signature Date: [08/03/2013](#)

Responsible Accounting Officer (name): [Mr Dale Allen](#)

Signature Date: [08/03/2013](#)

Once signed, this certification must be scanned and submitted with the council's application.