|  |
| --- |
| Special Variation Application Form – Part B  For applications for 2014/15  Issued October 2013 |
| Blacktown City Council  Date Submitted to IPART:  Council Contact Person: Mr Wayne Rogers  Council Contact Phone: (02) 9839 6516  Council Contact Email: wayne.rogers@blacktown.nsw.gov.au |

© Independent Pricing and Regulatory Tribunal of New South Wales 2013

This work is copyright. The *Copyright Act 1968* permits fair dealing for study, research, news reporting, criticism and review. Selected passages, tables or diagrams may be reproduced for such purposes provided acknowledgement of the source is included.

The Tribunal members for this special variation assessment are:

Dr Peter J Boxall AO, Chairman

Mr Simon Draper, Part Time Member

Inquiries regarding this document should be directed to a staff member:

Dennis Mahoney (02) 9290 8494

Heather Dear (02) 9290 8481

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box Q290, QVB Post Office NSW 1230

Level 8, 1 Market Street, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au/)

Contents

1.1 Completing the application form 2

1.2 Submitting the application 3

2 Focus on Integrated Planning and Reporting 4

3 Assessment criterion 1: Need for the variation 7

3.1 Community needs 9

3.2 Alternative funding options 21

3.3 State of financial sustainability 32

3.4 Capital expenditure review 45

4 Assessment criterion 2: Community awareness and engagement 46

4.1 The consultation strategy 47

4.2 Alternatives to the special variation 52

4.3 Feedback from the community consultations 54

4.4 Considering the impact on ratepayers 58

4.5 Considering the community’s capacity and willingness to pay 58

5 Assessment criterion 3: Impact on ratepayers 59

5.1 Impact on rates 59

5.2 Affordability and community capacity to pay 69

5.3 Other factors in considering reasonable impact 79

6 Assessment criterion 4: Assumptions in Delivery Program and LTFP 80

6.2 Assumptions in the Delivery Program 88

6.3 Assumptions in the Asset Management Strategy 90

7 Assessment criterion 5: Productivity improvements and cost containment strategies 94

8 Other information 105

8.1 Previous Instruments of Approval 105

8.2 Reporting to your community 105

8.3 Council resolution to apply to IPART 108

9 Checklist of contents 109

10 Certification 110

Introduction

Each council must complete this application form (Part B) in order to apply for a special variation to general income. The same Part B form is to be used for applications made either under section 508A or under section 508(2) of the *Local Government Act 1993*.

IPART assesses each application against the criteria set out in the Division of Local Government (DLG) *Guidelines for the preparation of an application for a special variation to general income for 2014/2015* (the Guidelines). Councils should refer to these guidelines before completing this application form. They are available at [www.dlg.nsw.gov.au](http://www.dlg.nsw.gov.au).

We also publish Fact Sheets on our role in local government rate setting and special variations and on the nature of community engagement for special variation applications. The latest Fact Sheets on these topics are dated September 2013. They are available on our website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

Councils must complete this Part B form with a relevant Part A form, also posted on our website. The relevant Part A form is either:

* *Section 508(2) Special Variation Application Form 2014/15 – Part A* for a single percentage variation under section 508(2) or
* *Section 508A Special Variation Application Form 2014/15 – Part A* for more than one percentage variation under section 508A.

The amount of information to be provided is a matter for judgement, but it should be sufficient for us to make an evidence-based assessment of the council’s application against each criterion. This form includes some questions that the application should address, and guidance on the information that we require. As a general rule, the higher the cumulative percentage increase requested, and the greater its complexity, the more detailed and extensive will be the information required.

## Completing the application form

To complete this Part B form, insert the council’s response in the boxes and the area which is highlighted, following each section or sub-section.

Councils may submit additional supporting documents as attachments to the application. The attachments should be clearly identified in Part B and cross-referenced. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. Please provide details of how we can access the complete publication should this be necessary.

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

This application form consists of:

* Section 2 - Focus on Integrated Planning and Reporting
* Section 3 – Assessment criterion 1
* Section 4 – Assessment criterion 2
* Section 5 – Assessment criterion 3
* Section 6 – Assessment criterion 4
* Section 7 – Assessment criterion 5
* Section 8 - Other information
* Section 9 – Checklist of contents
* Section 10 – Certification.

## Submitting the application

IPART asks that all councils intending to apply for a special variation use the Council Portal on our website to register as an applicant council and to submit their application.

The Portal is at <http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt>. A [User Guide](http://www.ipart.nsw.gov.au/files/948b8fb1-2e6e-4647-b9d3-a10000a2552a/Local_Government_-_Council_Portal_User_Guide_-_November_2012.pdf) for the Portal will assist you with the registration and online submission process.

Councils intending to submit an application should notify us of their intention to apply by **cob Friday, 13 December 2013.**

Councils should also submit their applications, both Part A and Part B and supporting documents, via the Portal. File size limits apply to each part of the application. For Part B the limit is 10MB. The limit for the supporting documents is 120MB in total or 70MB for public documents and 50MB for confidential documents. These file limits should be sufficient for your application. Please contact us if they are not.

We also ask that councils also submit their application to us in hard copy (with a table of contents and appropriate cross referencing of attachments). Our address is:

Local Government Team  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Level 17, 1 Market Street, Sydney NSW 2000.

We must receive your application via the Council Portal and in hard copy no later than **cob Monday, 24 February 2014.**

We will post all applications (excluding confidential documents) on our website. Councils should also post their application on their own website for the community to read.

# Focus on Integrated Planning and Reporting

How a council considers and consults and engages on a special variation as part of its Integrated Planning and Reporting (IP&R) processes is fundamental to our assessment of the application for a special rate variation. Such a focus is clear from DLG’s September 2013 *Guidelines*.

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

A council’s suite of IP&R documents may also include supplementary and/or background publications used within its IP&R processes. As appropriate, you should refer to these documents to support your application for a special variation.

Briefly outline how the council has incorporated the special variation into its IP&R processes. Include details of and dates for community consultation, key document revisions, exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.

Blacktown City Council was a Group 1 council in the transition to Integrated Planning and Reporting (IP&R).

The formal adoption of IP&R was preceded by a long experience of strategic planning for the needs of the City, long term financial planning and strategic asset management.

Council adopted its first Community Strategic Plan – Blacktown City 2025 in April 2008. Following the introduction of the IP&R legislation in 2009, the remainder of Council’s initial IP&R Framework documents were developed and adopted in June 2010.

Following the Local Government general election in September 2012, the new Council undertook a review of its Community Strategic Plan and IP&R Framework, considering and consulting on community needs and adopting a new suite of IP&R documents in June 2013. The proposed special variation arose from this IP&R review, as discussed below.

As the required funding strategy which includes the special variation was detailed and confirmed, the necessary revisions to Council’s IP&R documents were undertaken and the community and stakeholders were comprehensively engaged on this strategy.

Council’s proposed special variation is firmly based on its Integrated Planning and Reporting (IP&R) processes and documents. This is evidenced in detail under:

**Criterion 1: Need for the variation**

**1.3.3 Integrated Planning and Reporting Framework and Related Documents**

All key documents referenced are provided in the Appendices.

Details of Council’s community engagement strategy, community consultation undertaken on the special variation and its outcomes are provided in **Section 4** of this application.

**Criterion 2: Community awareness and engagement**

A summary of key dates relating to Council’s current IP&R Framework and the proposed special variation is provided in the table below:

**Integrated Planning and Reporting Timeline**

|  |  |  |
| --- | --- | --- |
| **Date** | **IP&R Key Steps** | **Community Consultation** |
| **2012** |  |  |
| **8 September** | Local Government Elections |  |
| **October** | Council commences review of Community Strategic Plan and community needs |  |
| **2013** |  |  |
| **March** | Draft Community Strategic Plan adopted for community consultation |  |
| **April** | Draft Delivery Program / Operational Plan and Resourcing Strategy adopted |  |
| **May - June** |  | *Phase 1 Community Engagement Program* (detailed in Criterion 2 and Appendix 21) |
| **26 June** | Adoption of IP&R Framework and suite of documents |  |
| **6 November** | Adoption of Asset Management Plans for infrastructure assets  Resolution to notify IPART of SV and consult community | Media promotion of SV commenced |
| **8 November** | Initial meeting with IPART representatives – presentation of key information | |
| **12-18 November 2013** |  | Community Survey including SV options |
| **December 2013 – February 2014** | Exhibition of revised Long Term Financial Plan / Delivery Program | Majority of *Phase 2 Community Engagement Program* (detailed in Criterion 2 and Appendix 21) |
| **18 December 2013 – 3 February 2014** | Exhibition of revised Long Term Financial Plan / Delivery Program | Phase 2 Community Engagement program (detailed in Criterion 2 and Appendix 21) |
| **19 February 2014** | Resolution to make SV application  Adoption of revised Long Term Financial Plan / Delivery Program | Outcomes of Community Engagement on SRV reported to Council (detailed in Criterion 2 and Appendix 21) |

# Assessment criterion 1: Need for the variation

In the DLG Guidelines, criterion 1 is:

*The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council’s IP&R documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the Council’s financial sustainability conducted by the NSW Treasury Corporation. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:*

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

The response in this section should summarise the council’s case for the proposed special variation. It is necessary to show how the council has identified and considered its community’s needs, alternative funding options and the state of its financial sustainability.

The criterion states that all these aspects must be identified and articulated in the council’s IP&R documents.

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

Maintain existing services

Enhance financial sustainability **✓**

Environmental works

Infrastructure maintenance / renewal **✓**

Reduce infrastructure backlogs **✓**

New infrastructure investment

Other (specify)

Summarise below the council’s need for the special variation. Comment on how the need is captured in the IP&R documents, especially the Long Term Financial Plan (LTFP) and the Delivery Program, and, where appropriate, the Asset Management Plan (AMP). Note that the LTFP is to include both a ‘baseline scenario’ and an ‘SV scenario’ as defined in the *Guidelines*.

If the special variation seeks funding for contributions plan costs above the development contributions cap, refer to Box 3.1.[[1]](#footnote-1)

|  |
| --- |
| Box 3.1 Special variations for development contributions plan costs above the developer cap |
| For costs above the cap in contributions plans, a council mustprovide:  a copy of the council’s section 94 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 (e.g., LTFP and Asset Management Plans (AMP)  any necessary revisions to financial projections contained in the LTFP and AMP to reflect the special variation. |
|  |

If the special variation seeks funding for contributions plan costs above the development contributions cap, set out below:

* details explaining how the council has established the need for a special variation to meet the shortfall in development contributions, and
* how this is reflected in the council’s IP&R documents.

Council is not seeking a special variation for contribution plan costs above the development contributions cap.

## Community needs

Indicate how the council has identified and considered the community’s needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision in deciding to apply for a special variation. The application should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

### Identification of community needs

The Blacktown City community’s need for increased expenditure by Council on infrastructure asset renewal has been identified and evidenced through more than a decade of analysis in Council’s asset management planning systems. These systems over time have been continually refined with the inclusion of the latest available asset condition information resulting from Council’s regular asset inspection regime. This has provided the more exact data and robust forecasting on which the proposed special variation is based.

The need to increase investment in asset renewal reflects a nation-wide Local Government challenge, which has been confirmed by every major study (discussed in more detail elsewhere in this application).

Through its well-established strategic planning approach, and in recent years through the IP&R Framework (outlined in **Section 2)**, Council has researched, considered and articulated infrastructure asset renewal as one of the key priorities for the rapidly-growing City and its residential and business communities.

Council’s original Community Strategic Plan, *Blacktown City 2025 (2008)* set the following aspirational direction for the Strategy Urban Living and Infrastructure:

*The urban environment is supported by ample and appropriate infrastructure. Council delivers whole-of-lifecycle asset infrastructure that is sustainable and uses the most advanced technologies. Council’s comprehensive and structured approach to the long-term management of assets has resulted in an efficient and effective delivery of services to its community. Assets are maintained in a manner that serves future generations of Blacktown’s citizens and ensures inter-generational equity.*

Leading up to and following the introduction of the IP&R legislation, Council held a series of workshops to develop its initial Delivery Program. The funding gap for sustainable infrastructure asset renewal (at that time estimated to be in the order of $5 million per annum) was one of the key priorities considered by Council during that process. Council has since that time consistently sought to increase funding to asset renewal by applying any available operational surplus to this priority.

### Service Levels and Community Expectations

Over the past decade, Blacktown City Council has striven to at least maintain, and where possible increase, the standards of services provided to its growing and diverse community within existing resources. Council’s response to the growth in demand and expectation for service provision, and the impact of this demand on Council’s financial position is addressed elsewhere in **Criterion 1**.

Council’s overall approach to Service Levels is discussed in **Section 3.1.3**.

The infrastructure-based services which are the focus of the proposed special variation are amongst the core expectations of the community for Council services. It is important to note that a decrease in asset sustainability (or in other words an increase in the funding “gap” between required expenditure and current funding to renew infrastructure) will not necessarily be apparent to users of these services, until the asset actually fails.

As specified in Council’s Asset Management Plans (see Appendix 13), the lifecycle management of infrastructure assets requires a renewal intervention to prevent failure. Where inadequate funding is available to carry out the appropriate renewal, increasing asset failures will result.

Council commissioned statistically-valid Community Satisfaction Surveys by Micromex Research in 2011 and 2013 covering the full range of Council services and facilities (see Appendix 22 for the 2013 Community Satisfaction Survey report).

Community views from the two surveys on the importance of, and satisfaction with, services relevant to the proposed special variation are summarised in the table below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Service Area** | **Satisfaction Score** | | **Importance Score** | | **Performance Gap** | |
| **Survey Year** | **2011** | **2013** | **2011** | **2013** | **2011** | **2013** |
| **Local roads** | 3.0 | 3.16 | 4.69 | 4.66 | 1.69 | 1.5 |
| **Footpaths** | 3.27 | 3.31 | 4.42 | 4.42 | 1.15 | 1.11 |
| **Cycle ways** | 3.56 | 3.74 | 3.5 | 3.65 | -0.06 | -0.09 |
| **Swimming pools and leisure centres** | 3.99 | 3.98 | 3.94 | 4.13 | -0.05 | 0.15 |
| **Council owned and operated buildings** | 3.70 | 3.77 | 3.62 | 3.81 | -0.08 | 0.04 |
| **Sporting ovals, grounds and facilities** | 3.86 | 3.97 | 4.09 | 4.19 | 0.23 | 0.22 |
| **Playgrounds** | 3.6 | 3.81 | 3.98 | 4.12 | 0.43 | 0.31 |
| **Public toilets** | 2.64 | 2.71 | 4.14 | 4.22 | 1.50 | 1.51 |
| **Maintenance of local parks and gardens** | 3.52 | 3.58 | 4.45 | 4.56 | 0.93 | 0.98 |
| **Stormwater drain management (flood prevention)** | 3.50 | 3.73 | 4.28 | 4.40 | 0.78 | 0.67 |

*Note: the Survey results include aspects of these Services which are   
relevant to provision and operation, not only asset management.*

In general terms, these services rank amongst the Council services most valued by the community. While the “Performance Gap” (satisfaction below Importance) is not large in all cases, there is a significant gap already apparent with regard to the standard of local roads, the largest component of the proposed special variation.

The 2013 Community Satisfaction Survey included a specific component relating to the views of the community on options for increased funding to infrastructure asset renewal including an option for a special rate increase for this purpose. This component of the Community Survey is discussed under **Criterion 2.**

The Asset Management Plans which Council has adopted for each key infrastructure asset class are discussed in **Section 3.1.3**. It is fundamental to Council’s proposed special variation, as stated in the IP&R documents and in all relevant engagement materials (refer to **Criterion 2** and relevant Appendices) that the desired Service Level for Asset Renewal is to:

**Maximise the life of existing infrastructure assets at the minimum long term cost.**

Asset renewal works may be combined, where practical, with upgrade of an asset (there is a very clear distinction between renewal and upgrade in Council’s asset management planning. Asset renewal expenditure relates to expenditure to increase and/or maximise the service potential of an existing asset. Asset upgrade expenditure refers to expenditure to improve and/or replace existing infrastructure). However, the proposed special variation has been very explicitly stated to the community in all media to be exclusively focused on renewal of existing infrastructure at its original standard.

### Integrated Planning and Reporting Documents and Related Reports

**Community *Strategic Plan – Blacktown City 2030 (See Appendix 9)***

As outlined in **Section 2 – Focus on Integrated Planning and Reporting**, the community need for increased infrastructure asset renewal and for sustainable asset management has been clearly identified through two Integrated Planning and Reporting cycles over the Council terms 2008-2012 and 2012 - present and articulated in the relevant IP&R documents.

Following its election in September 2012, the present Council undertook a Community Strategic Plan review as required by IP&R. This exercise was informed by key research on the contemporary needs of the City and its community and by the outcomes of engagement on the views of the community. The community engagement undertaken is detailed under **Criterion 2 – Community Awareness and Engagement**.

The Community Strategic Plan – *Blacktown City 2030* adopted in June 2013 reflects the community’s vision for the City and sets the direction for the future. It identifies what Council is striving to achieve on behalf of the community, the Strategic Directions for the City and the Focus Areas for Council’s long term outcomes.

*Blacktown City 2030* takes into account the aspirations of our community and evidence of our contemporary strengths and needs. It sets a framework within which Council can practically manage the future growth of the City, and retain its place as a regional leader, helping to shape the health and prosperity of not only this City but also the broader region.

*Blacktown City 2030* outlines Council’s practical approach to achieving the community’s aspirations for the City. Alongside the Strategic Directions and Focus Areas are a set of Trigger Projects that complete the vision for the City, ensuring that Blacktown City 2030 is delivered.

The Trigger Projects identify key priorities for the community, including “breakthrough” areas to advance the long term strategy. Council, along with the other relevant stakeholders, will work towards delivering these projects, ensuring the vision is achieved. The Trigger Projects support delivery of the Strategic Directions of the Community Strategic Plan and become key actions in the Delivery Program and Operational Plan.

The community priority of infrastructure asset renewal leading to the investigation of and identified need for the proposed special variation is reflected in *Blacktown City 2030* in the following specific elements:

**Mayor’s Message (page 5)**

One key challenge we face is renewal of our infrastructure. It has become increasingly evident across Australia that there is a serious shortfall in the resources available to maintain local assets such as roads, buildings and parks to a suitable standard. Our infrastructure will deteriorate without serious attention. This Council is determined to tackle this issue and not to leave a negative legacy for future generations.

**Trigger Project – Asset Management and Renewal (page 49)**

This trigger project explicitly identifies the strategic commitment made by Council to resolving the asset renewal challenge.

**Asset Management and Renewal (responsibility: Director City Assets)**

**Partnership Lead:** Blacktown City Council

**Potential Partners:** NSW Roads and Maritime Services, Federal Department of Transport and Regional Services

**Strategy Statement**

Commit to the maintenance and renewal of existing infrastructure through long term financial planning based on renewal modelling.

**2030 Statement – Where we will be**

Council has no backlog of asset renewal projects and is committed to a sustainable asset renewal program into the future. This is as a result of a commitment of $80 million to asset renewal over the term of the Delivery Program 2013-2017 and further increases over the terms of subsequent Councils.

**Strategic Direction – A Growing City Supported by Infrastructure (page 34-37)**

The proposed special variation relates to this Strategic Direction and Focus Area 8, to “Manage Infrastructure sustainably, based on long term strategic and financial planning”.

**Resourcing Strategy for *Blacktown City 2030* (See Appendix 10)**

Council’s strategic approach to financial planning and asset management is reflected in the Long Term Financial Plan (LTFP) and Asset Management Strategy within the Resourcing Strategy. This approach enables Council to efficiently apply its allocated resources to maintain and implement an asset renewal program of each category of infrastructure. The application of 10-year modelling of maintenance and renewal requirements is based on condition assessments, statistical analysis of historical asset investment, existing asset conditions, together with the prioritisation of new or upgraded services. This process forms the basis of the proposed annual Works Improvement Program (capital works program) and ensures that a longer term focus is maintained for works which will be required in future years.

