



Independent Pricing and Regulatory Tribunal

Special Variation Application Form – Part B

Shellharbour City Council

Date Submitted to IPART: 8 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

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 Council's 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.

Special Variation

Shellharbour City Council is applying to IPART for a special rate variation to commence in the 2013/14 financial year. This application is made under section 508A of the Act for a four year special rate variation. The proposed increases to rates until 2016/17 are 8.4% in 2013/14, 9% in 2014/15, 10% in 2015/16 and in 2016/17 an increase of 10%. This is Council's planned scenario (Sustainable SRV Increase) in the Long Term Financial Plan (LTFP) and these percentages incorporate rate peg increases of 3.4% in 2013/14 and 3% in the following years to 2016/17.

The proposed increase to rates will be retained permanently in Council's rate base and will be utilised to improve infrastructure renewal. Council faces a significant challenge in meeting community expectations in the adequate maintenance of assets and our current rate revenue is no longer sufficient to cover the funding required to maintain assets to a level expected by the community.

The proposed special variation will allow Council to achieve, over a four year period, a Building and Infrastructure Renewal Ratio of approximately 0.80. Our Building and Infrastructure Renewal Ratio forecast in last years LTFP for 2013/14 is 0.15. This figure represents the approximate ratio that would result each year based on "normal" available funding. For example in 2011/12, Council had one off extraordinary funding available from the sale of a road asset. This funding resulted in the ratio increasing to 0.25 for that particular year. The ratio in 2012/13 is also expected to be more than the 0.15 level due to one-off loan borrowings of \$3 M drawn down for asset renewal purposes. The state average for this ratio in recent years has been approximately 0.80.

The need for the special variation has been identified through the development of Council's IP&R suite of documents. Reference made to the special variation within these documents is detailed below.

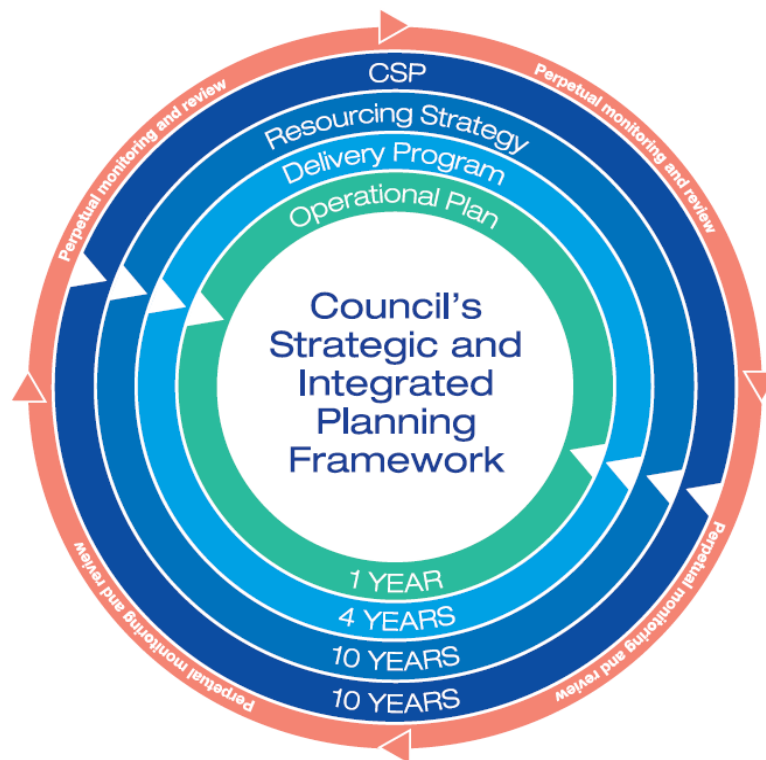
Integrated Planning and Reporting

The IP&R framework provides Councils in NSW the opportunity to work with their communities to develop a long term plan for their local government areas. The Framework is a legislative requirement that forms part of the Local Government Act 1993.

Shellharbour City Council first implemented the IP&R framework in 2011 as a Group 2 Council. The framework considers the longer term future of an area and is based around a Community Strategic Plan (CSP) that reflects the community's aspirations and needs for the future.

Ultimately, the framework provides greater accountability and transparency. Councils are required to outline a clear strategic direction for their community through their CSP and then report performance back to their community, in line with pre-defined community indicators.

The IP&R framework is outlined below and consists of four layers of plans – the **Community Strategic Plan**, a **Resourcing Strategy**, a **Delivery Program** and an **Operational Plan**.



Community Strategic Plan (See Appendix 1)

The CSP reflects the community’s vision for the City and sets our direction for the future. It tells us the Objectives we are striving to achieve, the Strategies we will use to achieve them and the outcomes that will indicate we have reached those Objectives.

The CSP is developed and delivered as a partnership between Council and the community and seeks to respond to community, environmental, leadership and economic challenges. It also integrates with key Council documents such as the Crime Prevention Plan, Local Environmental Plan 2013/1 and the Aboriginal Employment Strategy.

The 2013-2023 Plan is an update of the CSP 2011-2021 that was adopted by Council in 2011. It retains the long-term vision and key areas of the original Plan, thereby ensuring Council’s planning process remains consistent. As with the previous CSP the current Plan identifies the main priorities and aspirations for our community.

In 2011 the first CSP was prepared in consultation with the community and State government agencies. Participants were invited to attend a number of engagement opportunities including community strategy forums, youth engagement, and a consultation workshop. Over 600 people were engaged through these activities.

The need to maintain and renew assets was identified by the community during these engagement opportunities. This was again raised during the various community engagement activities that were undertaken as part of the recent review of the CSP. Throughout a number of workshops and activities it was clear that Council’s assets were not meeting the community’s expectations.

To demonstrate to the community that Council’s goal is to increase the condition of assets, one specific Objective and two Strategies relating to assets have been included in the CSP 2013-2023. These can be found on page 28 of the CSP.

Objective 3.1 Infrastructure is planned and managed in a way that meets the community's needs

Strategy 3.1.1 Provide the community with a broad range of quality infrastructure, assets and facilities delivered in a cost-effective and sustainable manner

Strategy 3.1.2 Renew the City's ageing assets, infrastructure and facilities to meet the needs of the community now and into the future

To track how we are progressing in achieving the community's Objectives several community indicators have been put in place. These include indicators to measure how successful we are in addressing the community's concerns about asset renewal, a marked improvement in our Asset Renewal Ratio is one of the measures.

Additionally the special variation for asset renewal will also impact on the delivery of the following CSP Objectives and Delivery Program Strategies as highlighted in the Resourcing Strategy on page 75 (See Appendix 2).

Table 1 - Asset Renewal Objectives and Strategies

Objectives	Strategies
1.1 Vibrant, safe and inclusive City	1.1.4 Have accessible community and cultural facilities available for current and future community members
1.2 Active and healthy community	1.2.1 Provide residents access to a range of services and facilities that are relevant and responsive to health and wellbeing
	1.2.2 Provide diverse opportunities for recreation and enjoyment in the city's parks and open spaces
2.1 Protects and promotes its natural environment	2.1.1 Manage catchments effectively to improve cleanliness, health, biodiversity of creeks, waterways and oceans
2.3 A liveable city that is connected through places and spaces	2.3.6 Deliver sustainable management of the community's assets for current and future generations

The Message from the General Manager on page 5 of the CSP (See Appendix 1) highlights the importance of asset renewal to the Council and the community and identifies that Council is proposing a Special Rates Variation (SRV).

Resourcing Strategy (See Appendix 2)

The ten year Resourcing Strategy informs the development of the CSP and describes the resources required to achieve the Objectives and Strategies. It

ensures there is an appropriate mix and delivery of infrastructure services combined with the availability of sufficient financial and human resources. The Resourcing Strategy is made up of three key components:

- i) Long Term Financial Plan;
- ii) Asset Management Plan and
- iii) Workforce Management Plan.

The Sustainable Financial Strategy provides direction for the prioritisation and allocation of Council's financial resources and has guided Council in the development of the Resourcing Strategy.

The Sustainable Financial Strategy (see page 6 of Appendix 2)

Council adopted the Report "A Financial Strategy for the Council" at its meeting of 28 February 2012. This strategy provides direction for prioritising and allocating financial resources at a high level. The Strategy includes the following 5 key strategies:

1. Recurring income must exceed recurring expenditure
2. Each of Council's service delivery activities is to be cost and quality competitive
3. Asset renewal must have a higher priority than the creation of new assets, all other things being equal
4. Capital investment (expenditure) must be financed from a mix of reserves, grants, contributions and loans, but not operational income
5. Optimise returns from Council's commercial property holdings

Strategy 3 (see page 9 -10, Appendix 2) identifies that Council is proposing to apply for a special variation to achieve an increased Building and Infrastructure Renewal Ratio.

i) The Long Term Financial Plan (see page 14 of Appendix 2)

The LTFP is an important part of Council's Strategic Planning process. It is used as a decision making tool to model different scenarios. It is also used to inform and guide future action and to allow Council to identify financial issues at an earlier stage. The LTFP provides a means to forecast Shellharbour City Council's capacity to provide financial resources to meet the objectives of the CSP. It "tests" the community's aspirations outlined in the CSP against financial reality.

The LTFP is developed in conjunction with the Asset Management Plan and the Workforce Management Plan and is built on four foundations as per the Division of Local Government (DLG) IP&R Guidelines (2010). These foundations are; planning assumptions, revenue forecasts, expenditure forecasts and sensitivity analysis.

In addition, three comprehensive scenarios have been developed, each with a Consolidated Income Statement, Balance Sheet, Statement of Cashflow and Capital Works Program. Methods of measuring financial sustainability have been graphed for all scenarios, as prescribed by Council's Sustainable Financial Strategy, also included in the Resourcing Strategy (see pages 27-61 of Appendix 2).

Council first referred to the need for a SRV in the Resourcing Strategy 2011/2021 as an option for additional revenue, in the conservative scenario and also in Recommendation 3 of the Long Term Financial Plan. Reference was also made in the LTFP 2012/2022, prepared and adopted in 2012, also as Recommendation 3, as follows:

"That Council further consult with its community about desired levels of service, financial sustainability and capacity for a special variation to rates by October 2012. (See Action 4.5.2.2 of Council's Delivery Program 2011-2015 & Operational Plan 2012-2013)."

ii) Asset Management Planning (see page 62 of Appendix 2)

The Asset Management Plan (AMP) sets a framework for the sustainable management of current and future assets so that Council can continue to deliver services to the community in a financially sustainable manner.

The AMP provides information about our assets, provides evidence of responsible asset management and summarises information with regard to funding aimed at bringing assets to a desirable level of service.

Council is the custodian of infrastructure assets valued at approximately \$450 M. These assets have been acquired by purchase or assets constructed and dedicated by developers. Shellharbour City Council's primary objectives in managing these are:

- To be sustainable in the management all assets
- To provide a desirable level of service for the assets under its stewardship for the existing and future community. In this way, inter-generational equity can be achieved as it is under the framework of an SRV.

The Asset Management Framework is made up of three components; the Asset Management Strategy; an Asset Management Policy and a number of Asset Management Plans for each of Council's asset classes.

Specifically, the Asset Management Strategy is driven by the following primary objectives:

- To sustainably manage all of Shellharbour City Council's assets and achieve a Building and Infrastructure Renewal Ratio of approximately 0.80 by 2016-17
- To provide the desired level of service for the assets under its stewardship for the existing and future community.

The AMP process has identified there is a significant gap between what is required to be spent on maintaining Council's existing assets and what is actually being spent.

This is highlighted on page 74 where it is acknowledged "Continuing this way is not sustainable...." During the development of the IP&R suite of documents, Council engaged with the community to identify priorities and understand expectations with regard to acceptable condition of assets, as well as service needs. This information has been used to inform the allocation of increased funding from a special rate variation. Reference to the proposed SRV is made on pages 74 and 75.

The 3 scenarios are presented on pages 76-78 demonstrating how they will impact on the Building and Infrastructure Renewal Ratio.

iii) Workforce Management Plan (see page 85 of Appendix 2)

In order to meet the priorities and needs of the community identified in the CSP Council must ensure that it has the right mix of people, skills and resources to use when and where they are needed. This document considers both the medium and long term needs of the organisation and provides a framework for dealing with immediate challenges in a consistent way.

Key priorities for Council over the life of the plan include:

- Recruitment and retention of staff
- Performance improvement
- Career planning and professional development
- Rewards recognition
- Employee engagement
- Leadership and development.

The Plan endeavours to build an organisational culture which continues to attract and retain the best staff possible. The Workforce Management Plan has been prepared with consideration of financial sustainability. The workforce capacity and capability of Council is explored in the context of Council being successful in receiving the special variation, as well as not being successful in its application.

The focus on asset renewal is a critical focus for the organisation regardless of the SRV outcome (see page 98 of Appendix 2).

Delivery Program and Operational Plan (see Appendix 3)

The Delivery Program 2013-2017 including Operational Plan 2013-2014 are one document which details Strategies and Actions for the key areas of Quadruple Bottom Line Sustainability, namely Community, Environment, Economy and Leadership.

The rolling 4-year Delivery Program is a practical statement of how Council aims to achieve community Objectives, as articulated in the CSP. This will be accomplished by providing adequate resources, monitoring our progress, advocating on behalf of the community and building partnerships.

This Delivery Program directly addresses the Objectives outlined in the CSP and sets out Strategies for Council to undertake across the full range of Council's operations. It includes measures to monitor our success and identifies the key partnerships required to work towards achieving the Strategies.

The Operational Plan flows directly from the Delivery Program Strategies and sets out Council's planned Actions for 2013-2014, the first year of Council's Delivery Program.

The Operational Plan outlines in more detail the individual Actions that Council will undertake in 2013-2014 financial year, identifies measures to determine the effectiveness of the projects, programs and services and contains the annual Fees

and Charges, as well as Council's Revenue and Rates policies, in order to meet the commitments made in the Delivery Program.

The Delivery Program identifies the SRV in the residential rate increase (see pages 77-138 of Appendix 3). Within this section each scenario is outlined and accompanied by corresponding tables detailing the impact of each on residential rates.

Also identified are the following tables for each Scenario:

- Consolidated Income Statement, including SRV increases for residential, business and farmland rates (pages 81 - 83 of Appendix 3); and
- Capital Works Program (pages 84 - 138 of Appendix 3)

These tables inform the community on projects Council will be undertaking for the four years of the Delivery Program.

Perpetual Monitoring and Review

Since the first CSP 2011-2021 was implemented the Shellharbour City Council local government elections were held in September 2011, and a review of the plan was considered an important priority.

It was also important that the review process be respectful to and builds upon the community input to date. So to do this, Council continued a conversation with the community to ensure that the plan remains current and representative.

For the revision of the CSP, several community engagement opportunities were made available to the community (see Criterion 2: Community engagement section of this application).

At its meeting of 26 February 2013, Council endorsed the draft suite of IP&R documents. These have been placed on public exhibition from 2 March to 2 April 2013. At this time the Draft Operational Plan does not include detailed Budget estimates. The approach of preparing a Draft Operational Plan without detailed Budget estimates was discussed with IPART previously. This process recognises the need to have prepared certain documentation for a SRV application, while continuing with Council's established timetable for detailed Budget development.

Consequently, Council will be asked to consider the 2013/14 budget estimates at its meeting of 30 April 2013, with a separate exhibition period recommended. The adoption of all documents will be sought before 30 June 2013.

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 LTFP, 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?

Yes No

If Yes, has this been submitted to DLG?

Yes No

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.
-

Community Strategic Plan (See Appendix 1)

The CSP reflects the community's vision for the City and sets the direction for the future. It tells us what we are striving to achieve, the Strategies we will use to achieve it and the outcomes that will indicate we have reached the Objectives.

If the proposed special variation is approved, Council will be able to maintain the current level of service it provides to the community and be able to significantly contribute to achieving the Objectives of the CSP 2013-2023.

The increased income of approximately \$18.8 M raised through the SRV over the four years would contribute to the renewal of Council's assets including buildings, stormwater and drainage, recreation facilities, roads and footpaths.

The proposed Sustainable SRV (Scenario 1) will also ensure that Council will not have to redirect funding away from services and programs also valued by the community, in order to deliver asset renewal (resulting in reduced services as demonstrated in Scenario 3).

To demonstrate to the community that Council's goal is to improve the condition of assets, one specific Objective and two Strategies relating to assets, have been included in the CSP 2013-2023. These can be found on page 28 of Appendix 1.

Objective 3.1 Infrastructure is planned and managed in a way that meets the community's needs

Strategy 3.1.1 Provide the community with a broad range of quality infrastructure, assets and facilities delivered in a cost-effective and sustainable manner

Strategy 3.1.2 Renew the City's ageing assets, infrastructure and facilities to meet the needs of the community now and into the future.

To track how we are progressing in achieving the community's Objectives, there are several community indicators put in place to measure how successful we are in addressing the community's concerns about asset renewal. These include a marked improvement in our Building and Infrastructure Renewal Ratio as one of the measures.

The Message from the General Manager on page 5 of the CSP highlights the importance of asset renewal to the Council and the community and identifies that Council is proposing a SRV.

Delivery Program and Operational Plan (See Appendix 3)

Shellharbour Council's Delivery Program 2013-2017 including Operational Plan 2013-2014 are combined into one document and details Strategies and Actions for the key areas of Quadruple Bottom Line Sustainability, namely Community, Environment, Economy and Leadership.

The rolling 4-year Delivery Program is a practical statement of how Council aims to achieve community Objectives, as articulated in the CSP. This will be accomplished by providing adequate resources, monitoring our progress, advocating on behalf of the community and building partnerships.

The abovementioned asset strategies (Strategy 3.1.1 and 3.1.2) are included within the Delivery Program/Operational Plan on pages 45 to 48, with specific actions for the 2013/14 financial year identified.

Additionally, the SRV for asset renewal will also impact on the delivery of the following CSP Objectives and Delivery Program Strategies, as highlighted in the Resourcing Strategy on page 75 (See Appendix 2).

Table 2 - Asset Renewal Objectives and Strategies

Objectives		Strategies	
1.1	Vibrant, safe and inclusive City	1.1.4	Have accessible community and cultural facilities available for current and future community members
1.2	Active and healthy community	1.2.1	Provide residents access to a range of services and facilities that are relevant and responsive to health and wellbeing
		1.2.2	Provide diverse opportunities for recreation and enjoyment in the city's parks and open spaces
2.1	Protects and promotes its natural environment	2.1.1	Manage catchments effectively to improve cleanliness, health, biodiversity of creeks, waterways and oceans
2.3	A liveable city that is connected through places and spaces	2.3.6	Deliver sustainable management of the community's assets for current and future generations

The Delivery Program explains the proposed SRV, within the section entitled "Residential Rate increase with proposed Special Rate Variation" (pages 77-138). Within this section, each scenario is outlined and accompanied by corresponding tables detailing the impact on residential rates.

Also identified are the following tables for each Scenario:

- Consolidated income Statement, including SRV increases for residential, business and farmland rates (page 81 - 83); and
- Capital Works program (page 84 - 138)

These tables clearly inform the community on projects Council will be undertaking for the four years of the Delivery Program.

Likely Benefits

A summary of the work proposed by each asset category for the Sustainable SRV is as follows:

Buildings

The condition of facilities and buildings would improve to a rating of satisfactory over time. An increased program of refurbishment upgrades would be undertaken to extend their useful life and ensure that they are fit for purpose.

Examples of buildings identified for renewal include:

- Amenities at sportsfields;
- Canteens at sportsfields; and
- The replacement of a high profile amenity block at Reddall Reserve, Lake Illawarra.

Stormwater and drainage

The additional funding would be allocated for renewal work on prioritised stormwater and drainage sites based on results on drainage condition assessments. Condition assessments would be undertaken on critical drainage infrastructure and renewal of drainage systems causing road rutting and kerb and gutter replacement would be undertaken as a priority.

Recreation facilities

The current condition of sportsfields would be maintained and refurbishment and replacement of recreation facilities would be undertaken to ensure that they are safe and fit for purpose.

Examples of key projects that would be undertaken include:

- Replacement of picnic shelters on foreshore parks and reserves
- Playground equipment renewals
- Sportsfield lighting replacement; and
- Renewal and restoration of buildings ancillary to swimming pools.

Roads and footpaths

The additional funding would be allocated to reduce the asset backlog by rehabilitating the roads and footpaths in poor and very poor condition, with an aim of increasing the conditions of this asset category to an average of satisfactory.

Examples of activities undertaken for this asset category include:

- Asphaltic concrete overlays with pre-patching and driving surface replacements planned for roads in poor to very poor condition;
- Replacement of footpaths and walking bridges that are failing or close to failure; and

- Replacement of bus shelters that are failing or close to failing.

The following table provides an overview of how the proposed rates increase allocated for asset renewal will benefit the community and how this is reflected in the suite of IP&R documents.

