



Independent Pricing and Regulatory Tribunal

Section 508A Special Variation Application Form – Part B

Pittwater Council

Date Submitted to IPART: 23 March 2011

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1.0 INTRODUCTION

This form is to be completed by councils when applying for a special variation to general income under section 508A of the *Local Government Act 1993*.

Councils must refer to the Division of Local Government (DLG), Department of Premier and Cabinet *Guidelines for the preparation of an application for a special variation to general income in 2011/12* in completing this application form. These Guidelines are available on the Division's website at www.dlg.nsw.gov.au.

Note that this part of the application (Part B) must be completed in conjunction with Part A (Special Variation s508A Application Form 2011/12 – Part A).

This part of the application consists of the following sections:

- ▼ Section 2 - Special variation application overview
- ▼ Section 3 - Need for the variation
- ▼ Section 4 - Community engagement/consultation
- ▼ Section 5 - Rating structure and impact on ratepayers
- ▼ Section 6 - Financing strategy
- ▼ Section 7 - Productivity improvements
- ▼ Section 8 - Other information (special variation history, reporting arrangements and Council resolutions)
- ▼ Section 9 – Checklist of application contents
- ▼ Section 10 - Certification by the General Manager and the Responsible Accounting Officer.

Both Part A and Part B of the application should be completed and submitted electronically to localgovernment@ipart.nsw.gov.au. A signed copy of the certification should be scanned and attached to the same email. All attachments should be emailed if possible.

The spaces provided in each section of this application form may be extended as necessary to fit information. Councils are not limited in the amount of information they provide. Each section must be completed before IPART can assess the application. If necessary, IPART may seek further information from the council.

IPART will post all applications on its website. Councils should also make their application available to their community through their website.

Councils are required to submit their application by **cob Friday, 25 March 2011**. IPART encourages councils to submit their applications as early as possible.

Councils are also required to notify IPART of their intention to apply for a special variation under section 508A by **cob Friday, 28 January 2011**.

2.0 SPECIAL VARIATION APPLICATION OVERVIEW

2.1 Introduction

Between 2007 and 2009 Pittwater Council embarked on an extensive process of community engagement to capture the aspirations of residents. This culminated in Pittwater's first Strategic Plan, *Pittwater 2020 – Our Sustainable Future*.

Pittwater 2020 is a partnership with the community and includes a range of goals and strategic initiatives of what Pittwater could be in the future. Subsequently the Council has developed a long-term detailed delivery program in response to *Pittwater 2020*.

After developing a program to deliver on *Pittwater 2020* and modeling our long-term financial position Council has determined that it needs additional funds. This has been reinforced by the results of two independent community surveys and workshops.

In 2002 Pittwater Council introduced an Environmental Infrastructure Levy. This levy will expire in July 2012. By replacing the levy with a special rate variation, the Council will be able to address ageing infrastructure, continue to protect Pittwater's natural environment and provide improved services for the community.

In the past Pittwater Council has structured its financial planning around a balanced budget and a small operating surplus. This is becoming progressively harder to achieve with escalating maintenance costs, government cost shifting and limited sources of revenue available to councils.

The reality is that costs are increasing at a faster rate than our current rate peg of 2.6% for the 2010/11 financial year. The Council believes that for Pittwater to remain strong and independent and continue to provide its current levels of service, the best course of action is to apply for a special rate variation.

The key benefit of a special rate variation is a long-term focus on extensive capital improvement works program which our community has told us they want. We have developed a fully-costed \$38 million program of works spanning the next ten years, based on a special rate variation. Among the benefits of this program is a significant reduction in long-term maintenance costs for future generations.

After seceding from Warringah in 1992, Pittwater Council inherited an infrastructure stock that was in need of major improvements. Over the past 12 years the Council has upgraded some of this infrastructure and been able to absorb the associated costs. However, with the current revenue levels the Council will not be in a position in the near future to provide the same levels of service and infrastructure improvements expected by its community.

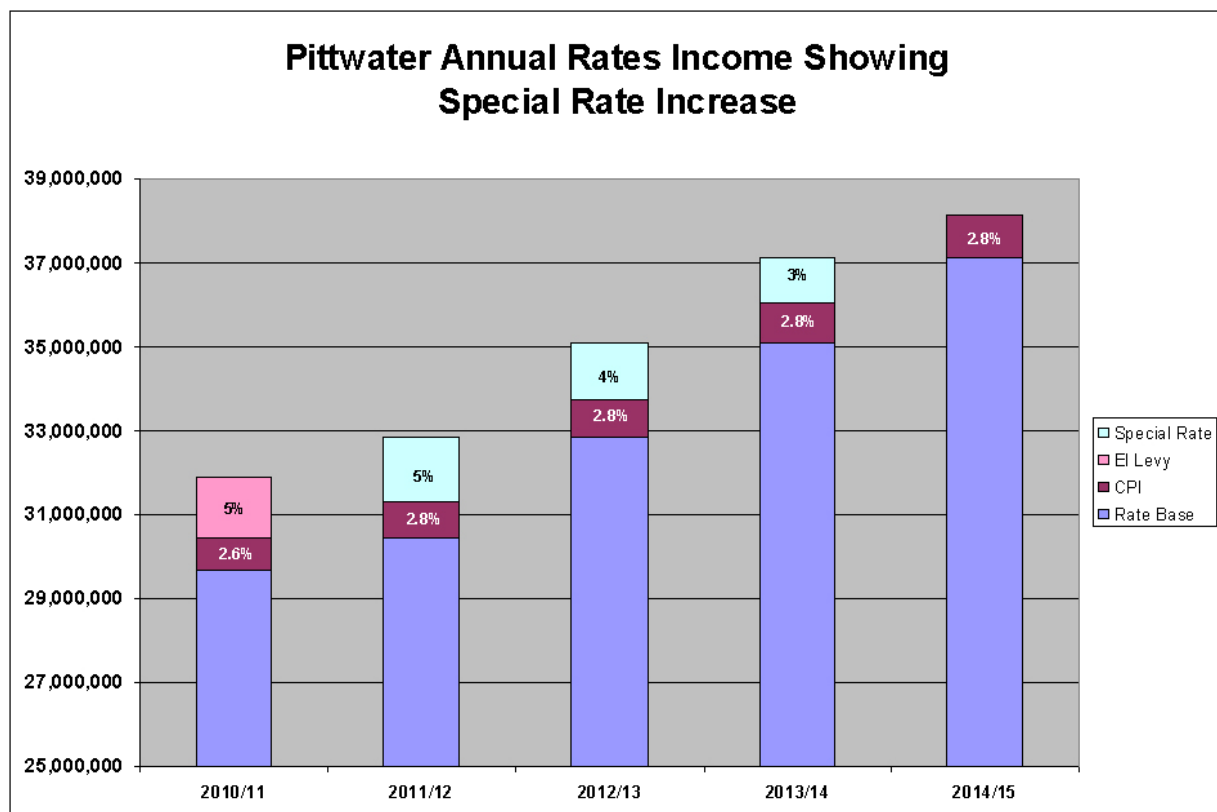
2.2 Structure of SRV

To fund the \$38 million program of works and infrastructure, Council has decided to apply for a Section 508A Special Variation.