The Asset Management Strategy and LTFP are aligned over the 10 year planning period to ensure that a robust financial model provides for the appropriate investment in assets and services. Specific reference is made below to the elements most relevant to the proposed special variation.

* **Long Term Financial Plan 2013-2023**

Along with all required IP&R elements, the LTFP contained two specific Scenarios for *Base Case plus Enhanced Asset Management* (page 50-52) and *Base Case plus Enhanced Asset Management* funded by SRV(page 53-55).

The LTFP reflects the need identified in the Asset Management Strategy for additional asset renewal funding of $8.15 million per annum. As explained in the section on **State of Financial Sustainability**, this figure was subsequently adjusted to approximately $10 million per annum by the addition of the renewal requirements of major facilities (Blacktown International Sportspark and Council’s Aquatic and Leisure Centres) which were still being reviewed at the time of the LTFP’s adoption.

The LTFP states Council’s overall approach to Service Levels and particularly to asset-based services as follows: (page 15)

* **Levels of Service to the Community**

The Long Term Financial Plan is based on the maintenance of existing Council services to the community at existing service levels. The LTFP will be reviewed as required when the type of service or service levels are varied by Council in reflection of City needs and community priorities. In such cases, the capacity of the Council to fund these services will be assessed against the financial policy framework provided in the LTFP.

Council’s existing services are outlined in the Delivery Program 2013-2017 in the section “Functions of Council”. The present levels of service have generally been defined historically by a balance between the community’s desired level of service (assessed by various means including surveys, service requests and informal feedback) and Council’s resource capacity and strategic priorities. In some cases, service levels are set through major contracts or service level agreements.

Service levels are increasingly a matter of engagement and dialogue with the community under the Integrated Planning and Reporting Framework. The Delivery Program provides for a ‘best value’ approach to Council’s services and an ongoing program of service review.

Service levels for asset-based or “Infrastructure Services” are of particular importance to Council’s long term planning and the financial modelling which is provided in the LTFP. These service levels are discussed in more detail within the accompanying Asset Management Strategy.

* **Asset Management Strategy 2013-2023**

The Asset Management Strategy was prepared in accordance with the national asset management standards. The strategy built on Council’s existing asset management policy and long-established management practices. The strategy includes lifecycle management planning and forecasting which identifies the funding requirements to maintain service levels to the community. This forecasting is underpinned by Council’s comprehensive asset management system and intensive inspection program for all key assets.

The Asset Management Strategy outlines the current strategies for investment into renewal, maintenance and provision of new and upgraded assets. Of particular relevance to the proposed special variation is key element 1 (Appendix 10, page 65). These strategies are documented in more detail in the Asset Management Plans below.

The requirement for increased asset renewal funding to achieve sustainable lifecycle management is clearly established. This is further detailed in the Asset Management Plans for each key class of infrastructure asset, as noted below.

**Asset Management Plans (See Appendix 13)**

Detailed Asset Management Plans for the four key infrastructure asset classes of Transport (including road network, traffic facilities, path paving and cycle ways), Buildings, Open Space and Drainage underpin Council’s Asset Management Strategy and the lifecycle management of assets.

Each of the Asset Management Plans addresses the Service Levels for that asset class. The Service Levels for Asset Renewal and for Maintenance/Operations in each case are stated consistently as shown in the following example from the Transport plan: (Appendix 13, page 10).

**Current Service Levels**

|  |  |  |  |
| --- | --- | --- | --- |
| **Objective** | **Description** | **Measure** | **Actions** |
| **Performance Category - Renewal** | | | |
| **Service Level – Condition / Sustainability** | | | |
| Lowest Life Cycle Cost | To provide infrastructure required to underpin transport services in the most economic and sustainable manner. | Renewal Plan requirements catered for in Council’s Long Term Financial Plan | Undertake annual review of renewal modelling.  Enhance existing modelling for ancillary transport assets |
| **Performance Category – Maintenance / Operations** | | | |
| **Service Level – Condition / Sustainability** | | | |
| Lowest Life Cycle Cost | To provide infrastructure required to underpin transport services in the most economic and sustainable manner. | Performance monitoring of maintenance | Preparation of a Transport Maintenance Plan outlining performance measures for planned maintenance, prioritise unplanned maintenance and monitor deferred maintenance. |

It is fundamental to Council’s proposed special variation, as stated in the IP&R documents and in all relevant engagement materials (refer to **Criterion 2** and relevant Appendices) that the desired Service Level for Asset Renewal is to:

**Maximise the life of existing infrastructure assets at the minimum long term cost.**

There is no intention expressed in Council’s IP&R documents or its community engagement to either fund an increase to the standards of existing infrastructure, or to allow the overall standard of infrastructure to deteriorate over time.

**Delivery Program 2013-2017 and Operational Plan 2013/2014 (See Appendix 11)**

Council’s Delivery Program 2013-2017 and Operational Plan 2013/2014 are combined into one document. This details Goals, Actions and Measures for the Strategic Directions and Focus Areas set by the Community Strategic Plan – *Blacktown City 2030*.

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

The alignment of the CSP to the Delivery Program Goal and Operational Plan Actions directly relevant to the proposed special variation is shown in the following table: (refer Appendix 11 page 62)

**Strategic Direction: A Growing City Supported By Infrastructure**

**Focus Area 8**

Manage infrastructure sustainably, based on long term strategic and financial planning.

**8.1 GOAL:** Manage and operate an appropriate mix of sustainable infrastructure at the lowest lifecycle cost that supports services within Blacktown City.

**Action 8.1.1** Investigate available long term funding options to address Council’s Infrastructure Asset Renewal requirements.

**Strategic Direction: A Leading City**

**Focus Area 4**

Ensure that Council is able to meet the needs of the community through long term financial sustainability based on effective and prudent financial management.

**4.1 GOAL:** Develop Council’s Long Term Financial Plan to achieve strategic objectives.

**Action 4.1.3** Investigate and report back to Council alternative funding options to help address Council’s future asset management requirements.

The Operational Plan Actions shown above drove the development of Council’s funding strategy for Infrastructure Asset Renewal, which includes the proposed special variation (discussed below and refer to Appendix 5 – Council report on this funding strategy, 23 October 2013).

Together with these key actions, the Delivery Program also provides more specific direction in this 4-year term for the relevant Trigger Project in the Community Strategic Plan, as follows: (refer Appendix 11, page 95)

**Trigger Project – Asset Management and Renewal**

***Priorities for 2013-2017***

The funding commitment made in the trigger project will require Council’s consideration of the preferred funding strategy. The required level of renewal funding is detailed in Council’s Resourcing Strategy (Asset Management Strategy and integrated Long Term Financial Plan).

Following confirmation by Council of the proposed funding strategy, the project will be delivered through the annual preparation of the Works Improvement Program. The renewal targets set out in the Asset Management Strategy will be compared to actual expenditure and any deviations from the targets will be documented in future reviews of the Long Term Financial Plan and the supporting Asset Management Plans.

**Works Improvement Program 2013/2014 (See Appendix 12)**

The Works Improvement Program (WIP) is provided as a separate volume of the Operational Plan. The WIP is a detailed document reviewed annually by Council, which lists all proposed capital works projects under relevant programs. The projects identified in the WIP are either renewal projects or projects to create new assets or to enhance existing assets. Council’s Asset Management Planning informs the WIP of the projects which are to be listed for funding consideration by Council.

The WIP is divided into a number of key asset programs such as roadworks, bridges, buildings, drainage, transport facilities and parks improvements. Each program identified in the WIP also identifies the relevant funding source whether it is grants and contributions, Section 94 Developer Contributions, General Revenue or Council’s Infrastructure Sinking Fund (ISF). Each year, Council adopts a 1-year WIP with projects listed in each program identified for funding above the funding cut-off line. Each project listed in the WIP is prioritised using a program specific scoring system which assesses each project to generate a merit-based project list for funding consideration.

The WIP for 2013/2014 is referenced in relevant sections of this application.

**Financial Statements – Year Ending 30 June 2013 (See Appendix 14)**

The General and Special Purpose Financial Statements from Council’s 2012/2013 Annual Report document Council’s financial position as at 30 June 2013. This is addressed in the following sections of Criterion 1.

In particular, Special Schedule No. 7 – Condition of Public Works (Appendix 14, Special Schedules, page 4) identifies an estimated cost of $68.31 million to bring the asset categories of Buildings, Public Roads and Drainage Works to a satisfactory standard.

**Council Report: Funding Strategy - Infrastructure Asset Renewal – 23 October 2013 (See Appendix 5) and Council Resolution 6 November 2013 (See Appendix 6)**

In accordance with the *BC2030* Trigger Project – Asset Management and Renewal and the relevant Operational Plan Actions (discussed above), the options for Council to address the required strategy for increased funding of Infrastructure Asset Renewal were investigated and reported in detail to Council. The preferred funding strategy, taking into account community needs and service expectations, was considered by Council at its Policy and Strategy Committee Meeting of 23 October 2013 and resolved at Council’s Extraordinary Meeting of 6 November 2013.

This Resolution of Council was the basis for the community engagement program carried out on the proposed special variation, as discussed in detail in **Criterion 2**. It also authorised the necessary revision and public exhibition of Council’s IP&R documents, to explicitly reflect the proposed special variation. The necessary information for Council and the community is reflected in the Revised Long Term Financial Plan and Revised Delivery Program documents discussed in the following sub-sections.

**Revised Long Term Financial Plan (See Appendix 15)**

A full revision of the Long Term Financial Plan 2013-2023 was prepared and placed on public exhibition as part of the community engagement program for the proposed special variation. This document was adopted by Council at its Ordinary Meeting of 19 February 2014 (see Appendix 8, Council Resolution).

The revised LTFP identifies the nature, purpose and need for the special variation (including a ‘baseline’ financial scenario and special variation scenario, as required by the IP&R Guidelines). This information, including the need for and alternatives to the special variation, is discussed in greater detail in the following sections of the application.

**Revised Information for Delivery Program (See Appendix 16)**

The necessary information to appropriately revise Council’s Delivery Program 2013-2017 to reflect the proposed special variation was also placed on public exhibition as part of the community engagement program. This document was adopted by Council at its Ordinary Meeting of 19 February 2014 (see Appendix 8, Council Resolution).

The additional and amended information in the Delivery Program specifies the proposed increased funding for Asset Renewal including increased revenue from rates arising from the funding strategy, should the proposed special variation be approved. It also notes the requirements for community consultation, Council consideration and IPART determination.

## Alternative funding options

Explain how the decision to seek higher revenues was made after other options such as changing expenditure priorities or using alternative modes of service delivery were examined. Also explain the range of alternative revenue/financing options you considered and why the special variation is the most appropriate option. For example, typically these options would include introducing new or higher user charges and increase council borrowing, but may include private public partnerships or joint ventures.

Provide extracts from, or references to, the IP&R document(s) which show how the council considered the alternatives.

In recognising the need to provide additional funding for asset renewal, Council has considered a number of funding options.

Its preferred option is as follows:

*Council to apply to IPART for a Special Rate Variation to commence in the 2014/15 financial year. This application is made under section 508A of the Act.*

*The proposed increases are as follows:*

* *Total 2014/2015 rates income to increase by 6.7%, comprising a rate pegging limit of 2.3% plus a Special Rate Variation of 4.4%.*
* *Total 2015/2016 rates income to increase by 5.11%, comprising an assumed rate pegging limit of 3% plus a Special Rate Variation of 2.11%.*

*The proposed increase to rates will be retained permanently in Council's rate base and will be fully allocated to infrastructure renewal.*

*The table below summarises the proposed total increases to asset renewal funding, it being noted in addition to the SRV Council will further increase asset renewal funding as shown below:*

|  |  |  |
| --- | --- | --- |
| **Source of Funding** | **2014/2015** | **2015/2016** |
| 3% additional rate increase for residential and farmland rates | $2,774,000 | $2,857,000  (assumes rate peg increase of 3% |
| 10% additional rate increase for  business - sub-categories (over 2 years) | $2,498,000 | $5,303,000 |
| 3% additional rate increase for business (general) | $286,000 | $295,000  (assumes rate peg increase of 3%) |
| **Total Additional Rates income** | **$5,557,000** | **$8,455,000** |
| Additional asset renewal funding from efficiency savings to be achieved from 2014/15 | $1,000,000 | $1,000,000 |
| Reallocation of funding from Council’s Infrastructure Sinking Fund | $2,000,000 | $2,000,000 |
| **Total Additional Funding allocated to Asset Renewal Works** | **$8,557,000** | **$11,455,000** |

The alternative options to increasing asset renewal funding assessed by Council have included:

* Increasing fees and charges
* Increased grant funding for asset renewal purposes
* Reviewing the level and provision of Council services
* Debt funding by the use of external loans
* Increasing the proportion of existing funding in the annual Works Improvement Program (WIP) allocated towards asset renewal
* Greater use of existing reserve funds held by Council.

All of these funding options were included as part of detailed reports and presentations made on options to fund the additional expenditure required for asset renewal. Provided below is an overview of these options and reasoning as to why alternative strategies are not considered preferable to Council’s proposed funding strategy.

### Increase fees and charges

Council’s user charges and fees account for approximately 9% of Council’s overall operating revenues. For the 2012/2013 financial year they totalled $21.94 million and were the third highest revenue category after rates, and grants and contributions. Fees and charges are either ‘regulated’ or ‘discretionary’.

**Regulated** fees are fixed by legislation meaning Council must charge a fee as set by legislation. For the 2012/2013 financial year, income from regulated fees totalled $6.18 million, which was approximately 28% of Council’s total user charges and fees income. Typical fees in this category are items such as Development Application fees and Construction Certificate fees. Council cannot increase these fees above the legislated amount, meaning total revenue from these can only increase as a result of increases in demand for these services.

**Discretionary** fees are fees which are not subject to external regulation. That is, Council can determine what amount it wishes to charge. These fees include child care fees, income from hall hire and fees for the use of Council’s Aquatic centres and health and fitness centres. In 2012/2013, the income received from the non-regulated user charges and fees totalled $15.648 million, approximately 72% of the total user charges and fees income. Child care fees, in 2012/2013 totalled $6.6 million and were the largest proportion of this category.

All fees and charges are reviewed and benchmarked as part of Council’s annual budget deliberations. Each year most user fees and charges are increased at a level at least in line with CPI to offset increases in the costs of providing services. Consideration is given to the reasonableness of the increase in the fee, current market conditions, the cost drivers for the facility or service the fee relates to and the elasticity of the fee and the impact any increase will have on demand.

Generally most Council fees and charges are quite price elastic. Significant increases in fees can result in a commensurate decrease in utilisation, such that if a fee is increased too much overall revenue will reduce.

User charges and fees are also subject to external market forces not controllable by Council. For example, development applications are strongly influenced by the level of property development activity and therefore can have a very positive or very negative impact on Council’s income.

Therefore, it is not considered practical to increase user charges and fees to substantially increase funding for asset renewal. For example, to increase the current level of revenue by $10 million would require an increase in fees of approximately 64%, and no reduction in demand. In practice, if such an increase in fees was undertaken, actual demand levels would most likely drop significantly.

***Summary – There is very limited ability to increase fees and charges in order to increase funding for asset renewal.***

### Increased funding from grants

Grants and contributions in the 2012/2013 financial year totalled $180.7 million accounted for 47% of Council’s annual revenue. Of this amount, $39.8 million (22%) comprised grants and $140.9 million (78%) contributions. Operating and capital grants and contributions are subject to external influences and can vary each year. Grants are either:

* General Purpose, which are to be used across delivery of Council services; or
* Specific Purpose, which must be used to fund specific works and or activities.

Council officers actively ensure that grant revenues are maximised. The majority of grants received are for current programs. However, whilst there are some specific one-off grant programs, these are usually for new works or services and not for asset renewal. Further, grant funding is largely reliant on other levels of government which have their own financial constraints. As such, it is regarded that increased grant funding is not a viable long term solution to increasing the funding allocated to asset renewal funding backlog.

***Summary – As funding available is limited, increased grant funding is not a viable long term solution to increasing asset renewal funding.***

### Review the level and provision of Council services

Council has the option of reviewing, and potentially changing, the level of funding allocated to the provision of various works and services. This is done annually when Council considers its budget. However, a more thorough review cannot be done without careful consideration to a range of factors, such as the level of service expected and actually provided, fees charged by Council for the service and whether other service providers exist. Such reviews can consider aspects such as strategic priority, movements in net cost and whether other service providers can provide a similar service. In this report this process is termed “Service Reviews”.

The conduct of service reviews offer opportunities to achieve efficiency improvements and reduce cost. They can also encourage a council to more actively consider service provision levels in line with changing demographics, community expectations and financial constraints.

Council recognises the value of conducting effective service reviews, which continue to be undertaken on Council services. An action is in the current 2013/2014 Operational Plan to “Undertake ongoing Better Practice Review program to progressively identify and implement business and service improvements”. The key findings of reviews undertaken, including the opportunity for efficiencies and cost savings, are assessed by the executive and progressively brought to Council for consideration.

Council considers it is unlikely that efficiency improvements as a consequence of these reviews will yield sufficient savings of the magnitude required to solve Council’s asset renewal funding gap. To achieve the quantum of saving required to fund additional asset renewal, Council would most likely need to consider the deletion of, and/or significant service rationalisation of, one or more whole services.

It is noted Council is presently undertaking reviews of several major services. These reviews, which are at varying stages of Council consideration, include examinations of Aquatic Centres, Community Events, Libraries, Drainage Engineering and Child Care. A review of Community Buildings will commence this year.

Given that Blacktown is a rapidly growing City and will continue to be so over the next 30 years, the prospect of reviewing services to identify opportunities to reduce costs is considered to not be the most viable long term strategy for Council to fully meet the asset renewal funding shortfall.

**Section 3.3** of this submission details Council’s current future financial challenges. The actual net cost of many of Council’s services is increasing at a rate well in excess of Council’s major revenue sources. This is due to the need for Council to respond to City growth and rising community expectations.

It is considered more appropriate that service reviews are conducted as a rolling program to identify efficiencies and productivity improvements on an ongoing basis. This would aim to achieve controlled growth of existing resources whilst allowing for the expansion of existing or new services which are required to enable the City to grow and meet the demands of the community as they evolve in the future.

***Summary – Service reviews remain an important part of Council’s focus on cost containment. However, on savings achieved through service reviews are not sufficient to fund Council’s asset renewal requirements.***

### Debt funding by use of external loans

An important factor in regard to debt is Council’s ability to fund future loan repayments. There are two key industry indicators (ratios) generally used to calculate a council’s borrowing capacity. These are the “Debt Service Ratio” and the “Debt Service Coverage Ratio”.

The **Debt Service Ratio** is a ratio used by the Division of Local Government (DLG) to assess the cost of loan repayments against the discretionary revenue of a council. It is calculated by dividing the net annual debt service cost (principal and interest) by the total operating income excluding Special Purpose Grants. The benchmark set by the DLG for this ratio is that annual loan repayment costs should be no more than 10% of the overall operating income (excluding Special Purpose Grants).

Based on this benchmark Council could borrow up to approximately $165 million. This is based on an industry standard 10 year loan at an interest rate of 6%. The annual loan repayment would be approximately $22.4 million, and over the life of the loan the total interest cost would be $59 million.

The **Debt Service Coverage Ratio** is a ratio used by TCorp in its assessment of the financial sustainability of NSW councils. It assesses the cash available to service debt by dividing the overall operating surplus (before interest, tax, depreciation and amortisation) by the value of annual loan repayments. The benchmark for this ratio is 2 or greater. That is, a council’s operating result (excluding interest, tax, depreciation and amortisation expenses) should be at least double the amount expended annually on loan repayments (principal and interest).

Using this benchmark, Council has a theoretical capacity to borrow up to $125 million. For this amount of debt, annual loan repayments would be approximately $17 million, and over the life of the loan the total interest cost would be $45 million.