Table 3 - Likely Benefits

Sustainable SRV Increase	Link to Community Strategic Plan and Delivery Program	Demonstrated need in Asset Management Plan and Capital Works Program for renewal	Link to Operational Plan (2013/14)	Likely benefits
<p>Buildings</p> <p>\$2.7 M of additional funding allocated over 4 years for the refurbishment and replacement of buildings to extend their useful life and ensure they are fit for purpose.</p>	<p>Objectives:</p> <p>1.1 Vibrant, safe and inclusive City.</p> <p>2.3 A liveable city that is connected through places and spaces.</p> <p>3.1 Infrastructure is planned and managed in a way that meets the community needs.</p> <p>Strategies:</p> <p>1.1.4 Have accessible community and cultural facilities available for current and future community members.</p> <p>2.3.6 Deliver sustainable management of the community's assets for current and future generations.</p> <p>3.1.1 Provide the community with a broad range of quality infrastructure, assets and facilities delivered in a cost-effective and sustainable manner.</p>	<p>Buildings identified include amenities and canteen facilities at sportsfields and the replacement of a high profile amenities block at Reddall Reserve, Lake Illawarra.</p> <p>Building condition assessment is also planned to better inform renewal expenditure on these facilities.</p>	<p>Actions:</p> <p>1.1.4.3 Coordinate the provision of local halls and buildings for community use.</p> <p>2.3.6.3 Identify and plan future maintenance, renewal and upgrades for Council's buildings and facilities.</p> <p>3.1.1.1 Implement the Community Infrastructure Plan for the city's open space, recreation, community and cultural facilities.</p> <p>3.1.2.7 Update and implement Asset Management Plans.</p>	<p>The condition of facilities and buildings would improve to satisfactory over time.</p> <p>Increased program of refurbishment and upgrades would be undertaken.</p> <p>Buildings in poor and very poor condition would be replaced or upgraded on a priority basis subject to risk and usage.</p> <p>Asset condition data would improve through additional condition assessments.</p>

Sustainable SRV Increase	Link to Community Strategic Plan and Delivery Program	Demonstrated need in Asset Management Plan and Capital Works Program for renewal	Link to Operational Plan (2013/14)	Likely benefits
	<p>3.1.2 Improve the city's ageing assets, infrastructure and facilities to meet the needs of the community now and into the future.</p>			
<p>Stormwater & Drainage</p> <p>\$4.6 M additional funding allocated over 4 years for renewal works prioritised based on the condition of the drainage assets determined as a result of visual and camera (CCTV) inspection.</p>	<p>Objectives:</p> <p>2.1 Protects and promotes its natural environment.</p> <p>3.1 Infrastructure is planned and managed in a way that meets the community needs.</p> <p>Strategies:</p> <p>2.1.1 Manage catchments effectively to improve the cleanliness, health and biodiversity of creeks, waterways and oceans.</p> <p>3.1.2 Improve the city's ageing assets, infrastructure and facilities to meet the needs of the community now and into the future.</p>	<p>Condition assessment of critical drainage infrastructure and other sample pits and pipes on a priority basis. Renewal of drainage systems causing road rutting and kerb and gutter replacement.</p>	<p>Actions:</p> <p>2.1.1.3 Manage and implement the Stormwater Management Program.</p> <p>3.1.2.7 Update and implement Asset Management Plans.</p>	<p>Funding available for increased stormwater replacement and refurbishment.</p> <p>Stormwater assets would be repaired and replaced on a priority basis, reducing the risk of failure and associated consequences.</p> <p>The stormwater network would be more effective and damage to adjoining infrastructure would reduce.</p>

Sustainable SRV Increase	Link to Community Strategic Plan and Delivery Program	Demonstrated need in Asset Management Plan and Capital Works Program for renewal	Link to Operational Plan (2013/14)	Likely benefits
<p>Recreational Facilities</p> <p>\$864,000 of additional funding allocated over 4 years to maintain the current condition of the sporting fields and refurbish or replace equipment and facilities to ensure they are safe and fit for purpose.</p>	<p>Objectives:</p> <p>1.2 Active and healthy community.</p> <p>3.1 Infrastructure is planned and managed in a way that meets the community needs.</p> <p>Strategies:</p> <p>1.2.1 Provide residents access to a range of services and facilities that are relevant and responsive to health and wellbeing.</p> <p>1.2.2 Provide diverse opportunities for recreation and enjoyment in the city's parks and open spaces.</p> <p>3.1.1 Provide the community with a broad range of quality infrastructure, assets and facilities delivered in a cost-effective and sustainable manner.</p>	<p>Replacement of picnic shelters on foreshore parks and reserves, playground equipment renewals and restoration of various buildings ancillary to swimming pools located at Warilla, Shellharbour, Oak Flats and Albion Park. Sportsfield lighting replacement is also planned.</p>	<p>Actions:</p> <p>1.2.1.2 Explore opportunities to increase the variety of recreational facilities available within the city.</p> <p>1.2.1.3 Ensure that our local pools and beaches are kept safe, clean and well maintained throughout the year.</p> <p>1.2.2.1 Manage and improve sportsgrounds, parks, reserves, picnic facilities and playgrounds throughout the city.</p> <p>1.2.2.2 Maintain all parklands, wetlands, open spaces and recreational facilities to agreed levels of service.</p> <p>1.2.2.3 Maintain all sportsfields to agreed levels of service.</p>	<p>Maintain the current level of mowing services for parks and sportsfields.</p> <p>Playground equipment replacement could be increased.</p> <p>The lifecycle of the four existing pools could be extended with maintenance to a higher standard or further renewal work.</p> <p>Risk to users of the facilities would be minimised as items in poor and very poor condition would be repaired, replaced or upgraded before failure.</p>

Sustainable SRV Increase	Link to Community Strategic Plan and Delivery Program	Demonstrated need in Asset Management Plan and Capital Works Program for renewal	Link to Operational Plan (2013/14)	Likely benefits
	<p>3.1.2 Improve the city's ageing assets, infrastructure and facilities to meet the needs of the community now and into the future.</p>		<p>3.1.1.1 Implement the Community Infrastructure Plan for the city's open space, recreation, community and cultural facilities.</p> <p>3.1.27 Update and implement Asset Management Plans.</p>	
<p>Roads & Footpaths</p> <p>An additional \$10.1 M in funding allocated over 4 years will reduce the asset backlog by rehabilitating the roads and footpaths in poor and very poor condition.</p>	<p>Objectives:</p> <p>3.1 Infrastructure is planned and managed in a way that meets the community needs.</p> <p>Strategies:</p> <p>3.1.1 Provide the community with a broad range of quality infrastructure, assets and facilities delivered in a cost-effective and sustainable manner.</p> <p>3.12 Improve the city's ageing assets, infrastructure and facilities to meet the needs of the community now and into the future.</p>	<p>AC overlays with pre-patching and driving surface replacements planned for roads in poor to very poor condition. Footpath, walk bridge and bus shelter replacements are planned where these facilities are either currently failing or close to failure.</p>	<p>Actions:</p> <p>3.1.2.4 Manage the Asset Improvement Program including grant income for road renewal.</p> <p>3.1.2.6 Maintain all roads and associated assets to agreed levels of services.</p> <p>3.1.2.7 Update and implement Asset Management Plans.</p>	<p>Moderate increase to renewal program to increase condition of assets to average satisfactory.</p> <p>2km additional resealing works would be conducted each year on average.</p> <p>Benefits would also include an improvement in road safety due to a reduction in road defects and hazards.</p> <p>The additional funds can ensure that road renewal work occurs before the road infrastructure fails, therefore reducing renewal costs.</p>

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 (LTFP). The LTFP 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 LTFP and the various budget scenarios. Provide extracts from or references to the LTFP 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 faces a significant challenge in meeting community expectations for the adequate renewal and maintenance of assets. Our existing rate revenue is no longer sufficient to cover the funding required to maintain our assets to a level expected by the community. The Building and Infrastructure Renewal Ratio forecast for 2013/14 in last year's LTFP was 0.15. This figure represents the approximate ratio which would result each year based on "normal" available funding. For example in 2011/12, Council had one off extraordinary funding available from the sale of a road asset. This funding resulted in the ratio increasing to 0.25 for that particular year. The ratio in 2012/13 is also expected to be more than the 0.15 level due to one-off loan borrowings of \$3 M drawn down for asset renewal purposes.

This is far below the state average which has been approximately 0.80. This forecast result was one catalyst for seeking other funding options to address the community's expectations regarding asset renewal and maintenance, although the necessity for a SRV was first raised in the 2011/2021 Resourcing Strategy. Council believes that community assets must be maintained so that the cost does not become a burden for future rate payers, thereby ensuring intergenerational equity is achieved.

In the short and longer terms, Council's key objective is to achieve financial sustainability and demonstrate a capacity to deliver the community's Objectives outlined in the CSP, Delivery Program and Operational Plan. The LTFP provides an understanding of our long term financial position and draws information from the whole suite of Council IP&R documents to forecast Council's capacity to provide financial resources to meet the Objectives of the CSP.

The LTFP was developed in conjunction with the other two components of the IP&R Resourcing Strategy, ie the Asset Management Plan and the Workforce Management Plan. It was created in line with the requirements of the Division of Local Government (DLG) IP&R Guidelines (2010). These Guidelines require financial modelling for different scenarios and an initial model was developed that was then converted into the three Scenario Models. It should be noted that real dollar (2013) values were used for all values included in the LTFP (net of inflation).

Two of the scenario models incorporated increases in rates revenue from SRVs at sustainable and small levels. Reductions in expenditure were incorporated into all scenarios, to reflect the forecast productivity initiatives, such as the Procurement Roadmap (being developed by Council), a business restructure and service review processes. The Scenarios developed include:

Scenario 1 Sustainable SRV Increase (Council's Recommended & Planned Scenario)

Scenario 2 Small SRV Increase

Scenario 3 No Rate Increase above Rate Peg (and reduced services)

The following information from the Long Term Financial Plan includes a summary table, followed by more detailed information for each Scenario.

The variables assumed for each Scenario are summarised in the table below:

Table 4 - Variables for each Scenario

Scenario Variables	Scenario 1 Sustainable SRV Increase	Scenario 2 Small SRV Increase	Scenario 3 No Rate Increase above Rate Peg
Scenario Description	<ul style="list-style-type: none"> Sustainable Rate increase from SRV for asset renewal Residential Rates will increase by an average of 9.3% (including rate peg) each year for the years 2013/14 to 2016/17 Services maintained 	<ul style="list-style-type: none"> Small Rate increase from SRV for asset renewal Residential Rates will increase by an average of 6.7% (including rate peg) each year for the years 2013/14 to 2016/17 Services largely maintained 	<ul style="list-style-type: none"> No Rate increase above rate peg Average residential rates increase by 3.0% rate peg Maintenance program reduced Services reduced to fund infrastructure renewal
Budgeted Revenue (excluding the rate peg)	<ul style="list-style-type: none"> Additional revenue from SRV of \$18.82 M between the years 2013/14 to 2016/17. Increased revenue of approximately \$8 M to remain in budgeted rate revenue each year to 2021/22 	<ul style="list-style-type: none"> Additional revenue from SRV of \$10.4 M between the years 2013/14 to 2016/17. Increased revenue of approximately \$4.5 M to remain in budgeted rate revenue each year to 2021/22 	
Projected Capital Expenditure	<ul style="list-style-type: none"> Capital program for Renewal funded by additional rates income from SRV 	<ul style="list-style-type: none"> Capital program for Renewal funded by additional rates income from SRV 	<ul style="list-style-type: none"> Capital program for Renewal funded by reduction in services and maintenance. \$10.4 M to be spent between the years 2013/14 and 2016/17
Asset Condition	<ul style="list-style-type: none"> Average condition of assets will move from fair to satisfactory 	<ul style="list-style-type: none"> Average condition of assets will be maintained at current rates of decline (fair condition) 	<ul style="list-style-type: none"> Average condition of Assets will decline from fair to poor

Refer page 27 of Appendix 2.

The Three Scenarios in further detail

For each scenario, further information regarding proposed changes to revenue, expenditure and asset renewal are detailed, as well as the forecast impact on the Building and Infrastructure Renewal Ratio.

Sustainable SRV Increase - Scenario 1

In the Sustainable SRV Increase Scenario, a program of infrastructure renewal has been included in the LTFP but this is dependent upon Council adjusting one of its main levers - increased rates income.

The proposed increases to rates until 2016/17 under this scenario are as follows: 8.4% in 2013/14, 9% in 2014/15, 10% in 2015/16 & in 2016/17 an increase of 10%. This is Council's planned scenario. These percentages incorporate rate peg increases projected at 3%, however in the LTFP model; increases do not include the rate peg and are included in "real" 2013 dollars. The increases in the model for Scenario 1 (excluding the rate peg) are therefore 5% in 2013/14, 6% in 2014/15, 7% in 2015/16 and 7% in 2016/17.

The proposed increase to rates will enable Council to achieve, over a four year period, a Building and Infrastructure Renewal Ratio of approximately 0.80. The additional income raised over the four year period would remain in the rate base on a permanent basis and be separately quarantined each year for funding of infrastructure asset renewal purposes (see page 35 of the Resourcing Strategy).

Small SRV Increase - Scenario 2

Scenario 2 in Council's LTFP incorporates rate revenue from a Small SRV. In this scenario additional rate revenue from a SRV, less than the Sustainable SRV, will enable Council to work towards an improved Building and Infrastructure Renewal Ratio, with the aim of achieving a 0.50 ratio by the 2016/17 financial year.

The proposed increases to rates until 2016/17 under this scenario are as follows: 6.4% in 2013/14, 6% in 2014/15, 7% in 2015/16 & in 2016/17 an increase of 7.5%. These percentages incorporate rate peg increases projected at 3%, however in the LTFP model, increases do not include the rate peg and are included in "real" 2013 dollars. The increases in the model for Scenario 2 (excluding the rate peg) are therefore 3% in 2013/14, 3% in 2014/15, 4% in 2015/16 and 4.5% in 2016/17.

The additional income raised over the four year period would remain in the rate base on a permanent basis and be separately quarantined each year for funding of infrastructure asset renewal purposes (see page 44 of the Resourcing Strategy).

No Rate Increase above Rate Peg (& Reduced Services) - Scenario 3

The third Scenario in Council's LTFP is the Rate peg only increase Scenario. This Scenario has incorporated an increased capital renewal program that is the same dollar value as the increased capital renewal program presented under the Small SRV Increase Scenario (Scenario 2). Rather than being funded by increased revenue from rates, the additional expenditure would be funded from increasingly larger reductions in operational expenses that would therefore necessitate reductions to many other Council services and programs.

The specific services or programs that would be reduced under Scenario 3 have not been determined and the reductions have been included in the LTFP as generic reductions to the two largest expense categories.

In the development of this scenario, the aim was to fund the renewal of Council's assets in order to achieve a Building and Infrastructure Renewal Ratio of 0.50 by the 2016/17 financial year. Rate peg increases are not included in the LTFP Model for Scenario 3 as "real" 2013 dollars (net of inflation) are included for all values.

Council does not have the resources to fund the current level of services for both program provision and infrastructure renewal at the same time. Without additional rates revenue, Council cannot afford what the community has indicated it needs through the CSP engagement process (see page 53 of the Resourcing Strategy).

In developing the Sustainable SRV Scenario 1 for the LTFP, Council has the ability to schedule affordable and realistic annual budgets and program capital works for new, replacement and renewal of assets that are prudent in a short and longer term framework.

References from the LTFP that discuss the need for the special variation in terms of financial sustainability are included below.

Moving towards a more Financially Sustainable Future

In preparing a LTFP based on financial sustainability, Council has sought to answer the questions posed in the DLG IP&R Guidelines (2010).

Can we survive the pressures of the future?

Revenue from Rates and Charges makes up between 40 to 50% of Council's total operational revenue each year. Council however can only increase rates by the rate peg advised each financial year by IPART, unless a decision is made to apply for a SRV. To meet community expectations for levels of service that incorporate an acceptable condition of assets, Council has determined that additional rate income is required via a sustainable SRV.

Cost shifting is another significant issue being faced by local government. Results from the cost shifting for 2010/11 survey, recently conducted by the Local Government Shire's Association have confirmed that cost shifting continues to place a significant burden on NSW Council finances.

Funding the life cycle of assets is a major issue for Council. The Percy Allan Report (released 2006) identified that NSW Councils had an infrastructure renewal backlog of \$6.3 billion and an annual renewal gap of \$500 M. Shellharbour City Council's infrastructure backlog was approximately \$45 M as at 2011/12 financial year. The SRV proposal has an objective of reducing Council's current infrastructure backlog, while other financial sustainability actions are taking place which will help make funds available to close Council's annual maintenance gap.

What are the opportunities for future income and economic growth?

Council is applying to IPART for a Special Variation to Rates to commence in the 2013/14 financial year. The proposed increase to rates would continue to apply in

the following three financial years and will allow Council to achieve, over a four year period, a Building and Infrastructure Renewal Ratio of approximately 0.80.

Other initiatives to increase future income have also commenced following the adoption of Council's Sustainable Financial Strategy. These initiatives will continue to be implemented and refined in the future and have been incorporated into the LTFP modelling where applicable.

A major initiative was a Fees and Charges Review undertaken in 2012 that had cost recovery as a focus. Many Council fees and charges have been increased to move closer to achieving cost recovery or to reflect comparable market prices. Further refinements of this review are planned in the future.

Changes to the structure of Council's commercial holdings have commenced, with the aim of maximising revenue (and eliminating losses). In addition, a major review of Council's Section 94 Plan is coming to fruition and the adoption of a reviewed plan is expected by 30 June 2013.

As well as a reduced Section 94 capital program, another outcome of this review will be projected increases to Section 94 developer contributions, especially in the last five years of the LTFP, due to the inclusion of up-to-date costings for many capital items.

The Shell Cove Project is a combination of residential, commercial, retail, recreational and tourism mixed use development, being delivered via a Management agreement between Council and Australand, whereby Australand is the Project Manager. It is agreed that Council will receive 50% of the final net profits on conclusion of the project, with the profit distribution not expected before 2023.

Economic growth for the region was considered in the Department of Planning's Illawarra Regional Strategy 2006-2031. The Strategy notes that: 'Shellharbour has accommodated the majority of regional green-field land releases over the last 30 years at Albion Park, Blackbutt, Flinders and Shell Cove. As the current releases reach completion, the focus for Shellharbour City will shift towards urban renewal opportunities around towns and centres such as Oak Flats'. As a result, it is unlikely that population growth will be as high as in the past and this will impact on future Council rates and Section 94 revenues.

Can we afford what the community wants?

Continuing constraints on Council's ability to raise general revenue, combined with pressures on expenditure, have led to a widening gap between the amount of funding needed and amount actually spent on renewal and maintenance of assets.

Council is responsible for providing many services, most of which are asset based, such as libraries, pools, roads and waste depot (Council owns and operates its own land-fill waste facility). Relative to the annual income received, the asset base is very large and very long-lived. As assets age they require additional maintenance to allow minimum service levels to be maintained. When the required maintenance is no longer cost effective, assets need to be replaced or renewed.

An important objective for Council, from the adopted Sustainable Financial Strategy paper is for recurring income to exceed recurring expenditure. It is important that Council balances its budgets (operating result before capital), at the same time as providing the service levels the community want, through their input into the CSP.

This is an expectation the community has of the Council and it is one Council has committed to achieving.

Through the community engagement process undertaken as part of the CSP development, one of the main messages Council received was the community wants service levels either to be maintained or enhanced. When using the conceptual Budget Allocator Tool (a proprietary software application that allows members of the community to notionally allocate parts of the budget to those services, programs and assets that it most values), 62.37% of users chose to increase Council's budget. The community engagement process also revealed that the community places a high priority on the maintenance of Council assets.

The desired levels of service need to be considered in conjunction with Council eventually achieving and then maintaining a balanced budget. Council cannot continue to spend more than it is able to collect. Further, it recognises its responsibility to the community in this regard.

It is also important that community assets are maintained so that the cost does not become a burden for future rate payers. Financial sustainability is achieved when service levels are delivered without significant increases to rates or significant reductions in service levels.

Should Council be granted a sustainable SRV, the additional revenue will provide the resources to fund the Capital Renewal programs outlined in the Delivery Program and Asset Management Plan.

How can we go about achieving these outcomes?

Council has two main mechanisms at its disposal to achieve the Objectives of the CSP. The first mechanism is to increase revenue. The second is to adjust service levels.

In addition to the sustainable SRV discussed above, cost saving initiatives have been introduced to achieve productivity gains over the short and longer terms. One of these initiatives was the introduction in 2012 of a Procurement Roadmap program, sponsored by NSW Local Government Procurement. The main objective aligned with this initiative is the streamlining of Council's procurement processes, which is expected to produce significant productivity savings over the longer term. The program has a record of success, with previous participant Councils achieving significant savings.

Other initiatives include business model and service restructures to increase the revenue from Council's commercial holdings. A program of service reviews has commenced and will continue in 2013. Reviews will be conducted across many areas of Council services.

Another initiative introduced in 2012 was Service Level Agreements to ensure Council operations are priced competitively and provided in a businesslike manner. Under this model, the provision of Council services, such as road maintenance, must be delivered at rates which are comparable to the private sector.

The rationalisation of assets that are not required to deliver Council services is also planned. These asset sales are part of a program to fund other projects that have been identified in Council's long term planning. These projects include the provision of a City Library, a Civic Auditorium and a replacement Council Administration Building (due to the age and condition of the existing facility and the long term

maintenance burden this presents). This will create a City Hub for Shellharbour residents and developer contributions, through the Section 94 Contributions Plan, have been levied for many years to contribute to the funding of this major project.

Up until January 2013, Council had no debt liabilities. At that time a loan for \$3 M was drawn down as part of the State Government's Local Infrastructure Renewal Scheme (LIRS) for loan interest subsidisation. An application for interest subsidy for the City Hub project has been made under Round 2 of the LIRS, but this subsidisation has not been included in the LTFP modelling, due to no final approvals being issued at this stage.

As part of the CSP process, planning will ensure that the assets Council owns provide ongoing benefits to meet the community expectations outlined in the CSP. Refer to pages 15 -18 of the Resourcing Strategy.

In August 2012 NSW Treasury Corporation provided Council with a Financial Assessment and Benchmarking Report. The report commented that Council-sourced revenue has been increasing year on year at above CPI rates. This increase is due to a successful application for a SRV made by Council in 2006/07 under section 508(2) of the Local Government Act. This allowed Council to increase its general rating income 5.9% above the rate pegging limit, raising an additional \$1.2 M to go towards the maintenance and replacement of infrastructure.

This funding, which has increased to approx \$1.5 M after annual adjustments for rate pegging, is allocated in the budget each year to assist in attempting to bring Council's infrastructure assets up to a satisfactory standard. The annual program is based on priorities determined by Council's asset management system in conjunction with its Asset Management Plans.

As Special Schedule No 7 of Council Annual Financial Reports indicates, the monies from this special variation approval in 2006/07, are not enough to have a significant effect on Council's infrastructure asset conditions.

The report also commented that Council has operated with no debt, leaving Council in a position to take on debt to fund capital works. In Council's "A Financial Strategy for the Council" adopted in February 2012, Strategy four recommended that capital expenditure be financed from a mix of reserves, grants and loans, but not operational income.