The proposed increase will be phased in over 3 years, beginning in 2011/12, by replacing the current 5% Environmental Infrastructure Levy. There will be two further increments of 4% and 3% per annum respectively, excluding the annual CPI increase. The CPI increase, which is set annually by the state government, runs at approximately 2.8% each year. This special rate variation is planned over a three year period from 2011/12 to 2013/14 and would constitute a total increase in Council's rate base of 21% over this time. This compounded 22.8% increase (as highlighted below), over three years, includes the existing 5% EI Levy (2011/12) as well as three years of CPI.

	2010/2011	2011/12	2012/2013	2013/2014
EI Levy	5%	0%	0%	0%
Special Rate Variation	0%	5%	4%	3%
CPI	2.6%	2.8%	3%	3%

The graph below represents Council's total annual rate income showing the impact of CPI, the Environmental Infrastructure Levy (EI) and the special rate variation over a 3 year period between 2011 and 2014. The current EI Levy (5%) has one year remaining, 2011/12. It is proposed that the final year of the EI levy (2011/12) be replaced with the first year of the special rate variation of 5%. It should be noted that the EI Levy works planned for its final year (2011/12) will be completed as scheduled. If the proposed special rate variation is approved, ratepayers will not see an increase to their rates (other than CPI) until the 2012/13 financial year, beginning in July 2012.



As indicated in the above graph, CPI to date has been estimated at 2.8%. After finalising our long term financial plan and with subsequent advice from IPART, CPI for years 2012/13 and 2013/14 (being the final two years of Council's proposed Special Rate Variation) is estimated to be 3.0%.

The table below shows the actual figures relating to the graph above and highlights CPI, the EI Levy and the Special Rate Variation impact on the overall rate base of Council. Accordingly, when Council submits its Special Rate Variation application to IPART the figures used for CPI will be 2.8% for 2011/12, 3.0% for 2012/13 and 3.0% for 2013/14.

	2010/11	2011/12	2012/2013	2013/2014	2014/2015
CPI	771,836	855,476	985,086	1,054,042	1,117,285
EI Levy	1,432,803	-1,432,803	0	0	0
Special rate	0	1,522,892	1,313,448	1,054,042	0
Total Rate Base	31,890,634	32,836,199	35,134,733	37,242,817	38,380,182

As mentioned previously, the three-year special rate variation will enable the Council to carry out a fully-costed \$38 million program of infrastructure and on-ground works over the next ten years. This much needed program of works is in addition to the Council's annual capital improvement program. In the 2011-2015 Delivery Program and Budget we have budgeted approximately \$9million in 2011/2012 for capital improvements.

2.3 Application Structure

This application has been submitted in an electronic format as well as a paper-based version. We have broken this application down into three distinct parts;

- **Part A:** Excel Spreadsheet containing Part A of the application
- **Part B:** MS Word SRV Application as outlined in the IPART Application Form
- **Part C:** This section contains all the attachments that are referred to or made reference to within Part A & B of the application

Part C contains full copies of all the documents that support and inform this application. These documents can also be found on the Council's website at www.pittwater.nsw.gov.au Documents have been arranged by section. Each section of the attachments relate directly to the sections within the application in Part B.

3.0 NEED FOR VARIATION

Indicate the key purpose of the variation by marking the appropriate box with an “x”.

Infrastructure maintenance / renewal	X
New infrastructure investment	<input type="checkbox"/>
Environmental works	X
Maintain existing services	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>

INTRODUCTION

This section provides a brief overview to the need for a special rate variation in order for council to plan for the future.

Asset Management and Ageing Infrastructure

Council manages infrastructure with a replacement value of approximately \$427 million (2009 audited figures) on behalf of the community and/or government. Once created, infrastructure assets generally have long lives, but by their very nature generate ongoing responsibilities and challenges.

Pittwater Council is confronted by significant issues:

- How to pay for and the associated life cycle costs of maintenance, servicing, renewal, reconstruction
- Effect of ageing infrastructure and reduced funding as a result of rate pegging, cost shifting and escalating costs
- How to meet the increasing demand for new and upgraded infrastructure
- How to retrofit infrastructure to address non existent, deficient or substandard infrastructure
- How to prolong the life or renew existing infrastructure
- How to consider and prepare for the impact of climate change and sea level rise on our assets

In addition to the creation and or retrofitting of assets, annual maintenance programs are directed towards retaining adequate levels of serviceability of assets, but keeping assets to desirable standards is one of Pittwater’s biggest financial challenges.

Rating Pegging

The State Government’s rate pegging legislation has limited Council’s ability to raise general rating income. A significant level of backlog of infrastructure maintenance and renewal expenditures particularly in the areas of roads, footpaths, buildings and drainage places further pressure on Council’s rating income and significantly heightens the need for Council to seek additional forms of funding. To date, the 7 year 5% Environmental Infrastructure Levy commencing in 2005/06 has been effectively utilised to undertake environmental asset protection work and assist in bridging the desired condition gap of Council’s ageing infrastructure. In Council’s 2011/2012 & Long-term budget projections, a special rate variation has been incorporated in order to continue to address these infrastructure and maintenance backlogs. It is anticipated that the Special Rate Variation will raise \$38 million over the next ten years.