Both these ratios are essentially mathematical calculations and do not take into account Council’s actually ability to adjust its budget to fund the required loan repayments. Including the necessary interest cost which can be significant. For example, if Council was to borrow $125 million at an interest rate of 6% over a 10 year period, the annual loan repayment would be approximately $17 million. Without any increase in its revenue base, Council would need to identify reductions in its expenditure budget of $17 million to fund the annual loan repayments.

While debt can provide a source of immediate funding for infrastructure renewal, there is a longer term impact attributable to the interest charged. For example, if Council borrowed $10 million annually, with the amount borrowed in future years, indexed by a CPI of 3% per annum to fund asset renewal works, the annual loan repayments would progressively increase each year. In the ninth year Council's actual loan repayment would be higher than the amount it has borrowed. That is in the ninth year, Council would receive debt funding of $12.668 million, but have a loan repayment of $13.803 million. This is shown in the following graph.

At the end of the 10 year period, Council would have borrowed a total of $114 million, and paid $82 million in loan repayments, including $26 million in interest costs. This level of borrowing would enable Council to reduce its asset renewal backlog to approximately $33 million. However, Council would have an outstanding loan liability of $56 million. Council considers this level of debt has the following disadvantages:

* Over a 10 year period, the annual debt service cost increases by around $1.56 million per annum. This means that by around year 5, with an annual repayment of $7.2 million required, Council could not service this debt without a significant revenue increase, or drastic cuts to services.
* This level of debt would mean Council would have very limited, if any, ability to borrow for other purposes such as forward funding infrastructure in the North West sector or CBD upgrade works.

Council regards asset renewal and maintenance expenditure is a recurrent issue, and that it is not appropriate to borrow for this purpose. That is, as this expenditure is a recurrent item distinct from upgrade expenditure, debt should not be used for this purpose.

As outlined in more detail in **Section 3.3**, Council did previously use to debt fund new infrastructure. Unfortunately the debt cost impacted on available funding for recurrent operations. Council has since become debt free, and well regarded for its ability to deliver new infrastructure without the need for debt by using savings in interest costs to instead fund new works.

Council notes that the NSW Government has provided a partial subsidy for councils through the Local Infrastructure Renewal Scheme (LIRS), which provides an interest subsidy to assist councils with infrastructure backlogs to reduce the cost of borrowing.

However, Council’s objective is to develop a sustainable funding strategy for the next 10 years for asset renewal. As it is not certain whether future rounds of LIRS funding will be made available, it is regarded Council’s proposed funding strategy of a Special Rate Variation combined with enhanced funding from operational savings and reallocation of its Capital Works funding is preferable.

***Summary – Debt financing is a potential alternative funding option. It would however leave Council with a future debt liability which would impact on Council’s future financial position. Also, Council would be unable to service, over the medium to long term, the level of debt required to reduce its asset renewal backlog. Council is also conscious of the need to fund new infrastructure in new release areas and considers the use of debt funding is more appropriate for this purpose, rather than funding asset renewal in established areas of Council.***

### Increase the proportion of funding in the Works Improvement Program (WIP) allocated towards asset renewal

Council’s annual Works Improvement Program (WIP) lists works projects by category and funding source. Council's Asset Management Plans are used as the basis for determining which projects are recommended for funding as part of Council's annual consideration of the WIP.

The amount of funding in Council’s WIP can vary from year to year, with these variations attributable to changes in the level of external grants and S94 funding. For the 2013/14 financial year the total WIP funding was $41.126 million. Of this amount, approximately 35% ($14.5 million) of this funding was discretionary. That is, the majority of funding allocated in the WIP is not discretionary, and must be allocated to a specific purpose. This funding is mainly grants, Section 94 and other externally restricted sources.

The discretionary funding means Council can determine how it is allocated. While Council has had a long term focus on increasing the amount of discretionary funding allocated to the renewal of existing infrastructure, it has needed to balance this with works for the upgrade to its existing infrastructure.

There is a significant need to upgrade existing infrastructure as a result of addressing current legislative requirements and/or community expectations. Much of Council’s older infrastructure, such as community buildings, open space facilities and transport was constructed when the applicable standards at the time were lower than they are now. Within the constraints of available funding Council has been progressively upgrading much of its infrastructure. However, there are still many significant future projects to be completed and, as such, Council needs to retain some capacity in the future to fund these works. Some examples of necessary upgrade works include:

1. **Child care centres**

Council has 24 child care centres. Each centre must comply with various regulatory requirements, which over time have progressively increased. Council presently has a rolling program to upgrade the kitchens at each centre to comply with these standards. The cost of each kitchen upgrade is in the order of $30,000. Some of Council’s older centres require more substantial upgrades, this can cost in the order of $250,000. In order to continue to provide child care services, Council needs to continually invest in such upgrade works.

1. **Car parks**

Many of the existing car parks at Council’s various parks and reserves do not have sufficient capacity for the number of vehicles which can be at the facility in high usage periods such as weekend sporting competitions. The cost of upgrading a car park can vary, but typically such works can cost $200,000 or greater.

1. **Road network**

There are many parts of Council’s road network which are affected by flooding during heavy rain. Some parts of the network in these instances cannot be used, and the only effective solution is the construction of a new bridge. The cost of this is significant. For example, listed within Council’s Works Improvement Program are the following examples, which to date have not been funded:

* Stony Creek Road, Shanes Park – Construction of a bridge over South Creek to replace the existing low level causeway on Stony Creek Road. The estimated total cost is $39.5 million.
* Rouse Road, Rouse Hill – Construction of a new bridge over Second Ponds Creek to replace the existing low level causeway on Rouse Road. The estimated total cost is $13.2 million.

Many sections of Council’s road network can no longer adequately cope with increased traffic flows. Council is progressively funding the upgrade of its network with works such as intersection improvements and road widening. For example, in order to respond to increased traffic flows in 2013 Council completed the duplication of the Knox Road overpass, located in Doonside. These costs totalled $9.7 million and were necessary to address increased traffic flows. There are many other sections of Blacktown’s road network which are also subject to excessive congestion, which will continue to increase as the population of Blacktown continues to grow.

1. **Bus slabs**

Council is required to upgrade its existing bus stops to assist people with low vision to identify the presence of the bus stop and location of the boarding point. The compliance target set was for Council was to be 90% compliant by the end of 2017. To date Council has allocated $1.46 million to this work. In order to meet Council’s target, it is anticipated further annual funding of $200,000 needs to be allocated.

***Summary – If Council allocated a higher proportion of discretionary funding to asset renewal works, this would further minimise Council's ability to provide new and/or upgraded infrastructure, particularly in the older parts of the city which do not benefit from the significant Section 94 funding which flows to new release areas. Much of these works are necessary to bring certain forms of infrastructure up to desired standard. For this reason, Council needs to balance its allocation of funding between asset renewal and asset upgrade.***

### Greater use of existing reserve funds held by Council

Consideration has been given to using funds held in reserve. Council acknowledges it has significant amounts held in reserve, and that it is logical where appropriate to consider opportunities to use some of these funds.

As at December 2013 Council’s total investment balance was $303 million.  Of this, approximately 56% ($170.2 million) comprised externally restricted reserves. These are funds such as unspent Section 94 contributions and grant funds which can only be expended on a specific purpose. These amounts included:

* $93.1 million – Section 94 developer contributions
* $39.5 million – Second Ponds Creek planning agreement (to be repaid to Urban Growth)
* $20.4 million – Grants and contributions towards works
* $13 million – Domestic Waste Management reserve
* $4.2 million – Environmental Stormwater Management Charge

Council also held $126.5 million (42%) in internally restricted reserves (the remaining balance of $6.3 million comprises working capital and income received in advance).

The funds in internal reserves are held for a specific purpose as previously resolved by Council. As such, Council can resolve to allocate these to other purposes should it consider appropriate. However, many of these reserves are held for a specific purpose and it is not appropriate that they be redirected to another purpose, such as increased funding for asset renewal. Examples are:

* $7.4 million – Major computer systems reserve
* $3.1 million – Plant replacement reserve
* $14.9 million – Cash bonds and security deposits
* $12.2 million – Employees leave entitlements
* $5.8 million – Workers compensation reserve

The above are examples of funds which are held for future specific purposes. For example, Council is undertaking a significant replacement of its major IT software over the next 3 years and the funds noted above will be used for this purpose.

Council has made extensive use of funds held in reserve in the past to fund renewal and upgrade works. For example, the Land Projects development reserve, which consists of profits made on Council’s land development activities, has funded a number of major works. These have included the sports training and administration facilities at Blacktown International Sportspark, the Max Webber Library Blacktown and the Blacktown Civic Plaza. Also, in 2013, Council established a new reserve called asset renewal reserve. This reserve has been used as an additional source of funding (i.e. in addition to funding already provided in the annual WIP) towards asset renewal works. Council has also allocated savings achieved during previous financial years, and an annual $1 million per annum from a reduction in rebates available to pensioners.

Another issue, outlined in more detail in **Section 3.3** of this submission, is the emerging requirement for Council to forward fund some of the cost of new works and land as required for the provision of public infrastructure in the new release areas in the North West sector. Council presently has existing commitments in excess of $65 million to purchase land in the area.  In addition, Council has already commenced or is about to commence Section 94 infrastructure works in the order $20 million.

***Summary – Council has a demonstrated a record of proactively using funds held in internal reserves to fund major works, including asset renewal and it will continue to do so. However, as a result of the issues noted above, it is not just prudent, but necessary, for Council to have funding available in order to fund various future commitments. For this reason Council has limited scope to use funds held in internal reserves to fund asset renewal.***

## State of financial sustainability

The special variation may be intended to improve the council’s underlying financial position, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council’s current and future financial sustainability.

The application should set out the council’s understanding of its current state of financial sustainability, as well as long-term projections based on alternative scenarios and assumptions about revenue and expenditure. Such evidence can be drawn from the LTFP and from any external assessment, e.g. by auditors or TCorp.

Explain the council’s view of its financial sustainability as it relates to the application for a special variation.

Council’s current financial position is sound. It is debt free, has strong liquidity and low rate arrears. It has not exceeded, in cumulative terms, the rate pegging limit set by the NSW government since the inception of rate pegging in 1977. Council’s sound financial position has been reached through a long term commitment to conservative and prudent financial management and a continued focus on addressing increasing expectations within its limited revenue base.

Council has not always been debt free. As a consequence of the beginning of rapid growth in the Blacktown LGA occurring over 30 years ago and prior to the ability to levy Section 94 developer contributions, Council undertook significant borrowings to help fund the cost of new infrastructure. However, the resultant debt burden became so onerous that Council was unable to adequately fund essential operations. Accordingly, Council resolved in 1991 to use long term debt reduction strategies, which resulted in it becoming debt free in 1998/99. It has been debt free since this time.

Since becoming debt free, Council implemented its Infrastructure Sinking Fund (ISF). Briefly, funds previously used for debt servicing costs are allocated to the ISF to fund new infrastructure. This funding has totalled $246 million since 1998.

Council has long been highly regarded for its prudent financial management. It has successfully maintained its sound financial position while achieving the following:

* Council’s rates are among the lowest of Western Sydney councils.
* It is one of the few NSW councils that has not increased rates in cumulative terms above the rate pegging limit set by the NSW Government since 1977.
* Council has one of the lowest operating costs per capita of all NSW councils.
* It is one of the few NSW councils that is debt free.
* It has continued to expand and improve its service delivery to its community.
* It has provided essential infrastructure across both new and established parts of the LGA.

This has been achieved by Council’s overall commitment to “living within its means”. That is, Council’s long term commitment to maintaining, and where possible improving, service delivery within its limited revenue base. This has been achieved by the commitment to minimise costs through identification of efficiency savings. **Section 7** of this submission outlines some of the cost containment strategies Council has used to achieve significant savings.

### Current and future financial challenges

There are a number of existing and emerging financial challenges which confront Council. These include:

### Increased cost of services to meet rising community expectations

The Blacktown LGA has experienced continued growth over the past 30 years. This growth has placed continued pressure on Council to improve services in response to the rising expectations of its growing community. This has meant that the net cost of many of Council’s key service areas has increased significantly, particularly over the last ten years as new facilities have been constructed to address increased community demand. The increase in these net costs is depicted in the table below:

**Net budget by service/function from 2004/2005 to 2013/2014**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Service description** | **2004/2005**  **$** | **2013/2014**  **$** | **Cumulative % increase** | **Average annual % increase** |
| **Catchment and stormwater management** | 1,210,695 | 2,261,137 | 86.76% | 9% |
| **Child care** | 438,102 | 2,208,313 | 404.06% | 40% |
| **Leisure and aquatic centres** | 1,114,057 | 3,395,400 | 204.78% | 20% |
| **Library** | 3,531,731 | 6,111,089 | 73.03% | 7% |
| **Maintenance of civil infrastructure** | 4,923,190 | 8,159,466 | 65.74% | 7% |
| **Parks and reserves maintenance** | 11,439,482 | 16,985,440 | 48.48% | 5% |
| **Property maintenance** | 7,355,371 | 12,163,408 | 65.37% | 7% |
| **Street cleaning** | 2,604,120 | 4,486,450 | 72.28% | 7% |
| **Urban animal management** | 383,660 | 1,084,078 | 182.56% | 18% |

As shown above, the net cost of all of the above services has increased by a higher average annual percentage than the comparable rate pegging limit over the same period. This increase has occurred as a result of the need for Council to expand its service provision to continue to adequately address community expectations and/or legislative requirements.

### Rate pegging

For many years the NSW Local Government sector has objected to rate pegging due to the adverse effect it has on the financial sustainability of NSW councils. IPART, in its 2008 paper - Review of the Revenue Framework for Local Government found that over the period 1976/77 to 2006/07 taxation rates revenue grew more slowly in NSW than in the rest of Australia. It has been Council’s experience that many of its major costs have increased at a higher level than rate pegging. These costs include energy costs, materials used in the construction and maintenance of infrastructure and employment costs.

### Long term Financial Plan Cover.jpgCost shifting

Cost shifting is a major challenge for local government. It occurs when there is a transfer of services from a Federal or State Government to local government without the provision of adequate funding required to provide the service. The annual cost to Council of cost shifting is estimated to be in the order of $11.28 million per annum.

### Timely provision of essential infrastructure in new release areas

Council is confronted with emerging challenges as a consequence of significant development set to occur in the North West sector where, over the next 25 years, 50,000 new home sites will be constructed. To support this development Council is required to provide significant land and infrastructure. The total projected cost of this, in present day terms, is $2.5 billion. While the cost of these land and works will be incorporated in Section 94 contributions plans for the reasons outlined below, there will still be a significant financial burden to Council.

Council has extensive experience in the funding and provision of essential infrastructure in new release areas. Council’s experience, obtained over more than 25 years, is that over the life of major Section 94 contributions plans is that the contributions received generally only funds around 90% of the cost of new works and lands. The remaining proportion Council has needed to fund from its own sources.

It is Council’s expectation that this issue will also occur for Section 94 Contribution Plans for the North West sector. This will be compounded by the extent of fragmented land ownership in the North West sector. Compared to other new release areas with a small number of property owners have large land holdings, the North West sector is characterised by many small lots which are owned by different people. This makes it much harder to acquire land for the timely provision of essential infrastructure, which in turn means development is slower to occur and the receipt of S94 developer contributions delayed.

Unless Council forward funds much of the key essential infrastructure such as drainage and roadworks, development will be hindered. Accordingly there will be increased pressure on Council to fund such works even though it has not received sufficient Section 94 Contributions.

Another factor Council has previously found is that during the first 5 to 10 years of new Section 94 Contributions Plan, the receipt of contributions received lags well behind the total cost of essential infrastructure. As there will be several Section 94 Contribution Plans covering the North West sector, it is likely this timing issue will continue over an extended period of potentially more than 15 years.

Therefore, in summary, Council will face in the medium term significant financial challenges as a consequence of the reasons outline above.

### The need to increase funding for asset renewal

Council considers its need to increase significantly the funding for asset renewal as its most significant financial challenge.

Council has conducted extensive asset modelling and analysis, which has shown that Council needs to increase asset renewal expenditure by around $10 million per annum. If this is not done, then Council’s infrastructure renewal backlog will further increase to a point where Council may not be able in the future to adequately meet its asset renewal requirements.

Council currently has an infrastructure renewal backlog as at 30 June 2013 of $68.3 million. Council is custodian of infrastructure, property, plant and equipment assets that have a value of approximately $2.8 billion. Council currently provides funding in its annual budget of $10.85 million towards asset renewal. In response to the need to increase funding allocated towards asset renewal, Council has where possible over the past few years allocated additional one-off funding from the achievement of operational savings in Council’s various business units.

Council’s current Long Term Financial Plan shows that its existing level of rate revenue is inadequate to cover the additional funding required for asset renewal. The Building and Infrastructure Renewal Ratio for 2012/2013 was 38.11%. At current funding levels it is projected that over the next 10 years, this ratio will reduce to 30%.

However, if asset renewal funding is increased by $10 million annually this ratio is projected to increase to around 55%. Whilst this will not achieve the benchmarks determined by T-Corp, Council considers this level of additional funding is appropriate to address the existing and projected asset renewal backlog over the next 10 years. The review by TCorp of Council’s financial sustainability is covered in the next section.

### TCorp review of Council’s Financial Position and Outlook

A review of Council’s financial sustainability was conducted by NSW Treasury Corporation (TCorp) in 2012. A key finding of the TCorp review of all NSW councils was that the NSW Local Government sector is not allocating adequate levels of funding towards asset renewal. This to a large extent, can be attributed to the restrictions placed on NSW councils to raise revenue as a result of rate pegging.

TCorp assessed Council to be moderately sustainable in the medium term based on Council’s historical financial position being satisfactory along with sound levels of liquidity. However in their assessment, TCorp raised the following issues which need to be addressed by Council to improve the future financial sustainability of Council:

* Council needs to address its underspending on assets as shown by their Infrastructure Backlog Ratio, Asset Maintenance Ratio and Building and Infrastructure Asset Renewal Ratio to improve sustainability.
* The LTFP has insufficient planned Capital Expenditure to maintain existing assets at an acceptable standard plus any allowance for growth. This potential shortfall is a key risk facing Council’s long term sustainability.

The TCorp report highlighted the need for Council to focus on addressing its asset renewal requirements in order for the financial sustainability of Council to be considered stronger in the future.

The table below is a summary of the TCorp financial ratio assessment of Council for the financial years 2008/09 to 2011/12. This table is grouped into 4 categories, comprising the 10 key indicators used by TCorp. The items shaded in green indicate where Council has either met or exceeded the TCorp benchmark:



### Council’s proposed strategy to increase asset renewal funding

In response to the need to increase asset renewal funding as discussed in the previous Section, Council proposes to do the following:

* *Apply to IPART for a Special Rate Variation to commence in 2014/15 under section 508A of the Act as follows:*
  + *A Special Rate Variation of 4.4%\* in 2014/15.*
  + *A Special Rate Variation of 2.11%\* in 2015/16.*
  + *Council will further increase asset renewal funding as shown below:*

|  |  |  |
| --- | --- | --- |
| **Source of Funding** | **2014/2015** | **2015/2016** |
| **Total Additional Rates income** | **$5,557,000** | **$8,455,000** |
| Additional asset renewal funding from efficiency savings to be achieved from 2014/15 | $1,000,000 | $1,000,000 |
| Reallocation of funding from Council’s Infrastructure Sinking Fund | $2,000,000 | $2,000,000 |
| **Total Additional Funding allocated to Asset Renewal Works** | **$8,557,000** | **$11,455,000** |

**\***It is noted that the actual percentage increase will vary across Council’s different rating categories and sub-categories, as set out in Part A of Council’s application. Council’s overall increase in rate income over rate pegging will be 4.4% in 2014/2015 and 2.11% in 2015/2016.

The following graph depicts Council’s projected future asset renewal backlog if no additional funding is allocated to asset renewal.



The above graph shows:

* The outstanding asset renewal backlog is currently $68 million. If Council does not increase annual funding for asset renewal in 10 years’ time the backlog is projected to increase to $139 million.
* Over the subsequent 10 year period this backlog would significantly increase to $758 million.