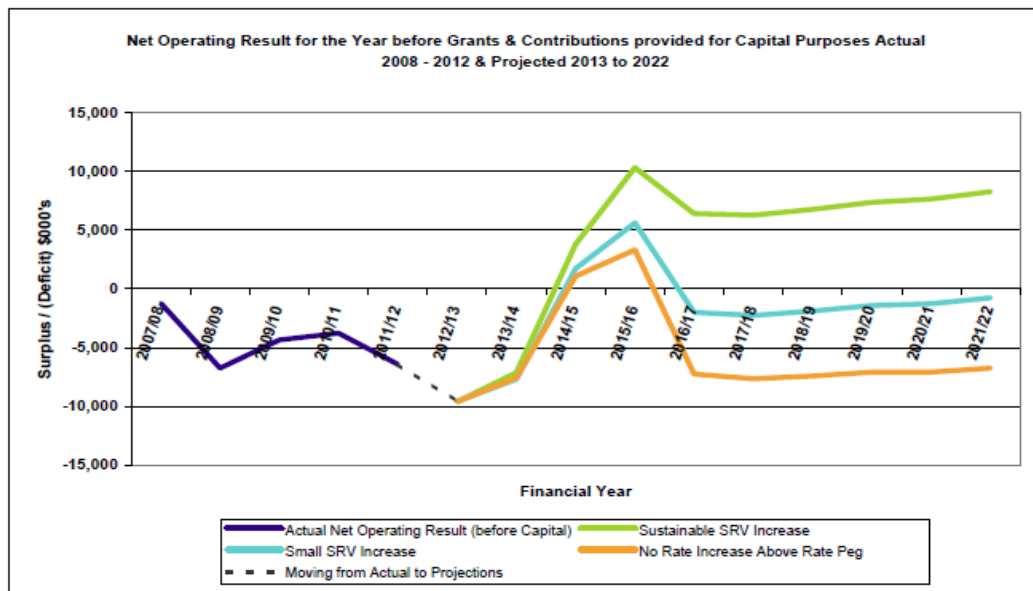
As discussed above, Council has recently taken on a \$3m loan for asset renewal, specifically targeting renewal of Council's road infrastructure. Further loans are planned to support the completion of the City Hub Project. This project has been identified for many years, as part of Council's long term planning, with funding sources included in the LTFP as a mixture of developer contributions, asset sales and loan funds. Further discussion of Council's loan borrowing capacity is included in Question 3.3.2.

The NSW Treasury Corporation report also made comment about Council's infrastructure backlog, noting that it is trending higher and Council needs to ensure that adequate resources are allocated to asset maintenance and renewal to prevent the backlog from continuing to grow. In 2012, Council's Infrastructure backlog was estimated at 10.2% of its infrastructure asset value, up from 7% in 2009. Asset revaluations carried out over the last 4 years have seen values increase substantially which has in turn resulted in a higher annual depreciation expense. The valuation of the backlog has also increased.

Whilst the Council is presently in a sound financial position, the 2012-2022 LTFP reveals that if it continues to operate on current practices, the financial future of the Council is not sustainable. Of most concern is the forecasted ongoing deficits. Each year, Council's net operating result (before capital grants and contributions) has forecast a deficit in the "No rate increase above rate peg" Scenario 3 of the LTFP, impacting on the ability to maintain and renew assets, at the same time as maintaining the services and programs currently provided. Like many Councils, Shellharbour City Council is facing the challenge of reducing an infrastructure backlog.

The graph below plots the results for the Operating Result (before capital grants and contributions) with actual results presented for the financial years between 2008 and 2012 and projected results from the LTFP for each Scenario of the LTFP then included.

Graph 1 - Actual and Projected Operating Result (before capital grants and contributions) 2008 to 2022



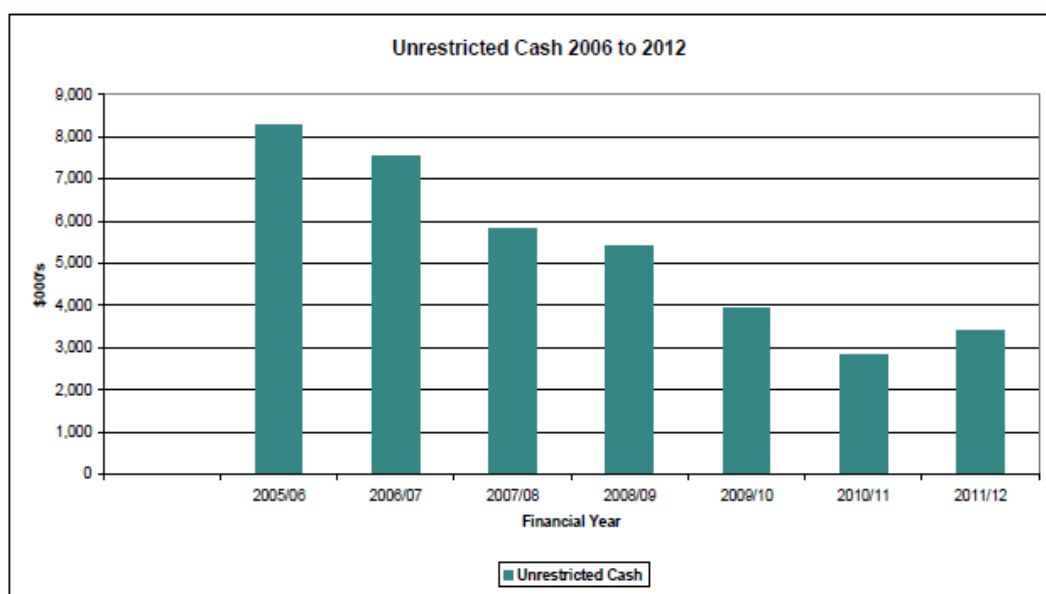
The Income Statement for the Sustainable SRV Scenario 1 of the LTFP is also presented to reflect the Objectives of the CSP. This demonstrates the projected financial resources required to achieve these community objectives.

Table 5 - Income Statement - Sustainable SRV Increase - Scenario 1

Income from Continuing Operations	Actual 2012 \$ '000	Budget 2013 \$ '000	Projected 2014 \$ '000	Projected 2015 \$ '000	Projected 2016 \$ '000	Projected 2017 \$ '000	Projected 2018 \$ '000	Projected 2019 \$ '000	Projected 2020 \$ '000	Projected 2021 \$ '000	Projected 2022 \$ '000
COMMUNITY											
1.1 Vibrant, safe and inclusive City	3,194	3,044	3,216	3,776	4,067	3,857	3,911	3,954	3,992	4,020	4,052
1.2 Active and healthy community	2,938	2,822	2,958	3,473	3,740	3,548	3,597	3,637	3,671	3,698	3,727
ENVIRONMENT											
2.1 Protects and promotes its natural environment	1,030	530	1,037	1,217	1,311	1,244	1,261	1,275	1,287	1,296	1,306
2.2 Practices sustainable living	12,894	13,245	12,984	15,242	16,417	15,573	15,789	15,962	16,115	16,231	16,358
2.3 A liveable City that is connected through places and spaces	1,843	1,677	1,856	2,178	2,346	2,226	2,257	2,281	2,303	2,320	2,338
ECONOMY											
3.1 Infrastructure is planned and managed in a way that meets the community needs	19,290	7,498	19,424	22,802	24,561	23,297	23,619	23,877	24,108	24,281	24,471
3.2 Supported by a strong local economy with business and employment opportunities	581	345	585	686	739	701	711	719	726	731	737
LEADERSHIP											
4.2 Supported by a Council that is responsive, accountable and financially viable	36,891	35,016	37,147	43,607	46,971	44,554	45,172	45,667	46,105	46,436	46,800
Total Income from Continuing Operations	78,661	64,177	79,207	92,981	100,152	95,000	96,317	97,372	98,307	99,013	99,789
Expenses from Continuing Operations (\$000's)											
COMMUNITY											
1.1 Vibrant, safe and inclusive City	7,078	7,327	7,369	7,587	7,560	7,586	7,678	7,733	7,766	7,808	7,822
1.2 Active and healthy community	8,984	8,510	9,354	9,630	9,596	9,629	9,746	9,816	9,858	9,910	9,929
ENVIRONMENT											
2.1 Protects and promotes its natural environment	854	849	889	915	912	915	926	933	937	942	944
2.2 Practices sustainable living	10,033	12,179	10,445	10,754	10,716	10,753	10,884	10,961	11,009	11,067	11,088
2.3 A liveable City that is connected through places and spaces	3,497	3,556	3,641	3,748	3,735	3,748	3,793	3,820	3,837	3,857	3,865
ECONOMY											
3.1 Infrastructure is planned and managed in a way that meets the community needs	27,284	24,509	28,406	29,247	29,144	29,244	29,599	29,810	29,938	30,098	30,156
3.2 Supported by a strong local economy with business and employment opportunities	1,123	706	1,169	1,204	1,200	1,204	1,219	1,227	1,232	1,239	1,241
3.3 Welcomes, engages and attracts visitors	347	341	361	371	370	371	376	379	380	382	383
LEADERSHIP											
4.1 Led by a Council that effectively represents the community	947	712	986	1,015	1,012	1,015	1,028	1,035	1,040	1,045	1,047
4.2 Supported by a Council that is responsive, accountable and financially viable	12,576	12,461	13,093	13,481	13,433	13,479	13,643	13,740	13,800	13,873	13,899
Total Expenses from Continuing Operations	72,721	71,150	75,713	77,952	77,678	77,944	78,892	79,454	79,797	80,221	80,374
Net Operating Result for the year	5,940	- 6,973	3,494	15,029	22,474	17,056	17,425	17,918	18,510	18,792	19,415

Council's cash reserves have decreased by over 50% over the last 7 years, as shown by the following graph. In Council's Sustainable Financial Strategy included in the Resourcing Strategy (see page 8), Action 3 from Key Strategy 1 - recurring income must exceed recurring expenditure, was for any surpluses of unrestricted income over unrestricted expenditure to be applied to (in order of priority) One-off extraordinary costs, and Unrestricted reserves. Other Actions included in Key Strategy 1 have been put in place to address the ongoing deficits of the past years and to increase the Unrestricted Reserve amount.

Graph 2 - Council's Unrestricted Cash Reserves between 2006 and 2012 Financial Years



The assumptions, methodology and integrity of Council's LTFP have been reviewed by a big four consulting firm and no material issues were found. A final report has been received by Council from this firm.

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.

An infrastructure backlog of approximately \$45 M exists for all of Council's asset categories as reported in Special Schedule 7 of Council's Annual Report-Audited Financial Statements 2011/2012. In an effort to reduce the backlog equitably, Council has structured its Asset Improvement Program (a component of the LTFP) so that funding is apportioned to each of the four major asset categories proportional to the backlog value calculated for the respective asset categories. These asset classes are buildings, roads, stormwater and recreational facilities.

Prioritisation criteria are applied to the respective projects to determine a program of works for each of the asset categories. The criteria applied to the planned Asset Improvement Program primarily considers the assessed condition and the known usage of the assets to be renewed, repaired or upgraded. This approach ensures that projects are programmed and prioritised on a needs and risk basis. The planned program is included in the Delivery Program and links to the LTFP as Sustainable SRV Scenario 1, which has been prepared with the aim of achieving a 0.80 Building and Infrastructure Renewal Ratio by 2016/17.

A lesser program of works has been compiled to achieve a Building and Infrastructure Renewal Ratio of 0.50 by 2016/17. The same prioritisation criteria of

condition and usage have been applied to this program. The highest priority projects for each asset class have been included in this lesser program, prepared as Small SRV Scenario 2 in the LTFP.

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.

It is estimated that Council needs to spend approximately \$19 M to increase its Building and Infrastructure Renewal Ratio to an acceptable level of 0.80. To maintain this, a further \$8 M is required on an annual basis. The size and on-going nature of these amounts reduces the number of funding options available to Council in addressing this issue.

One of the main financing alternatives Council has considered are loan borrowings. Council's LTFP includes loan borrowings for two separate projects over its 10 year timeframe - see page 21 of Resourcing Strategy titled "Borrowing Costs". The first relates to loan borrowings of \$3 M, which have been drawn down under the Local Infrastructure Renewal Scheme (LIRS). This scheme was introduced to encourage Councils to take out borrowings to address the condition of infrastructure assets. Council is using the \$3 M to help reduce the backlog associated with road infrastructure. This funding will also assist in increasing Council's Building and Infrastructure Renewal Ratio.

The second loan funding project relates to the City Hub project. The LTFP incorporates the first loan draw down in 2014/15, with further amounts in 2015/16 and 2016/17. A total borrowing of \$11.6 M has been factored in for this project based on 2013 real dollar estimates.

Council has included in its LTFP impacts on the Debt Service Ratio of these projected loan borrowings (see page 32). When calculated on the No Rate Increase option (Scenario 3), the ratio remains within Council's minimum and maximum target range. The graph indicates there is little room for further borrowings before Council reaches its maximum target level. This target level has been set at a point where it is believed no further loan repayments are affordable, without having a significant impact on services. A recent review of Council's finances carried out by NSW Treasury Corporation confirms this point. Their report indicated that Council could afford maximum loan borrowings of approximately \$16 M (excluding the \$3 M LIRS borrowings).

Loan borrowings have therefore been identified as one of the funding alternatives, Council will use in addressing the lack of funds being allocated to infrastructure renewal and the associated backlog. The limitations with borrowings are that they are a one-off solution, not entirely suitable for recurring funding obligations that would enable Council to maintain its infrastructure at satisfactory levels. The amounts required to bring Council up to an acceptable funding level, as well as

sustain Council's future on-going renewal and maintenance needs, will require other funding options to complement any loan borrowings.

Council adopted a new Financial Strategy in February 2012. This was primarily to address the issue of Council not being financially sustainable over the long term and has been identified in previous Resourcing Strategy documents. The new Financial Strategy has detailed a number of key strategies and actions that Council plans to implement, which will assist in ensuring long term financial sustainability.

Making asset renewal a higher priority than the creation of new assets is one of these strategies. Linked to this strategy is an action to progressively increase Council's asset renewal expenditure. A special rate variation has been identified as the main tool to achieve this. This will allow Council to progressively raise the funding required over a four year period, with that revenue remaining in the rate base at the conclusion of the four years to ensure that on-going funding is available. As mentioned, loan borrowings have already commenced in the current year to start this process.

Other revenue generating opportunities (apart from rate increases and loan borrowings) along with expenditure reductions associated with productivity efficiencies will be generated as the strategies and actions are implemented. These savings will contribute to meeting the objectives of the CSP 2013 - 2023.

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 LTFP. This should include the impact on key indicators under the various budget scenarios (with and without the special variation).

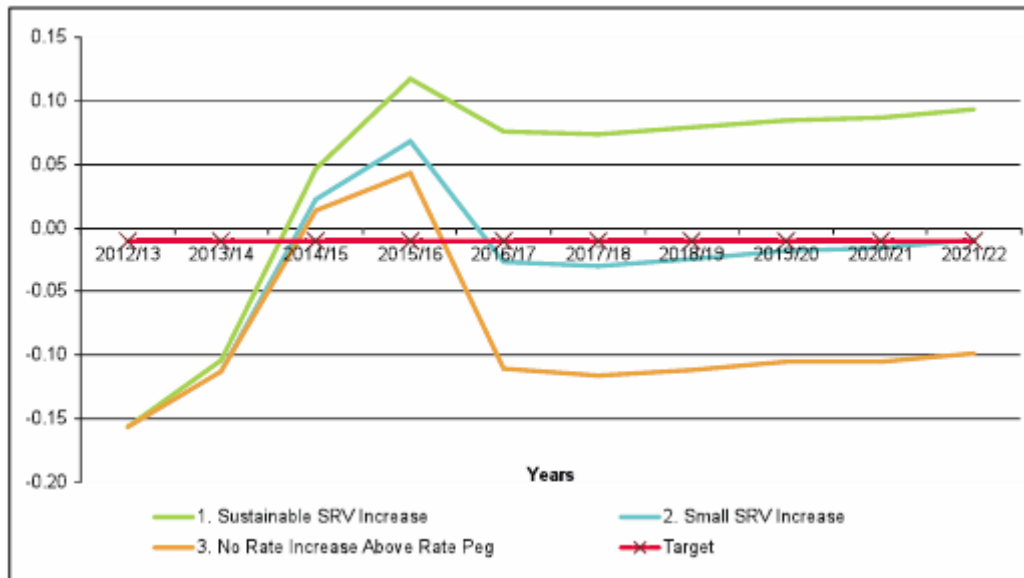
Key indicators may include:

- ▼ 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 expenses)
- ▼ 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.

The following graph provides an overview of how the special variation would impact on Council's key financial indicators.

Graph 3 - Operating Balance Ratio

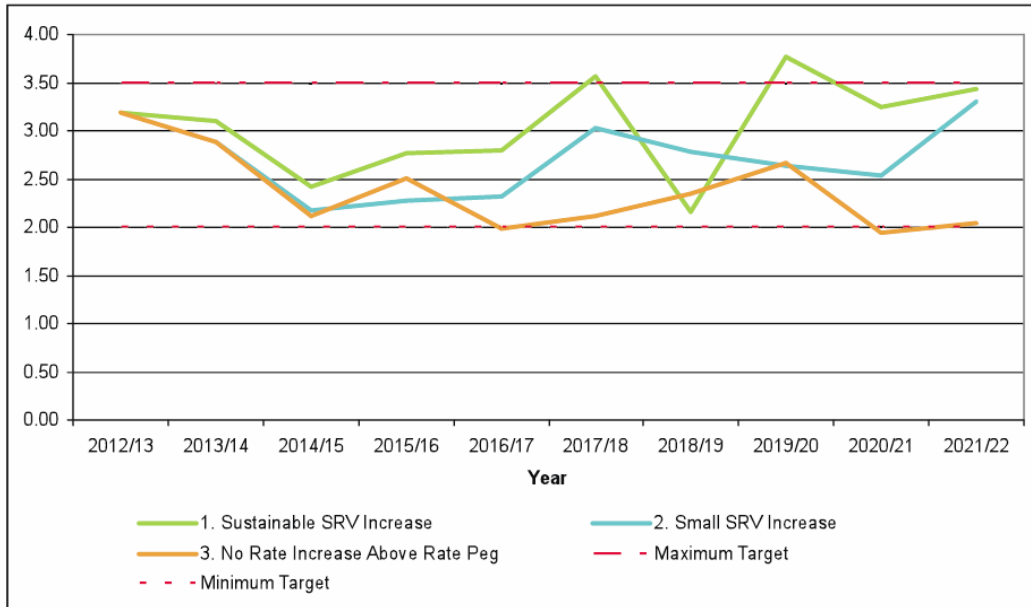


The special variation will have a significant impact on this ratio with all additional rate revenue being reflected in the calculation. The expenditure side through capital asset renewal not being shown apart from its impact on depreciation (See Appendix 2 page 29).

With the increase in rates from a sustainable special variation, Council's income statement result before capital items moves from significant and unsustainable operating deficits (apart from one off asset sales in 2014/15 and 2015/16) under the rate peg only scenario, to surpluses over the 10 year LTFP with a special variation.

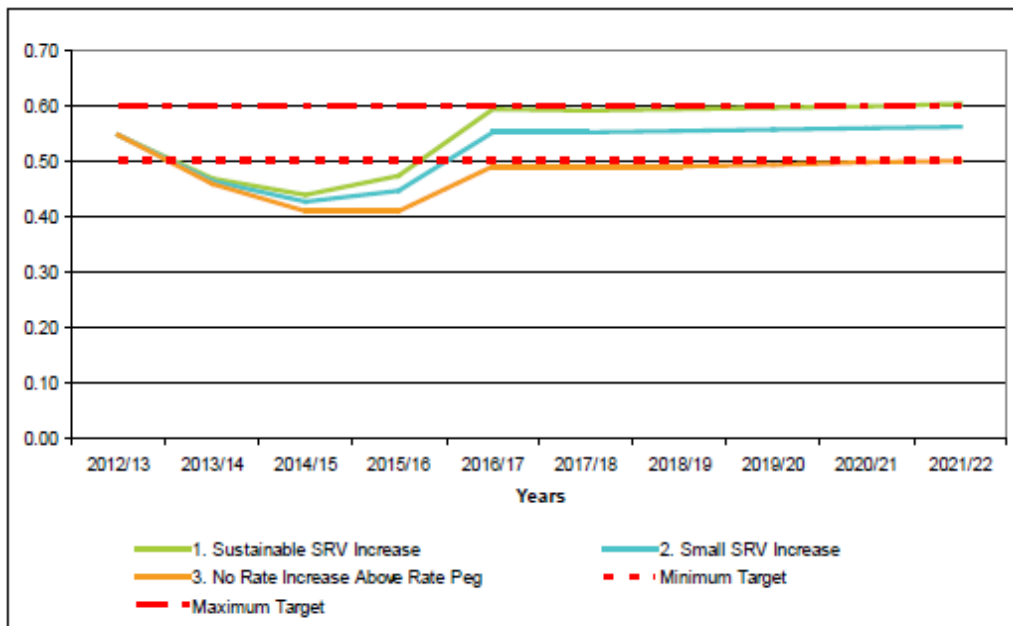
Council cannot continue to operate with such deficits over the long term and has to address its asset renewal funding needs. The scenario with rate peg funding only, results in significant cuts to services and programs over the 10 years as funding is moved to asset renewal programs.

Graph 4 - Unrestricted Current Ratio



This ratio assesses Council's ability to satisfy short term obligations for the unrestricted activities undertaken by Council. With cumulative increases in the rate base under a SRV scenario, Council's unrestricted current ratio also increases when compared to the No rate increase above the rate peg scenario (See Appendix 2 page 28).