Public Liability and Risk Management

The increasing demands on local government for better management of risk and public liability has seen the cost associated with risk management increase. Due to Pittwater’s topography, risk associated with coastal erosion, landslip, geotechnical issues, cliff-line hazards, flooding and bushfire places Pittwater Council in a high risk category in terms of risk management. Accordingly, there is a continuous need for Council to undertake risk management studies, modeling and natural hazard

rectification works to reduce the risk to Pittwater residents and visitors from all forms of hazards. Such an undertaking poses a significant financial burden on our finances.

Community Strategic Plan and Community Aspirations

The rationale behind *Pittwater 2020* was the key message from the community on the need to address local issues in a sustainable manner. *Pittwater 2020* provides an overarching framework to help the community and the Council respond to change, challenges and opportunities over the next 12 years. It does this in a consistent and sustainable way by providing a long-term focus and coordinated direction for all Council's activities, plans and policies.

Pittwater 2020 aims to pioneer new ways to develop stronger working partnerships between the community, the Council, Councillors and other agencies. It does this by linking the community's aspirations with the direction of Council to achieve a shared vision for Pittwater. A community satisfaction survey was conducted in October 2010 to evaluate the progress of council in delivery the community aspirations. The survey again clearly clarified, from the community, those areas in which council needs to focus, these include:

- Maintaining local roads
- Providing car parking in village centres
- Providing and maintaining footpaths
- Providing adequate drainage
- Providing cyclepaths and walking tracks
- Keeping village areas and surrounding areas beautiful
- Managing and protecting creeks and waterways
- Providing facilities and services at beaches
- Maintaining cleanliness of beaches and ocean pools
- Restoring natural bushland
- Maintaining waterway facilities
- Maintaining the range and quality of sporting and recreational facilities and activities

Long Term Financial Planning

In response to all the pressures list above Pittwater Council has developed a Long Term Financial Plan (LTFP). This is Council's inaugural published long term financial plan and is the continuation of Council's Long Term Financial Strategy Review and supporting model undertaken by Morrison Low Consultants in 2009. The LTFP has been developed in accordance with organisational need and in compliance with the requirements of the framework and the Department of Local Government.

Council's LTFP contains a set of long range financial projections and statements based on an informed set of assumptions concerning Council's budget and Integrated Planning & Reporting (IP&R) strategic framework. It is designed to show the incremental financial impacts on Council's budget of providing different levels of service and asset delivery. In addition to the expenditure based analysis, the Plan also demonstrates the financial impact on Council's finances from programs of borrowings and alternate funding sources such as increases in user fees and charges, productivity improvements and special variations to rates.

Council's LTFP covers a 10 year time frame from 2011/12 to 2021/22. This length of time has been selected to align with the timeframe of Council's Community Strategic Plan. The LTFP is a necessary document to assist Council with its process of financial sustainability by documenting, planning and analysing the long term financial impacts on Council's operations from different financial scenarios. A financially sustainable council is one that can meet its funding requirements relative to the provision of its services including the maintenance, renewal and replacement of required assets without operating in deficit for sustained periods of time and without imposing excessive debt on current or future generations and without unplanned rate revenue increases.

The strategic long term financial sustainability aim of Pittwater Council is to:

- Continue its financially sustainably over the long term while at the same time delivering needed services and infrastructure in response to the community's priorities as identified in Council's Community Strategic Plan
- Generate additional funding where possible to address community service priorities as defined by Council's Strategic Actions and the Community Survey Results and provide improvements to Council assets as identified.

In addition to the financial sustainability of Council one of the main objectives behind the LTFP is to incorporate and model the demand for services and provision of infrastructure placed upon Pittwater Council by the community. As a part of Council's Community Strategic Plan a program of community engagement and consultation was undertaken. In a random survey of Council residents in July 2010 a clear picture of the community's priorities was gained. The survey assisted Council to determine various levels of importance and satisfaction as to Council's services and infrastructure. Those services and the provision of infrastructure effectively demand the highest priority within Council's LTFP. Accordingly, the LTFP is Pittwater Council's long term financial mechanism to deliver to a financially sustainable platform of services and infrastructure.

3.1 Strategic Planning Information

3.1.1 Pittwater 2020 & Delivery Program & Budget

The tables below outline the community's aims and goals associated with each of the five key directions in *Pittwater 2020*. These aims and goals were developed by the community in partnership with the Council during an extensive community engagement process for *Pittwater 2020*.

These aims and goals were further reinforced during an independent customer satisfaction survey that was conducted in 2010.

The targets associated with each the goals and aspirations is a measure by which the community is able to hold the Council to account on delivering their aspirations. Pittwater Council gathers data on these targets every two years (via a customer satisfaction survey) to ensure we are performing to the community's expectations.

To further strengthen our resolve to deliver on *Pittwater 2020*, we have developed a long-term financial strategic plan and a full-costed \$38 million program of infrastructure improvements and capital works for the next ten years. This will be referred to in this document as the SRV works program. In the table below we have highlighted, in grey, those aims, goals and targets that are reflected and responded to in the SRV Work Program. The SRV Program responds across all 5 Key Directions.

Within the 2011-2015 Draft Delivery Program & Budget works funded by the special rate variation form one part of a three-part program of projects and programs. Parts 2 & 3 include the funding of strategic initiatives/actions as well as the Council's ongoing capital improvement program. All three of these parts contribute to the overall aims and goals within *Pittwater 2020* and to the delivery of the community's aspirations as shown in the tables below.

Each item in the SRV works program has been listed under one of the key directions of *Pittwater 2020*, as highlighted below. Each one of the SRV works have come directly as a response to one of the highlighted goals and *Pittwater 2020* targets has listed below.

Table 1: Showing the community goals and aims by Key Direction.