This trend in later years is a consequence of much of Council’s infrastructure constructed in the late 1970/1980s reaching the end of its useful life and needing replacement.

***Summary - If Council does not begin to address its asset renewal requirements over the next 10 years the funding requirements for the subsequent 10 years will quickly become unmanageable for Council.***

### Proposed asset renewal funding strategy

The following graph depicts how Council’s future asset renewal backlog would be reduced over the next 10 years if Council increased its annual asset renewal funding. The green columns show the future projected backlog with the additional funding for asset renewal. The red line shows the projected future backlog without the additional funding.

The additional funding achieves the following:

* This would result in the backlog in 10 years’ time being reduced to $33 million.
* There would however still be a rapid increase in the backlog for the subsequent 10 year period.
* However, Council would be better placed to respond to this if annual asset renewal funding was increased now.



### Analysis of projected future TCorp indicators – 2013/2014 to 2022/2023

The information shown in the tables below is a summary of the 10 indicators used by TCorp to assess a council’s financial sustainability. These indicators are based on the next 10 year projections as shown in the LTFP for the “Base Case” scenario and the “Base Case plus Enhanced Asset Management funded by Special Rate Variation” scenario.

These tables indicate that the ratios highlighted in green, by increasing Council’s rates revenue through a Special Rate Variation for the purpose of additional asset renewal, it is projected that most of the key indicators used by TCorp will improve significantly over the next 10 years. It is noted, that whilst Council may not achieve benchmark for all of the asset renewal and capital works indicators used by TCorp, there is a significant improvement in these indicators when compared to the base case scenario of the LTFP, meaning Council can be more sustainable in the future with the additional revenue for asset renewal.

**TCorp Indicators (2013/14 – 2022/23) – Base Case Scenario**



**NB:** It is noted that item 2 (Own Source Operating Ratio) is impacted significantly by the amount of capital income Council receives attributable to the recognition to dedicated assets such as Land Under Roads. The higher this capital income the lower this ratio. Council’s LTFP only contains a very modest projection for this capital income as it can vary substantially from year to year and is very difficult to project over the medium to longer term. This income for the 2012/2013 financial year exceeded $80 million. As the provision in the LTFP for this income is much lower due to the difficulty in projecting the annual income movements, this has the effect of overstating the projected ratio.

**TCorp Indicators (2013/14 – 2022/23) – Base Case plus Enhanced Asset Management funded by Special Rate Variation**



**NB:** It is noted that item 2 (Own Source Operating Ratio) is impacted significantly by the amount of capital income Council receives attributable to the recognition to dedicated assets such as Land Under Roads. The higher this capital income the lower this ratio. Council’s LTFP only contains a very modest projection for this capital income as it can vary substantially from year to year and is very difficult to project over the medium to longer term. This income for the 2012/2013 financial year exceeded $80 million. As the provision in the LTFP for this income is much lower due to the difficulty in projecting the annual income movements, this has the effect of overstating the projected ratio.

The following graph shows the Operating Result (before capital grants and contributions) with actual results presented for the financial years between 2009 and 2013 and projected results from the LTFP for the “Base Case” scenario and the “Base Case plus Enhanced Asset Management funded by Special Rate Variation” scenario.

**Actual and Projected Operating Result (before capital grants and contributions) 2009 to 2023**



The above graph shows that compared to the “Base Case” scenario, the approval of the Special Rate Variation in the “Base Case plus Enhanced Asset Management funded by Special Rate Variation” scenario will improve Council’s projected operating results before capital grants and contributions over the life of the LTFP with the forecast operating deficits in the base case being reduced by an amount equivalent to the Special Rate Variation amount in each year of the LTFP.

How will the special variation affect the council’s key financial indicators over the 10-year planning period? Key indicators may include:

* Operating balance ratio excluding capital items (i.e., net operating result before capital as percentage of operating revenue before capital grants and contributions)
* Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities)
* Rates and annual charges ratio (rates and annual charges divided by operating revenue)
* Debt service ratio (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).

### Impact of Special Rate Variation on Key Performance Indicators

The tables below demonstrate the impact on Council’s key performance indicators for the previous year, current year and five forward years (including a 10-year forecast) for the following scenarios contained in the LTFP:

* Base Case scenario
* Base Case plus Enhanced Asset Management funded by Special Rate Variation

As shown by comparing the indicators in the first table (which shows the ratios without the SRV) and the second table (which shows the ratios with the SRV) there is a significant improvement in the financial and asset management indicators with the inclusion of additional funding for asset renewal.

As with the TCorp indicators discussed previously, the ratios highlighted in green in table on the following page indicate that by increasing Council’s rates revenue through a Special Rate Variation for the purpose of additional asset renewal, it is projected that there will be an improvement in most of Council’s key indicators over the next 10 years.

**Key Performance Indicators - Base case scenario**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Base case scenario** | **Year ended 30/6/13 actual** | **Year ended 30/6/14 forecast** | **Year ended 30/6/15 forecast** | **Year ended 30/6/16**  **forecast** | **Year ended 30/6/17 forecast** | **Year ended 30/6/18**  **forecast** | **Year ended 30/6/23 forecast** |
| Operating balance ratio (excluding capital items) | (3.43%) | (6.43%) | (4.95%) | (5.97%) | (6.42%) | (7.30%) | (10.88%) |
| Unrestricted current ratio | 4.40 | 2.80 | 2.58 | 2.62 | 2.56 | 2.58 | 2.35 |
| Rates and annual charges coverage ratio | 39.38% | 55.35% | 55.42% | 56.00% | 57.24% | 58.27% | 59.86% |
| Debt service cover ratio | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Broad liabilities ratio | 17.70% | 23.91% | 22.73% | 21.23% | 19.87% | 19.40% | 35.35% |
| Building and infrastructure asset renewal ratio | 0.38 | 0.25 | 0.25 | 0.26 | 0.26 | 0.27 | 0.30 |

**Key Performance Indicators - Base Case plus Enhanced Asset Management Scenario Funded by Special Rate Variation**



## Capital expenditure review

Councils undertaking major capital projects are required to comply with the DLG’s Capital Expenditure Guidelines, as outlined in DLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council’s annual ordinary rates revenue or $1 million (GST exclusive), whichever is the greater. A capital expenditure review is a necessary part of a council’s capital budgeting process and as such should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

|  |  |
| --- | --- |
| Does the proposed special variation require you to do a capital expenditure review in accordance with DLG Circular to Councils, Circular No 10-34 dated 20 December 2010? | Yes  No **✓** |
| If *Yes*, has a review been done and submitted to DLG? | Yes  No **✓** |

# Assessment criterion 2: Community awareness and engagement

In the DLG Guidelines, criterion 2 is:

*Evidence that the community is aware of the need for and extent of a rate rise. This must be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate variety of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council’s consideration of the community’s capacity and willingness to pay rates. The relevant IP&R documents must be approved and adopted by the council before the council seeks IPART’s approval for a special variation to its general revenue.*

To meet this criterion, councils must provide evidence from the IP&R documents[[2]](#footnote-2) that the council has:

* Consulted and engaged the community about the special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases
* considered and canvassed alternatives to the special variation
* provided opportunities for input and gathered input/feedback from the community about the proposal
* considered the impact of rate rises on the community
* considered the community’s capacity and willingness to pay.

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

* the proposed cumulative rate increases including the rate peg (including in both percentage and dollar terms)
* the annual increase in rates that will result if the special variation is approved in full (and not just the increase in daily or weekly terms)
* the size of any expiring special variation (see Box 4.1 below)
* alternative rate levels that would apply without the special variation
* proposed increases in any other council charges (e.g., waste management, water and sewer), especially if these are likely to exceed the increase in the CPI.

|  |
| --- |
| Box 4.1 Where a council is renewing or replacing an expiring special variation |
| The council should have explained to its community:  that there is a special variation due to expire at the end of this financial year or during the period covered by the proposed special variation  that, if the special variation were not approved so that only the rate peg applied, the year-on-year change in rates would be lower, or that rates may fall  if applicable, that the expiring special variation is being continued (in full or in part), in the sense that it is being replaced with another that may be either temporary or permanent, or that the value is included in the percentage increase being requested in the following year. |
|  |

More information about how community engagement might best be approached may be found in the DLG *Guidelines*, the IP&R manual, and our Fact Sheet *Community Awareness and Engagement*, September 2013.

## The consultation strategy

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

Please provide relevant extracts of the IP&R documents that explain the council’s engagement strategy and attach relevant samples of the council’s consultation material.

Council’s consultation strategy for its IP&R documents, and for the proposed special variation, was founded on its Community Engagement Strategy (see Appendix 20), which was adopted in June 2010 as part of Council’s IP&R Framework as a Group 1 council.

The Community Engagement Strategy provides a policy framework (based on IAP2 – regarded as international best practice) and tools to assess the consultation requirements of key projects. Depending on the scope and impact of projects, it guides the development of formal Community Engagement Plans where major community consultation is required.

The consultation programs undertaken relevant to the special variation are described below in two phases, firstly the broader scale community engagement on Council’s draft IP&R documents and secondly the intensive and targeted program undertaken directly for the infrastructure renewal funding strategy including the special variation.

* ***Phase 1 (March – June 2013): Community Strategic Plan review and IP&R Framework***

Council’s draft Community Strategic Plan – *Blacktown City 2030* was itself based on evidence and research including extensive consultation on community needs. This is outlined in Appendix 9.

General media promotion and community awareness for the draft plan began in March 2013. Following Council’s approval of the supporting draft IP&R documents (Resourcing Strategy and Delivery Program incorporating Operational Plan), consultation was formalised by undertaking a multi-faceted Community Engagement Plan in May - June 2013.

The key elements of the suite of IP&R documents relating to the special variation are outlined in **Section 2**. The communication strategy in this regard centred on Mayoral-level news media discussion of the Trigger Project *Asset Management and Renewal*, which states Council’s commitment to resolve the infrastructure renewal funding challenge. Evidence of this media promotion is provided in Appendix 26.

Following the adoption of the IP&R documents in June 2013, the action to further investigate alternatives and develop a funding strategy for infrastructure renewal was carried out. This led to extensive Council considerations of its financial position, the asset renewal challenge and the possible alternatives for the funding strategy. The detailed Council report on this matter (23 October 2013) is provided as Appendix 5.

* ***Phase 2 (November 2013 – February 2014): Funding Strategy and Special Variation***

Council resolved on 6 November 2013 (see Appendix 6) to notify IPART of its intention to make a special variation application and to consult the community.

A Community Engagement Plan (see Appendix 21) was prepared and carried out in the period November 2013 – February 2014, in order to comprehensively address the requirement for community awareness of the proposed funding strategy and rate increase and provide full opportunity for ratepayers to comment on the proposal.

The main elements of the Community Engagement Plan which were undertaken are outlined below and evidenced in the Appendices. The outcomes of this consultation and feedback from the community are then summarised in **Section 4.3**.

As identified in the Community Engagement Plan, the essential stakeholders for this consultation program were the ratepayers of Blacktown City Council, including the specific categories of ratepayers identified below.

The Community Engagement Plan for the special variation included the following key elements:

1. ***Community telephone survey (see Appendix 23)***

A section relating to the infrastructure renewal issue and possible special rate increase was included in Council’s Community Satisfaction Survey conducted by the consultants Micromex Research in November 2013. The questionnaire for this section of the survey and the results reported by Micromex are provided as Appendix 23.

The survey was conducted from 12 – 18 November 2013. This telephone survey involved a random sample of 600 residents aged 18 years and over from all areas of the City. The sample size allowed the survey to be statistically valid for a City-wide response. It is noted that (following normal practice for such research) the survey was of residents, not necessarily ratepayers, and was not directed to businesses.

The options on which survey respondents were consulted and the feedback received are outlined in **Section 4.2** below.

1. ***Direct mail to ratepayers (see Appendix 24)***

An information brochure on the proposed funding strategy and rate increase was mailed to all ratepayers of Blacktown City Council in December 2013. In the case of ratepayers with registered agents, the agents were supplied with brochures on behalf of their clients with the request that these be passed on to the ratepayers.

Separate brochures with relevant information were provided to the following categories of ratepayers:

* Residential and Farmland ratepayers - 90,351
* Business general ratepayers - 1,580
* Business sub-category ratepayers - 3,296

A total of 95,227 brochures were sent to all ratepayers. Copies of these information brochures are provided in Appendix 24. As noted in Section 4.4 the information brochures clearly stated the total impact of the Special Variation for average ratepayers in each category and distinguish this from current rates and from 2014/2015 rates including the rate peg limit only.

As the special variation includes a larger increase in the proposed business sub-category, a further direct mail advice (letter from Council’s General Manager) was sent to all business property owners in this category in January 2014, reminding these ratepayers of the proposal and encouraging their submissions.

1. ***Consultation website (see Appendix 25)***

A special website [www.yoursay.blacktown.nsw.gov.au](http://www.yoursay.blacktown.nsw.gov.au) with the title “Building A Stronger Future” was established as a comprehensive source of information and documents on the proposed funding strategy and rate increase and to encourage public awareness and comment. This website was hosted and moderated for Council by the specialist firm Bang The Table, considered to be the leading provider in Australia of online consultation facilities.

Screen shots from the consultation website are provided in Appendix 25.

Key information relating to the consultation and links to the consultation website were also provided on Council’s main website [www.blacktown.nsw.gov.au](http://www.blacktown.nsw.gov.au).

1. ***Newspaper advertising and media promotion (see Appendix 26)***

Information on the proposed funding strategy and rate increase and the opportunities for public comment was advertised in all local newspapers in Blacktown City (6 newspapers) on two occasions, in December 2013 and January 2014. A copy of the advertisement and details of the newspapers and their readership is provided in Appendix 26.

Media briefings, responses to media enquiries and promotion through Council’s social media facilities were also utilised to promote the proposal and opportunities for public involvement and comment. Relevant documents and samples are provided in Appendices 24, 25 and 26.

1. ***Community information sessions***

Five Community Information Sessions on the funding strategy and special variation were held (one in each Ward of Blacktown City) in January 2014. The information sessions were promoted through the various media noted above, including the direct mail information brochures, newspaper advertisements and website, brochures and newspaper advertisement.

These sessions were not public meetings, but rather an opportunity for ratepayers to speak one-on-one with Council officers about the rate rise proposal, raise particular issues and receive answers directly. A general presentation on the funding strategy and rates proposal was available at the information sessions and discussed with interested ratepayers as individuals or small groups. A copy of this presentation is included in Appendix 24.

Overall, the 5 information sessions were attended by approximately 50 attendees. The sessions were considered useful in providing information and discussing issues raised directly with those ratepayers.

1. ***Exhibition of revised IP&R Documents (see Appendices 15 and 16)***

As discussed in **Section 2**, in order to explicitly add the special variation and discussion of alternatives to Council’s IP&R documents, a revision of Council’s Long Term Financial Plan (LTFP) 2013-2023 and a revision of certain information in the Delivery Program 2013-2017 were placed on public exhibition from 18 December 2013 to 3 February 2014.

The documents were available online (through Council’s website and the special consultation website) as well as in hard copy at Council’s administrative centre and all libraries. Copies of the documents were supplied to a small number of ratepayers on request and a more substantial number of downloads from the websites also occurred.

1. ***Telephone enquiries and rates calculator***

Telephone enquiries received by Council on the rates proposal were mainly dealt with by Council’s Rates section staff, as the majority of calls included discussion of the specific impact of the proposed rate increase on ratepayers’ properties. Specialist staff responded as required to other issues which were raised by callers.

A rates calculator tool was developed to enable staff to answer enquiries relating to the impact of the rates proposal on individual ratepayers. This tool was used by Rates section staff to respond to telephone enquiries and to provide specific information to attendees at the Community Information Sessions.

1. ***Information provided in response to submissions***

All written submissions received on the proposed funding strategy and rate increase were answered by an individual letter from the General Manager. In addition to providing information relating to the main comments of the submission on the rates proposal, these letters also provided a response to any other issues raised in the submission.

## Alternatives to the special variation

Indicate the range of alternatives to the requested special variation that the council considered and how you engaged your community about the various options.

As discussed in more detail in **Section 3.2**, the main alternatives to the special variation considered by Council included the following:

* Not increasing investment in infrastructure, i.e. allowing the condition of infrastructure to deteriorate over time as more assets fail.
* Reallocation of capital works expenditure from the provision of new/upgraded infrastructure to renewal (reallocation of $2 million per annum is included in the proposed funding strategy).
* Reduction in levels of other services and/or rationalisation of services.
* Increased use of fees and charges or increasing grants revenue.
* Use of debt.

Of these alternatives, increased fees and charges, increased grants and the use of debt were not made major factors in the consultations. Revenue measures around fees and charges and grants were not considered practical for the purpose of the special variation (as explained in **Section 3.2**). As there is no proposal to end the debt free status of Council, which has been endorsed by the community and Council over 15 years, this was not stressed but was discussed in brief in the consultation materials.

Central to the canvassing of alternatives by Council was the statistically-valid Community Survey conducted by Micromex Research in November 2013. The relevant options and results are discussed below.

1. ***Community telephone survey***

As noted above, the questionnaire for the section of the community survey relating to Infrastructure Asset Renewal, and the results of these questions which were reported by the consultant, are provided as Appendix 23.

The survey sought the views of residents (not limited to ratepayers) on three options relating to Infrastructure Asset Renewal funding. In broad terms, the options were:

* Option 1 – Increase funding to Infrastructure Renewal by reducing other services.
* Option 2 – Allow the condition of Infrastructure to deteriorate over time.
* Option 3 – Maintain other services and increase funding to Infrastructure Renewal through a special rate rise of 3%.

In summary, the survey results indicated that Option 1 (reducing other services to increase funding to infrastructure asset renewal) and Option 3 (the option including a possible additional rate increase of 3%) were quite close in terms of the levels of community support. There was relatively little support for Option 2 (the concept of allowing the condition of infrastructure to deteriorate).

Option 3 (the rate rise option) was the 1st preference of 48% of respondents compared to 39% for Option 1 (reducing other services). However, a higher level of opposition was also recorded for Option 3 (with 34% of respondents ranking it as their least preferred option) compared to Option 1 (22%). The rate rise option therefore tended to be favoured or opposed by most respondents, with less neutral responses.

Overall, 68% of respondents indicated that they were very supportive, supportive or somewhat supportive of the special variation option.

1. ***Other canvassing of alternatives***

A heavy emphasis was placed in consultation media on transparently explaining and justifying the proposed funding strategy, including the special variation, as required by the Guidelines. The other alternative to Council’s preferred funding options were canvassed in general terms within the following media (as provided in the relevant Appendices):

* Information Brochures (mailed to all ratepayers in December 2013)
* Consultation website – including a range of supplementary factsheets and more detailed supporting information
* Community Information Sessions presentation
* Media responses and statements
* Detailed letters sent in response to all written submissions,

In more formal terms and in greater technical detail, the alternatives were also canvassed in the Revised Long Term Financial Plan. As noted above, a series of Council discussions were also held in the development and determination of the proposal, which received wide local media coverage.

## Feedback from the community consultations

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

Where the council has received submissions from the community relevant to the special variation during the engagement process, the application should set out the views expressed in those submissions. It should also identify and document any action the council has taken, or will take, to address issues of common concern.

Comments and feedback from the community on the proposed funding strategy including the special variation which were received in response to the community engagement program outlined in **Section 4.1** are summarised under the following headings. More detailed information regarding all forms of community involvement and comment and a full listing of the written submissions received by Council is provided in Appendix 27.

1. ***Community telephone survey (see Appendix 23)***

The results of the Community Survey component relevant to the special variation, conducted in November 2013, are summarised in **Section 4.2** and provided as Appendix 23.

The option including a special rate rise was not overwhelmingly favoured by survey respondents, but was slightly more favoured than reducing other services in order to increase funding to infrastructure renewal. The option of not investing further in existing infrastructure had little support.

The special variation at a level of 3% increase over the allowed rate peg was supported to varying degrees by 68% of respondents. Council believes this is a reasonable and viable level of acceptance to proceed with the application.