Graph 5 - Rates and Annual Charges Coverage Ratio

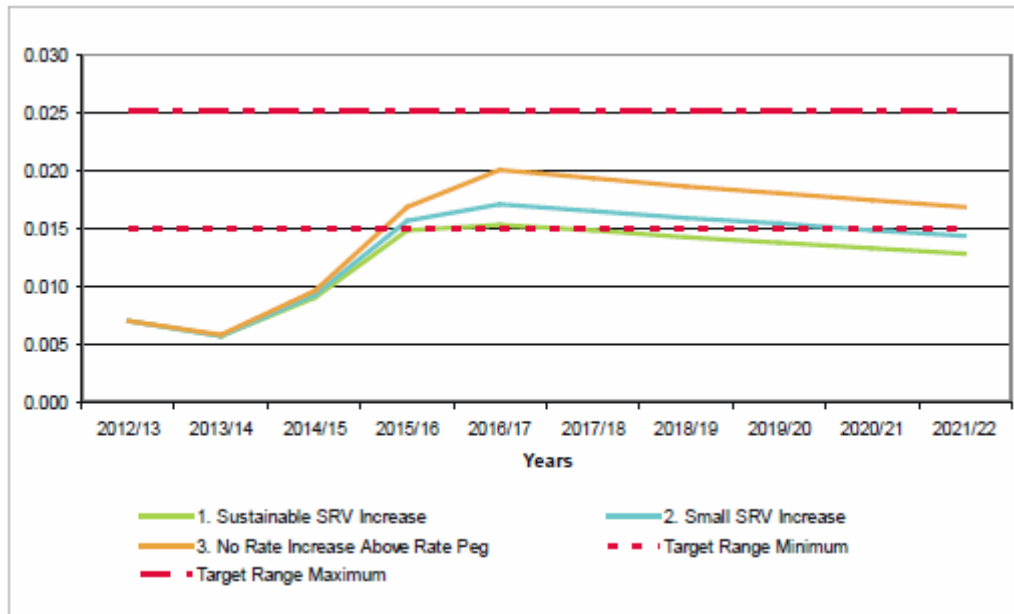


As this ratio assesses the dependence on rates and charges revenue as a proportion of total revenue, the planned special variation scenario has a major

impact on this ratio. The rate peg only scenario results in a percentage of just under 50% for the majority of the LTFFP.

While this is still acceptable, it is under Council's minimum target level. This target has been set based on the importance placed on rate revenue in contributing to the key strategies and actions from Council's adopted Financial Strategy (See Appendix 2 page 31).

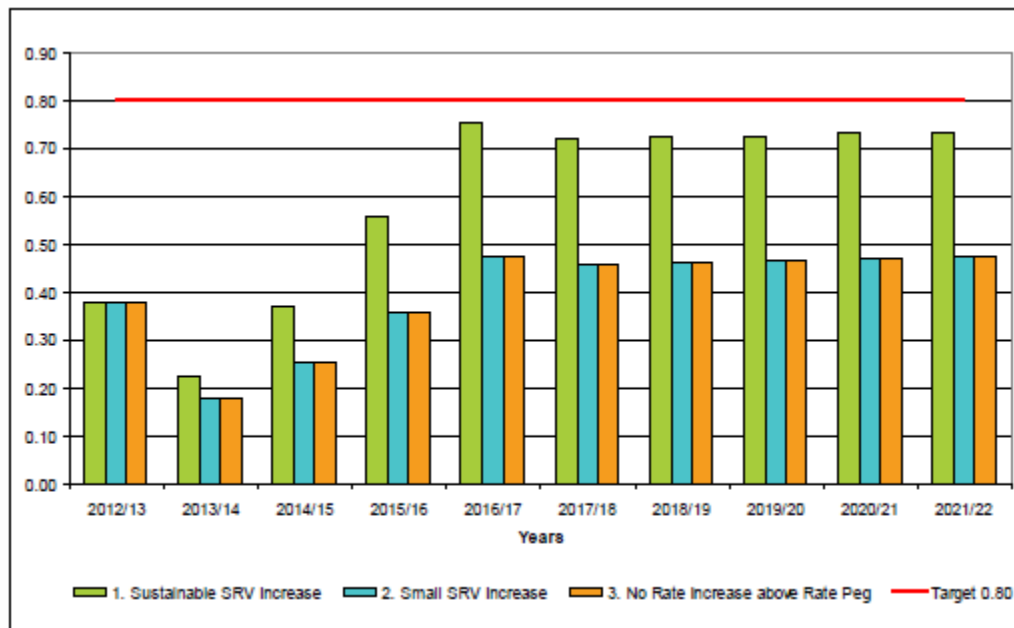
Graph 6 - Debt Service Ratio



Council's LTFFP includes a gradual increase in loan borrowings over the 10 year timeframe. With operating revenue being used in the calculation of this ratio, the Sustainable rate variation scenario results in Council having a lower Debt Service Ratio when compared to the No rate increase above the rate peg scenario.

This can be misleading with the major proportion of the monies raised from the rate variation being committed to asset renewal expenditure, therefore not being available for discretionary purposes, such as towards loan repayments (See Appendix 2 page 32).

Graph 7 - Building and Infrastructure Renewal Ratio



This key asset renewal indicator is the primary reason for the SRV proposal. Council's ratio in last year's LTFP projected this ratio to be placed between the 0.10 and 0.15 level over the next 10 years. This was clearly not satisfactory and required remedial action.

The graph on page 33 of the Resourcing Strategy demonstrates the substantial impact the Sustainable rate variation scenario will have on this ratio, particularly over the next four years. The No rate increase above the rate peg scenario results in the ratio increasing to just under 0.50 by 2016/17. This is a result of the decision to address Council's infrastructure renewal issues with or without a rate variation. This scenario however will require significant reductions to services and programs as Council cannot afford to maintain the current level of operational expenditure at the same time as scheduling significant increases to expenditure for asset renewal.

The proposed rate increase will begin to address the current infrastructure backlog as outlined in Special Schedule 7. Additional funds will be used to renew existing infrastructure as the condition falls below a satisfactory level. As the proposed increase is to remain permanently in Council's rate base, funding collected will be directly allocated to Council's Asset Improvement Program incorporated as a part of the LTFP to address ongoing asset renewal.

The financial challenges facing Council with maintaining its infrastructure has resulted in the renewal of buildings to be of a reactive nature. A full report on the condition of a number of buildings assets deemed to be a high priority is currently being undertaken and funding has been allocated towards these in the Delivery Program. The condition of facilities and buildings will improve the rating to satisfactory over time. An increased program of refurbishment and upgrades will be undertaken to extend their useful life and ensure they are fit for purpose.

Council's roads network is considered to be one of its critical assets and due to the size and age of the infrastructure has the largest asset backlog. The extent of the backlog for roads equates to approximately 55% of the Council's overall asset backlog. A significant portion of Council's Asset Improvement Program funding is allocated to Roads and Transport assets in an effort to reduce Council's

infrastructure backlog. Council has identified the road pavement in poor and very poor condition to enable a program of renewal work to be delivered in the short to medium term that will increase the condition of this asset category to an average of satisfactory.

Further prioritisation of renewal work will be undertaken based on the condition of the drainage assets determined as a result of the camera inspection. Funding will be allocated for renewal works on prioritised stormwater and drainage sites based on the results on drainage condition assessments.

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.

Community Engagement Strategy

The Community Engagement Strategy "Continuing the Conversation" was developed to support the community engagement undertaken in the review and preparation of Council's IP&R documents and proposed SRV. It provided a framework for the consultation undertaken with internal and external stakeholders. A copy of this strategy is available at Appendix 4.

Community engagement is an important part of Council's role in the planning and delivery of services and facilities as we work towards achieving the Community's long-term Vision for the City.

Council is committed to ensuring the community is actively involved in decision-making activities, and also implementing engagement strategies that are appropriate and responsive to the needs of its diverse community. The aims of the strategy were to:

- Engage the Shellharbour community in the review of the CSP and the preparation of all associated IP&R documents
- Deliver the community engagement strategy under the principles of social justice and according to the requirements of Council's Community Engagement Policy
- Undertake a range of engagement activities that build upon previous engagement and that recognise the diversity of the Shellharbour Community
- Increase our understanding of the community's service level needs and to explore a range of funding options to increase the Building and Infrastructure Renewal Ratio
- Meet the requirements of the Local Government Act, 1993.

Previous Engagement

In 2011 the first CSP for Shellharbour was implemented. The 2011-2021 CSP was prepared in consultation with community and state government agencies. Participants were invited to attend a number of engagement opportunities including community strategy forums, youth engagement, and a consultation workshop. Over 600 people were engaged through these activities. These were delivered in

accordance with the Community Engagement Strategy (2011), a copy is available at Appendix 4 page 13.

Since the 2011- 2021 CSP was implemented the Shellharbour local government election was held and a review of the plan was considered an important priority.

Guiding Principles

The preparation of the Strategy has been guided by the principles of social justice, the Public Participation Spectrum developed by the International Association for Public Participation (IAP2) and Council's Community Engagement Policy 2011 (Appendix 4 page 25).

Implementation

The community engagement strategy was delivered in the following 4 stages:

Stage 1 Review of Previous Engagement

This process involved consultation with internal stakeholders with an audit of existing engagement and a collation of the results. A review of Council's intranet, webpage and media files was undertaken.

Stage 2 Continuing the Conversation (Undertake Community Engagement Activities)

During stage 2 Council staff actively undertook a number of engagement activities. Extensive promotion of these opportunities took place via the local media, Council's webpage, mail lists and through existing networks and committees.

Stage 3 Resourcing the Vision (Seek feedback on a proposed Special Rate Variation)

Stage 3 focused on the exploration of funding models to improve Council's asset renewal position, including reference to the proposed special rate variation. Activities were designed to raise community awareness and to increase Council's understanding about the community's willingness and capacity to pay increased rates.

Stage 4 Checking in (Public Exhibition)

As required by legislation, once prepared, the suite of IP&R documents have been placed upon public exhibition from 2 March to 2 April 2013.

Members of the community have been invited to make written submissions in regard to these draft documents. During the period of public exhibition, copies of all documents will be made available on Council's website, at Council's Administration Centre and at all Libraries.

Council will also hold information kiosks across the City during the exhibition period to encourage community feedback and understanding of the proposed planning documents. Specific consultations will also be held with Council's Advisory Committee's, the Shellharbour-Kiama Interagency Network and with State Government agencies during the exhibition phase.

Community Engagement Activity Table

The following table was prepared as part of the Strategy and is available at Appendix 4 (page 30). It identifies all the engagement activity that was undertaken as part of the Community Engagement Strategy. It lists and describes the activities, the key stakeholders targeted by the engagement, the level of engagement as defined by Internal Association of Public Participation (IAP2) and the time frame of when the activity would take place.

Table 6 - Community Engagement Activity

Stage 1 - Review of Previous Engagement					
Activity		Description	Key Stakeholders	Level of Participation (IAP2)	IP&R Document/s
January - March 2013	Review of Engagement	Review engagement undertaken by staff since CSP implementation in 2011. Audit web, intranet and media files and collate results	Internal staff	Involve	CSP RS DP OP

Stage 2 - Continuing the Conversation (Undertake Community Engagement Activities)					
Activity		Description	Key Stakeholders	Level of Participation (IAP2)	IP&R Document/s
March 2012	Community Survey (IRIS Research)	Bi-annual telephone community survey to canvass resident attitudes and opinions about the services and facilities provided by Council.	Broad community over 18 years of age. Representative sample of community. Approx 500 residents.	Consult	CSP RS DP OP
August - September 2012	Objective refinement workshop	Previous CSP Workshop participants will be invited to assist in the review and rewrite of the objectives. These objectives will then formed the basis for all further engagement activities.	Community members involved in CSP 2011 Engagement	Collaborate	CSP
August - October 2012	Consultations with children and young people	In partnership with Community Connections staff, develop specific engagements appropriate for children and young people (High school students).	Children (5-12) Young People (13- 18)	Involve	CSP DP OP

Stage 2 - Continuing the Conversation (Undertake Community Engagement Activities)					
Activity		Description	Key Stakeholders	Level of Participation (IAP2)	IP&R Document/s
August - October 2012	Photographic Competition and Exhibition	Hold a Photographic Competition and exhibition asking residents to submit photographs and a caption demonstrating what's special to them about Shellharbour.	Broad community not usually engaged through workshops etc, people accessing Facebook	Consult	CSP
September - October 2012	Community Strategic Plan Review and Service Level Workshops	Workshops held to identify the services and assets that they value the most and to nominate whether they would reduce, maintain or increase levels of services whilst considering the financial implications for the budget.	Broad community, Minimum of 4 workshops held across the City during the day and night.	Involve	CSP DP OP
November - December 2012	Strategy Development Workshop	A workshop will be held with the elected representatives and Council Senior Managers to determine what the strategies should be for the CSP	Elected Representatives Senior Management	Collaborate	CSP
December 2012	Action Development Workshop	A workshop will be held with staff to develop actions and key performance indicators	SCC Staff	Collaborate	DP OP

Stage 3 - Resourcing the Vision (Seek feedback on a proposed Special Rate Variation)

Activity		Description	Key Stakeholders	Level of Participation (IAP2)	IP&R Document/s
October - November 2012	Budget Allocator Tool (Bang the Table)	Conceptual online budget Allocator Tool to find out what resident's value the most to assist Council in the finding the right mix of assets, services and programs while maintaining financial sustainability.	Broad community that has access to web. Workshops to be held at Libraries.	Consult	DP OP
January - February 2013	Special Rate Variation Brochure	A brochure outlining Council's financial position and asset renewal ratio and proposed SRV to be prepared and distributed	Distribute brochure to all rate payers and Telephone Survey participants.	Inform	DP OP
November 2012 - February 2013	Telephone Survey (IRIS Research)	Telephone survey by IRIS Research of a statistically valid sample of Shellharbour residents to gather feedback on the proposed special rate variation. Deliberative polling method (information distributed to sample prior to undertaking survey).	Broad community over 18 years of age. Representative sample of community. Approx 400 residents.	Consult	DP OP

Stage 4 - Checking In (Public Exhibition)					
Activity		Description	Key Stakeholders	Level of Participation (IAP2)	IP&R Document/s
March 2013	Promotion of exhibition	Advertise exhibition and provide documents for review.	Through web, e-networks, Council Administration Building and Libraries February - March 2013 Business Community	Consult	CSP RS DP OP
March 2013	Meet with Council Networks and Advisory Groups	Present draft documents for comment and invite submissions.	Aboriginal Community People with a disability Recreation and sporting clubs Community Service Providers	Consult	CSP RS DP OP
	Meet with State Government Agencies	Present draft documents for comment and invite submissions.	State Government Agencies	Consult	CSP RS DP OP
	Kiosks	Present draft documents for comment and invite submissions.	Broad community. Kiosks to be held in locations across the City during business hours and weekends	Consult	CSP RS DP OP

- CSP** Community Strategic Plan
RS Resourcing Strategy (Long-term Financial Plan, Asset Management Plan and Workforce Management Plan)
DP Delivery Program
OP Operational Plan.

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).

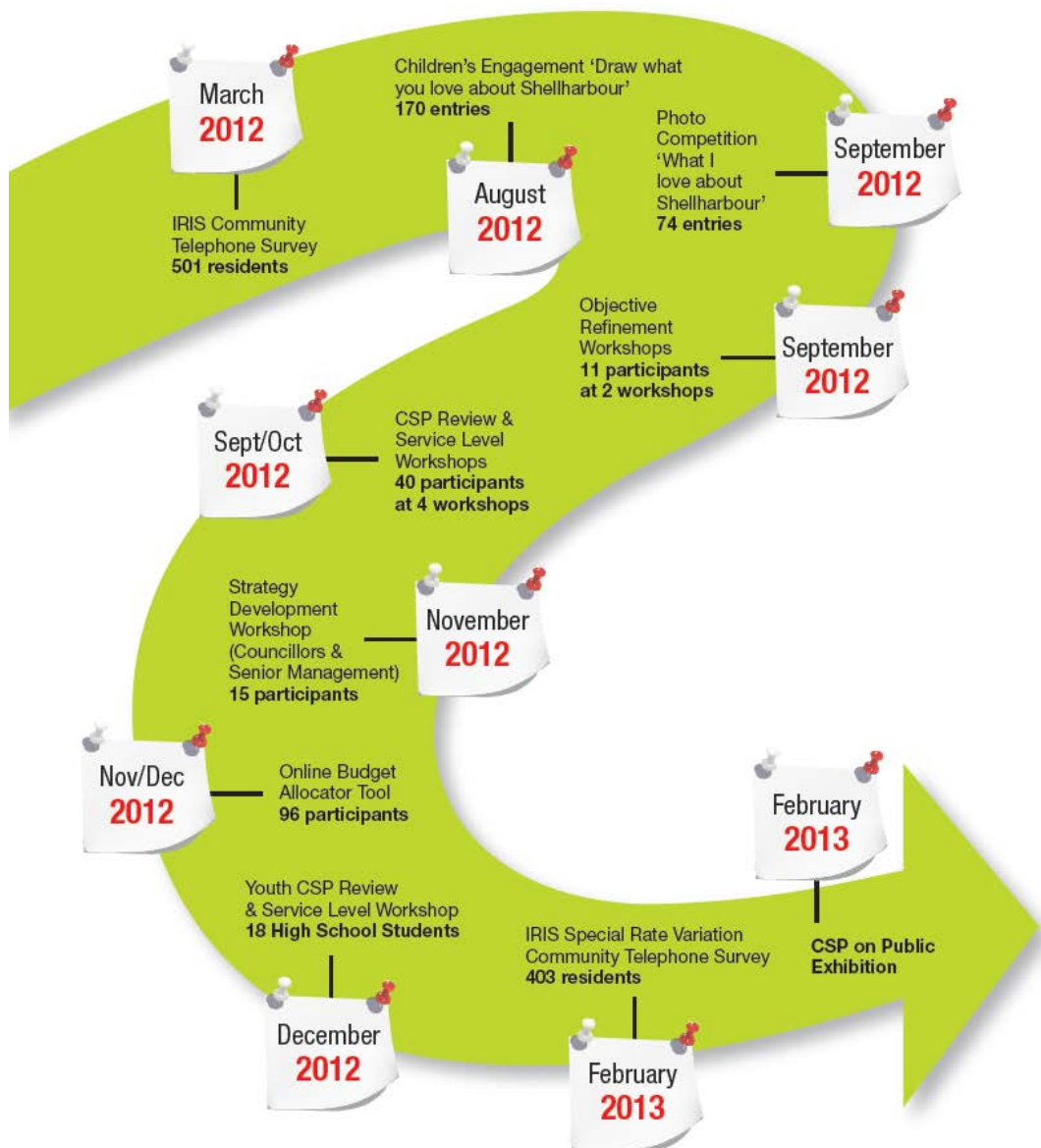
Also provide a summary of submissions received in response to the exhibition of the Draft Operational Plan where they relate to the proposed special variation. Identify the nature of the feedback related to the proposal (including by relevant stakeholder group) and any action proposed by the council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

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

A range of engagement activities were available for the community to participate in the development of the IP&R documents and to ensure awareness of the proposed special variation.

A summary of the engagement activities has been presented in the CSP (Appendix 1 pages 13 - 17).

The following community engagement opportunities were made available to the community.



Community Engagement Results

The following table presents a summary of the results of the engagement undertaken during the development of the IP&R suite of documents. It lists and describes the activities, the date of engagement, the number of stakeholders engaged and what the key outcomes were for each activity.

Table 7 - Community Engagement Results

Stage 1 - Review of Previous Engagement				
Activity	Description	Date	Number Engaged	Key Outcomes
Review of Engagement	Review engagement undertaken by staff since CSP implementation in 2011. Audit web, intranet and media files and collate results	January - March 2012	Various staff members	Key community engagement activities undertaken since the adoption of the CSP 2011-2021 were the City Hub, Aboriginal Employment Strategy, Aboriginal Culture and Heritage Toolkit and the Local Environment Plan.

Stage 2 - Continuing the Conversation (Undertake Community Engagement Activities)				
Activity	Description	Date	Number Engaged	Key Outcomes
Objective refinement workshop	Previous CSP Workshop participants will be invited to assist in the review and rewrite of the objectives. These objectives will then formed the basis for all further engagement activities.	September 2012	11 participants at 2 workshops	The objectives of the 2011 CSP were reduced from 20 to 10. It was agreed that the community vision was still representative and would remain.
Community Strategic Plan Review and Service Level Workshops	Workshops held to identify the services and assets that they value the most and to nominate whether they would reduce, maintain or increase levels of services whilst considering the financial implications for the budget.	September - October 2012	40 participants at 4 workshops	The top rated services, programs and infrastructure were: <ul style="list-style-type: none"> • Road pavements (14%) • Community Events and Programs (9%) • Libraries , sports fields and facilities, footpaths and swimming pools (8% each) • Crime prevention and community safety programs (6%) • Economic development and tourism, storm water and drainage (5% each) In most instances participants recommended that service levels be maintained or enhanced.
Consultation with children and young people	In partnership with Community Connections staff, develop specific engagements appropriate for children and young people (High school students).	Children - August 2012 Young people - December	170 children 18 young people	Children - The children demonstrated, through drawing, that spending time with family and friends at the beach, lake or parks was what they loved to do. Open spaces where they could play sport, run around, ride bikes or walk and play with their pets was also very important. Young People - The key priorities across the groups were Crime and Safety Programs, Road Pavements and Community Events and Programs.

Illawarra Regional Information Service (IRIS) Community Telephone Survey

The aim of the Community Telephone Survey 2012 was to canvass resident attitudes and opinions about the services and facilities provided by Council.

A total of 501 telephone interviews were conducted with randomly selected residents of the City. The information in the survey provided vital feedback about how Council

and its partners are progressing in meeting the Objectives set out in the CSP 2011-2021.

Some of the results are listed below:

- 53%** feel connected with the community
- 72%** support initiatives that will reduce the impacts of global warming and climate change
- 33%** would like to see more youth employment opportunities
- 67%** satisfied with the general appearance of the Shellharbour City Council area

Please see Appendix 5 to view the IRIS Community Survey Results Report.

Children's Engagement

Council has a commitment to engaging with all members of our community and it is important that children and young people have a say in the future of the City.

During Local Government Week in August 2012, primary school children from various schools were given the opportunity to express through drawings what they love about Shellharbour. Two examples of the work that emerged are shown below:



"I go to Shellharbour Beach with my pop. I like swimming at the beach, there are a lot of octopus."