Key Direction 1		
Aim	Goal	2020 Target
Foster a sense of community and a friendly, creative lifestyle	To increase the community feeling of 'connectedness'	10% increase in the proportion of residents who feel that they belong to their local community
	To increase the awareness of and participation in events and activities	30% increase in the participation of residents in community events/

		activities
	To increase the level and effectiveness of volunteering	20% increase in volunteer levels
	To enhance the range and quality of community and cultural facilities and opportunities	80% of residents satisfied with the range and quality of community and cultural facilities and opportunities
	To enhance the range and quality of recreational facilities and opportunities	80% of residents satisfied with the range and quality of recreational facilities and opportunities
	To promote the safety and wellbeing of all residents	80% of residents feel they are safe within their community
Enhance the health and wellbeing of the community	To promote adequate access to quality health and well-being services	80% of residents satisfied with the level of access to health services
Key Direction 2		
Aim	Goal	2020 Target
Reduce our ecological footprint	To minimise production of waste and increase reuse and recycling	30% reduction per capita of tonnes of waste to landfill
	To achieve sustainable use of water	20% reduction per capita in potable water consumption
	To become a carbon neutral community	10% reduction per capita per annum in greenhouse gas emissions
	To respond effectively to the causes and impacts of climate change and sea level rise	50% increase in the proportion of residents undertaking climate change mitigation and adaptation measures
Protect our bushland and biodiversity	To protect, enhance, conserve and restore remnant bushland and creek line ecosystems	80% of bushland is in a self sustaining state
	To maintain urban forest	70% of Pittwater's landscape covered by tree canopy
	To maintain abundance and diversity of Pittwater's native plant and animal species	No increase in the number of listed threatened or endangered species
Improve the health of our beaches and waterways	To enhance clean ocean and estuary beaches	90% of users satisfied with the cleanliness of Pittwater's beaches
	To enhance water quality and improve the condition of creeks	80% of creeks achieve highest environmental standards (ie meet state targets)
Key Direction 3		
Aim	Goal	2020 Target
Encourage participation in employment by all	To increase regional employment opportunities	To achieve the 2031 North East Sub-regional target of 19,500 additional jobs in the region
	To support increased apprenticeship and trainee opportunities	10% increase in the number of apprenticeship and trainee opportunities
Enhance local business opportunities	To encourage environmentally sustainable business practices	50% increase in proportion of businesses undertaking environmentally sustainable activities
	To encourage a supply of key workers for essential service provision	85% of essential service providers able to attract appropriate staff
	To increase community benefits from visitors	10% increase in consumer spending in the local economy
Enhance quality educational opportunities	To promote life-long learning	10% increase in the proportion of residents undertaking an educational or training activity
	To promote technology that supports local working and learning	10% increase in broadband capacity
Key Direction 4		
Aim	Goal	2020 Target

Enhance community participation, collaboration and engagement	To promote proactive and effective community engagement and consultation	70% of residents feel they can participate in Council's decision-making process
	To increase communication and awareness of Council's activities	80% of residents are aware of activities undertaken by Council
	To increase community education regarding sustainability	10% increase in the number of residents participating in community education programs held
Ethical, accountable and transparent decision-making	To provide open, ethical and transparent decision-making processes	70% of residents feel that Council operates under ethical, open and transparent processes
	To maintain Council's financial sustainability	Green light (indicating strong financial performance) in annual Statement of Performance Measures Report to Department of Local Government
Enhance community resourcing and support	To increase ease of access to resourcing and support	80% of residents are satisfied with their level of access to information and support
	Increased funding sources into the area to facilitate community goals	10% increase in the amount of grant funding or sponsorship received by Council and the community each year to facilitate community goals
Key Direction 5		
Aim	Goal	2020 Target
Enhance the liveability and amenability of our villages	To encourage Pittwater's villages to be liveable and amenable	70% of residents feel there is a relaxed village atmosphere
	To maintain public assets to an acceptable level	80% of residents are satisfied with the condition of public assets
	To maintain relevant facilities and services within Pittwater	10% decrease in the number of people travelling outside of the area for shops and services
Promote effective, efficient and connected transport choices	To encourage the use of public transport and alternative travel means	10% reduction in the number of vehicles on the road
Improved mix of appropriate land use and development	To encourage land use that caters for all community needs	80% of residents feel that land use reflects community aspirations
	To encourage well built development that adheres to sustainable design principles	10% reduction in the ecological footprint imposed by development

The SRV works program has been then been translated into the 2011-2015 draft Delivery Program & Budget for implementation over the next four years, subject to adoption by the Council. The SRV works program has been broken up into key directions and strategies within the delivery program. The SRV works program budget has also been integrated into the corporate budget and strategic budgets within the delivery program.

3.1.2 Asset Management Strategy & Plan

The Council's Asset Management Strategy (Part C: Section 8) highlights those strategies and strategic initiatives from *Pittwater 2020*, that will drive asset management into the future. The table below shows the integration of the Asset Management Strategy with *Pittwater 2020* and how council will respond in the management of its assets into the future.

Strategy	Asset related Strategic Initiative	Asset Classes Affected	Business Unit Owner
Recreational Management Strategy	Continue to upgrade and enhance recreational spaces and facilities (e.g. Newport Community Centre, Warriewood community facilities, Dunbar Park, Bilorong Reserve)	Buildings, Reserves and Open Spaces	Reserves, Recreation and Building Services
	Create youth precincts at Avalon and	Reserves and Open	Reserves,

Strategy	Asset related Strategic Initiative	Asset Classes Affected	Business Unit Owner
	Mona Vale (regional skate parks)	Spaces	Recreation and Building Services
	Maintain and service recreational facilities	Buildings, Reserves and Open Spaces	Reserves, Recreation and Building Services
	Upgrade recreational facilities	Buildings, Reserves and Open Spaces	Reserves, Recreation and Building Services
	Provide planning, design, investigation and management of recreation facilities	Buildings, Reserves and Open Spaces	Reserves, Recreation and Building Services
Beach and Coastal Management Strategy	Improve and extend the network of coastal walkways	Coastal and Estuary	Reserves, Recreation and Building Services
	Investigate the feasibility of beach nourishment/ beach protection measures in conjunction with Sydney Coastal Councils Group (SCCG)	Coastal and Estuary	Reserves, Recreation and Building Services
	Provide planning, design, investigation and management of beaches, coastline and estuaries	Coastal and Estuary	Reserves, Recreation and Building Services
	Maintain and service beach, coastal and estuary facilities	Coastal and Estuary	Reserves, Recreation and Building Services
	Upgrade beach, coastal and estuary facilities	Coastal and Estuary	Reserves, Recreation and Building Services
	Review and integrate the Estuary, Bushland, Catchment and Beach Plans of Management	Coastal and Estuary	Catchment Management
Biodiversity Strategy	Finalise and implement the Pittwater Estuary Plan and the Careel Bay Master Plan	Coastal and Estuary	Catchment Management
	Create, review and implement Plans of Management Plan for all public lands including aquatic reserves	Coastal and Estuary	Reserves, Recreation and Building Services
Vegetation Strategy	Develop and implement a program with the community and maximise tree plantings, tree retention and enhancement of bushcare	Street Trees, Reserves and Open Spaces	Reserves, Recreation and Building Services
	Audit tree replacement through tree preservation orders and development assessments	Street Trees, Reserves and Open Spaces	Reserves, Recreation and Building Services
Waste Management and Pollution Control Strategy	Minimise the discharge of pollution and effluent to any receiving waters	Drainage Network	Urban Infrastructure
Water Management Strategy	Provide planning, design, investigation and management of water management facilities	Drainage Network, Reserves and Open Spaces	Reserves, Recreation and Building Services, Urban Infrastructure
	Maintain and service water management facilities	Drainage Network	Urban Infrastructure
	Upgrade water management facilities	Drainage Network	Urban Infrastructure
Disaster and Emergency Management Strategy	Develop and implement a Disaster Recovery Plan	All	Urban Infrastructure