While support for the rate rise option only slightly exceeded that for reducing other services, Council does not prefer an infrastructure solution which entails an overall reduction in the quality or range of services to the community of Blacktown City. The evidence of increasing community demand and expectation of services presented in Section 3 must also be considered in this context.

In addition to the written submissions, Council received notification by email of an online petition organised by a community group, Blacktown Residents Voice, which opposed the proposed rate increase. There were 83 listed supporters of this petition up to 13 February 2014 (when the Council business paper was published).

While Council acknowledges the significant and genuine concerns felt by some ratepayers with regard to the special variation, on balance the evidence represented by submissions did not warrant a change in the proposal as submitted.

1. ***Consultation website (see Appendix 25)***

The primary purpose of the consultation website was to be a comprehensive and easy-to-use source of all information and documents on the proposed funding strategy and rate increase, to which all advertising and enquiries could be directed.

The website also allowed users to register in order to give their views on the proposal through an online discussion forum and through a “Quick Poll” which allowed “voting” for or against the rates proposal (on an informal basis). As registration could be anonymous, views recorded were not treated as formal submissions.

Usage statistics recorded by the website indicate that it was a useful and convenient means for a significant number of community members to access information, and for a smaller number to give their views and discuss issues. In summary, in the period 12 December 2013 – 3 February 2014, usage of the website was as follows:

* Registered active users – 80
* Non-registered users (any usage of website) – 2,926
* Hits on information pages / document downloads – 1,413
* Comments on the discussion forum and votes in the “Quick Poll” – 88

Of the 88 comments on the online discussion forum and votes in the informal "Quick Poll" the majority were opposed to the rate increase proposal.

1. ***Telephone enquiries***

In the period corresponding to the community engagement program, 10 December 2013 – 13 February 2014, there was no significant increase in the overall volume of telephone enquiries relating to rates issues. Council recorded approximately 100 telephone calls relating, in whole or in part, to the rates proposal. The majority of these calls requested details of the impact of the proposal on individual ratepayers or properties, which were directly answered in **Section 4.1**.

Of those calls where the view of the caller on the rates proposal was expressed (approximately 70 calls), all but a few callers were opposed to the proposed increase. Of the callers clearly opposed to the proposed rate increase, approximately 45 were residential ratepayers and 25 were business sub-category ratepayers.

1. ***Community information sessions***

As noted in **Section 4.1**, the 5 Community Information Sessions were attended by approximately 50 members of the public.

These information sessions did not require attendees to formally express a view on the rate increase proposal, and attendees were encouraged to make a written submission to Council following the opportunity to discuss issues directly with officers.

A summary of issues raised and discussed with attendees at the sessions was recorded. Overall, the majority of attendees expressed either opposition to or significant concerns with the rates proposal, among a range of issues discussed. In some cases, the concerns of attendees were mitigated following discussion with officers. The most common issue raised at the information sessions was concern over Council’s Pensioner Rate Rebate policy. On that matter, many attendees were not aware that the Voluntary Rebate was still available, and several attendees were not previously aware that they were eligible for a rebate.

1. ***Written submissions (see Appendix 27)***

A total of 159 written submissions from individuals and businesses were received in response to the community engagement program. Of these submissions, 154 expressed opposition to the special variation. This represents 0.16% of the 95,227 ratepayers of Blacktown City Council who were directly notified of the proposed special variation.

Of the submissions opposing the special variation, 89 were from property owners in the proposed Business Sub-Categories. This represents 2.7% of the ratepayers in this category who were notified of the proposal by Council in December 2013 and again in January 2014.

5 written submissions supported the special variation.

No submissions were received from community or business groups, however one online petition established by a community group is noted below.

A summary of the written submissions is provided in the tables below. Details of all submissions received are provided in Appendix 27.

**Total Submissions received: 159**

|  |  |  |
| --- | --- | --- |
| **Rating category** | **Opposed** | **Support** |
| Residential | 62 | 5 |
| Business - sub-categories | 89 | 0 |
| Business - general and sub-categories  *(i.e. ratepayers with properties in both categories)* | 3 | 0 |
| **Total** | **154** | **5** |

The two most common categories of submissions were residential ratepayers opposing the rates proposal and business sub-category ratepayers opposing the rates proposal. In these submissions, the most common concerns and views noted were as follows:

Residential ratepayers opposing the rates proposal

* Impact on pensioners – in many instances, citing the reduction of the Pensioner Rate Rebate by the amendment to Council’s policy from 1 July 2013.
* Council should live within its means or make other reductions to find the necessary funding.
* Dissatisfaction expressed with various specific Council services, including existing maintenance standards.

Business sub-category ratepayers opposing the rates proposal

* Unduly large size of the proposed increase imposing an unfair burden on businesses / business property owners.
* Rate proposal unduly targeting one section of the community.
* Difficult economic climate meaning that this additional cost increase would be unsustainable for business.

In regard to the issue noted of Council’s pensioner rebate policy, this is further discussed in Section 7.1.3 and the policy is provided as Appendix 19.

Note: The Council report on community consultations (Appendix 7) indicates 157 submissions. The total of 159 submissions includes 2 late submissions received after the Council business paper was published. These late submissions were advised to Councillors by memo, prior to the Council meeting.

## Considering the impact on ratepayers

Indicate how the council assessed the impact of the special variation on ratepayers, and where this was addressed within the community awareness and engagement processes. Where the impact will vary across different categories and/or sub-categories of ratepayers, the council should consider the circumstances of the various different groups.

Note that more detailed discussion of the impact of the proposed special variation on ratepayers, including the various categories identified in the proposal, is provided in **Section 5**.

In determining the proposal on which the community was consulted, Council gave careful consideration to the impact on ratepayers. This was also debated at the Council Policy and Strategy Committee meeting of 23 October 2013 (see Appendix 5) and the Extraordinary Meeting of 6 November 2013 see Appendix 6.

These considerations included examination of the range of impacts on ratepayers across each category and in each Ward of the City.

The information brochures which were sent to all ratepayers and the other consultation materials made available (see Appendix 24) clearly stated the total impact of the special variation for average ratepayers in all categories and distinguished this from current (2013/2014) rates and 2014/2015 rates including the rate peg limit only.

Details of the specific impact of the proposed special variation on individual residential and business ratepayers were available throughout the consultation period by way of telephone enquiry to Council’s rates section, as discussed above. The “rates calculator” tool and expert rates staff to give direct advice on impact were also available to all attendees at the five Community Information Sessions held in January 2014.

## Considering the community’s capacity and willingness to pay

Indicate how the council has assessed the community’s capacity to pay for the rate increases being proposed, and also assessed its willingness to pay.

Evidence on capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable council areas. As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

Refer to **Section 5.2** for detailed discussion.

It is noted in addition that the evidence on the outcomes of community consultation which is presented in **Section 4.3** is not considered, on balance, to demonstrate a barrier to reasonable capacity and willingness to pay.

# Assessment criterion 3: Impact on ratepayers

In the DLG Guidelines, criterion 3 is:

*The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. Council’s IP&R process should also establish that the proposed rate increases are affordable having regard to the local community’s capacity to pay.*

We are required to assess whether the impact on ratepayers of the council’s proposed special variation is reasonable. To do this, we are required to take into account current rate levels, the existing ratepayer base and the purpose of the special variation. We must also assess whether the council’s IP&R process established that the community could afford the proposed rate rises.

## Impact on rates

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

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

We recognise that a council may choose to apply an increase differentially among categories of ratepayers. However, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, particularly in light of the purpose of the special variation. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

### Overview of rating structure

Council has three main rating categories:

* Residential
* Business
* Farmland

In resolving to apply for a Special Rate Variation (SRV), Council determined to revise its rating structure for its business rating category, by replacing its existing two business rating sub-categories (“Industrial” and “Commercial”) with seven rating sub-categories. These are listed below:

* Business – Blacktown North
* Business – M4 Corridor
* Business – Marsden Park
* Business – Mount Druitt
* Business – Riverstone
* Business – Rooty Hill and Glendenning
* Business – Seven Hills

Appendix 18 to this application includes maps and related information for the above business rating sub-categories.

The seven new sub-categories have been based on distinct “centres of activity” across the Blacktown LGA, having regard to their current use as well as the potential use of the land in the future. All other business properties which are not located within one of the above-mentioned new seven business sub-categories are included within the ordinary business rating category.

The new sub-categories are generally composed of clusters of primarily industrial properties, which are predominantly occupied by larger businesses. The purpose of establishing these new business sub-categories is to allow Council to levy a different ad-valorem rate for those properties within these business sub-categories based on their increased ability to pay a higher rate. Many other councils have business rating sub-categories consistent with this approach.

There are no changes proposed to the rating structure of the residential and farmland rating categories.

Council’s rating structure for each rating category and business sub-category is an ad-valorem plus minimum rate.

### Impact on residential ratepayers – 101,154 assessments

The table below summarises the impact of increasing residential rates by **3% above** **the approved rate variation limit of 2.3% in 2014/2015**. There is **no additional rate increase** **in 2015/2016** above the anticipated rate variation limit of 3% for residential properties.

Approximately 73% of residential properties are levied the current minimum rate of $830.00. Thus for the majority of residential ratepayers, an increase of 3% above the rate variation limit of 2.3% in the 2014/2015 financial year will be an annual increase of $44 in their rates or $0.85 per week.

|  |  |  |
| --- | --- | --- |
| **Impact on residential rates – (most common rates)** | **Year 1 (2014/2015)** | **Year 2 (2015/2016)** |
| Increase due to rate peg (2.3% 14/15 – 3.0% 15/16)\* | $19 | $26 |
| Additional rate increase (3.0% 14/15 – 0% 15/16) | $25 | $0 |
| Total rates | $874 | $900 |
| Total annual increase | $44 | $26 |
| Total weekly increase | $0.85 | $0.50 |

\*Assumed 2015/2016 Rate Peg of 3.0%

|  |  |  |
| --- | --- | --- |
| **Impact on residential rates – (average rates)** | **Year 1 (2014/2015)** | **Year 2 (2015/2016)** |
| Increase due to rate peg (2.3% 14/15 – 3.0% 15/16)\* | $20 | $27 |
| Additional rate increase (3.0% 14/15 – 0% 15/16) | $26 | $0 |
| Total rates | $912 | $939 |
| Total annual increase | $46 | $27 |
| Total weekly increase | $0.88 | $0.52 |

\*Assumed 2015/2016 Rate Peg of 3.0%

The current **average** residential rate in 2013/2014 is $866. An increase of 3% above the rate variation limit of 2.3% in the 2014/2015 financial year will increase the average residential rate by $46 or $0.88 per week in 2014/2015.

### Impact on farmland rates – 295 assessments

|  |  |  |
| --- | --- | --- |
| **Impact on farmland rates – (most common rates)** | **Year 1 (2014/2015)** | **Year 2 (2015/2016)** |
| Increase due to rate peg (2.3% 14/15 – 3.0% 15/16)\* | $19 | $26 |
| Additional rate increase (3.0% 14/15 – 0% 15/16) | $25 | $0 |
| Total rates | $874 | $900 |
| Total annual increase | $44 | $26 |
| Total weekly increase | $0.85 | $0.50 |

\*Assumed 2015/2016 Rate Peg of 3.0%

The most common rate for properties in the farmland rating category is currently $830. The table shows an increase in the most common farmland rate of $830 (2013/2014) by 3% above the approved rate variation limit of 2.3% in 2014/2015.

|  |  |  |
| --- | --- | --- |
| **Impact of farmland rates – (average rates)** | **Year 1 (2014/2015)** | **Year 2 (2015/2016)** |
| Increase due to rate peg (2.3% 14/15 – 3.0% 15/16)\* | $68 | $94 |
| Additional rate increase (3.0% 14/15 – 0% 15/16)\* | $89 | $0 |
| Total rates | $3,134 | $3,228 |
| Total annual increase | $157 | $94 |
| Total weekly increase | $3.02 | $1.81 |

\*Assumed 2015/2016 Rate Peg of 3.0%

The average rate for farmland is currently $2,977. The table above demonstrates the impact of increasing the average farmland rate of $2,977 (2013/2014) by 3% above the approved rate variation limit of 2.3% in 2014/2015.

### Impact on ordinary business rates – 1,578 assessments

Council’s revised rating structure means Council will effectively have two different levels of Business Rates. A lower rate will be applicable for business properties in the Ordinary - Business category.  The rates for this category will, consistent with the Residential and Farmland categories, incorporate an additional increase of 3% above the rate pegging limit in 2014/15.  There will be no additional increase above the rate peg in 2015/16.

A higher rate will be levied for all of the seven new sub-categories. The rate levied will be the same for each sub-category.  There will be an additional increase of 10% above the rate pegging limit in 2014/15, and a further additional increase of 10% above the rate pegging limit in 2015/16.

|  |  |  |
| --- | --- | --- |
| **Impact on ordinary business rates – (most common rates)** | **Year 1 (2014/2015)** | **Year 2 (2015/2016)** |
| Increase due to rate peg (2.3% 14/15 – 3.0% 15/16)\* | $19 | $26 |
| Additional rate increase (3.0% 14/15 – 0% 15/16) | $25 | $0 |
| Total rates | $874 | $900 |
| Total annual increase | $44 | $26 |
| Total weekly increase | $0.85 | $0.50 |

\*Assumed 2015/2016 Rate Peg of 3.0%

The most common rate for properties in the ordinary business rating category is currently $830. The table above demonstrates the impact of increasing the most common business rate of $830 (2013/2014) by 3% above the approved rate variation limit of 2.3% in 2014/2015.

|  |  |  |
| --- | --- | --- |
| **Impact on ordinary business rates –rates (average rates)** | **Year 1 (2014/2015)** | **Year 2 (2015/2016)** |
| Increase due to rate peg (2.3% 14/15 – 3.0% 15/16)\* | $138 | $190 |
| Additional rate increase (3.0% 14/15 – 0% 15/16) | $180 | $0 |
| Total rates | $6,325 | $6,515 |
| Total annual increase | $318 | $190 |
| Total weekly increase | $6.12 | $3.65 |

\*Assumed 2015/2016 Rate Peg of 3.0%

The average rate for business properties in the ordinary business rating category is currently $6,007. The table above demonstrates the impact of increasing the average ordinary business rate of $6,007 (2013/2014) by 3% above the approved rate variation limit of 2.3% in 2014/2015.

### Impact of an increase on business rating sub-categories – 3,314 assessments

|  |  |  |
| --- | --- | --- |
| **Impact on business sub-category rates - (most common rates)** | **Year 1 (2014/2015)** | **Year 2 (2015/2016)** |
| Increase due to rate peg (2.3% 14/15 – 10.0% 15/16)\* | $19 | $28 |
| Additional rate increase (10.0% 14/15 – 10.0% 15/16)\* | $83 | $93 |
| Total rates | $932 | $1,053 |
| Total annual increase | $102 | $121 |
| Total weekly increase | $1.96 | $2.33 |

\*Assumed 2015/2016 Rate Peg of 3.0%

The most common rate for properties in the new seven business rating sub-categories is currently $830. The table above demonstrates the impact of increasing the most common business rating sub-categories rate of $830 (2013/2014) by 10% above the approved rate variation limit of 2.3% in 2014/2015 and a further 10% above the assumed rate variation limit of 3.0% in 2015/2016.

|  |  |  |
| --- | --- | --- |
| **Impact on business sub-category rates – (average rates)** | **Year 1 (2014/2015)** | **Year 2 (2015/2016)** |
| Increase due to rate peg (2.3% 14/15 – 3.0% 15/16)\* | $174 | $255 |
| Additional rate increase (10.0% 14/15 – 10.0% 15/16)\* | $758 | $851 |
| Total rates | $8,508 | $9,614 |
| Total annual increase | $932 | $1,105 |
| Total weekly increase | $17.92 | $21.25 |

\*Assumed 2015/2016 Rate Peg of 3.0%

The average rate for properties in the new seven business rating sub-categories is currently $7,576. The table above demonstrates the impact of increasing the average business rating sub-categories rate of $7,576 (2013/2014) by 10% above the approved rate variation limit of 2.3% in 2014/2015 and 10% above the assumed rate variation limit of 3.0% in 2015/2016.

The graph below shows the distribution of properties in the new seven business rating sub-categories. The majority of properties are levied rates below the average current rate of $7,576.



### Domestic Waste Management charge

The Domestic Waste Management charge is proposed to increase by 5.13% in 2014/2015, and a further 5% increase in 2015/2016. This is a lower increase than previously anticipated in the current Long Term Financial Plan, in which this charge was forecast to increase by 8% in 2014/2015 followed by an increase of 5% in 2015/2016. The lower increase is a result of successful contract negotiations with Council’s waste contractor. These increases reflect significant increases in the cost of processing and tipping waste.

### Assessing ability to pay across rating categories and sub-categories

Council considers the proposed rate increases are affordable across the various rating categories. Key arguments to support this claim include:

* Blacktown has the second highest average weekly household income compared with WSROC councils.
* Compared to WSROC councils, Blacktown has a larger proportion of high income households (those earning $2,000 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 Blacktown shows there is a higher than average proportion in the labour force compared WSROC councils.
* Compared to WSROC councils, Blacktown has lower than average residential rates. Blacktown also has lower average business rates than the Fairfield, Parramatta and Auburn LGAs.
* In 2012/2013 Blacktown’s outstanding rates and annual charges ratio was 3.44%. This is below the average for WSROC councils and is well below the average for NSW councils.
* Blacktown still offers eligible pensioners an additional rebate of $105 above the mandatory rebate of $250. No other WSROC council offers a comparable rebate.

### Comment on comparing average rates using DLG comparative information

Council notes that the actual average residential rates reported by the DLG for some councils can be misleading, as the average reported by the DLG only includes rates income attributable to “ordinary” rates and excludes “special” rates. This can be misleading when comparing the average residential rates between councils when some levy a special rate and others do not. For example, a council which levied special rates was reported by the DLG as having an average (2011/12) residential rate of $590.97. This reported average excludes rates income attributable to the special rate. When the special rate income is included, the actual average residential rate is actually $1,175.12, almost double the reported average.

Blacktown does not levy any special rates and has not exceeded, in cumulative terms, the rate pegging limit since the inception of rate pegging in 1977. Therefore, contrary to some media reports, the Blacktown average (total) residential rate is lower than the majority of other Sydney councils.

### Minimum rates

The special variation may affect ordinary rates, special rates and minimum rates.

Does the council have minimum rates? **Yes**

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

So that we can assess the reasonableness of the impact on minimum ratepayers, briefly explain the types of ratepayers that are on minimum rates, and the rationale for the proposed impact of the special variation on minimum rate levels.

Council currently has a rating structure comprising ad-valorem and minimum rates. Council’s proposed increase will be applied to all categories in 2014/2015, and only to the new business rating sub-categories in 2015/2016. The minimum rate for the business rating sub-categories will be increased by a higher percentage than for the other rating categories and sub-categories. This will maintain the same relative distribution of the rating burden between minimum and other ratepayers that were levied in the previous year, and minimise any change to the number of ratepayers on the minimum rates for all categories.

The act permits having different minimum rates applicable to different rating categories.

Below is the outline of Council’s current and proposed minimum rates.