Tenielle - 6 yrs



"I love the classes and plays at the Shellharbour Roo Theatre."

Lilly - 10rs

Photographic Competition and Exhibition

In order to reach a broad range of the community, Council held a Photographic Competition asking residents to submit photographs and a caption demonstrating 'what is so special to them about Shellharbour'.

At the conclusion of the competition an award ceremony and exhibition was held. A total of 74 entries were received, 36 people attended the launch and awards ceremony and a total of 330 people visited the exhibition held in the Shellharbour Village Exhibition Space over a 3 week period.

Below is a selection of the photographs and captions:



Friendships

"Since moving to Shellharbour, I've made many great friends - none more so than the guys who make up the new Shellharbour Wave Ski Club. I enjoy getting up at sunrise, meeting them down at Warilla Beach and watching them "master" the waves!"



A Ride along the Sea Front, Warilla Beach

"There is a cycle track and walkway along the sea front that offers dreamlike views and clean ocean air at any time of day. At 6am the experience is truly magical. Almost no one around, a hauntingly lovely haze softens the dawn light. Set between Windang Island and Barrack Point, both beauty spots in their own right, this beach is breathtakingly lovely."



Community

"Shellharbour City Libraries are welcoming, safe spaces that our family love to visit. They capture the essence of Shellharbour in that they bring the community together. Here we can learn, socialise, escape and create. More than just books, we love dressing up for the Libraries' special events!"

Objective Refinement Workshop

A revision of the current 2011-2021 CSP was necessary to update the Objectives and Strategies outlined in the plan.

To ensure the plan was updated in line with the current community goals several community members were invited to participate in the review and rewrite of the Objectives. The Objectives then formed the basis for all further engagement activities. The Objectives that emerged from the review were:

- 1.1 Vibrant, safe and inclusive City
- 1.2 Active and healthy community
- 2.1 Protects and promotes its natural environment
- 2.2 Practices sustainable living
- 2.3 A liveable City that is connected through places and spaces

- 3.1 Infrastructure is planned and managed in a way that meets the community's needs
- 3.2 Supported by a strong local economy with business and employment opportunities
- 3.3 Welcomes, engages and attracts visitors
- 4.1 Led by a Council that effectively represents the community
- 4.2 Supported by a Council that is responsive, accountable and financially viable

CSP Review and Service Level Workshops

Following the establishment of the revised Objectives a number of CSP Review and Service Level Workshops were held across the City.

A total of 40 people participated in 4 workshops. Participants were asked to identify what services, programs and infrastructure Council provides that they value the most and the recommended level of service for each.

The top rated services, programs and infrastructure are shown below:

- 14%** Road Pavements
- 9%** Community events and community programs
- 8%** Libraries; sports fields & facilities; footpaths & shared use paths and swimming pools
- 6%** Crime and safety programs
- 5%** Economic development & tourism; Storm water & drainage

Participants also nominated whether they would reduce, maintain or increase levels of services whilst considering the financial implications for the budget. In most instances the community recommended that service levels either be maintained or enhanced.

Strategy Development Workshop (Councillors and Senior Management)

At the conclusion of the community engagement phase a workshop was held with Councillors and senior managers to determine what the Strategies should be for the revised CSP.

This process provided an important opportunity for the Councillors to be involved in the development of the CSP as Council was under Administration at the time the previous plan was developed and adopted.

Following the Strategy Development Workshop a series of workshops were held with Council staff to write the Actions and key performance indicators for the Delivery Program and Operational Plan (see pages 12-70).

Online Budget Allocator Tool

Council provided the community with a conceptual online Budget Allocator Tool to find out what residents value the most to assist Council in finding the right mix of assets, services and programs while maintaining financial sustainability.

The Budget Allocator allowed residents to:

- review areas of discretionary spending from Council's general fund
- choose priority areas where they want services maintained or improved
- identify areas in which they are willing to see a decrease, and
- understand the relationship between the services and assets the community values, how much they cost, and a potential rate increase.

Budget Allocator Tool results:

62% of people choosing to increase the budget

56% increased the budget on road pavement renewal and maintenance

46% increased the budget on footpath renewal and maintenance

39% increased the budget on stormwater and drainage

Please see Appendix 6 for a copy of the Budget Allocator Tool Results Report.

Youth CSP Review and Service Level Workshop

High school students were invited to attend a workshop where they were asked to identify what services, programs and infrastructure Council provides that they value the most and the recommended level of service for each.

Activities included movement and continuum exercises where participants were asked to decide on what was most important to them. To achieve this students were broken up into mixed groups (different schools/different age groups).

The key priorities across the groups were Crime and Safety Programs, Road Pavements and Community Events and Programs.

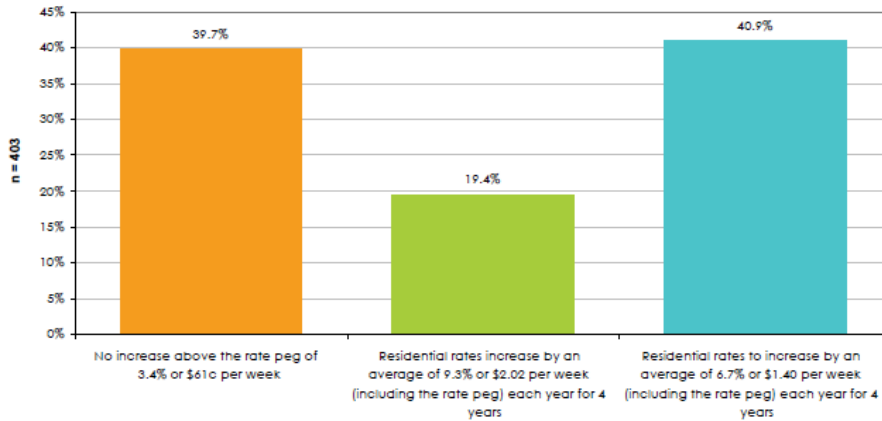
IRIS Special Rate Variation Community Telephone Survey

Council engaged IRIS Research to undertake a telephone survey of a statistically valid sample of Shellharbour residents (taking into account demographics and locality of residents) to gather feedback on the proposed special rate variation.

Key findings of this survey included:

Graph 8 - SRV Survey three scenarios

Overall of the three rate scenarios proposed by Council, which option do you most support?

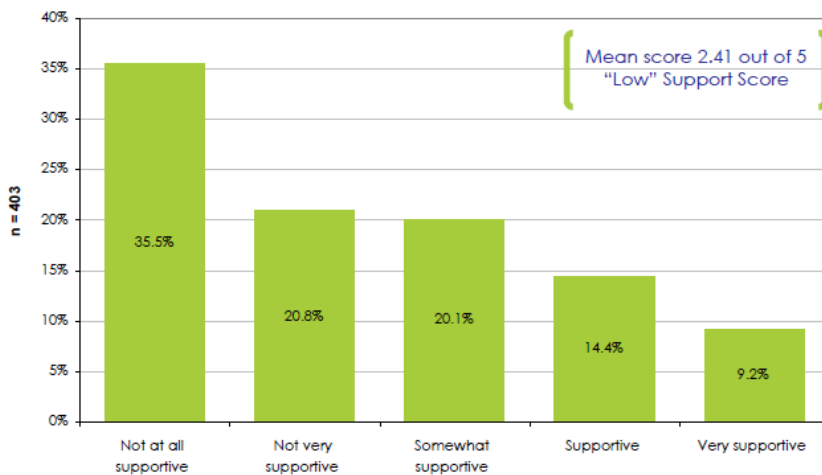


- 41%** supported an increase of 6.7% on average each year for 4 years to residential rates.
- 19%** supported residential rates increase by an average of 9.3% on average each year for 4 years.
- 40%** would not support a rate increase above the rate peg of 3.4%.

These survey participants were asked which services and infrastructure they would like to see reduced as a result of this action 12.5% said nothing. An additional 6.3% stated that Council should cut costs or spend funds more wisely.

Graph 9 - SRV Survey Sustainable Rate Increase

How supportive are you of Council's residential rates increase by an average of 9.3% or \$2.02 per week (including the rate peg) each year for 4 years, which will allow Council to maintain services and improve infrastructure.

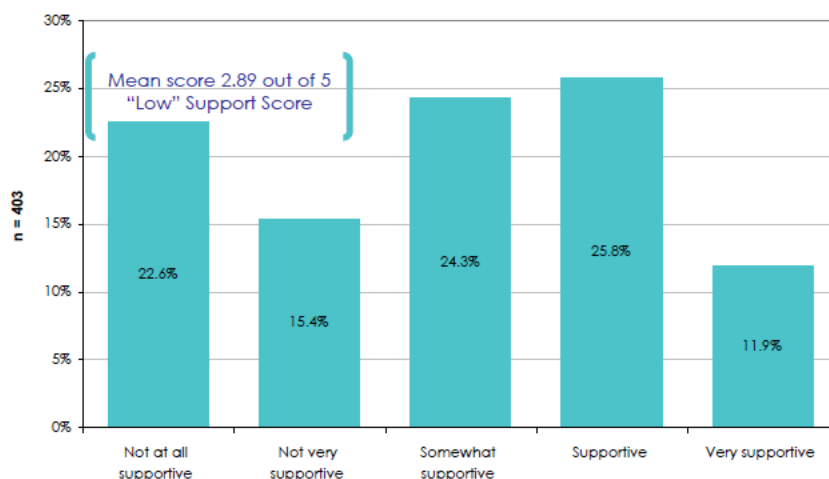


- 44%** were 'very supportive', 'supportive' or 'somewhat supportive' if an increase of 9.3%

Of these people, 31% said it was because they either wanted services maintained or improved.

Graph 10 - SRV Survey Small Rate Increase

How supportive are you of Council's residential rates increase by an average of 6.7% or \$1.40 per week (including the rate peg) each year for 4 years, which will allow Council to undertake a small increase of infrastructure renewal and services would be largely maintained.



62% were either 'very supportive', or 'supportive', or 'somewhat supportive' of an increase of 6.7%. When asked why, 34% said this was reasonable and affordable.

See Appendix 7 to view the IRIS Special Variation to Rates Survey Results Report.

Special Rate Variation Brochure

Council prepared a brochure outlining the proposed special rate variation and information on Council services, assets and the Building and Infrastructure Renewal Ratio. It was distributed to all rateable property owners, survey participants and was also available on Council's website (See Appendix 8).

Public Exhibition

As required by legislation the suite of IP&R documents have been endorsed by Council at its meeting of 26 February 2013 for the purposes of exhibition. All residents have the opportunity to address Council on any agenda item in the business paper. During this meeting one resident addressed Council on this issue.

At this meeting Council also resolved to pursue the SRV application (See Appendix 9 for a copy of the resolution).

The suite of documents has been placed on public exhibition from 2 March - 2 April 2013 and members of the community have been invited to make written submissions in regard to these draft documents inclusive of the SRV.

During the period of public exhibition, copies of all documents have been made available on Council's website, at Council's Administration Centre and at all Libraries.

Additionally Council will hold information kiosks across the City during the exhibition period to encourage community feedback and understanding of the proposed planning documents.

Media and Communications

Council has actively promoted opportunities for community involvement in the development of the CSP and has provided information consistently to the community about the proposed special rate variation.

A total of 23 articles have featured in the newspapers The Lake Times, The Illawarra Mercury and in the Local Government News.

The Mayor provides weekly updates to the community through the Illawarra Mercury and the Lake Times and has included reference to the CSP and SRV 9 times.

A total of 8 media releases were produced for the various media outlets. The table below provides a summary of when releases were made and the outline of the release.

Table 8 - Media Releases

Media Releases	
Date of Release	Outline
26/9/12	Residents invited to have a say about their future - Opportunity to be involved in Community Engagement Workshops being held throughout the LGA
25/10/12	Council offers online Budget Allocator Tool
3/12/12	More time for residents to have say about Council's Budget
10/10/12	Residents invited to discuss funding options
20/2/13	IRIS Survey shows community support for Special Rate Variation
12/10/12	Plenty to love about Shellharbour - Winners of the "What I love about Shellharbour" photo competition
7/8/12	Competition to show what's great about Shellharbour City - Photo competition
6/9/12	What do you love about Shellharbour City? - Photo competition

A number of these media releases were used by the print media, radio and television as evidenced by the following 12 broadcast media transcripts collated between December 2012 and February 2013.

Table 9 - Broadcast Media Brief Transcripts

Broadcast media brief transcripts - 22 February 2013 - 12 December 2012			
Date	Media	Interviewee	Outline/Summary
21/02/2013	Wollongong Station: WAVE FM	Marianne Saliba, Mayor, Shellharbour City Council	An IRIS survey indicates Shellharbour residents appear to support a council move to increase rates above the pegged limit of 3.4%. Shellharbour Mayor Marianne Saliba says council needs to spend \$18m over the next four years to bring the city's infrastructure back up to scratch. Shellharbour City Council will consider a rate increase of up to 9.3%, going before a meeting next week.
21/02/2013	Wollongong Station: i98 FM	Newsreader	It has been revealed that most of Shellharbour residents support a rate rise. A new survey shows 60% believe rates should increase to improve infrastructure. Council says it needs to spend \$18m over the next four years and \$8m after that to bring the infrastructure up to the recommended standard.
21/02/2013	Wollongong Station: ABC Illawarra	Newsreader	Shellharbour Council has said that it will only be able to afford improvements to roads, footpaths and drains is by increasing rates. A recent survey indicated that more than 60% of ratepayers would support a rate increase above 3.4%.
21/02/2013	Wollongong Station: ABC Illawarra	Newsreader	Shellharbour rate payers look set to pay up to \$2 extra a week in rates with the Shellharbour Council considering two rate rise scenarios with increases up to 9.3%. The council says it needs to raise its income to provide better roads, footpaths, and drains.
21/02/2013	Wollongong Station: i98 FM	Newsreader	A new survey by IRIS Research has found that 60% of Shellharbour rate payers would support a rate rise above the 3.4% rate peg. Shellharbour Council says all information it has received suggest residents want better roads, drainage, and footpaths.
21/02/2013	Wollongong Station: WAVE FM	Marianne Saliba, Mayor of Shellharbour	Shellharbour residents apparently support a council move to increase rates by 8% according to an IRIS survey. Marianne Saliba, Mayor of Shellharbour, says the council needs to spend \$18m over the next four years to bring infrastructure up to standard. Council is considering an increase of up to 9.3%.
21/02/2013	Wollongong Station: WAVE FM	Marianne Saliba, Mayor, Shellharbour City Council	An IRIS survey indicates Shellharbour residents appear to support a council move to increase rates above the pegged limit of 3.4%. Shellharbour Mayor Marianne Saliba says council needs to spend \$18m over the next four years to bring the city's infrastructure back up to scratch. Shellharbour City Council will consider a rate increase of up to 9.3%, going before a meeting next week.

Broadcast media brief transcripts - 22 February 2013 - 12 December 2012			
Date	Media	Interviewee	Outline/Summary
21/02/2013	Wollongong Station: WAVE FM	Marianne Saliba, Shellharbour Mayor	A new Irish Research Council survey has found the majority of Shellharbour's ratepayers would support a rate rise above 3.4%. Marianne Saliba, Shellharbour Mayor says there was a strong support of the importance on council's maintenance of services and infrastructure. Council will consider the rate increase application next Tuesday.
20/02/2013	Wollongong Station: WIN Wollongong	Kerryn Johnston	A new survey by Iris Research has revealed that Shellharbour residents want improved infrastructure with a majority supporting a Shellharbour City Council rate increase.
20/02/2013	Wollongong Station: WIN Wollongong	Kerryn Johnston	A new survey by Iris Research has revealed that Shellharbour residents want improved infrastructure with a majority supporting a Shellharbour City Council rate increase.
18/12/2012	Wollongong Station: WIN Wollongong	Marianne Saliba, Mayor, Shellharbour City Council	A proposal to establish a national body to pay for local infrastructure has the backing of Marianne Saliba, Mayor, Shellharbour City Council. Independent think tank Regional Australia Institute claims growth in outlying cities is being stifled by an infrastructure backlog. Saliba says when we find that we can't maintain our assets we then have to look at rate variations.
4/12/2012	Wollongong Station: i98 FM	Marianne Saliba, Mayor of Shellharbour	Residents are being given an extra week to let Shellharbour Council know what services they are particularly concerned about. Marianne Saliba, Mayor of Shellharbour, says residents have the opportunity to let the council know what their priorities are.

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 has three main rating category classifications:

- Residential
- Business
- Farmland

The current and proposed rating structure contains no sub-categories.

Under both scenarios the rating structure (with and without special variation) will be the same. The only differences will be the dollar value for the base rate on the residential category and the rate in dollar amounts for the ad-valorem components in the three rating categories.

Rating Structure

The rating structure for the Residential category contains both a base rate and ad-valorem component. The level of the base amount is 45% with the other 55% being calculated using an ad-valorem component.

The rating structure for the Business and Farmland categories are entirely based on an ad-valorem component.

See Council's resolution at Appendix 9.

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 special rate variation application is based on the same percentage increases across the three rating categories.

Impact on Rates - Residential - 23,821 assessments

Worksheet 5A (Application Part A) details the impact on average rates with the special variation and without.

Table 10 - Impact on Rates - Residential

	Year 1 (2013/14)	Year 2 (2014/15)	Year 3 (2015/16)	Year 4 (2016/17)
% increase with special variation	8.4	9	10	10
% cumulative increase	8.4	18.16	29.97	42.97
\$ annual increase for average ratepayer	87.50	101.76	123.26	135.37
\$ weekly increase for average ratepayer	1.68	1.95	2.37	2.60
\$ weekly increase on just special variation (minus rate peg) for average ratepayer	1.00	1.33	1.72	1.94

Worksheet 5B (Application Part A) displays the impact on rates at various land value levels

A total of 93% of residential ratepayers have a land value within the first three land value ranges. Annual increases across these three categories range from a minimum of \$51.27 to a maximum of \$152.47 in year 4 for the land value amount of \$250,000.

The same data as above without a special variation results in a minimum of \$20.75 to a maximum of \$38.61 in year 4 for the land value amount of \$250,000.

Impact on Rates - Business - 1,051 assessments

Worksheet 5A details the impact on average rates with the special variation and without.

Table 11 - Impact on Rates - Business

	Year 1 (2013/14)	Year 2 (2014/15)	Year 3 (2015/16)	Year 4 (2016/17)
% increase with special variation	8.4	9	10	10
% cumulative increase	8.4	18.16	29.97	42.97
\$ annual increase for average ratepayer	320.63	372.38	450.99	496.10
\$ weekly increase for average ratepayer	6.16	7.16	8.67	9.54

Worksheet 5B displays the impact on rates at various land value levels.

Just under 75% of business ratepayers have a land value within the first four land value ranges. Annual increases across these four categories range from a minimum of \$36.57 to a maximum of \$396.13 in year 4 for the land value amount of \$350,000.

The same data as above without a special variation results in a minimum of \$14.80 to a maximum of \$100.30 in year 4 for the land value amount of \$350,000.

Impact on Rates - Farmland - 129 assessments

Worksheet 5A details the impact on average rates with the special variation and without.

Table 12 - Impact on Rates - Farmland

	Year 1 (2013/14)	Year 2 (2014/15)	Year 3 (2015/16)	Year 4 (2016/17)
% increase with special variation	8.4	9	10	10
% cumulative increase	8.4	18.16	29.97	42.97
\$ annual increase for average ratepayer	222.87	258.85	313.48	344.84
\$ weekly increase for average ratepayer	4.29	4.98	6.03	6.63

Worksheet 5B displays the impact on rates at various land value levels.

Just under 58 % of farmland ratepayers have a land value between the ranges \$1 M and \$3 M. Annual increases across these categories range from a minimum of \$198.90 to a maximum of \$615.51 in year 4 for the land value amount of \$2,500,000. The same data as above without a special variation results in a minimum of \$80.51 to a maximum of \$155.85 in year 4 for the land value amount of \$2,500,000.

Domestic and Other (Commercial) Waste

The two main domestic waste services are planned to increase by cumulative amounts of 18.9% and 14.26% over the four year period.

The main commercial waste service is planned to increase by a cumulative amount of 15.95% over the four year period.

The proposed Sustainable SRV Increase is reasonable, as demonstrated by the following key factors (which are comprehensively covered in Question 53):

- Shellharbour has the highest weekly household income level when compared with similar Group 4 Councils and Regional comparisons of the Illawarra region and Regional NSW.
- Compared to Regional NSW, Shellharbour has a larger proportion of high income households (those earning \$2,500 per week or more) and a lower proportion of low income households (those earning less than \$600 per week).
- The labour force participation rate of the population in Shellharbour shows that there was a higher proportion in the labour force compared with Regional NSW and the Illawarra.

- Compared to neighbouring Councils (Wollongong, Kiama and Wingecarribee) Shellharbour has lower average residential rates. Shellharbour also has lower average business rates than the Wollongong LGA.
- In 2011/12 Shellharbour's outstanding rates and annual charges ratio was 4.02%. This result is low in comparison to similar Group 4 Councils and is below the NSW average.
- Shellharbour has a diverse local economy and has benefitted from a surge in commercial and public sector investment in recent years that will continue into the medium term. This investment will not only increase the stock of commercial property, but will also have a significant positive impact on employment creation.

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.

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.

The following demographic and rating profile for Shellharbour suggests that our community has the capacity to pay the proposed rate increase. The impact of the recommended Sustainable rate variation proposal will result in an increase of \$2.02 per week for the average residential rate (4 year average).

Key factors that demonstrate Shellharbour community's capacity to pay the proposed rate increase include:

- Shellharbour has the highest weekly household income level when compared with similar Group 4 Councils and Regional comparisons of the Illawarra region and Regional NSW.

- Compared to Regional NSW, Shellharbour has a larger proportion of high income households (those earning \$2,500 per week or more) and a lower proportion of low income households (those earning less than \$600 per week).
- The labour force participation rate of the population in Shellharbour shows that there was a higher proportion in the labour force compared with Regional NSW and the Illawarra.
- Compared to neighbouring Councils (Wollongong, Kiama and Wingecarribee) Shellharbour has lower average residential rates. Shellharbour also has lower average business rates than the Wollongong LGA.
- In 2011/12 Shellharbour's outstanding rates and annual charges ratio was 4.02%. This result is low in comparison to similar Group 4 Councils and is below the NSW average.
- Shellharbour has a diverse local economy and has benefitted from a surge in commercial and public sector investment in recent years that will continue into the medium term. This investment will not only increase the stock of commercial property, but will also have a significant positive impact on employment creation.