Strategy	Asset related Strategic Initiative	Asset Classes Affected	Business Unit Owner
Risk Management Coordination Strategy	Develop, implement and periodically test Council's Business Continuity Plan	All	Admin & Governance
	Develop a Master Risk Register including acceptable risk levels, weightings and priorities	All	Admin & Governance
	Develop, implement and review plans to mitigate/control wherever possible, risks associated with hazards	All	Catchment Management
	Compliance with AS/NZS 4360 – Risk Management and other referenced documents	All	All
Asset Management Coordination Strategy	Develop, resource and implement a sustainable Strategic Asset Management Plan	All	Urban Infrastructure, Corporate Strategy
	Develop priorities based on a life-cycle analysis assessment	All	Urban Infrastructure
	Incorporate integrated and sustainable water, energy and waste initiatives into infrastructure, buildings and facilities	All	Reserves, Recreation and Building Services
	Investigate a system for the sustainable acquisition and retirement of all assets	All	Corporate Strategy
	Develop and implement an integrated asset management system	All	Urban Infrastructure
	Develop an advanced program of infrastructure asset acquisition and creation, maintenance, renewal and disposal to optimise Council's abilities to fund and resource this strategy	All	Urban Infrastructure, Reserves, Recreation and Building Services
Town and Village Strategy	Provide planning, design, investigation and management of town and villages	Commercial Centre Streetscapes	Reserves, Recreation and Building Services
	Maintain and service town and village facilities	Commercial Centre Streetscapes	Reserves, Recreation and Building Services
	Upgrade town and village facilities	Commercial Centre Streetscapes	Reserves, Recreation and Building Services
	Provide integrated car parking options in Newport and Mona Vale and investigate other options via ongoing masterplans	Road Pavements, Constructed Footpaths, Traffic and Transport Facilities, Traffic Controls, Structures, Reserves and Open Spaces	Urban Infrastructure
Transport and Traffic Strategy	Review and implement the Walks and Rides Masterplan (including cycleway provision)	Constructed Footpaths	Urban Infrastructure
	Develop and implement a plan to facilitate the upgrading of Mona Vale Road and Wakehurst Parkway	Road Pavements, Constructed Footpaths, Traffic and Transport facilities, Traffic Controls, Structures	Urban Infrastructure
	Develop and implement a Car	Road Pavements,	Urban

Strategy	Asset related Strategic Initiative	Asset Classes Affected	Business Unit Owner
	Parking Provision Plan for Pittwater	Constructed Footpaths, Traffic and Transport Facilities, Traffic Controls, Structures	Infrastructure
	Provide planning, design, investigation and management of traffic and transport facilities	Road Pavements, Constructed Footpaths, Traffic and Transport Facilities, Traffic Controls, Structures	Urban Infrastructure
	Upgrade of traffic and transport facilities	Road Pavements, Constructed Footpaths, Traffic and Transport Facilities, Traffic Controls, Structures	Urban Infrastructure
	Maintain and service traffic and transport facilities	Road Pavements, Constructed Footpaths, Traffic and Transport Facilities, Traffic Controls, Structures	Urban Infrastructure
	Develop and implement the Traffic Network Plan for intersection improvements and pedestrian facilities	Road Pavements, Constructed Footpaths, Traffic and Transport Facilities, Traffic Controls, Structures	Urban Infrastructure

While developing the Asset Management Strategy the Council has taken into account the community's priorities and aspirations. These were captured during the development of *Pittwater 2020* and more recently affirmed by the independent customer satisfaction survey conducted in October 2010. The results of this survey were integrated into the Asset Management Strategy and highlighted ten areas where the community wants the Council to focus their efforts in the future:

- Maintaining local roads
- Providing car parking in village centres
- Providing and maintaining footpaths
- Providing adequate drainage
- Providing cyclepaths and walking tracks
- Keeping village areas and surrounding areas beautiful
- Managing and protecting creeks and waterways
- Providing facilities and services at beaches
- Maintaining cleanliness of beaches and ocean pools
- Restoring natural bushland
- Maintaining waterway facilities
- Maintaining the range and quality of sporting and recreational facilities and activities

3.2 Financial Planning Information

3.2.1 Introduction

In 2009 Pittwater Council prepared and adopted its first *Long Term Financial Plan* (LTFP). This is the culmination of the Council's Long Term Financial Strategy Review initiated in 2009.

The Council's LTFP has been developed in accordance with the NSW Government's prescribed Integrated Planning and Reporting requirements. The LTFP will be regularly revised in accordance with these requirements, community aspirations and organisational needs.

In support of Council's Special Rate Variation application, a copy of Council's Long Term Financial Plan (LTFP) is attached.

3.2.2 How the special variation has been incorporated into Council's LTFP

Council's LTFP contains a set of long-range financial projections and statements. These are in turn based on an informed set of assumptions relating to the Council's budget and the requirements of the Integrated Planning & Reporting strategic framework. It is designed to show the financial impacts of providing different levels of service and infrastructure delivery. It also outlines the impact on the Council's finances from programs of borrowings and other funding sources such as increases in user fees and any special rate variation.

Pittwater Council's LTFP covers a 10 year period from 2011/12 to 2021/22. As part of the Integrated Planning and Reporting requirements and to continuously assess our long term financial viability, the LTFP will be annually reviewed and used as a tool in the development of the Council's annual budget and four year delivery program.