The first set is those properties proposed to be increased by a 5.3% SRV in year one and pegging only in year two.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Category** | **Sub-category name and vacant / non-vacant split** | **Current Minimum Rates** | **Minimum Rates Year 1** | **Minimum Rates Year 2** |
|  |  | **2013/14** | **2014/15** | **2015/16** |
| **Farmland** | General | $830.00 | $874.00 | $900.00 |
| **Residential** | Vacant minimum | $375.00 | $395.00 | $407.00 |
| **Residential** | Non vacant minimum | $830.00 | $874.00 | $900.00 |
| **Business** | General | $375.00 | $395.00 | $407.00 |
| **Business** | General - Non vacant minimum | $830.00 | $874.00 | $900.00 |

The second set are those properties proposed to be increased by a 12.3% SRV in year one and a further SRV of 13.0% in year two.

| **Category** | **Sub-category name and vacant / non-vacant split** | **Current Minimum Rates**  **2013/2014** | **Minimum Rates Year 1**  **2014/2015** | **Minimum Rates Year 2**  **2015/2016** |
| --- | --- | --- | --- | --- |
| Business | Blacktown North - Vacant | 375.00 | 422.00 | 477.00 |
| Business | Blacktown North - Non vacant minimum | 830.00 | 933.00 | 1,054.00 |
| Business | M4 Corridor - Vacant | 375.00 | 422.00 | 477.00 |
| Business | M4 Corridor - Non vacant minimum | 830.00 | 933.00 | 1,054.00 |
| Business | Marsden Park - Vacant | 375.00 | 422.00 | 477.00 |
| Business | Marsden Park - Non vacant minimum | 830.00 | 933.00 | 1,054.00 |
| Business | Mount Druitt - Vacant | 375.00 | 422.00 | 477.00 |
| Business | Mount Druitt - Non vacant minimum | 830.00 | 933.00 | 1,054.00 |
| Business | Riverstone | 375.00 | 422.00 | 477.00 |
| Business | Riverstone - Non vacant minimum | 830.00 | 933.00 | 1,054.00 |
| Business | Rooty Hill & Glendenning | 375.00 | 422.00 | 477.00 |
| Business | Rooty Hill & Glendenning - Non vacant minimum | 830.00 | 933.00 | 1,054.00 |
| Business | Seven Hills | 375.00 | 422.00 | 477.00 |
| Business | Seven Hills - Non vacant minimum | 830.00 | 933.00 | 1,054.00 |
| Business | General | 375.00 | 395.00 | 407.00 |
| Business | General - Non vacant minimum | 830.00 | 874.00 | 900.00 |

## Affordability and community capacity to pay

Show how your IP&R processes have established that the proposed rate rises are affordable for your community, and that affected ratepayers have the capacity to pay the higher rate levels. (Indicators considered in this context may be similar to those cited under criterion 2).

### Key summary of proposed rate increase

* 73% of residential ratepayers will have a total increase of 5.3% (SRV and rate peg) in 2014/15.
* This increase is 85 cents per week.
* The average increase for residential ratepayers will be 88 cents per week.
* 68% of all business properties will have an SRV increase of 10% in 2014/15 and a further 10% in 2015/16.
* The most common of these business properties will have a total annual increase of $102 in 2014/15 and $121 in 2015/16.
* The average increase for these business properties will be $932 in 2014/15 and $1,105 in 2015/16.

### Average rate per assessment

Blacktown has a total of 107,363 rate assessments. The average rate per assessment indicator highlights the relative level of a council's residential, farmland and business rates when compared to other neighbouring councils. For all rating categories the average for Blacktown is comparable with other councils. In regard to the business properties, as Blacktown has many large businesses, this does increase the average for this category.

### Council has not exceeded rate pegging in cumulative terms since 1977

Since the inception of rate pegging in 1977, Council has not exceeded in cumulative terms the rate pegging limit set by the NSW State Government. As a result, the rates levied by Council are generally lower than other comparable councils who have at various stages applied to increase their rates. For comparative purposes, the following information is sourced from the DLG Comparative Information on NSW Local Government Councils 2011/2012. As noted previously, the reported average residential rate for some councils does not include ‘special’ rates.

* Blacktown 2011/2012 – average residential rate - $808.06
* WSROC councils 2011/2012 – average residential rate - $826.66

### NSW is the only State to have rate pegging

No other State in Australia has rate pegging. Considerable evidence from numerous studies has shown that on average the increase in rates for other states has been higher than it has for NSW. This was confirmed in IPART’s 2009 review of the Revenue Framework for Local Government. It was found in the period from 1996/97 to 2006/07 NSW council’s revenue growth slowed and fell well below the average for other States. Therefore, compared to other States the rates levied by NSW councils are typically lower.

### Low outstanding rates and annual charges arrears

A low level of outstanding rates and annual charges is evidence of the community’s capacity to pay rates. Council’s outstanding rates and annual charges for 2012/2013 was 3.44%. This is well below the average for NSW councils. Further, as shown in the table below, Council’s outstanding rates and charges ratio has decreased significantly over recent years, as a result of Council working closely with its community to ensure ratepayers successfully manage their rate payment commitments.

|  |  |
| --- | --- |
| **Outstanding rates and charges ratio** | |
| **Year** | **Percentage** |
| 2006/2007 | 6.19% |
| 2007/2008 | 4.82% |
| 2008/2009 | 4.60% |
| 2009/2010 | 4.03% |
| 2010/2011 | 3.64% |
| 2011/2012 | 3.32% |
| 2012/2013 | 3.44% |

### Debt recovery procedures

Council's practice has been that no legal action is to be taken to recover outstanding rating debts on ratepayers who qualify for the pensioner rebate. As of 30 June 2013, Council’s total outstanding rates and charges was $5.4 million of which $963,000 was attributable to pensioner ratepayers. This equates to 18% of the total outstanding. Further, Council works proactively to help ratepayers who may experience financial hardship to manage their commitment to pay rates. Council will, where practical, write-off interest charges and allow suitable payment plans. Council also does not outsource certain debt recovery actions like other councils do, meaning less debt recovery costs are passed onto the ratepayer.

### Additional rebate for pensioners

For many years Council has provided an additional rebate to pensioners. As of 1 July 2013, Council amended its pensioner rebate policy and provides an additional pensioner rebate of $105 per eligible pensioner for those pensioners who have lived in Blacktown for more 5 years. This rebate is in addition to the mandatory rebate of $250, meaning most pensioners receive a total pension rebate on their Council rates of $355. Approximately 11,300 ratepayers currently receive this additional rebate (11.2% of all ratepayers). The majority of NSW councils do not offer an additional rebate. Very few other Sydney councils offer an additional rebate, generally the amount is much lower.

Council provides residents with the choice of a large 240 litre bin or a smaller 140 litre bin. For pensioners Council will continue to provide the option of a smaller, discounted Domestic Waste Charge for all eligible pensioners. For 2014/15 the proposed fee is $205, compared to the normal charge of $272. Council’s Environmental Stormwater Management Charge is reduced by 50% for all pensioners. A standard residential property is levied at $12.50 which is discounted from $25.

### Household income

In 2011, Blacktown had the second highest weekly household income level when compared with WSROC councils. In comparison to WSROC councils, Blacktown has a larger proportion of high income households (those earning $2,000 per week or more) and a lower proportion of low income households (those earning less than $600 per week).

The major difference found between the household incomes of Blacktown and WSROC councils are:

* A larger percentage of households who earned $2000 and over (28.3% compared to 25.2%)
* A smaller percentage of households who earned $1-$599 (16.9% compared to 19.0%)

This is also reflected by the fact that Blacktown has the second highest level of median household income of all WSROC LGAs being $1,388 per week.

**Table - Comparison of Weekly Household Income Levels**



*Source: ABS Census of Population and Housing, 2011*

### Employment status

The unemployment rate for Blacktown is historically higher than the state average. However, the difference between the average rate for Blacktown and the state average has generally reduced, as shown in the table below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Rate** |  | **1992** | **2001** | **2011** |
| **Unemployment**  **Rate** | **Blacktown** | 13.2% | 7.7% | 6.1% |
| **NSW** | 9.8% | 5.9% | 4.8% |
| **Difference** |  | 3.4% | 1.8% | 1.3% |

The table below provides more detailed analysis relating to WSROC councils.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Comparison of employment status of WSROC councils** | | | | | |
|  | **Employed  full-time** | **Employed  part-time** | **Hours worked  not stated** | **Unemployed** | **Total** |
| **Auburn** | 59.0 | 28.9 | 3.5 | 8.6 | 100.0 |
| **Bankstown** | 59.4 | 30.0 | 3.0 | 7.6 | 100.0 |
| **Blacktown** | 63.6 | 26.7 | 2.5 | 7.2 | 100.0 |
| **Blue Mountains** | 56.2 | 37.3 | 1.6 | 4.9 | 100.0 |
| **Fairfield** | 58.8 | 27.7 | 3.8 | 9.7 | 100.0 |
| **Hawkesbury** | 62.0 | 31.2 | 2.2 | 4.6 | 100.0 |
| **Holroyd** | 62.8 | 27.4 | 2.6 | 7.2 | 100.0 |
| **Liverpool** | 63.3 | 26.5 | 3.1 | 7.0 | 100.0 |
| **Parramatta** | 62.6 | 28.1 | 2.3 | 7.0 | 100.0 |
| **Penrith** | 63.9 | 28.3 | 2.3 | 5.5 | 100.0 |
| **WSROC Average** | 61.2 | 29.2 | 2.7 | 6.9 | 100.0 |

*Source: ABS Census of Population and Housing, 2011*

Analysis of the labour force participation rate of the population in Blacktown in 2011 shows that there was a higher proportion in the labour force (58.7%) compared to other areas such as Regional NSW (56.4%) and Illawarra (41.5%).

The above table further supports Council’s claim that the rate of unemployment in Blacktown is more than comparable to Western Sydney.

### 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.

In 2011, Blacktown had a SEIFA Index of 968.0. This is slightly higher than the average for all WSROC councils of 956.0.

|  |  |
| --- | --- |
| **SEIFA index and WSROC councils** | |
| **Council** | **2011 index** |
| Blue Mountains | 1039.0 |
| Hawkesbury | 1020.0 |
| Penrith | 996.0 |
| Parramatta | 984.0 |
| Blacktown | 968.0 |
| Holroyd | 966.0 |
| Liverpool | 951.0 |
| Bankstown | 932.0 |
| Auburn | 917.0 |
| Fairfield | 854.0 |
| **WSROC** | **956.0** |

*Source: ABS Census of Population and Housing, 2011.*

### Residential ownership

Blacktown has a significant proportion of property owners who own multiple properties, and/or reside outside the Blacktown LGA. It is reasonable to assume that most of these properties are investment properties meaning the owners have a higher capacity to pay.

### Blacktown’s economic position

Blacktown remains one of the largest and fastest growing areas in Australia. It has the largest population of any Local Government Area in New South Wales. The population is anticipated to reach 500,000 by the year 2031. Over the past five years, the population of Blacktown City has been growing at an average annual rate of 2.2%, significantly higher than the growth rates for the Sydney Region (1.6%) and New South Wales (1.4%) over the same period.

This growth is reflected in the number of building approvals in the City. Blacktown had the highest number of develop Applications determined (2,166) in NSW, and the fourth highest in the total value of development approved being $602 million. The average number of development applications per Council staff member is 103 per annum, which is the highest in metropolitan Sydney, and a considerably higher number than the New South Wales average of 56.

Blacktown has almost 3,000 hectares of land set aside for employment. However, industrial land values in Blacktown remain lower than many other areas in Sydney, as it is still developing. Industrial land value in Blacktown for 1-2 hectare sites is approximately 300 ($/m2) in comparison to an average 400 ($/m2) for the rest of Sydney.

As Australia’s economy restructures, so have the industry types which require industrial land. This demand is moving away from traditional manufacturing, towards knowledge based industries or logistics services.

For Blacktown, the logistic sector is driving significant economic change. Industrial precincts in Blacktown are becoming defined more by large distribution hubs supporting major logistics with retail trade being the main driver of the logistics sector. Being transversed by the M4, M7 and M2 Motorways, and serviced by the main western railway line of Sydney, has further shaped our industrial precincts.

Over the past three years, the Transport, and Logistics Industry experienced the highest average annual increase in Gross Regional Product (GRP) of 7.6% and between 2006 and 2011, the Transport, and Logistic Industry had the second largest increase in industry employment share of 0.8%.

Currently, it is estimated there are 18,180 businesses (i.e. registered for GST and actively trading) in Blacktown City. Of that, construction is the largest industry in terms of business numbers in Blacktown City, accounting for 19.3% of the total number of businesses, followed by the transport, postal and warehousing (14.75). Traditional sectors such as manufacturing represent only 5.7% of total number of businesses in Blacktown City.

This structural change reaffirms the need from high quality infrastructure in Blacktown to support our emerging industries.

### Analysis of Blacktown’s businesses

As the largest and fastest growing council in NSW the range and magnitude of businesses in the Blacktown LGA continues to grow. While small business continues to be, by number, the largest proportion of businesses in Blacktown, Blacktown also has a number of very large businesses. This means that the average business rate for Blacktown is higher than many of its neighbouring councils. However, the most common rate for business properties is comparably quite low, being for the current year.

As such, while Council’s average business rates may appear high when compared to other WSROC councils, it is important to consider the number of large businesses within the Blacktown LGA. As discussed in the previous section Council considers that notwithstanding the various economic challenges facing Australia generally, that Blacktown does offer many benefits for businesses, both large and small. These include good transport networks, a rapidly growing population and comparatively lower land values for much of the City.

Another relevant factor is Council’s level of rate arrears for business properties remaining low. The current business rates arrears is 2.36%. Whereas the overall arrears for Council rates and charges is 3.44%. The low ratio for the business rating category indicates a good capacity to pay.

**Business compared to neighbouring councils**

The table below provides a comparison of Council’s business rates for properties with a similar land value with that of Fairfield and Parramatta for 2014/2015:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Council** | **Suburb** | **Area**  **m2** | **Land Value**  **$** | **Rates**  **$** |
| Blacktown –  with 12.3% increase | Eastern Creek | 1,511 | 478,000 | 4,240 |
| Fairfield –  with 2.3% rate pegging increase | Fairfield | 427 | 445,000 | 4,594 |
| Parramatta –  with 2.3% rate pegging increase | North Parramatta | 760 | 467,000 | 6,535 |

The table below provides an estimated comparison of Council’s business rates with that of Fairfield and Parramatta for 2015/2016:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Council** | **Suburb** | **Area**  **m2** | **Land Value**  **$** | **Rates**  **$** |
| Blacktown –  with 13% increase | Eastern Creek | 1,511 | 478,000 | 4,792 |
| Fairfield –  with 3% rate pegging increase | Fairfield | 427 | 445,000 | 4,731 |
| Parramatta –  with 3% rate pegging increase | North Parramatta | 760 | 467,000 | 6,731 |

## Other factors in considering reasonable impact

In assessing whether the overall impact of the rate increases is reasonable we may use some of the same indicators that you cite in section 5.2 above. In general, we will consider indicators such as the local government area’s SEIFA index rankings, average income, and current rate levels as they relate to those in comparable councils. We may also consider how the council’s hardship policy might reduce the impact on ratepayers.

### Addressing hardship

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

|  |  |
| --- | --- |
| Doe the council have a Hardship Policy? | Yes |
| If Yes, is it identified in the council’s IP&R documents? | Yes |
| Please attach a copy of the Policy and explain who the potential beneficiaries are and how they are addressed. | Refer to Appendix 19 |
| Does the council propose to introduce any measures to limit the impact of the proposed special variation on various groups? | Yes |

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

Council recognises that it is in the best interest to maximise revenue generation through the recovery of rates and charges where necessary. The payment of rates and charges is crucial to the effective operation of local government. However, this recovery needs to be balanced with the identification and consideration of the community needs. Councils approach to debt management is equitable, accountable, consistent and transparent but most importantly empathetic and compassionate.

Council works co-operatively with the community to ensure those residents who experience genuine hardship or who are otherwise disadvantaged are dealt with ethically and supportively. To do this Council aims at achieving a balanced approached including:

* The provision of multiple payment options including Westpac bank, Australia Post, online, BPay, at Council offices, by phone and through the mail.
* Council will contact a customer immediately if it becomes evident that there could be a problem with them paying their bills.
  + If a ratepayer is experiencing financial difficulties, Council offers variable payment options whereby a ratepayer can apply for an extension on the due date or pay weekly, fortnightly or monthly.
  + Council gives customers the opportunity to have one to one contact with staff, either by phone, at Council’s customer service centre or a personal home visit by Council’s outside mobile customer service officer.
  + Council proactively informs all customers of any exemption, discounts or rebates they may be entitled to.
  + Council will provide information to those customers experiencing financial hardship, of recognised charitable financial and legal counseling to assist with management of their situation.
  + All Council staff are trained in ethical debt management procedures.

# Assessment criterion 4: Assumptions in Delivery Program and LTFP

The DLG Guidelines state this criterion as follows:

*The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.*

Summarise below the key assumptions adopted by the council and indicate where they are set out in your Delivery Plan and LTFP. We will need to assess whether the assumptions are realistic. For your information, we will consider such matters as:

* the proposed scope and level of service delivery given the council’s financial outlook and the community’s priorities
* estimates of specific program or project costs
* projections of the various revenue and cost components.

To also assist us, identify any in-house feasibility work, industry benchmarks or independent reviews that have been used to develop assumptions in the Delivery Program and LTFP if these are not stated in those documents.

Council’s key focus for both the short and long term, is to achieve financial sustainability while maintaining a capacity to deliver the communities objectives as contained in its Community Strategic Plan, Delivery Program and Operational Plan.

The LTFP is a key component of Council’s Resourcing Strategy. It contains projections on the long term financial position of Council based on the strategies and goals identified in Council's Community Strategic Plan (Blacktown City 2030). Council’s LTFP has been developed in conjunction with the other two components of its Resourcing Strategy, its Asset Management Strategy and the Workforce Management Plan.

The LTFP has been updated annually and progressively improved since 2010/2011. As noted in **Section 2**, the Long Term Financial Plan 2013-2023  was adopted by Council as part of its IP&R Framework in June 2013. A revised LTFP including Council’s proposed funding strategy for infrastructure asset renewal and the special variation was exhibited from December 2013 to February 2014 and adopted by Council on 19 February 2014.

In keeping with Council’s commitment to continuous improvement in 2013, Council had an actuarial assessment undertaken on the LTFP. The purpose of this assessment was to ensure the integrity of the financial modelling and projections and to identify potential further improvements that could be made in the future.

This actuarial assessment was undertaken by Mr David Minty, an actuary with Finity Consulting Pty Ltd. Overall, his review concluded that Council’s LTFP was robust and suitable for Council’s planning processes. The calculations and projections were found to be sound, and the alternative scenarios valid.

The LTFP is based on maintaining existing services for the community at existing service levels. The LTFP is reviewed regularly to reflect the City’s needs and community priorities based on changes in service levels as they are varied by Council. The capacity of Council to fund increases in levels of service are assessed against the financial policy framework provided in the LTFP.

Council’s existing services are outlined in the Delivery Program 2013-2017 in the section “Functions of Council”. The present levels of service have generally been defined historically by a balance between the community’s desired level of service (assessed by various means including surveys, service requests and informal feedback) and Council’s resource capacity and strategic priorities. In some cases, service levels are set through major contracts or service level agreements.

Service levels for asset-based or “Infrastructure Services” are of particular importance to Council’s long term planning and the financial modelling which is provided in the LTFP. These service levels are outlined in detail in Council’s Asset Management Strategy and Asset Management Plans for transport, buildings, open space and drainage.

The LTFP covers the ten year period 2013/2014 to 2022/2023. The basis for projecting Council’s long term financial position is consistent with that used in previous versions of the LTFP, having regard to past trends for both income and expenditure patterns along with incorporating the most recently available economic data projections and investment advice. The LTFP models the following range of alternative scenarios:

* Base Case Scenario
* Optimistic Case Scenario
* Pessimistic Case Scenario
* Balanced Base Case Scenario
* Base Case plus Enhanced Asset Management
* Base Case plus Enhanced Asset Management funded by Special Rate Variation
* Balanced Base Case plus Enhanced Asset Management funded by Special Rate Variation.

**LTFP - Key assumptions**

The LTFP details the key assumptions used to prepare the 10 year financial projections for income and expenditure including asset renewal. Each assumption is summarised below, it being noted that more detail is provided on pages 4 to 13, and page 34 of the LTFP.

**Rates**

The base case scenario of the LTFP assumes that Rates will increase by 3.75% annually. This comprises an assumed rate pegging limit of 3% plus 0.75% additional rates income attributable to the annual growth in rateable properties as the Blacktown LGA continues to develop.