Average rate per assessment

Shellharbour has a total of 24,960 rate assessments which includes Council and Housing NSW.

The average rate per assessment indicator highlights the relative level of a council's residential, farmland and business rates. It does not include water and sewerage rates or domestic waste management charges. The formula used for this indicator is:

$$\frac{\text{Total residential/farmland/business rates revenue}}{\text{Number of rateable residential/farmland/business properties}}$$

Some factors affecting this indicator are:

- the level of reliance on other revenue sources
- rating mix relativities between rating categories
- the mix of residential, farmland and business properties
- revaluation of a council area
- the mix of rates and charges
- any special variations granted
- the level of services provided in an area
- the council's rating structure and policy
- the amount of abandonments for pensioner rebates and other write offs.

The table following compares Shellharbour to other Group 4 Councils with a similar population size.

Table 13 - Average rate per assessment comparison

Group 4 Councils					Comparison	
2010/11 average rate per assessment (\$)	Shellharbour LGA	Cessnock LGA	Port Stephens LGA	Wagga Wagga LGA	Group 4 Comparison	NSW Average
Residential	\$921.32	\$880.14	\$821.82	\$818.44	\$818.52	\$811.52
Farmland	\$2,737.70	\$1,985.50	\$1,399.58	\$2,129.02	\$1,507	\$1,968.76
Business	\$3,260.12	\$2,720.03	\$3,322.71	\$4,794.54	\$3,008.27	\$4,305.09

Source: DLG Comparative Information on NSW Local Government Councils 2010/2011.

A more relevant comparison than the group classification above is to compare the average rates to neighbouring Councils, who are dealing with similar challenges as Shellharbour such as population growth, ageing populations, climate change, sea change and community expectations. Shellharbour has lower residential rates than all of its neighbouring Councils and lower business rates than Wollongong.

Table 14 - Average rate per assessment comparison to neighbouring Councils

Neighbouring Councils					
2010/11 average rate per assessment (\$)	Shellharbour LGA	Wollongong LGA	Kiama LGA	Wingecaribee LGA	NSW Average
Residential	\$921.32	\$1011.95	\$1174.80	\$927.62	\$811.52
Farmland	\$2,737.70	\$1953.13	\$1,929.78	\$2,269.91	\$1,968.76
Business	\$3,260.12	\$8,697.04	\$1,307.53	\$2,821.48	\$4,305.09

Source: DLG Comparative Information on NSW Local Government Councils 2010/2011.

Outstanding rates and annual charges

This indicator assesses the impact of uncollected rates and annual charges on liquidity and the effectiveness of a council's debt recovery.

Rates and annual charges are usually levied at the beginning of the financial year (31 July at the latest). They can be paid as a single amount or in four equal instalments. The final instalment is due by 31 May.

The lower the percentage, the less income is tied up in receivables and the more revenue there is available for council purposes. The formula used for this indicator is:

$$\frac{\text{Outstanding rates and annual charges} \times 100}{\text{Annual revenue from rates and annual charges collectible}}$$

Some factors affecting this indicator are:

- the council's rating policy
- the level of reliance on other revenue sources

- the level of cash reserves
- cash management and timing of cash flows
- credit management policies
- the socioeconomic characteristics of the area
- the physical size of the council
- environmental factors e.g. in rural areas drought can adversely affect the ability of ratepayers to meet their obligations on time.

The level of Council's outstanding rates and annual charges ratio also provides evidence of a community's capacity to pay a proposed rate increase, with a lower ratio indicating a better capacity to pay. In 2011/12 Shellharbour's ratio was 4.02%.

The table below provides a comparison of outstanding rates and annual charges between Shellharbour and other similar group 4 councils. The ratio for Shellharbour in 2010/11 was 4.11% which is the lowest when compared with the other LGAs as well as significantly lower than the group 4 average of 5.90 and the NSW average of 5.26. Furthermore, Shellharbour has had the lowest ratio compared to these Councils for the previous 2 years.

Table 15 - Outstanding rates and annual charges comparison

	Group 4 Councils				Comparison	
	Shellharbour LGA	Cessnock LGA	Port Stephens LGA	Wagga Wagga LGA	Group 4 Comparison	NSW Average
2010/11 Outstanding rates and annual charges (%)	4.11	6.11	4.55	5.91	5.90	5.26

Source: DLG Comparative Information on NSW Local Government Councils 2010/2011.

Council's Rating Policy requires that no legal action is to be taken to recover outstanding rating debts on ratepayers who qualify for the pensioner rebate. The outstanding rates and annual charges percentage would be significantly lower if not for this policy.

Household Income

In 2011, Shellharbour had the highest weekly household level when compared with all similar Group 4 Councils and Regional comparisons of the Illawarra region and Regional NSW.

In comparison to Regional NSW, Shellharbour had a larger proportion of high income households (those earning \$2,500 per week or more) and a lower proportion of low income households (those earning less than \$600 per week). The major differences between the household incomes of Shellharbour and Regional NSW were:

- A larger percentage of households who earned \$2000-\$2499 (8.6% compared to 6.6%)

- A larger percentage of households who earned \$1500-\$1999 (12.1% compared to 10.1%)

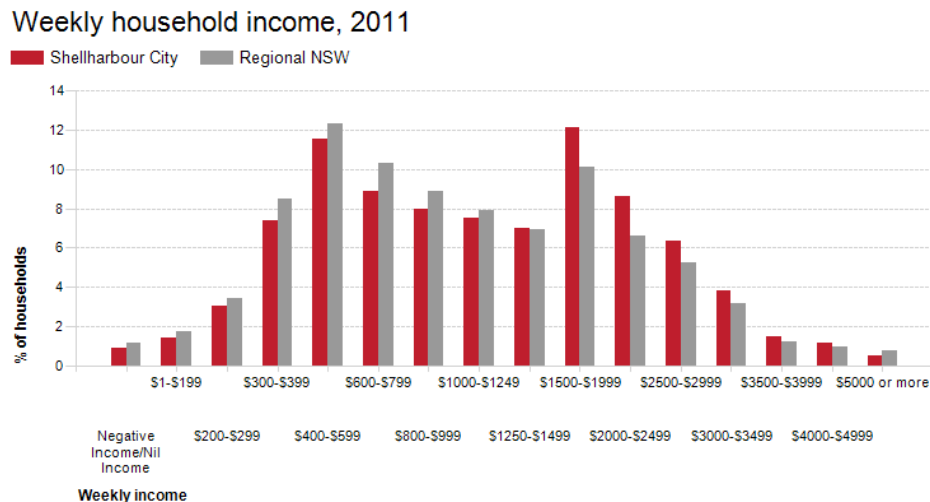
This is also reflected by the fact that Shellharbour has the highest level of median household income of all comparison LGAs at \$1,126 per week. The city's median household income level was also higher than the Illawarra median of \$1,116 per week and Regional NSW at \$961 per week.

Table 16- Comparison of Weekly Household Income Levels

Weekly Household Income (%)	Group 4 Councils				Regional comparison	
	Shellharbour LGA	Cessnock LGA	Port Stephens LGA	Wagga Wagga LGA	Illawarra Region	Regional NSW
Negative / Nil Income	0.8	1.1	0.9	0.9	1.3	1.2
\$1 - \$599	23.3	24.5	24.5	20.9	23.8	25.9
\$600 - \$999	16.8	17.7	19.3	17.6	16.4	19.2
\$1,000 - \$1,999	26.7	25.3	25.9	29.1	24.8	24.9
\$2,000 and Over	21.9	20.5	18.9	20.7	23.4	17.9
Incomplete information	10.5	10.9	10.5	10.8	10.3	10.8
TOTAL (%)	100	100	100	100	100	100
Median weekly household income	\$1,126	\$1,042	\$999	\$1,149	\$1,116	\$961

Source: ABS Census of Population and Housing, 2011

Graph 11 - Comparison of weekly household income of Shellharbour and Regional NSW, 2011



Source: Australian Bureau of Statistics, Census of Population and Housing, 2011 (Enumerated data)
Compiled and presented by .id, the population experts.



Employment Status

Table 17 - Comparison of Employment Status

Employment Status (%)	Group 4 Councils				Regional comparison	
	Shellharbour LGA	Cessnock LGA	Port Stephens LGA	Wagga Wagga LGA	Illawarra Region	Regional NSW
Full Time employed	57.1	57.0	56.1	61.7	56.2	56.7
Part time employed	34.0	33.7	31.5	31.3	35.1	35.0
Hours worked not stated	2.2	2.8	6.2	2.0	2.0	2.1
Employed	93.2	93.5	93.8	95.0	93.3	93.9
Unemployed	6.8	6.5	6.2	5.0	6.7	6.1

Source: ABS Census of Population and Housing, 2011

Shellharbour's employment rate of 93.2% is similar to that of the other Group 4 Councils as well as Illawarra and Regional NSW at 93.3% and 93.9% respectively.

Labour Force Participation Rate

The labour force participation rate refers to the proportion of the population over 15 years of age that was employed or actively looking for work.

Analysis of the labour force participation rate of the population in Shellharbour in 2011 shows that there was a higher proportion in the labour force (58.7%) compared with Regional NSW (56.4%) and Illawarra (41.5%). Between 2006 and 2011 the number of people in the labour force in Shellharbour also showed an increase of 2,317 persons or 8.6%.

Socio-Economic Indexes for Areas (SEIFA) Index of Disadvantage

The SEIFA Index of Disadvantage measures the relative level of socio-economic disadvantage based on a range of Census characteristics that reflect disadvantage such as low income, low educational attainment, high unemployment, and jobs in relatively unskilled occupations.

A higher score on the index means a lower level of disadvantage. A lower score on the index means a higher level of disadvantage. This dataset is part of the third release of Census data for 2011 due to be released in March 2013, and is currently presented for 2006 only.

In 2006, Shellharbour had a SEIFA Index of 973.8. This on par with the Regional NSW score of 974.1 however lower than the Illawarra region at 987.2.

Table 18 - SEIFA Index Comparison

SEIFA Index of disadvantage (2006)	Group 4 Councils				Regional comparison	
	Shellharbour LGA	Cessnock LGA	Port Stephens LGA	Wagga Wagga LGA	Illawarra Region	Regional NSW
Score	973.8	938.7	986.0	998.9	987.2	974.1

Source: ABS Census of Population and Housing, 2011.

Analysis of the SEIFA score across Shellharbour's suburbs however shows that low scores of disadvantage are concentrated within particular suburbs of the city (as shown in the table below). Suburbs located within the 2528 postcode (Warilla, Lake Illawarra, Barrack Heights and Mount Warrigal) show lower scores than Shellharbour, Regional NSW and Illawarra average.

The housing tenure of these suburbs, particularly Warilla and Lake Illawarra provides insights into its socio-economic status as well as the role it plays in the housing market. The two suburbs with the lowest SEIFA scores, Warilla and Lake Illawarra, also show a high concentration of social housing. In 2011, social housing represented 18.3% of total households in Warilla, while in Lake Illawarra represented 17.8% of total households. This is significantly higher than Shellharbour at 7.7%. Ratepayers from Warilla and Lake Illawarra are more likely to participate in individually tailored arrangements with Council, for payment of rates.

Graph 12 - Comparison of Housing tenure in Shellharbour LGA and the suburb of Warilla, 2011

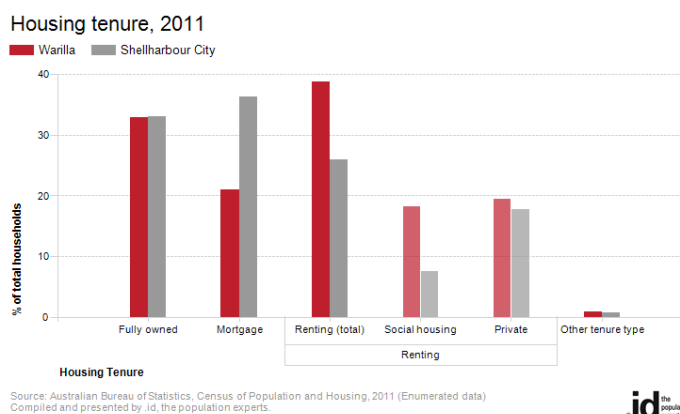


Table 19 - SEIFA Index for Shellharbour's Small Areas

SEIFA for Shellharbour's Suburbs	
Small Area / Suburb	2006 index
Warilla	853.6
Lake Illawarra	859.7
Barrack Heights	921.9
Albion Park Rail - Croom	956.8
Mount Warrigal	963.5
Shellharbour LGA	973.8
Regional NSW	974.1
Oak Flats	983.9
Illawarra SA4	987.2
Blackbutt - Shellharbour City Centre	991.1
Flinders	1006.9
Shellharbour - Barrack Point	1015.6
Albion Park - Rural West	1036.7
Shell Cove - Dunmore	1088.5

Source: ABS Census of Population and Housing, 2011

Mortgage and Rental

Shellharbour has a high proportion of residents who fully own their dwellings (33%) and a lower than average proportion of people who are renting. In 2011, 25.9% of Shellharbour's households were renting compared with 27.9% for the Illawarra region and 27.0% for Regional NSW.

The median rent (weekly) and median housing loan repayment (monthly) for Shellharbour's households was on par with Port Stephens Council and the Illawarra region at \$250 per week. Similarly, median housing loan repayments were \$1,900 per month, similar to the Illawarra region at \$1,950 per month.

Table 20 - Median Rent and Median Housing Loan Repayment Comparison

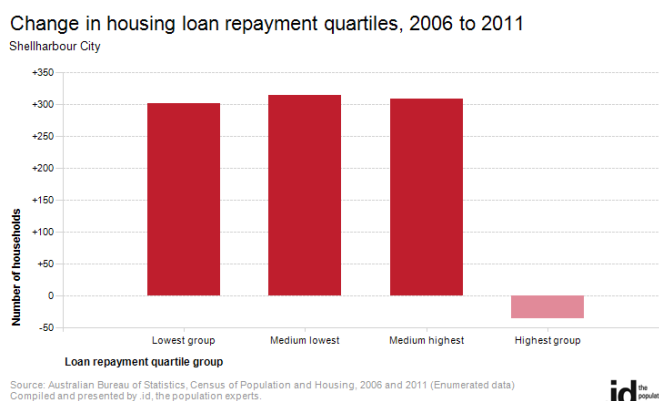
Housing Tenure	Group 4 Councils				Regional comparison	
	Shellharbour LGA	Cessnock LGA	Port Stephens LGA	Wagga Wagga LGA	Illawarra Region	Regional NSW
Median Rent (\$/weekly)	\$250	\$230	\$250	\$220	\$250	\$220
Median Housing Loan Repayment (\$/monthly)	\$1,900	\$1,517	\$1,725	\$1,549	\$1,950	-

Source: ABS Census of Population and Housing, 2011

Furthermore, the total number of households with a mortgage in Shellharbour increased by 889 between 2006 and 2011. The most significant change in

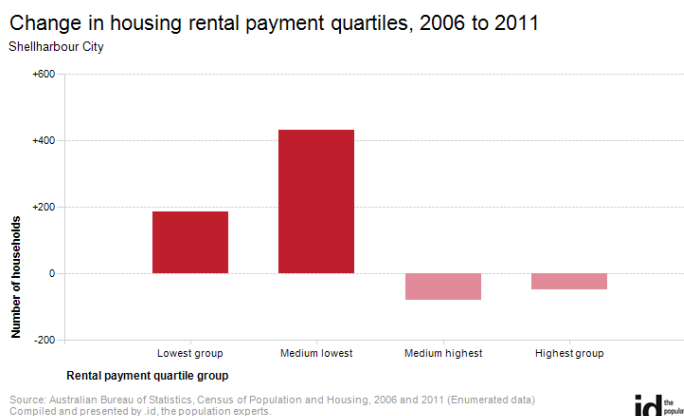
Shellharbour during this period was in the medium lowest quartile (\$1,267 to \$1,995) which showed an increase of 314 households. Meanwhile, households with mortgages in the highest quartile (\$2,854 and over) dropped by 2.5%. This is demonstrated in the graph below.

Graph 13 - Change in housing loan repayments quartiles, 2006 to 2011



Similarly, the most significant changes between 2006 and 2011 for households renting their dwelling in Shellharbour were in the medium lowest quartile (\$187 to \$306) which showed an increase of 432 households, while medium highest quartile (\$307 to \$418) and highest quartile (\$419 and over) showed a decrease by 4% and 1.6% respectively. This is also shown in the below table.

Graph 14 - Change in housing rental payment quartiles, 2006 to 2011



Future Growth and Industry Diversification

The Department of Planning and Infrastructure's Illawarra Regional Strategy 2006-2031 notes that: 'Shellharbour has taken the major responsibility for Regional "green-field" land releases over the last 30 years at Albion Park, Blackbutt, Flinders and Shell Cove. As the current estates reach completion, the focus for Shellharbour will shift towards urban renewal opportunities around towns and centres such as Oak Flats'.

Conversely, while demographic growth has slowed, commercial and business development has increased. This business growth has provided local employment, thereby ameliorating local unemployment.

The table below shows the industry structure of businesses operating in Shellharbour. While the construction industry dominates at the moment, it is expected that this will change in the medium with a slowing of residential building growth. Industry sectors that will play a major role in the future local economy will be tourism, aged services and retail.

For example, tourism is a significant economic activity for Shellharbour. Tourism Australia reports that Shellharbour attracts over 70,000 domestic visitors per annum who stay one or more nights in the LGA - around 214,000 visitor nights per annum. This is in addition to 178,000 day trippers. These visitors combined spend in excess of \$30M per annum within the LGA. Tourism visitation has been growing steadily in Shellharbour over the past few years and is expected to continue, including a noticeable increase in international visitors.

Recent investment by Stockland in a major re-development of its retail centre has also provided a surge in employment. This will continue as the centre reaches full capacity. When completed, scheduled for mid-2013, it will be the largest retail centre on the eastern seaboard between Sydney and Melbourne.

Table 21 - Business Structure in Shellharbour

Industry	Total
Construction	710
Retail Trade	293
Professional, Scientific and Technical Services	256
Rental, Hiring and Real Estate Services	249
Transport, Postal and Warehousing	239
Other Services	209
Administrative and Support Services	142
Accommodation and Food Services	136
Financial and Insurance Services	135
Health Care and Social Assistance	120
Manufacturing	118
Wholesale Trade	98
Agriculture, Forestry and Fishing	87
Not Classified	65
Arts and Recreation Services	40
Education and Training	32
Public Administration and Safety	21
Information Media and Telecommunications	13
Electricity, Gas, Water and Waste Services	6
Mining	6
TOTAL	2975

The diversifying industry base occurring in the Shellharbour, creates jobs with different knowledge and skill sets than those required in the past. This is advantageous to job seekers, particularly younger people new to the labour market.

It also has a direct effect on the public and private sector education and training providers that operate in the LGA, including a key TAFE NSW campus.

When combined, these developments in the local economy provide optimism for the future and evidence that residents will be able to pay for the proposed rate increase.

Commercial and Public Sector Investment

Shellharbour has benefitted from a surge in commercial and public sector investment in recent years that will continue into the medium term. This investment will not only increase the stock of commercial property, but will also have a significant positive impact on employment creation. It also signifies a shift in the relative importance of different industry sectors locally.

Projects include:

- Re-development of Stockland Shellharbour retail centre (\$330M). This will add over 120 specialty shops and new retail anchor tenants to the centre, with a total gross floor area of 75,000m². An estimated additional 750 retail jobs will be created, with a further 750 jobs in the broader community.
- Aged Care developments (\$190M). These projects will address identified need and add significantly to the existing local capacity. It will also provide a boost to employment of trained staff in that sector. Construction will begin in 2013 and take 5 years to complete.
- Shell Cove Boatharbour (\$160M). This is a Shellharbour City Council development that was initiated to be a stimulus for the diversification of the local economy, to develop maritime tourism and to generate direct and indirect employment. It includes the construction of 2 breakwaters, a 20ha inshore boatharbour and an adjacent land platform for a precinct that attracts tourism, hospitality, retail, commercial, industrial and residential uses. Construction began in January 2013 and is expected to take 7 years to complete. This project will ultimately create approximately 2,670 jobs - including over 1,300 on-site.
- Retail building supplies and homewares warehouse (\$17.5M). This project includes a facility of 13,500 m² gross floor area and will have a direct and indirect impact on job creation locally. The project will be completed in 2015.

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.

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 does not have a specific Hardship Policy, however Council's Rates Policy (See Appendix 3 page 72) includes the provision that legal action is not taken against pensioners for unpaid rates, except in the circumstance where the debt is approaching 20 years, where an original summons to establish the proof of debt might be issued.

Other ratepayers who notify hardship in meeting their rates and charges obligations have the opportunity to make and adhere to payment arrangements which must be agreed with the intent of clearing the debt. Council invites and regularly makes special payment arrangements with ratepayers who indicate that they are unable for reasons including hardship, to make instalment payments. Ratepayers who adhere to their arrangements, or who notify Council of a particular problem and request alteration to arrangements, are usually accommodated.

Council issues rates debt recovery work, when necessary, to external agencies. The performance of the agencies is monitored closely to ensure adherence to Council's policy. It is not unusual for Council's rates staff to intervene on behalf of a ratepayer who has made Council aware of particular hardship.

To further assist pensioners, Council currently provides a voluntary rebate of \$45 per year, in addition to the compulsory rebate of \$250, for pensioners who qualify under Council's Rating Policy. This voluntary rebate is understood to be one of the more generous across NSW Councils.

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.

As part of the Community Engagement Strategy undertaken to develop the IP&R suite of documents, Council commissioned IRIS Research to undertake a community survey in March 2012. A copy of the Survey Report is at Appendix 5.