Pittwater Council's LTFP is structured into five main sections in order to easily demonstrate the contents of the Plan. **The Special Rate Variation is discussed at Sections one, two, three, four and six.** The structure of Council's LTFP is as follows:

The first section provides:

1. An introduction to the LTFP,
2. The objectives the LFTP,
3. The structure of the LTFP, and
4. A summary of the LTFP financial outcomes.

The second section provides:

1. Details of the strategic framework within which the LTFP has been prepared,
2. Details of any planning assumptions which the LTFP has been based upon
3. Details of the Council policy framework within which the LTFP has been prepared,

The third section provides:

1. Detailed description and assumptions of each of the seven scenarios,
2. The financial analysis and impacts of each scenario
3. The detailed financial outcomes which result from the application of the relevant assumptions and scenarios.

The fourth section provides:

The Plan's financial summaries

The fifth section provides:

The LTFP's Performance Modelling

The sixth section provides:

Conclusions.

In Section One the need for the Special Rate Variation is addressed, outlining that:

“There are several options available to Council to address pressures of increased demands from the community on service levels and infrastructure backlogs. Like all Councils, Pittwater can access limited funds through a variety of sources including:

- **Rates (including special variations)**
- User Fees and Charges
- Borrowings
- Grants
- Asset Rationalisation
- Developer Contributions

And that, in consideration of the long term financial needs of the Pittwater community, Council placed within its 2010-14 Delivery Program notification to its community of the need for a Special Variation in Rates. Community consultation progressed throughout 2010 on the proposal to seek approval for a Special Rate Variation under Section 508(A) of the Local Government Act, 1993 with an expected commencement date of 1 July 2011. Initial financial modelling in 2009 completed for LTFP showed a need for a Special Rate Variation.”

Further to the above need for the Special Rate Variation, Section One also addresses how the Special Rate Variation is incorporated throughout the LTFP. It indicates that:

“The LTFP is structured as a series of seven ‘Scenarios’, each of which shows specific financial impacts associated with each scenario. Each of the scenarios inter-relates community demands and particular Council needs, operations and actions to develop an overall picture and financial path to sustainability.

Of the seven Scenarios, Scenario 3 and 7 are specifically related to the Special Rate Variation. Scenario 3 addresses the works program associated with the Special Rate Variation and Scenario 7 relates to the income associated with the Special Rate Variation.

The Council’s complete seven Scenarios are as follows:

1. Base Case (Static Delivery Program)
2. Strategic Action Expenditure
- 3. Community Priority Expenditure**
4. Productivity Improvements and Cost Efficiencies
5. New Borrowings
6. New User Fees, Charges, Grants and Other Income
- 7. Special Rates Variation**

For the purposes of modelling and expressing balanced and sustainable results, the Scenarios are cumulative and interrelated. Each scenario, although unique, cumulatively adds to the financial outcomes of each Key Direction, Strategy and overall financial position of Council and is therefore modelled as a whole.

Accordingly, not only does Council’s LTFP address the income and expenditure impacts of the Special Rate Variation as individual scenario analysis, the LTFP also models the Special Rate Variation (both income and expenditure) as a part of Council’s overall financial position over the next 10 years and is therefore a vital part of Council’s Financial Statements as contained with Appendix 2 of the LTFP.

In projecting Council’s financial outcomes in terms of an ongoing business operation and cost of delivery for services and infrastructure to the community, the Council’s LTFP has summarised these outcomes (including impacts to Council’s Operating Result, Cash Position and the Key Financial Indicator - Current Ratio) on the following basis:

1. As a whole, on a 'business as usual' basis (Base Case without any Scenario impacts)
2. As a whole including all Scenario impacts (Base Case versus Base Case + All Scenarios).
3. **As a whole including all Scenario impacts but excluding income generated from the Special Rate Variation (Base Case versus Base Case + All Scenarios excluding income from the Special Rate Variation Scenario).**
4. On the expenditure levels relating to Council's 5 key Directions. The financial impacts to Council's underlying 20 Strategies are contained in Section 4 of the LTFP.

Based on financial iterations of the above scenarios, Council's LTFP projects the cumulative impact of the above scenarios on the income and expenditure patterns (additional over Base Case) and performance indicators of the Council's:

- Overall Financial Position
- Key Directions, and
- Twenty (20) Strategies

In Section Two the Special Rate Variation is outlined as a part of the financial assumptions that affect the LTFP.

In terms of the LTFP assumptions the Special Rate Variation is discussed as follows:

"3. Opportunities for a Special Variation to General Income – For opportunities for a Special Rate Variation see the below commentary relating to Capacity for Rating and Scenario 7 – Special Rate Variation of this LTFP.

4. Capacity for Rating (Special Rate Variation Process) – As a Part of Council's LTFP a Special Rate Variation (SRV) has been incorporated into Council's long term financial planning in order to deliver to the community, services and infrastructure as demanded.

Based on the outcomes of the community engagement process surrounding the special rate variation and the findings of the October 2010 independent community survey, the Council has enough evidence to suggest that there is a willingness within the community to support a moderate rate increase if additional services and infrastructure were to be delivered.

To date, Council has had in place an Environmental Infrastructure levy of 5% which has generated approximately \$1.5 million dollars per annum in revenue for the past six years. This levy, in terms of an average residential ratepayer, amounts to approximately \$60 per annum. The percentage of residential ratepayers in Pittwater is 92.34%, compared with 7.66% farmland & commercial ratepayers.

The new SRV proposed to replace this Environmental Levy will be levied at 7.8% (including CPI) in 2011/12, 7% (including CPI) in 2012/13 and 6% (including CPI) in 2013/14, deriving some \$38.9 million dollars over 10 years. This levy is cumulative and over the three year levying period will grow Council's rate base by approximately \$3.8 million dollars.

Accordingly, Council does not believe the increase in residential rates over the life of the Special Rate Variation will adversely impact on the quality of life of the ratepayers."

In Section Three the Special Rate Variation Scenarios are presented in terms of the associated works program (Scenario 3) and income streams (Scenario7).

Scenario 3 – Community Priority Expenditure indicates that:

"Expenditure that has been determined as 'Community Priority' is that outlined by the community itself in recent surveys and expenditure on assets (as indicated in Council's Asset Management Strategy) that will begin to bring Council's assets to an acceptable service standard to ensure asset intergenerational longevity and maximise public safety.