**Domestic Waste Charge**

The average forecast increase for Council’s Domestic Waste Charge is 5.33% over the next 10 years of the LTFP. The main cost factors for this charge are tipping fees, plant and equipment, operational and capital costs and waste disposal fees.

**Fees and charges**

The revenue for this item relates to fees and user charges collected from the use of Council facilities and services. These fees consist of regulated and discretionary fees. It has been assumed that revenue from fees and charges will increase in line with CPI, which is assumed to be 3%.

**Financial Assistance Grant**

The largest single source of Council’s grants revenue is the Financial Assistance Grant (FAG).

In general, the total funding available increases each year in line with CPI and population growth. The LTFP projects the Financial Assistance Grant to increase by 4.5%.

**Other income**

Other revenue is projected to increase at 3% p.a. which is based on historical trends in these categories of income.

**Interest revenue**

Based on research and Council’s conservative investment policy, the LTFP projects future interest rates to average 5% p.a. over the next ten years.

**Grants and contributions**

It is assumed that grants and contributions will increase on average by 2% per annum.

**Section 94 Contributions**

The LTFP applies an average increase of 3% to Section 94 contributions.

**Salaries and wages**

It is forecast that salaries and wages will increase on average by 4.3% over the next ten years. This is based on assumed increases to the Enterprise Agreement, increases to superannuation contributions and an allowance for a modest increase in the number of full time equivalent staff.

**Energy costs**

It is assumed that energy costs will increase on average by 5% per annum over the next ten years.

**Maintenance**

Maintenance costs are assumed to increase by a CPI of 3% in most years, however in order to achieve a balanced budget in the first 4 years of the LTFP, the overall average increase over the next ten years of 2.84% per annum.

**Other expenses**

Other expenses are assumed to increase by a CPI of 3% in most years, however in order to achieve a balanced budget in the first four years of the LTFP, the overall average increase over the next ten years of 2.47% per annum.

**Contribution to other levels of Government**

Based on historical increases, it is projected these payments will increase by an average of 10.5% per annum.

**Profit on disposal of assets and proceeds on sale of assets**

This item is projected to increase in line with a CPI of 3% over the next ten years.

**Capital**

This item is projected to increase in line with a CPI of 3% over the next ten years.

### Key scenarios

The two most relevant scenarios included in the LTFP are:

* Base case scenario (Page 38, of Appendix 15).
* Base case plus Enhanced Asset Management funded by Special Rate Variation (Page 53 of Appendix 15).

In this section which discusses each of these scenarios in more detail to explain how the proposed funding strategy, which includes an increase in rates for additional asset renewal, is incorporated into the long term financial projections.

### Base case scenario

The base case scenario forms the basis of Council’s LTFP. It is based on a range of assumptions which are considered the most likely to occur over the next ten years.

The table below is a summary of the forecast budget results for this scenario which shows that the forecast results are a balanced budget result in the financial years 2013/2014 to 2016/2017 followed by increasing deficits for the remaining years of the LTFP. This scenario is shown at page 38 of Appendix 15.

This scenario aligns with the first four years of the 2013-2017 Delivery Program and presents a balanced budget over the next four years followed by increasing deficit results for the last six years of the LTFP. This scenario does not provide for any additional expenditure on asset renewal and, as shown in the TCorp indicators table at the bottom of this section, results in further deterioration of Councils key indicators for asset renewal.

**TCorp indicators (2013/14 – 2022/23) – Base case scenario**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **13/14 ($’000)** | **14/15 ($’000)** | **15/16 ($’000)** | **16/17 ($’000)** | **17/18 ($’000)** | **18/19 ($’000)** | **19/20 ($’000)** | **20/21 ($’000)** | **21/22 ($’000)** | **22/23 ($’000)** |
| Operating Income | 241,531 | 254,780 | 262,970 | 272,913 | 282,721 | 293,349 | 304,330 | 315,664 | 327,382 | 339,492 |
| Operating Expenditure | 201,190 | 209,228 | 218,189 | 227,530 | 237,922 | 248,843 | 260,329 | 271,874 | 284,006 | 296,762 |
| **Operating Result (Ex. Depreciation)** | **40,341** | **45,552** | **44,781** | **45,383** | **44,799** | **44,506** | **44,001** | **43,790** | **43,376** | **42,730** |
| Depreciation | 58,000 | 60,320 | 62,733 | 65,242 | 67,852 | 70,566 | 73,389 | 76,324 | 79,377 | 82,552 |
| **Operating Result Surplus/**  **(Deficit)** | **(17,659)** | **(14,768)** | **(17,952)** | **(19,859)** | **(23,053)** | **(26,060)** | **(29,388)** | **(32,534)** | **(36,001)** | **(39,822)** |
| Net Capital Result Surplus/(Deficit) | 17,659 | 14,768 | 17,952 | 19,859 | 22,491 | 24,783 | 27,192 | 29,668 | 32,206 | 35,204 |
| **Net Result  Surplus/**  **(Deficit)** | **0** | **0** | **0** | **0** | **(562)** | **(1,277)** | **(2,196)** | **(2,866)** | **(3,795)** | **(4,618)** |

The table below is a summary of the TCorp indicators over the next ten years for the Base Case scenario of the LTFP. This table demonstrates that if Council does not increase the funding allocated towards asset renewal over the next ten years, the **Building and Infrastructure Renewal Backlog ratio** will continue to worsen and in ten years time this ratio will be equivalent to 0.17.

Further, there will be no significant improvement in the **Building and Infrastructure Asset Renewal ratio** over this period, and that the current level of funding for asset renewal will mean this ratio stays below or equal 30% over the next ten years, which is well below the benchmark target of 100% set by TCorp and the industry.



### Base case scenario plus enhanced asset management funded by Special Rate Variation:

This scenario is based on the base case scenario and includes the provision of increased expenditure of $105.829 million over the next 10 years for asset renewal of Council’s existing infrastructure network. This scenario also incorporates Councils funding strategy for additional asset renewal which consists of increasing rates above the rate variation limit through a special rate variation, the re-allocation annually of $1 Million in sustainable operational savings and the reallocation of $2 Million annually from Council’s Infrastructure Sinking fund. The base case plus enhanced asset management funded by Special rate variation scenario is shown at page 53 of Appendix 15.

The table below is a summary of the forecast budget results for this scenario which comprises of a balanced budget result in the financial years 2013/2014 to 2016/2017 followed by increasing deficits for the remaining years of the LTFP which are the same as the forecast deficits shown in the base case scenario. As this scenario includes the additional expenditure on asset renewal that is required to address Councils infrastructure backlog over the next ten years, there is an improvement in the key ratios to assess the renewal of assets as shown in the TCorp indicators table at the bottom of this section.

**Base case scenario plus enhanced asset management funded by the SRV**



**TCorp Indicators (2013/14 – 2022/23) – Base Case plus Enhanced Asset Management funded by Special Rate Variation**

The table below demonstrates that the approval of the SRV and the accompanying funding strategy for additional asset renewal will result in a significant improvement in the asset renewal ratios used by TCorp to assess the sustainability of a council. The indicators in the table below show by increasing the funding allocated to asset renewal, over the next ten years, Council will be able to better manage the **Building and infrastructure renewal backlog ratio**, with this ratio forecast to equal 0.09 in 2022/2023. Whilst this does not meet the benchmark of less than 0.02, it is a significant improvement on the forecast ratio of 0.17 at the current level expenditure.

Further, there will be a significant improvement in the **Building and Infrastructure Asset Renewal ratio** over this period, with the ratio moving above 50% and being forecast to equal 55%. Again, whilst over the next ten years it is not forecast that Council will reach the benchmark target of 100% for this ratio, it is forecast to improve and to start moving in the right direction in order to over the longer term achieve a renewal ratio that is closer to the benchmark than is currently being achieved.

It is noted from the table below, that in this scenario Council will also improve on all of the other key indicators used by TCorp and in most cases will be able to either meet or better the benchmark set by TCorp. These indicators are shaded green.



## Assumptions in the Delivery Program

(See Appendices 11 and 16)

### Delivery Program 2013-2017

The main elements of the Delivery Program relating to this criterion and the proposed special variation are outlined below.

Council’s overall approach to service levels and the most relevant factors to the special variation are discussed in **Section 3.1.3**.

The Delivery Program 2013-2017 (Appendix 11) identifies the full range of existing Council services on pages 18-19. The range and level of these services is not materially altered by the special variation, with the exception of the infrastructure capital works programs noted below and discussed in more detail in **Section 6.3**. Council’s ongoing review of its services is discussed in **Section 3** and **Section 7**.

The proposed revisions to the Delivery Program 2013-2017 which were exhibited by Council as part of the community consultation on the special variation, and which were adopted by Council on 19 February 2014, are provided as Appendix 8.

The “Proposed” Delivery Program document (now adopted) identifies the key elements affected by the special variation, as follows (references are to replacement pages of the original Delivery Program):

Page 17 – Grand Budget Summary: includes the additional revenue from the funding strategy, including special variation, in the remaining years of the Delivery Program.

Page 103 – Capital Works Program: explains the need for the special variation and how it would be applied.

Page 105 – Infrastructure Sinking Fund: explains the reallocation of $2 million per annum from new/upgraded assets funded by this source.

The Capital Works Program allocations for 2013/2014 identified on page 103 (of both appendices) would be altered by the special variation as follows:

* Transport infrastructure – additional $5.5 million allocated to asset renewal.
* Buildings – additional $1.3 million allocated to asset renewal.
* Open space – additional $1.8 million allocated to asset renewal.
* Other infrastructure – additional $1.4 million allocated to the renewal of Blacktown International Sportspark and Council’s aquatic and leisure centres.

## Assumptions in the Asset Management Strategy

(See Appendix 10, part 2)

### Lifecycle Management Plan

The Lifecycle Management Plan of the Asset Management Strategy delivers current strategies of each expenditure type. These strategies are expressed in the form of 7 “Key Elements” and can be summarised as shown below.

### Asset Renewal

Asset renewal focuses on the preservation of services by replacing the ageing or damaged assets that underpin those services. Lack of asset renewal investment will pass on the legacy of replacing unserviceable assets to future generations and potentially lead to an unsustainable financial position where assets fail at a faster rate than their renewal can be funded. Council has invested significantly in understanding how and when to renew its assets through statistical analysis and condition inspections.

Council has committed to managing the projected asset renewal forecasts for the duration of the ten year planning period including addressing the current asset renewal backlog.

**Key Element 1**

*Revise annually asset renewal forecasting and long term financial planning and report the one year, 10 year and long term sustainability ratios.*

*Fund the projected renewal work required over a ten year planning period (****i.e. ten year asset renewal funding ratio is equal to or greater than 1.0****), therefore maintaining existing services.*

*This is the basis for the Asset Renewal Trigger Project contained in Blacktown City 2030.*

### Asset Maintenance

The current strategies for asset maintenance includes a regular inspection regime to maintain performance monitoring of both planned and unplanned maintenance activities. It is anticipated that this will lead to further efficiencies already gained in this expenditure type.

A moderate increase to maintenance funding is included in both the ten year maintenance projections and Long Term Financial Plan to cover inflation and increases to assets created through the development of the North West Growth Sector, however no additional funds above these increases are identified as part of the special variation.

Council will continue to monitor the performance of its maintenance operations through the measures contained in the Key Elements listed below with particular emphasis on Key Element 4, which represents an Asset Maintenance Backlog.

**Key Element 2**

*Document all frequency based maintenance activities, prepare performance measures and implement performance monitoring.*

**Key Element 3**

*Document all preventative maintenance activities, prepare works schedules and implement performance monitoring in a consistent framework.*

**Key Element 4**

*To reduce the annual growth of deferred maintenance for all maintenance activities to zero.*

### Asset Upgrade and New

**Urban Release Areas**

Upgrade and new strategies are documented for the two distinct regions of the City. The rapid growth rate currently being experienced in the North West Sector requires significant investment to provide services that do not currently exist. These services are planned to support the incoming community through urban planning schemes and typically provided by developers through land subdivision or funded by developer contributions. Until recently the collection of the developer contributions required to provide essential infrastructure was not guaranteed and led to Key Element 5 below.

**Key Element 5**

*Continue to lobby the State Government to allow the provision of essential infrastructure through developer Contribution Plans.*

Funding the difference between the amount required to provide the essential infrastructure and the amount allowed from Contribution Plans, due to the size of Council’s future urban release lands, would have been beyond the capacity of Council.

This is a critical issue for Blacktown City, which is discussed further in **Section 3**.

**Existing Developed Areas**

Blacktown City has developed rapidly over the past 30-40 years. During this development many incremental increases to the type and quantity of services provided have occurred. For example, many facilities provided in the early 1980’s are well below what is now acceptable to the community and what is provided in new release areas. This has inevitably led to areas being serviced at a higher standard by comparison to older areas.

Council is faced with the real challenge of upgrading services with limited funding in its older areas to be comparable with that of current and future release areas.

Key Element 6 contained in the Asset Management Strategy refers to additional investigation into Service Levels relating to Upgrade and New in the Asset Management Plans.

**Key Element 6**

*Implement the actions relating to Upgrade/Expansion in the individual Asset Management Plans.*

To implement Key Element 6, and determine the works required to progress towards the desired upgrade/expansion services, Council needs to:

* Determine and adopt upgrade service levels and document these in individual Asset Management Plans.
* Identify gaps in service provision by comparing existing provision against desired provision.
* Quantify physical work or asset enhancements required to achieve desired service levels City-wide.
* Consult with the community to determine priorities.
* Based on community levels of service criteria and available funding, prioritise upgrades identified from all service level gaps.
* Implement a program of works through the Works Improvement Program.
* Update planned capital Upgrade/Expansion Plans of individual Asset Management Plans.

Council over the past five to ten years has increasingly diverted funds from this investment type in favour of increased renewal investment. In the funding strategy of which the proposed special variation is part, SRV Council resolved (see Appendix 6) to allocate a further $2 million per annum from new/upgraded capital works into further asset renewal in an effort to reduce the impact of a special variation. This reallocation will constrain Council’s ability to implement the other trigger projects identified in its Community Strategic Plan.

**Key Strategy 7**

*Include the provision of Trigger Projects into the Upgrade/Expansion forecasts of the relevant Asset Management Plans.*

It is understood that Council in most instances will not be able to fund the upgrade works to achieve aspirational service levels in their entirety, however, will be well positioned to continue to respond to community expectation with any funds made available.

At this stage, Council has been unable to balance a ten year program of strategic infrastructure works with the ten year Infrastructure Sinking Fund program, having a shortfall of approximately $35 million. This will be the subject of further Council consideration in the next review of the Delivery Program.

# Assessment criterion 5: Productivity improvements and cost containment strategies

The DLG Guidelines state this criterion as follows:

*An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.*

In this section, provide details of any productivity improvements and cost containment strategies that you have implemented in the last 2 years (or longer) and any plans for productivity improvements and cost containment during the period of the special variation. These plans, capital or recurrent in nature, must be aimed at reducing costs. Please also indicate any initiatives to increase revenue e.g., user charges. Identify how and where the proposed initiatives have been factored into the council’s resourcing strategy (e.g., LTFP and AMP).

Where possible, quantify in dollar terms the past and future productivity improvements and savings.

You may also use indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and the DLG Group data provided to us.

Council has an established commitment to providing a broad range of quality assets and services expected by its growing community at the lowest possible cost. Council has continued to maintain and in many cases improve service delivery and quality while maintaining rate increases, in cumulative terms, within rate pegging limits since the inception of rate pegging in 1977.

Council has had a long standing commitment to cost containment. Council regularly benchmarks its costs against neighbouring and other councils to identify areas it could achieve cost reductions. Listed below are some examples of the initiatives and practices Council has used to contain costs while maintaining service levels.

### Low operating costs per capita – 15% lower than average for WSROC councils

The Division of Local Government (DLG) issues an annual series of comparatives to assess and benchmark all NSW councils. This report is titled ‘NSW Local Government Councils Comparative Information Report’, which contains a number of indicators to measure, and benchmark, the performance of all NSW councils. Blacktown consistently has one of the lowest overall operating costs per capita for all NSW councils. In its most recent report for the 2011/12 financial year, Blacktown had an operating expense per capita measure of $779.83. By comparison, the average for all WSROC councils was $908.53 per capita, and for all councils in the same reporting group as Blacktown (Group 3) the average amount was $858 per capita. The average amount for all NSW councils was $2,427.79 per capita.

### Established stringent budget practices – annual target budget savings of $1 million

A key objective of Council’s annual budget preparation is to minimise increases to expenditure budgets for existing services. This objective recognises the need for Council to fund new and/or expanded services expected by its growing community, as well as adequately funding its infrastructure renewal requirements.

For more than a decade Council has prepared annual budgets on the basis that all operating expenditure budgets, other than those for current contractor and employment related costs, are maintained at the previous year's level. Any budget increase over the previous year’s budget is only permitted if there is an expanded service delivery (for example higher costs attributable due to increased open space areas maintained by Council) unavoidable or higher external costs (such as increased energy costs). This practice has helped minimise the funding available to expanded service delivery by compelling budget managers to continually identify savings while maintaining service levels. The savings achieved by this approach exceed $1 million per annum.

### Revisions to Council’s pensioner rebate policy – annual savings $1 million allocated to asset renewal

In 2013, Council revised its Pensioner Rebate Policy which achieved an annual saving of $1 million. This saving has been fully allocated to additional asset renewal works.

All NSW councils are required to provide a rebate to all eligible pensioners on their rates. Council has approximately 13,700 eligible pensioners who receive the mandatory pensioner rebate. This rebate has remained at $250 since 1993. The NSW State Government remits 55% of the cost of this rebate. The net cost to Council is approximately $1.5 million, which increases by approximately 4% per year, which is attributable to an increase in the number of eligible pensioners entitled to the mandatory rebate.

Council has also historically provided an additional Voluntary Pensioner Rebate for long term residents. Council’s additional rebate (termed Voluntary Pensioner Rebate) was originally introduced in November 1988. The voluntary rebate was an additional rebate that, when combined with the mandatory $250 rebate, provided pensioners with a total rebate of 50% of their rates.

The overall cost of the Voluntary Pensioner Rebate was increased annually by a considerable amount. In 2003/2004 the total cost of the Voluntary Pensioner Rebate was $683,726. During 2012/2013 this cost was $2,024,259, representing an average annual increase of 13.2% over the 10 year period. Without any changes to the rebate in 2017/2018 the annual cost was projected to increase to $2.9 million, and in 2022/2023 to exceed $4.2 million.

In 2012/2013 the combined cost of the Mandatory and Voluntary Pensioner Rebate ($3,565,509) represented approximately 90% of the total additional rates income Council received, attributable to the 2012/2013 Rate Variation Limit of 3.6%. No change had been made to Council's Voluntary Rebate Scheme, this proportion would increase to a projected level that in eight years’ time will equal the Rate Variation Limit.

Incurring significant political pain, Council resolved in 2013 to revise its pensioner rebate policy so that the voluntary rebate was reduced to a fixed amount of $105. This resulted in savings of approximately $1 million per annum. These savings have been used to increase the annual funding allocated to asset renewal.

### Workers Compensation costs – annual saving $750,000

Workers Compensation costs represent a sizeable proportion of the overall employment costs for large organisations. Workers Compensation costs have for a number of years been increasing at a significant rate. In response to this increase in 2013 the NSW Government introduced new legislative requirements aimed specifically at reducing the cost of Workers Compensation.

Before these legislative changes were made, Council had been committed to minimising the cost of Workers Compensation, while ensuring its employees receive adequate care and support. Since 1991 Council has been self-insured for Workers Compensation, which has meant Council can better manage individual claims more proactively and injured employees can be rehabilitated and return to work. Underpinning this has been the ongoing development of sound safety systems which are regarded as one of the best within the NSW local government sector.

As a result of this approach Council has achieved significant savings in workers compensation costs. The local government industry average for Workers Compensation expenditure is currently 2.82% of total employment costs. As at 30 June 2013, an independent actuary assessed Council's Workers Compensation costs at 2.1%. This is a tangible result of Council administering in-house its occupational exposure.