Council adopted the 2012 Community Survey in August 2012. The survey provides up to date information about community perceptions on Council's service delivery and is very useful in uncovering issues of community importance.

Residents are satisfied with Councils services, with an overall satisfaction rating of 3.6/5. This is the highest score of all NSW Councils for whom IRIS conducts this survey.

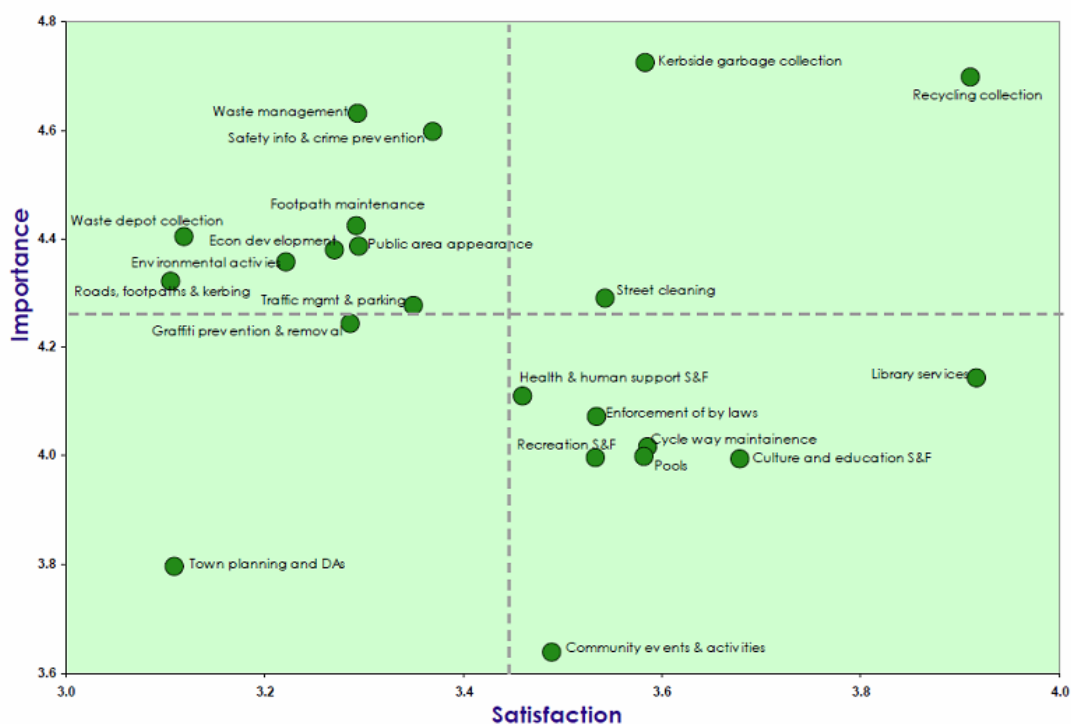
The main indications for planning directions centred on creating business opportunities in the area and promoting the area as a tourism destination.

In terms of value for money a satisfaction score of 3.3/5 was achieved, indicating residents believe that they are receiving value for money.

Residents were also asked to rate 22 Council services for both importance and satisfaction. A quadrant analysis, included below, was included in the survey results, providing a ranking of the importance of services and facilities against the satisfaction of the community with those services.

Figure 1 - Quadrant Analysis

Figure 3-5-1 Quadrant Analysis - Importance vs. Satisfaction



The report identified that Council is performing well (high satisfaction/high importance) in the following areas:

- Recycling collection
- Kerbside garbage collection
- Street cleaning

Priority service areas for improvement (low satisfaction/high importance) from the Quadrant are:

- Community safety information and crime prevention
- Traffic management and parking facilities
- Appearance of public areas, including provision and up keep of local parks &
- Playgrounds

- Waste management, including kerbside collection, recycling and waste depot facilities
- Maintenance of footpaths
- Economic development e.g. business, tourism promotion and job creation
- Environmental activities e.g. storm water, land care
- Waste depot collection
- Construction and maintenance of local roads, footpaths and kerbing (excluding highways and main roads)

The survey was designed to provide Council with information about current needs that our residents believe we need to plan for, but also future issues 10 to 15 years ahead. The main issues for concern are crime prevention and reduction, youth services and jobs for youth, provision of infrastructure and improved road maintenance.

Issues that the community view of being a concern in 10 to 15 years time is how Council manages overpopulation and works to reduce unemployment and provides job opportunities. Provision of more infrastructure and planning for an increased population was also important.

In recent community forums that were held to develop the Community Strategic Plan, there appeared to be a very close alignment with comments made by the forum participants about priorities and objectives for Shellharbour City and the results of the Community Survey. A strong theme common to both survey and planning forums was the needs for more business opportunities and the importance of the tourism industry, preservation of the environment, crime prevention activities, access to community services and facilities, opportunities for recreation and leisure, traffic and car parking management, and well maintained infrastructure. Many of these activities are services that Council provide direct to our community as our role of being in local government. With other activities such as crime prevention, Council tends to have an advocacy and partnership role of presenting the interests of our local community.

The linking of service levels and the cost of service delivery is an essential component of strategic asset management. It is essential that the Council knows the true cost of service delivery, priorities placed by the community on infrastructure, the service levels that are desired by the community and what level they are willing to pay for. Council's asset management plans are based upon the recommended 'core' Asset Management structure contained in the International Infrastructure Management Manual.

These plans have been prepared at a network level and aim to document the costs incurred to maintain current service levels of existing infrastructure. Periodical review and continuous improvement will be carried out as more information is gathered. The core asset management plans were prepared with minimal community consultation; they did provide an excellent basis to start the conversation with the community. More recently, 'Continuing the Conversation' was a series of community engagement initiatives undertaken around existing services and infrastructure Council currently provides to the community. Feedback collected will be used to further develop service levels in asset management plans and will also provide a base for reporting and linking service levels to budgets.

Shellharbour City Council is the custodian of community infrastructure assets valued at approximately \$450 M. This includes assets from Special Schedule 7, along with additional asset categories from Note 9 of Council's 2011/12 Financial Reports.

The investment into many of these assets occurred over 40 years ago when some of the area's original subdivisions were established, with a significant portion added to Council's portfolio in the last 20 years. Consequently, some of the older assets are starting to require increased levels of maintenance and this trend is only going to continue. Maintaining and operating assets within acceptable levels of service balanced against available funding, has started to present a challenge to Council.

Council has prepared asset management plans for each of the following asset categories:

Table 22 - Council Asset Categories

Asset class	Council Assets (owns, manages, is custodian of)	Services provided
Buildings	1 Council Offices 8 Works Depot 6 Halls 2 Houses 1 Museum 4 Libraries 7 Childcare Centre(s) 85 Amenities/toilets 15 Community Centres 31 Recreational Buildings 33 Investment Buildings 44 Council Buildings	<ul style="list-style-type: none"> • Direct service provision for the general community, and including specific services to target groups such as older people, people with a disability, children, young people, people from disadvantaged socio-economic background • Provision of sporting amenities and canteen facilities to local clubs and sporting associations • Provision of Tourist Information Centres
Drainage	137 Pits Pipes & Headwalls Pollution Control Devices Kerb & Guttering	<ul style="list-style-type: none"> • Control localised flooding • Improve road safety • Protect local environment from stormwater run off • Protect the environment from Pollution
Recreational facilities	Sport and Recreation Parks, Gardens and Reserves 4 Pools	<ul style="list-style-type: none"> • Provide sport & recreation choices • Provide passive recreational opportunities
Roads	26 Road Pavement Roadside Furniture (including Bench Seats, Bike Racks & Bus Shelters) Bridges Car Park Spaces Footpath, Cycleways, & Shared Use paths Guardrails Signs Traffic measures	<ul style="list-style-type: none"> • Provide a transport network of roads and pathways

See Appendix 2 page 66

Maintenance and renewal of Council's infrastructure has become a critical issue, with an asset base currently valued at approximately \$450 M. Most of this infrastructure delivers essential services for the community, including roads, bridges, car parks, footpaths and cycleways, traffic facilities, drainage, buildings, parks, sporting facilities, and pools.

Council's Asset Management Plans identify that current levels of maintenance and renewal are inadequate for ensuring that these assets achieve their predicted useful life and provide the required levels of service. This situation will worsen without

additional funding. The proposed special variation will begin to address this infrastructure backlog.

In 2006/07, Council was successful with its special variation application, under section 508(2) of the Local Government Act. This allowed Council to increase its general rating income 5.9% above the rate pegging limit, raising an additional \$1.2 M to go towards the maintenance and replacement of infrastructure. This funding, which has increased to approx \$1.5 M after annual adjustments for rate pegging, is allocated in the budget each year to assist in attempting to bring Council's infrastructure assets up to a satisfactory standard.

Asset assessment work carried out as a part of the IP&R process has shown the capital funding required for the renewal and maintenance of Council's current assets is not being funded to a sustainable level.

Special Schedule No. 7 - Condition of Public Works, included in the 2011/12 Financial Statements adopted by Council on 13 November 2012, identifies the condition of assets as at 30 June 2012. This report identifies the total estimated cost to bring assets to a satisfactory standard at \$45M with a required annual operations and maintenance expense of \$21.9M while Council is currently spending \$14.8M annually on operations and maintenance.

The Resourcing Strategy contains lifecycle costing for each of the asset classes (outlined on page 73). This is different to the figures that have been reported in the Annual Financial Statements (ending June 2012) due to different interpretation of maintenance costs included in Special Schedule No. 7 and costings included in the Asset Management Plans.

The asset class 'Recreational Facilities' included in Council's Asset Management Plans includes additional asset categories which have not been included as a part of Special Schedule No. 7. For this reason there will be notable differences between the two documents.

Lifecycle costing of these assets are detailed in the Asset Management Plans which have been completed as a part of the IP&R process.

Table 23 - Lifecycle Cost

Asset class	Annual Required Operations Expense	Annual Required Maintenance Expense	2011/12 Depreciation	Lifecycle cost
Buildings	4,650	1,802	2,577	9,029
Drainage	100	3,635	3,705	7,440
Recreational facilities	3552	1,274	667	5,493
Roads	350	6,615	6,346*	13,311
TOTAL	8,652	13,326	13,295	35,273

* Depreciation for Roads includes 'Other Infrastructure' from Note 9 in the 2011/12 Financial Statements.

Table 24 - Lifecycle Expenditure

Asset class	2011/12 Operations Expense	2011/12 Maintenance Expense	2011/12 Capital renewal	Lifecycle expenditure
Buildings	4,719	1,472	-	6,191
Drainage	205	196	15	416
Recreational facilities	265	3,768	283	4,316
Roads	318	3,923	3,253	7,494
TOTAL	5,507	9,359	3,551	18,417

Table 25 - Sustainability indicators

Asset class	Lifecycle cost	Lifecycle expenditure	Funding Gap	Renewal Ratio (Capital Renewal / Deprn)	Estimated cost to bring up to a satisfactory condition / standard
Buildings	9,029	6,191	2,838	-	2,685
Drainage	7,440	416	7,024	-	15,171
Recreational facilities	5,493	4,316	1,177	0.42	2,255*
Roads	13,311	7,494	5,817	0.51	25,025
TOTAL	35,273	18,417	16,856		45,136

*Only represents 'Other structures' component of 2011/12 Special Schedule 7.

The 2011/12 financial year's combined operations, maintenance and renewal funding allocation was approximately \$18.4 M and an annual depreciation expense of \$13.3M. Based on the straight line depreciation and reviewed operations and maintenance needs, the required funding level exceeds \$21.9M resulting in a funding gap of \$16.8 M.

Council currently spends an estimated \$14.8M per annum on operating (electricity, water, security, etc) and maintenance costs. Maintenance costs (materials, fuel, etc) are increasing at much higher rates than CPI increases. Also, maintenance and renewal spending has been tightened up in recent years in response to budget constraints. This has meant there has been a continual process of cost cutting and tightening of expenditure. This cannot continue indefinitely without impacting the current level of services offered.

To understand the overview of Council's financial position the difference between the depreciation expense and renewal/replacement expenditure was considered. Council's asset base has grown steadily over time, resulting in a growing depreciation expense that is larger than the amount that has been allocated to maintain these assets on an ongoing basis. A limited resource base has seen the level of service decline in an effort to stretch the available resources.

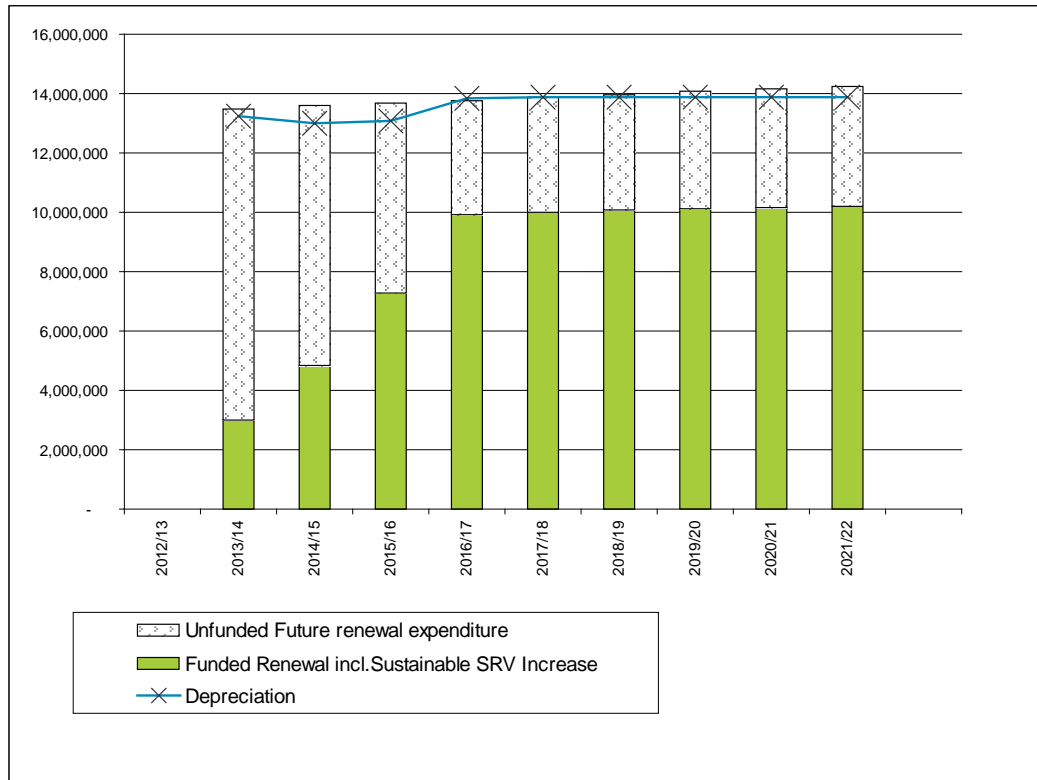
Over the next four years, the proposed variation will fund a program of infrastructure construction and renewal that includes:

1. Increase Council's road renewal program (works to including heavy patchy, overlays and stabilisation works)
2. Bridge repairs

3. Replacement of a number of bus shelters
4. Upgrade of a number of recreational canteen and/or amenities to be fit for purpose
5. Exterior painting works for a number of buildings to extend their useful life
6. Reline and/or rehabilitate drainage assets identified from camera inspections
7. Replacement of lighting poles at various sportfields

The graph below demonstrates the impact of the Building & Infrastructure (including Recreation Facilities) Renewal Ratio for the Sustainable rate increase incorporated in the Long Term Financial Plan. The graph shows that with the additional funding from a Sustainable rate increase, Council will be close to achieving the funding required for renewal of assets. Reaching a renewal of assets that is closer to 100% is not considered necessary for Council in the management of long life assets.

Graph 15 - Building & Infrastructure (including Recreation Facilities) Renewal for the Sustainable rate increase



The proposed rate increase will begin to address the current infrastructure backlog as outlined in Special Schedule 7. Additional funds will be used to renew existing infrastructure as the condition falls below a satisfactory level. As the proposed increase is to remain permanently in Council's rate base, funding collected will be directly allocated to Council's Asset Improvement Program incorporated as a part of the LTFP to address ongoing asset renewal

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.

The planning assumptions included in the LTFP (Appendix 2 pages 18-21) are in accordance with Council's legislative requirements and incorporate Council's CSP, especially in regard to service priorities. The revenue forecasts represent the proportions to total revenue of the various sources of funds currently received by Council and these are expected to remain stable over the life of the LTFP. In developing expenditure forecasts for the LTFP, the community's service delivery expectations have been included and consideration has been given to the new expenditure in the CSP as well as Council's existing regular and ongoing commitments.

Further details regarding key assumptions follow:

Projected Growth

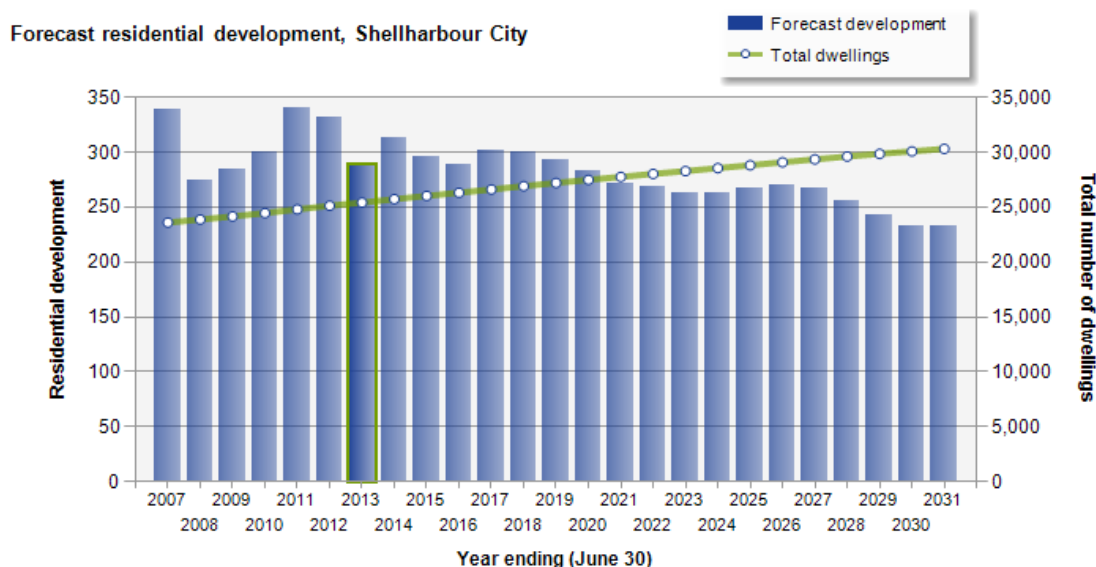
Average increases in rateable properties between the years 2004 and 2012 have been used to determine future growth. The following percentages have been used for Council's three rating categories; Residential Rates at 1.16%, Farmland Rates at 0.80% and Business Rates at 2.91%.

Population Increases

Demographic profiling was conducted for Shellharbour City Council by demographic specialists Informed Decisions, (ID) in December 2011. The results forecast population increases for Shellharbour of approximately 8.22% between 2013 and 2022 translating to population numbers for 2013 of 67,925 to 2022 of 73,512.

Residential development is forecast by ID to increase from 2013 levels of 25,415 households to 2022 forecast of 28,029 as shown on the graph below (refer to Appendix 2 page 20). This equates to an increase over the 10 years to over 10% and supports the annual growth rates in residential rateable properties of 1.16% pa discussed above.

Graph 16 - Forecast Residential Development



Inflation (CPI) & Dollar Values

For expenditure that is anticipated to increase above forecast inflation rates, a rate of inflation of 2.5% for 2013/14 and beyond is assumed as per Reserve Bank forecasts. Real dollar (2013) values have been used for all values included in the Plan (net of inflation). The use of real dollars is recommended by the Institute of Public Works Engineering Australia (IPWEA) as it allows meaningful comparisons to be made between each year of the LTFP.

Any changes in amounts reflect growth or increases that are estimated to exceed forecast inflation. The other advantage of using real dollars is that AMP’s and Capital Works Programs are prepared in real dollars and this enables the links between the LTFP and these other Plans and Programs to be more relevant and practical.

Rate peg

Rate peg increases to rates have not been included in the LTFP modelling. For planning purposes, a rate peg increase of 3.4% has been assumed for the 2013/14 year and 3% for the remainder of the LTFP.

Service Priorities

It is assumed that the community will continue to expect the existing range of services that Council currently provides. Extensive consultation was conducted as part of the development of the CSP to determine the range and priority of services desired by the community.

User charges and fees

Many of the services provided by Council are offered on a “cost recovery” basis to allow for a “user pays” principle to be applied. Other considerations when

determining user charges and fees include, regulated charges, market price and community service requirements.

Grants

Council receives Financial Assistance Grants from the Commonwealth Government and anticipates the continuation of this grant at a rate of 1% above inflation, based on the amount budgeted to be received for 2013. Other budgeted grants are generally for specific purposes and projects, with the grants monies assumed to be expended in the year it is provided.

Developer Contributions (Section 94)

Section 94 contributions account for a significant proportion of total contributions received each year by Council. A major review of Council's Section 94 Plan is nearing completion and increased revenue from developer contributions is expected in the last five years of the LTFP due to the inclusion of up-to-date capital costings. A reduced Section 94 capital works program has also been included in the LTFP, based on the latest available Draft Capital Works plan.

Expenditure growth rate

Real dollar (2013) values have been used for all values included in the LTFP (net of inflation) and the majority of expenditure items have been assumed to increase by a 2.5% annual percentage and have been increased in the LTFP if the projected increase was above this amount. Staff consultations were held and/or historical averaging undertaken to collate forecast expenditure data. Growth in some expenditure items such as electricity and waste levies have been incorporated into the LTFP projections.

Reductions in expenditure have also been incorporated into all LTFP scenarios, to reflect the productivity initiatives, such as procurement, business restructure and service review processes.

Employee and Employee On-Costs

Wages for 2013/14 are based on an award increase of 3.25% before being reduced for inflation. (an effective increase in 2013 "real" dollars of 0.75%). A vacancy factor of 3% is built into the initial 2012/13 budget and this is included in all later year projections.