The Community Priority Expenditure Scenario concludes that:

- Total expenditure associated with Community Priority Expenditure amounts to a projected figure of \$38.953 million dollars over the 10 year period from 2011/12 to 2020/21.
- Of the \$38.953 million in Community Priority Expenditure, some \$35.987 million is associated with the additional provision of capital works associated with the natural and built environment. See Appendix 5 for a breakdown of Community Priority Expenditure.
- Of the \$38.953 million in Community Priority Expenditure, some \$2.966 million is associated with the additional provision of operational programs for the natural environment, reserves and recreation. See Appendix 5 for a breakdown of Community Priority Expenditure.
- That funding for Community Priority Expenditure is solely derived from Council's Special Rate Variation."

Scenario 7 – Community Priority Expenditure indicates that:

"In the past Council has structured its financial planning around a balanced budget and a small operating surplus. This is becoming harder to achieve with escalating costs, ageing infrastructure, government cost shifting and limited sources of revenue. The reality is that costs are increasing at a rate above Council's current rate peg which currently stands at 2.6% for 2010/11. Council believes that the most prudent strategy for Pittwater Council to remain strong and independent is to apply for a Special Rate Variation.

The proposed increase in rate income would support the financial sustainability and independence of Pittwater Council. It would enable council to progress infrastructure works programs and services which our community have highlighted as important (see Appendix 5 Community Priority Expenditure Works Schedule) and upgraded infrastructure in an effort to reduce long-term maintenance costs for the benefit of future generations".

In Section Four the Special Rate Variation is presented in terms of its impacts on income and expenditure on each one of Council's twenty Strategies.

The LTFP states in Section four: *"The financial impact on each Strategy is demonstrated by a comparative analysis that tracks the annual impact on each Strategy's operating and capital expenditure in terms of Base Case expenditures versus Base Case + All Scenarios expenditures.*

Further to impacts on each Strategy's operating and capital expenditure, the analysis below also summarises the supporting funding sources (including the Special Rate Variation) for such additional expenditure."

In Section Six the Special Rate Variation forms a part of the conclusions of the LTFP.

3.2.3 How and where the Special Rate Variation has impacted upon the LTFP.

Fundamentally, the LTFP has been impacted by the additional income and expenditure associated with the Council’s Community Priorities Expenditure at Scenario 3 and supporting Special Rate Variation income at Scenario 4 of the LTFP. In addition, the Special Rate Variation impacts Council’s operating result, cash position, rate base and the key financial indicator of the current ratio.

In terms of expenditure, the “Community Priority Expenditure Scenario” assumes:

- Total expenditure associated with Community Priority Expenditure amounts to a projected figure of \$38.953 million dollars over the 10 year period from 2011/12 to 2020/21.
- Of the \$38.953 million in Community Priority Expenditure, some \$35.987 million is associated with the additional provision of infrastructure. See Appendix 5 for a breakdown of Community Priority Expenditure.
- Of the \$38.953 million in Community Priority Expenditure, some \$2.966 million is associated with the additional provision of operational programs for the natural environment and reserves and recreation.

The program of works that outlines Council’s Community Priority Expenditure is listed at Section 3.3 of this Application and at Appendix 5 of the LTFP. It is this program of works that Council’s Special Rate Variation will fund over the next 10 years. Without the Special Rate Variation this program of works could not be implemented by the Council.

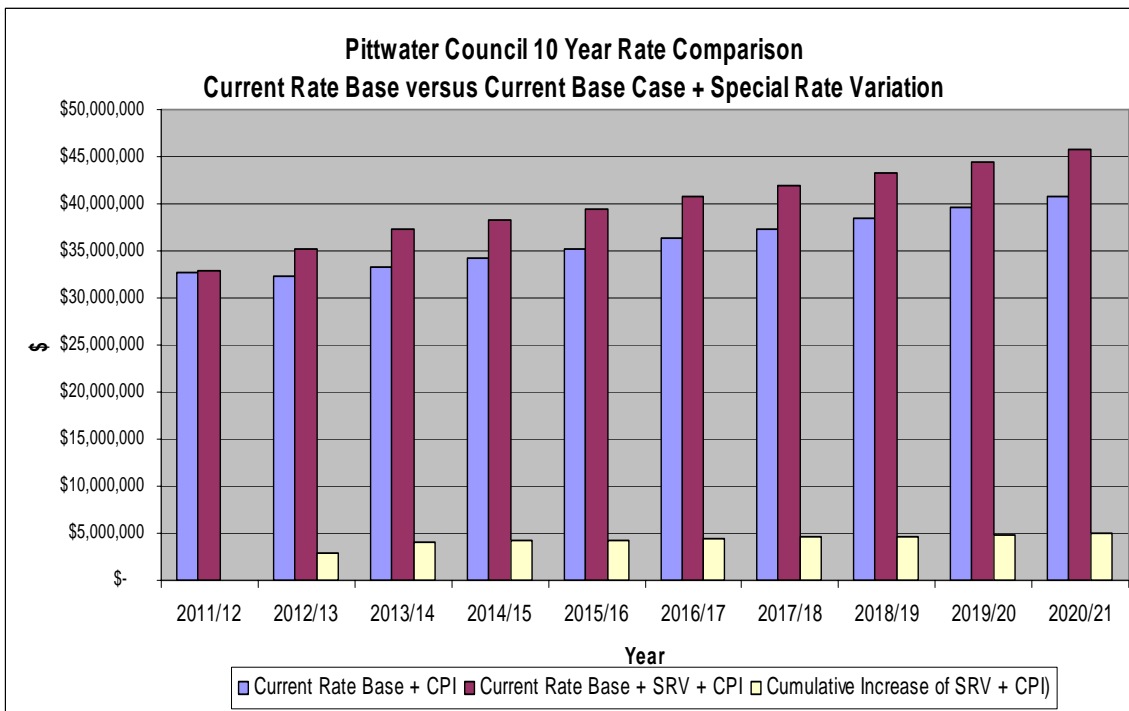
In terms of income, the “Special Rate Variation Scenario” assumes:

- That the income from Council’s Special Rate Variation is solely derived for the purpose of Community Priority Expenditure,
- The proposed increase beginning in 2011/12 will be 5%, 4% and 3% per annum cumulative, (in addition to Council’s permissible rate increase or CPI equivalent of 2.8% in 2011/12 and then 3% thereafter). This will lift Council’s rate base by the following amounts per annum:

Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Additional Rates Levied	\$ 1,522,892	\$ 2,836,340	\$ 3,890,381	\$ 4,007,093	\$ 4,127,306	\$ 4,251,125	\$ 4,378,658	\$ 4,510,018	\$ 4,645,319	\$ 4,784,678

Note: Additional Rates Levied in 2011/12 will replace Council’s current Environmental Infrastructure Levy of the similar amount.