Council regularly benchmarks the cost of being self-insured as opposed with the cost of external insurance providers, and based on this analysis it is estimated that the annual saving to Council, of being self-insured, is in the order of $750,000 per year.

### Land development activities – annual return to Council’s budget $1.3 million

In 1984 Council established a ‘Land Projects’ group with the long term aim of maximising the return on surplus of Council "operational" Property Assets. This group comprises of staff from a variety of sections of Council including Council's Property, Engineering and Finance sections.  The group oversee a range of short, medium and long term land development activities. These activities are undertaken each year, a contribution of $1.3 million is made towards Council's annual budget. In addition to the annual contribution of $1.3 million, the returns generated by Council’s land development activities have funded land acquisitions which will subsequently be developed in the future. In addition to the annual contribution of $1.3 million to Council’s budget, the returns on land development activities have helped fund major iconic new infrastructure in the LGA, such as the AFL/Cricket Precinct at Blacktown International Sportspark, the Blacktown (Max Webber) Central Library and the Blacktown Civic Plaza. The work of the Land Projects Group has contributed towards Council’s continued provision of new infrastructure without the need for external borrowings.

### Long term focus on reducing energy consumption and costs – annual savings in excess of $300,000

Council has undertaken a number of energy saving initiatives over the past decade. Where possible, Council has utilised alternative funding sources to fund these initiatives. It has successfully applied for grant funding, and used future savings to forward fund initiatives. This has been done by way of an Energy Performance Contract (EPC) which has enabled a number of high cost initiatives to be funded from future energy savings.

Council has achieved significant savings in energy costs. For the 2011/2012 financial year the annual savings achieved exceeded $300,000. The initiatives that have contributed to these savings have included the following:

* A complete retrofit of lighting in Council’s administration building using T5 lighting and LED lamps to achieve a reduction in energy consumption of almost 50%.
* Replacement of the air conditioning system in Council’s administration building. Using the latest energy efficient adiabatic type system, an energy reduction of 175,000kWhrs, and annual costs savings of more than $20,000 have been achieved.
* Numerous water tanks have been installed at various council sites. At Council’s Rooty Hill Depot seven 45,000 litre tanks have been installed. The water collected is used to clean Council’s garbage trucks and street cleaners. Over 21 million litres of water has been saved since the tanks were installed. Water tanks have been fitted to many other sites, with the water collected used for irrigation purposes.
* All major centres have been fitted with power factor correction units to better manage and thereby reduce energy use.
* New light sensors have been fitted to amenity buildings so that lights are only switched on when needed.
* Light and air conditioning switches have been installed in community centres, which are linked to the security system, so that energy is not used when the centres are unoccupied.
* Heat recovery systems have been installed at Council pools, along with improved pool blankets.
* 148 air conditioning units at various community centres have been replaced with high efficient inverter systems.
* Council has fitted a number of solar panels at various sites.

### Advertising – annual savings $200,000

In 2013 Council revised its general advertising program. Reduced advertising costs were achieved by changes to the format of Council’s weekly corporate page in local newspapers and other regular advertising such as positions vacant. Council has subsequently achieved a reduction in its advertising budget of $200,000 per annum.

### Civil and open space maintenance

Council’s Civil and Open Space Maintenance Section is responsible for the maintenance of over 1,200kms of roads and over 800 parks and reserves. Council’s road network increases approximately 20 km per year, and the amount of open space maintained increases by 35ha per year. In order to continue to fund the costs of this maintenance within Council’s limited revenue base, Council has undertaken a number of innovative practices. These have included:

* Road pavement materials recovered during Council’s road reconstruction and road resealing projects are reprocessed internally by Council and reused. This material was previously directed to landfill. Once it is reprocessed it is used for construction of car park areas and road shoulder grading. Council reprocesses and reuses approximately 20,000 tonnes per year.
* Approximately 5,000 tonnes of reused material has been used for research and development to be used as a higher level material in the construction of road pavements. Initial results have been favourable as further research and development will be undertaken. Council has introduced a recycled materials certification process to encourage developers within the LGA to use recycled road pavement materials. Blacktown Council is the only LGA which specifies the standard of recycled materials to be used. This certification process ensures that new roads provided to Council have been constructed to the highest standard possible with materials that are sound and consistent. In the 2012/2013 financial year some 200,000 tonnes of recycled materials were certified for use.
* Green waste as a result of open space maintenance was previously directed to land fill. This waste is now recycled. Approximately 10,000 cubic metres of recycled green waste is produced and used each year.
* Council undertakes a proactive program of road pavement treatments to maximise the life expectancy (whole of life) of the road pavement. Treatments vary depending on the age and condition of the pavement seal, but generally commence from 6 years after the final seal is laid. All of the road pavements within the LGA are assessed on a yearly basis with the most suitable and effective treatment identified for each specific road. The data collected from these assessments is used to produce Council’s road works and road reseal programs.

### Street lighting – projected future annual saving $183,000 per annum

In 2013, Council participated in a successful WSROC grant application to the Federal Department of Resources, Energy and Tourism as part of the Community Energy Efficiency Program (CEEP). Council will use this funding to help fund the replacement of 2,258 80 watt mercury vapour lights with new energy efficient 25 watt Light Emitting Diode (LED) lights at a cost of $1,231,000.

Street lighting across the Blacktown LGA consists of 28,019 street lights and costs Council over $6 million annually to operate and maintain. This is Council’s highest energy cost. Council will receive grant funding of $821,000, with Council to fund the balance of $410,000. When completed, it will achieve a reduction of 11,654 tonnes of CO2, an annual savings of $183,000.

### Reduced vehicle running costs and emissions

Council has had a long term commitment to minimising vehicle emissions and fuel consumption. In 2002, Council was the first Organisation to join the Premier’s Clean Fleet Program. The intent was to improve diesel emissions on diesel fleet vehicles taking into consideration fuel purchases and vehicle running standards in regard to servicing and repairs ensuring the best possible emission outcomes. The RMS approved auditor engaged during the program considered Blacktown as the benchmark for other councils during the 2010 and 2013 audits.

Council has participated and assisted the EPA in their “Clean Machine Program” in reviewing off-road plant and equipment to improve emission standards not currently covered by the RMS/EPA. Other initiatives completed by Council include:

* Installation of a vapour recovery system at Council’s fuel bowsers to reduce emissions by 93%.
* Since 2009 all of Council’s diesel fleet has used Biodiesel B20.
* Installation of an advanced fuel filtering system at Council bowsers whereby fuel is subject to a 2 micron filtering system, which allows for an extended interval between fuel filter changes.
* Installation of catalytic convertors to Council’s older plant and equipment that was compliant with Euro4 standards, allowing older plant to still be used while also minimising emissions.
* A revised vehicle leaseback policy, with an emphasis on encouraging smaller, fuel efficient 4 cylinder cars. In 2006, 96% of leaseback cars had 6 cylinder engines. Currently, less than 25% of Council’s leaseback fleet have 6 cylinder engines. As a result, in real terms Council’s annual cost of fuel is approximately $70,000 lower than it was in 2006.
* Petrol and diesel fuel is purchased in bulk and directly from the supplier at a lower rate compared to the more common practice of issuing fuel cards. This has seen Council save over $174,000 each year.

### Street sweeping costs

Council is responsible for street cleaning over 1,200 km of roads. The total cost of this work is approximately $4 million per annum. Council has an established practice of “double-shifting” its street sweeping trucks. The purpose of this strategy has been to minimise the capital costs associated with acquiring additional trucks by fully utilising existing plant. The average cost of a new street sweeping truck for Council is approximately $250,000 and Council currently has four trucks.

### Information technology software and hardware

As a large multi-purpose council, with over 13 large and 45 smaller external sites and 1,000 PCs, the cost of providing and maintaining the necessary computer hardware and software is substantial. This cost, including telecommunication costs, is over $5.5 million per annum.

Council has a four year IT strategy, which contains a number of initiatives aimed at ensuring Council has the necessary IT services and equipment to effectively conduct its operations. By having a longer term approach to the provision and replacement of IT equipment, whole of life cost savings are achieved. For example, Council currently has over 1,000 PCs, which are all replaced at the same time. This means a lower unit rate can be achieved by utilising bulk purchase rates available to the government sector. Further, Council has extended the duration of its PC replacement program to five years. This has meant a reduction in overall cost in real terms of replacing its PCs.

Council has also achieved tangible savings in software costs. By using the one major corporate business system for the past 20 years it has achieved significant software saving costs. By comparison, the majority of other NSW councils have replaced their corporate business applications at least once and possibly multiple times over the same period, at a substantial cost. In other words, Council has avoided the need to expend in the order of $10 million that would have been necessary if it had replaced its Corporate Business Systems.

In keeping with general industry trends, Council has experienced significant increases in the level of data transferred across the internet to its various sites. In order to minimise these costs, Council regularly conducts tenders for telecommunication services. Its most recent tender conducted in 2012, Council achieved a reduced rate for these services, resulting in an annual saving of $50,000.

### Community events

With a large and diverse population Council takes pride in providing a comprehensive events program. The program comprises many smaller events held throughout the year along with a number of notable major events. The two most significant events are the Blacktown City Festival which attracts over 120,000 people and the Australia Day celebration which attracts in excess of 40,000 people.

The cost of holding events has increased in recent years as a result of increased legislative standards pertaining to traffic management and WHS requirements. As a result of these cost increases, Council has undertaken a major review of its festival program to ensure it continues to provide a program of events which are enjoyable and well attended, and is within existing budget allocations.

Council has also revised the use of external contractors for the provision of equipment hire and entertainment to minimise costs. The overall result is an annual reduction in real costs of approximately $200,000.

### Community facilities

Council has revised its approach for the provision of community facilities. Previously, in keeping with established local government practice, Council constructed a number of forms of community facilities, such as:

* Neighbourhood centres
* Community centres / halls
* Child care centres
* Youth centres
* Libraries.

Since 2008, Council revised its approach by instead constructing larger multi-purpose buildings. These are called Community Reserve Hubs (CRH). These CRH’s are larger facilities with an extended range of functions. They provide a focus for local communities to come together for social, cultural, lifelong learning as well as health and wellbeing activities and services.

Each CRH has three core functions:

* *Lifelong learning:* e.g. playgroups, library outreach story times, homework support, small business courses and TAFE outreach course (e.g. languages, first aid, and job preparation).
* *Health and wellbeing:* e.g. early childhood clinics, family support services, therapeutic clinics such as speech pathology, psychology, counseling services and group programs such as stress management, quit smoking and weight loss.
* *Social and culture:* e.g. music lessons, areas to hire for family events such as birthdays, weddings and anniversaries, school holiday programs, craft programs for people with disabilities, seniors community choirs, community film nights, dance classes and playgroups.

The benefits of larger multipurpose facilities are they can be constructed at a lower overall cost compared with the cost of constructing multiple facilities at a higher overall cost. These savings are achieved with a reduction in land acquisition costs as fewer sites are required. Ongoing operational and maintenance costs are also lower.

### Responding to changes in the market for child care services

Due to the increased competition from the private sector, Council’s childcare centres have suffered reduced utilisation rates, and consequently reduced income. In response, Council has changed some centres from 39 places to 29 places. This has reduced staff costs while still ensuring staff levels comply with legislation. An annual saving of over $700,000 from these changes has helped offset the impact of reduced income on overall net costs.

### Debt recovery

Council undertakes its own debt recovery services, rather than outsourcing to an external company. This has two main benefits, improved debt recovery rates as Council officers are better able to build relationships with ratepayers and efficiency costs of approximately $1.8 million each year by providing the service internally.

#### **ONGOING STRATEGIES TO FURTHER CONTAIN COSTS**

### Service reviews and operational efficiencies

The need for all councils to review services on an ongoing basis and ensure that their services provide the best value to the community is further emphasised by the increasing financial pressures on local government. In addition to its long-established budgetary discipline (estimated to produce annual savings in the order of $1 million), Council will continue to be challenged in future years as many of its major costs continue to increase at a higher rate than its major revenue sources. To address this challenge Council has recognised the need for an effective and ongoing cross-organisational program of service and process review, not only in order to achieve savings but to ensure service efficiency and value.

In Council’s 2013/2014 Operational Plan is an action to “Undertake ongoing Better Practice Review program to progressively identify and implement business and service improvements”. This will be achieved through the undertaking of major service reviews. The major reviews undertaken or commenced have included:

* Child care
* Aquatic centres
* Open space
* Community centres
* Drainage engineering
* Library service.

### Conservative and prudent investment management

Council has consistently achieved sound returns on its investment portfolio while minimising risk. This has been achieved by having a detailed and conservative investment policy, consistently obtaining independent quality investment advice, and the regular review of its investment strategy. Council has never invested in Collateral Debt Obligations (CDO), and during the Global Financial Crisis did not suffer any capital losses. By careful analysis and management of its short, medium and long term cash flow requirements Council is able to strategically invest its funds to maximise investment returns.

### Strategic procurement

Council is currently developing a new three year Strategic Procurement Plan. Building on work already achieved in this area the new plan is focused on promoting throughout Council the latest procurement best practices to enable Council to obtain best value for money solutions. Key objectives of the plan include:

* Greater use of government contracts to reduce tendering costs.
* Further developing preferred supplier arrangements.
* Review of current contracts and supplier relationships to enhance the value to Council in future contract negotiations.
* Consolidate high end procurement activities with a specialised team to focus on cost savings.
* Better utilisation of new technology advancements to minimise transactional cost.
* More regular training of staff to enable efficient purchasing practices.

### Formation of independent Audit Committee

Since 2009, Council has had an Audit Committee established in accordance with Section 355 of the Local Government Act, 1993. The purpose of the committee is to provide independent assurance on risk management, control, governance and external accountability. A number of independent audit reports prepared by both internal and external auditors provided assurance that the key controls are effective and that there is compliance to policies and procedures for the areas reviewed. Significant audit reviews have been carried out to improve controls and recommend opportunities for improvement over Council’s expenditure processes. These reviews have included Council’s procurement, tendering and contract management, accounts payable, payroll and leave management. Management’s responses to recommendations made in these audits established management’s commitment to having sound and effective internal control framework.

# Other information

## Previous Instruments of Approval

If you have a special variation which is due to expire at the end of this financial year or during the period of the proposed special variation, when was it approved and what was its purpose?

Please attach a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

Not applicable

## Reporting to your community

The *Guidelines* set out reporting mechanisms that show your accountability to your community. Please tell us how you will go about transparently reporting to the community on the proposed special variation, should it be approved. Also indicate the performance measures you will use to demonstrate how you have used the additional funds (above the rate peg) generated by the special variation.

The mechanisms that Council has in place will be further developed to ensure transparent communication and reporting to the community on the special variation are outlined in the following areas.

### Performance and Budget reporting

Council currently provides a comprehensive suite of IP&R reports to the community, made available through the Council business paper and online through the IP&R reporting section of Council’s website. All of the reports indicated can readily include specific reporting on the outcomes of the special variation, if approved and the appropriate performance measures.

The current reporting framework includes:

* **Quarterly Operational Plan and Budget Review**

Council’s reporting goes beyond compliance with the IP&R legislation and includes not only the required Quarterly Budget Reporting Statement but the performance of all actions and performance measures in its Operational Plan. This incorporates the capital works programs which will be relevant to the special variation and asset renewal expenditure by asset category.

* **6-monthly Delivery Program Review**

Council reports on the progress that has been achieved in implementing the outcomes identified in the Delivery Program. This includes specific progress reporting on the trigger projects derived from the Community Strategic Plan (including the trigger project for Asset Management and Renewal which incorporates the funding strategy including special variation).

* **Annual Report**

Council reports on the end-of-year progress in implementing the Delivery Program and Operational Plan and will also report on any special variation expenditure for that year.

* **End of Term Report** *(next report due 2016)*

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 Community Strategic Plan. The progress and outcomes to date of the trigger projects in Blacktown City 2030 as agents of City transformation is a key feature of this report.

### Performance Measures

Performance Measures and Targets are assigned for each of the Actions in Council’s Operational Plan, including those most relevant to the infrastructure programs and services affected by the special variation.

Council’s specific performance measurement framework for infrastructure asset services is described in detail in its Asset Management Plans (see Appendix 13). The Key Performance Indicators relating to the special variation are either presently included in Council’s Quarterly Performance Review report to the community or will be added in for 2014/2015.

Council is also presently conducting an overall review and strengthening of its Performance Measurement Framework, which will be informed (inter alia) by the following:

* **NSW Local Government Performance Framework**

Council is participating in this development project, which is led by the Division of Local Government and is expected to produce in 2014 a new standard set of core indicators of Local Government performance. One of the five defined Key Elements of the project is Asset Management. Council strongly supports and will look to adopt a State-wide framework for measuring and reporting on performance in this area.

* **Community Satisfaction Survey 2013**

A City-wide community survey is undertaken every two years to gauge whether the community is satisfied with progress and provide feedback on possible areas requiring priority in the future. Council will be examining the results of the survey conducted by Micromex Research in November 2013 (see Appendix 22) as part of its operational planning for 2014/2015.

### Further development of Council systems

Two developments in Council’s management and reporting systems of particular importance to the transparent communication and reporting of the special variation are outlined below.

* **Restructure of Works Improvement Program (WIP)**

Council’s current Works Improvement Program volume of its Operational Plan (provided as Appendix 12) is being restructured for 2014/2015 to more clearly identify and communicate the following:

1. Allocation of funding by the Lifecycle Management expenditure types of Renewal, Maintenance and Upgrade/New.
2. Program funding allocations to the infrastructure asset classes.
3. Levels of funding proposed to be allocated from:
   * Council’s existing resources, including the reallocation of capital works funding of $2 million per annum as part of the funding strategy discussed in this application.
   * Additional funding from the special variation.

This structure will be applied to both the proposed works program (considered by Council and exhibited as part of the draft Operational Plan) and the adopted Operational Plan on which performance and budget reporting is based.

* **Budgeting and Financial Reporting Systems**

Council will be implementing a new Corporate Business System, including Financial Management System, in 2014/2015. Planning for that system has included the requirement to identify in the financial ledger and provide the ability to report on any key parameters, such as strategic direction or trigger project from the Community Strategic Plan, geographical identifiers required for area/place management (such as the North West Growth Sector) and sources of funding. This approach will accommodate the capacity to report explicitly on works involving special variation funding.

## Council resolution to apply to IPART

The Guidelines require the council to have resolved to apply for a special variation. Please attach a copy of the council’s resolution to make a special variation application. Our assessment of the application cannot commence without it.

Please refer to Appendix 6 which is a copy of Council’s Resolution at its Ordinary Meeting of 19 February 2014 to apply to IPART for a SRV application to increase rates for asset renewal.

# Checklist of contents

The following is a checklist of the supporting documents to include with your Part B application:

|  |  |
| --- | --- |
| **Item** | **Included?** |
| Relevant extracts from the Community Strategic Plan | ✓ |
| Delivery Program | ✓ |
| Long Term Financial Plan | ✓ |
| Relevant extracts from the Asset Management Plan | ✓ |
| TCorp report on financial sustainability | ✓ |
| Contributions Plan documents (if applicable) | ✓ |
| Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation | ✓ |
| Community feedback (including surveys and results if applicable) | ✓ |
| Hardship Policy | ✓ |
| Past Instruments of Approval (if applicable) | ✓ |
| Resolution to apply for the special variation | ✓ |
| Resolution to adopt the Delivery Program | ✓ |

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

**To be completed by General Manager and Responsible Accounting Officer**

Name of council: Blacktown City Council

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

General Manager (name): Kerry Robinson

Signature and Date: 24/02/2014



Responsible Accounting Officer (name): Wayne Rogers

Signature and Date: 24/2/2014



Once completed, please scan the signed certification and attach it to the Part B form before submitting your application online via the Council Portal on our website.

1. See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://www.planning.nsw.gov.au) and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010. [↑](#footnote-ref-1)
2. The relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan [↑](#footnote-ref-2)