Staffing levels have been assumed as being stable, with increases in new positions being those primarily funded from other sources besides General Revenue. The information for these large expenditure items is also informed by the Workforce Management Plan, as well as legislative requirements for increases to superannuation and changes to Workers Compensation Legislation.

Borrowing Costs

Loan borrowings have been included for the first time in many years in the 2012/13 Budget. These borrowings were drawn down under the LIRS for expenditure on renewal of Council's road infrastructure. The term of this loan is 10 years. Further

loans have been included in the LTFP with 20 year terms to support the completion of the City Hub Project. These borrowing amounts are \$4.3m in the 2014/15 financial year, \$7.1m in 2015/16 and a further \$250k is scheduled for draw down in the 2016/17 financial year. The financial assets (including loans) incorporated in the LTFP data have been discounted and presented in "real" 2013 dollar amounts (net of inflation).

Major asset disposals

The rationalisation of assets that are not required to deliver Council services is also planned. These asset sales are part of a program to fund other projects that have been identified in Council's long term planning. These projects include the provision of a City Library, a Civic Auditorium and a replacement Council Administration Building.

Capital Program

Projected Capital Programs for the three Scenarios of the LTFP have been included. These programs include totals for all asset categories for both New and Renewal Programs.

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.

Over the last two years, to address the trend towards an increasing deficit position, Council has become more outcome driven, policy led and services are progressively being delivered in a more businesslike manner. During that time, the following changes have been implemented:

1. Organisation structure

Council adopted a new Organisational structure in July 2011, which included the creation of three separate Directorates; City Outcomes, Corporate Policy and Shellharbour Enterprises.

The City Outcomes Directorate is responsible for the identification and planning of those outcomes and activities which have longer term or community focus, as well as related delivery activities. The Corporate Policy Directorate is responsible for the resource allocation for service delivery. Shellharbour Enterprises is responsible for the delivery of the operational services provided by Council, along with the management and control of Council's business type activities. The setup of the Corporate Policy and Shellharbour Enterprises directorates will allow Council to

ensure that its service delivery activities are cost competitive and value for service (See Appendix 2 page 9).

2. Improved budgeting practices

In the past, Council followed the practice of funding significant amounts of its capital works program from operational revenues, either derived from rates or from Government funding. As a consequence, there was a tendency to, on the one hand, expand the capital asset base, while on the other, to reduce the amount of funding available to maintain existing assets.

This practice produced a budget approach where it was easy to create new assets, but made it progressively harder to maintain them due to a shortage of operational income.

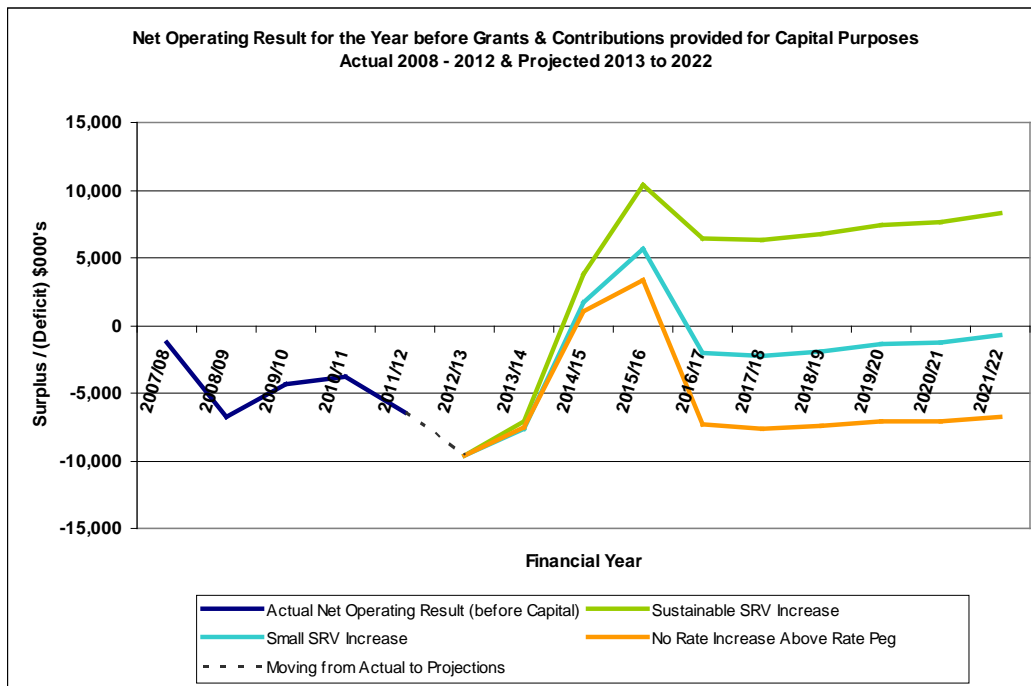
A more prudent and pragmatic approach to budgeting was endorsed by Council in May 2011, and the following principles were applied to the 2011/12 budget process:

- Operational revenue to only be applied to meet operational expenditure
- Surplus reserves to be applied to meet "one-off" expenditures
- Capital costs to be met from:
 - Accumulated unrestricted reserves
 - External funding eg government grants, Section 94 funds
 - Loans

This provided a greater amount of funding for asset maintenance and made it harder to commit to new capital works.

Analysis of Council's published financial reports indicates a declining trend in Council's Net Operating Results, before Grants and Contributions. The graph below details the Actual Historical Net Operating Result for the year before capital grants and contributions provided for capital purposes for the 2008 to 2012 Financial Years and the Projected results for the years 2013 to 2022.

Graph 17- Net Operating Result before grants and capital contributions, Actual 2008 to 2012 and Projected 2013-202



Council adopted the report “A Financial Strategy for the Council” at its meeting on 28 February, 2012. This report introduced strategies and associated actions to help ensure Council’s longer term financial sustainability. Many of these have been further developed in the last year and a summary of the directions and actions taken since the adoption of the Strategy are included from the Resourcing Strategy (Appendix 2 pages 15-16).

Recurring income must exceed recurring expenditure

The aim of this Strategy was for Council to achieve by 2015/16, an annual operating statement deficit before capital, to within -1% of annual operating expenditure, known as an Operating Balance Ratio. Many initiatives to increase income, reduce costs and increase productivity over the short and longer terms have commenced in the last 12 months. A graphical representation of how Council is projected to achieve the Operating Balance Ratio under each LTFP Scenario, is contained in the Measuring Financial Sustainability section of the Resourcing Strategy.

Each of Council’s service delivery activities is to be cost and quality competitive

To help achieve this strategy, an audit of the costs of providing Council’s external services was undertaken in 2012. Also, a service review into Road Maintenance and Renewal was commenced and has recently been completed. The recommendations flowing from this review are extensive and will be incorporated into future iterations of the LTFP.

Asset renewal must have a higher priority than the creation of new assets - all other things being equal

To enable Council to be able to better maintain and sustain its existing assets, Council resolved on 27 November 2012 to submit an application to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Variation to Rates to commence in the 2013/14 financial year. Should the application be successful, Council's Building and Infrastructure Renewal Ratio will move closer to the suggested industry benchmark and state average for this key financial indicator.

Capital investment (expenditure) must be financed from a mix of reserves, grants, contributions and loans, but not operational income.

This strategy has been applied since the 2011/12 financial year and has had the effect of limiting capital expenditure for new items, while making additional resources available for recurrent operating expenditure, including asset maintenance. An application for subsidy of interest on loan funding for road renewal was successful in the first round of the Division of Local Government's Local Infrastructure Renewal Scheme (LIRS). \$3m of road renewal works is being completed in the 2012/13 financial year, fully funded by loan monies, with the interest costs being partially subsidised by the LIRS.

Optimise returns from Council's commercial property holdings

Council has a number of commercially valuable assets, such as Shell Cove, the Illawarra Regional Airport and The Links Golf Course. The management of these assets has been reviewed and strategies are in place to conduct their operation in a more commercial manner, as the optimisation of business returns is a priority.

A summary of the initiatives that have commenced and that will continue to be refined in the future follows. These have been discussed in the Resourcing Strategy, pages 16 - 18 (see Appendix 2).

Productivity Improvements

Council is committed to achieving productivity gains and this has been reflected in the LTFP by the inclusion of progressive reductions in total operating expenses over the first four years of the plan. These reductions are 0.25% for 2013/14, 0.50% in 2014/15, 0.75% for 2015/16 and in 2016/17 1.0%. These savings have then been held at 1.0% over the life of the plan and amount to approximately \$5.3 M.

Fees & Charges Review

This was undertaken in 2012 with cost recovery as a focus. Many Council fees and charges have been increased to move closer to achieving cost recovery or to reflect comparable market prices. Further refinements of this review are planned in the future.

Restructure of Commercial Holdings

Changes to the operating structure of The Links Golf Course and the Airport have commenced with the aim of maximising revenue (and eliminating losses). The total

savings included over the life of the LTFP for the restructure of The Links are estimated to be approximately \$3 M.

Section 94 Review

A review of Council's Section 94 Plan is coming to fruition. Outcomes expected are a reduced capital program in line with current community demand and increased developer contributions due to the inclusion of more up to date capital costings.

Service Level Agreements

In considering the cost of service delivery, Council has moved to establish an environment of competitiveness and economy in the commissioning and conduct of its day to day works. The Service Level Agreements ensure that Council operations are competitively priced and provided in a businesslike manner. Under this model, the provision of Council services, such as road maintenance, must be delivered at rates which are comparable to the private sector.

Service Reviews

A program of service reviews has commenced and will continue in 2013. A service review into Road Maintenance and Renewal has recently been completed. The recommendations flowing from this review are extensive and will be incorporated into future iterations of the LTFP. Further service reviews will be conducted across many areas of Council.

Procurement Roadmap

Additionally, Council has participated in a Procurement Roadmap exercise with a number of other Councils, sponsored by Local Government Procurement. The intent is to optimise the procurement function, generating productivity and cash savings estimated at in excess of \$1.5 M over the life of the LTFP. These initiatives will continue to be refined in the future.

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.

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 has maintained transparency throughout the establishment of the IP&R documents and whilst preparing to apply for a SRV. Council actively engaged with the community on the development of the IP&R documents and has kept the community informed of the proposed SRV through a range of mechanisms including the distribution of an information brochure to all rateable property owners, promotion through the local media and council's website. It has also engaged specifically on the SRV through a statistically valid telephone survey undertaken by an independent research company.

The mechanisms that Council have in place to provide transparency in reporting are shown through the following areas.

Council is currently in the process of moving into a 'Budgeting for Outcomes' model (See page 8 Appendix 2). This model will ensure that we are able to efficiently and effectively deliver the Objectives of the CSP by providing the organisation with a compatible budgeting method.

It is important that the budget reflects the CSP and enables its priorities to be delivered. As a result all Actions within the Operational Plan will have a

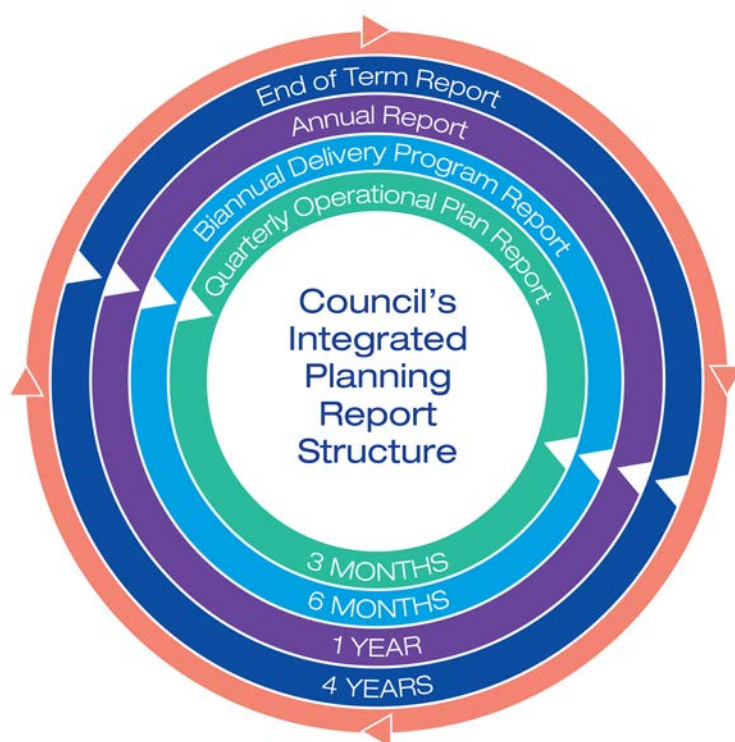
corresponding budget that enables Council to monitor the cost of delivering the Actions and provides the ability to examine the true cost of achieving the community's Objectives.

To achieve this, Council is in the process of restructuring its financial ledger and incorporating the Integrated Planning & Reporting software through the Enterprise Budgeting system.

By integrating both Technology One Modules, finding information will be made easier; also providing a full picture of the true cost of each Action, and the performance summary report. As a whole this will create a transparent decision making tool for Council (See Appendix 2 page 8).

Reporting back to the Community

Council currently reports back to the community at regular intervals on what has been achieved and how it is progressing on the desired outcome. All reports are made available to the community at Council meetings, online on Council's website and at all local libraries. These reports are shown diagrammatically below and include:



Quarterly Operational Plan Review - every three months Council reports on the progress that has been achieved in implementing the Actions identified in the Operational Plan. A component of the Quarterly review is the financial Quarterly Budget Reporting Statement. This reviews actual quarterly progress against budgeted estimates including a summary of asset renewal expenditure to date by asset category.

Biannual Delivery Program Review - every six months Council reports on the progress that has been achieved in implementing the Strategies identified in the Delivery Program.

Annual Report - every year Council reports on the progress in implementing the Delivery Program and Operational Plan and also report on any special rate variation expenditure for that year.

End of Term Report - this is a report to the community in line with the election cycle on how successful the Council, Federal and State governments and the community have been in achieving the Objectives and community indicators identified in the CSP (See Appendix 1 page 7).

Performance Measures

There are several types of measures that Council has proposed to use to determine the successfulness and progression in achieving the Objectives, Strategies, and Actions and ultimately the community vision, these include:

Community Survey

A community survey will be undertaken every two years to gauge whether the community is satisfied with progress and provide feedback on possible areas requiring priority in the future. See Appendix 5 to view the Community IRIS Survey 2012.

Community Indicators

Community indicators have been assigned to measure how successful the community, Council, State and Federal governments have been in achieving the desired outcome for each Objective. For example: a reduction per capita of tonnes of waste to landfill and an increase in the use of alternative energy and water sources. See Appendix 3 pages 12-70 to view all of the community indicators.

Key Performance Indicators

KPIs have been assigned to measure how successful Council has been in achieving the desired outcome for each Strategy and Action. For example number of engagement opportunities held and the number of media releases. See Appendix 3 pages 10, 12-70 to view the allocated key performance indicators.

SRV

The table below outlines the community and key performance indicators associated with measuring the implementation of the SRV as well as the corresponding links to the relevant Objective, Strategy and Action that Council will be measuring to determine the success of each of these items.

Table 26 - Objectives, Strategies, Actions and corresponding measures relating to the SRV

OBJECTIVE	STRATEGY	COMMUNITY INDICATOR	ACTION	KEY PERFORMANCE INDICATOR/S
1.1 Vibrant, safe and inclusive City	1.1.4 Have accessible community and cultural facilities available for current and future community members	An increase in community members who are accessing and are satisfied with the range and quality of our community and cultural facilities	1.1.4.3 Coordinate the provision of local halls and buildings for community use	<ul style="list-style-type: none"> • Ensure requests for use of the facilities are actioned in a timely manner • Ensure new and the renewals of agreements are actioned in a timely manner • Ensure requests received for repairs and maintenance is actioned in accordance with agreements and in a timely manner • Number of bookings for our facilities
1.2 Active and healthy community	1.2.1 Provide residents access to a range of services and facilities that are relevant and responsive to health and wellbeing	An improvement in the proportion of people who are and feel healthy	1.2.1.2 Explore opportunities to increase the variety of recreational facilities available within the city	<ul style="list-style-type: none"> • Regularly attend industry related seminars, workshops, working party meetings and consultations
			1.2.1.3 Ensure that our local pools and beaches are kept safe, clean and well maintained throughout the year	<ul style="list-style-type: none"> • Monitor and report on water quality, pool maintenance and plant room requirements • Ensure adequate equipment and training is provided to lifeguards to conduct the role
1.2 Active and healthy community	1.2.2 Provide diverse opportunities for recreation and enjoyment in the city's parks and open spaces	Increased community participation in sporting and passive recreational opportunities	1.2.2.1 Manage and improve sportsgrounds, parks, reserves, picnic facilities and playgrounds throughout the city	<ul style="list-style-type: none"> • Collect and report statistics on usage of sportsgrounds and other recreational facilities • Complete all requested bookings in a timely manner

OBJECTIVE	STRATEGY	COMMUNITY INDICATOR	ACTION	KEY PERFORMANCE INDICATOR/S
1.2 Active and healthy community	1.2.2 Provide diverse opportunities for recreation and enjoyment in the city's parks and open spaces	Increased community participation in sporting and passive recreational opportunities	1.2.2.2 Maintain all parklands, wetlands, open spaces and recreational facilities to agreed levels of service	<ul style="list-style-type: none"> • Ensure maintenance and other user requests are managed and delivered
			1.2.2.3 Maintain all sportsfields to agreed levels of service	<ul style="list-style-type: none"> • Ensure all sportsfields are maintained to agreed service levels
2.1 Protects and promotes its natural environment	2.1.1 Manage catchments effectively to improve the cleanliness, health and biodiversity of creeks, waterways and oceans	Improved standards of water quality for our creeks, waterways and oceans	2.1.1.3 Manage and implement the Stormwater Management Program	<ul style="list-style-type: none"> • N/A
2.3 A liveable city that is connected through places and spaces	2.3.6 Deliver sustainable management of the community's assets for current and future generations	An increase in community satisfaction with the quality of our community assets	2.3.6.3 Identify and plan future maintenance, renewal and upgrades for Councils buildings and facilities	<ul style="list-style-type: none"> • Ensure the Asset Management Plan is updated and identified maintenance and upgrades are actioned within a timely manner
3.1 Infrastructure is planned and managed in a way that meets the community's needs	3.1.1 Provide the community with a broad range of quality infrastructure, assets and facilities delivered in a cost-effective and sustainable manner	An increase in utilisation and satisfaction with our infrastructure, assets and facilities	3.1.1.1 Implement the Community Infrastructure Plan for the city's open space, recreation, community and cultural facilities	<ul style="list-style-type: none"> • Number of recommendations acted upon

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 resolved at its meeting of 26 February 2013 to apply to IPART for a special rate variation.

Subject 11.1.2 Draft CSP 2013-2023, Draft Resourcing Strategy 2013-2023 and Draft Delivery Program 2013-2017 including the Operational Plan 2013-2014

RESOLVED: Murray/Stewart

That Council:

1. endorse the Draft Community Strategic Plan 2013 - 2023, Draft Resourcing Strategy 2013 - 2023 and the Draft Delivery Program 2013 - 2017 including the Operational Plan 2013 - 2014 (excluding the detailed budget estimates) for the purposes of public exhibition.
2. publicly exhibit these documents, commencing 2 March 2013, to Tuesday 2 April 2013.
3. endorse the following rates and charges:
 - a) A Domestic Waste Service Charge of:
 - \$358.00 per annum per 240 litre bin per fortnightly service
 - \$251.00 per annum per 140 litre bin per fortnightly service
 - \$60.00 availability fee
 - \$533.00 per annum charge for a weekly service for special needs households in accordance with the Draft Revenue Policy
 - b) A Business Waste Service Charge of:
 - \$370.00 per annum per fortnightly service (garbage, recycling & green waste)
 - \$300.00 per annum per fortnightly service (garbage only)
 - \$83.00 per annum per fortnightly service (recycling only)
 - \$339.00 per annum per fortnightly service (garbage and recycling only)
 - \$88.00 per annum per fortnightly service (green waste only)
 - \$124.00 per annum per fortnightly service (two recycling bins only)
 - c) A Stormwater Management Service Charge of:
 - \$25.00 per residential assessment per annum
 - \$12.50 per residential strata unit per annum
 - \$25.00 per 350m² (or part thereof) per business assessment per annum capped at a maximum charge of \$150
 - Business Strata Lots – pro rata per unit of business calculation per annum

- d) The rate of interest by which overdue rates be increased for the year be 10 percent per annum, or any other percentage as permitted by the Minister of Local Government.
4. endorse the following rate in the dollars based on a Sustainable Increase (SRV) - Scenario 1 in this report - 8.4%.
- a) For the residential rate category, a base rate of 45% (\$508.80) and ad-valorem component of 0.31651 cents in the dollar on the base date 1 July 2012 land value of all rateable residential land determined to be in this category, in the local government area.
 - b) For the business rate category, an ad-valorem rate of 0.94749 cents in the dollar on the base date 1 July 2012 land value of all rateable land determined to be in the business category general, in the local government area.
 - c) For the farmland category, an ad-valorem rate of 0.21593 cents in the dollar on the base date 1 July 2012 land value of all rateable land determined to be in this category, in the local government area.
 - d) Notes that rate yields and rates in the dollar (\$) may be subject to variation for any land values added to Council's rate base prior to final adoption.
5. That Council submit an application to the Independent Pricing and Regulatory Tribunal for a Special Variation to General Income based on the endorsed Special Rate Variation.

CARRIED 4/2

FOR VOTE - Cr Saliba, Cr Murray, Cr Rankin, Cr Stewart

AGAINST VOTE - Cr Moran, Cr Marsh

See Appendix 9 for the full council report.

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)	<input type="checkbox"/>
Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Hardship Policy (if applicable)	<input type="checkbox"/>
Productivity/cost containment examples	<input checked="" type="checkbox"/>
Past Instruments of Approval (if applicable)	<input 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.

General Manager (name): Bruce Green. Acting General Manager.

Signature Date: March 8th 2013

Responsible Accounting Officer (name): Bruce Green. Acting General Manager.

Signature Date: March 8th 2013

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