With respect to rates in isolation, the impact of the Special Rate Variation on Council's rate base is demonstrated in the graph below:



As the first year of the Special Rate Variation (being 5%) is set to replace the last year of the Council's current Environmental Infrastructure Levy, it is therefore represented by a nil impact in year 2011/12.

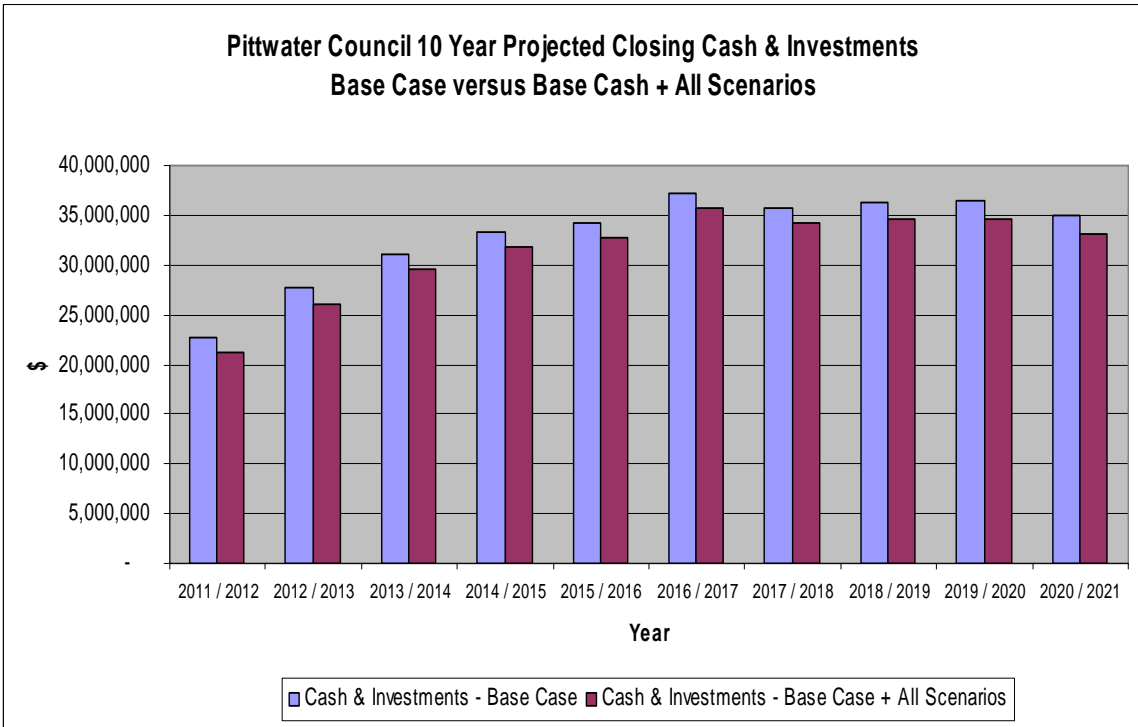
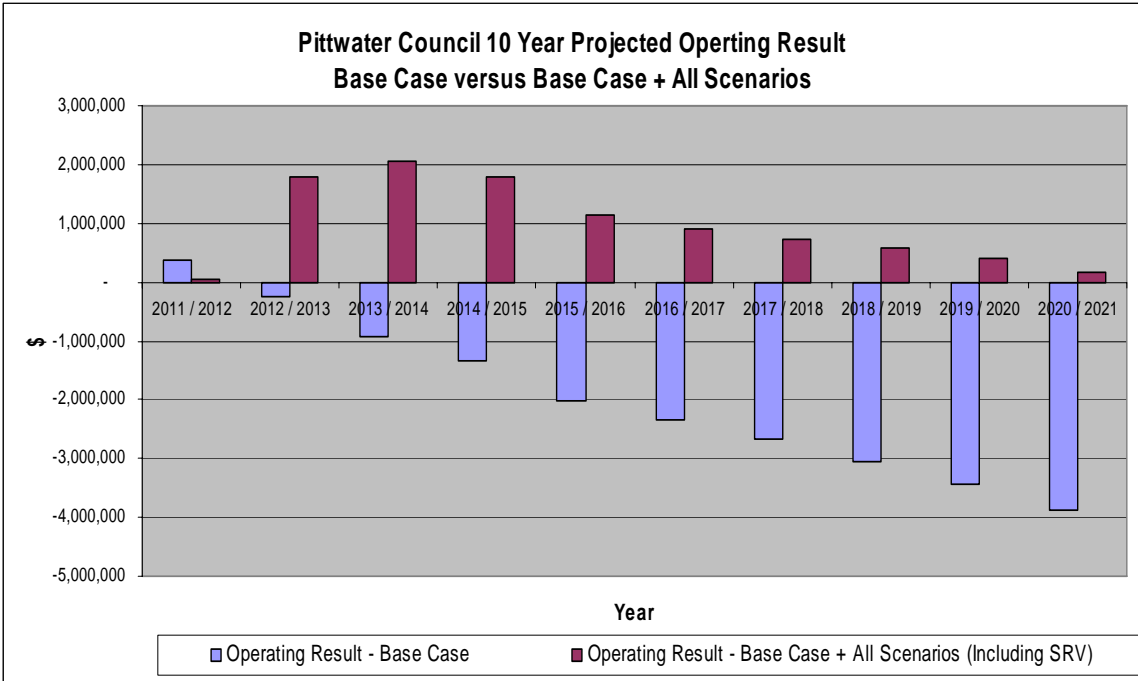
The cumulative impact of Council's proposed Special Rate Variation as demonstrated above, is that it will increase Council's rate base by approximately \$3.8 million dollars by 2013/14 (being the period of the Special Rate Variation). By 2020/21, as the Special Rate Variation is cumulative and perpetual, the increase to Council's rate base will be approximately \$5 million dollars.

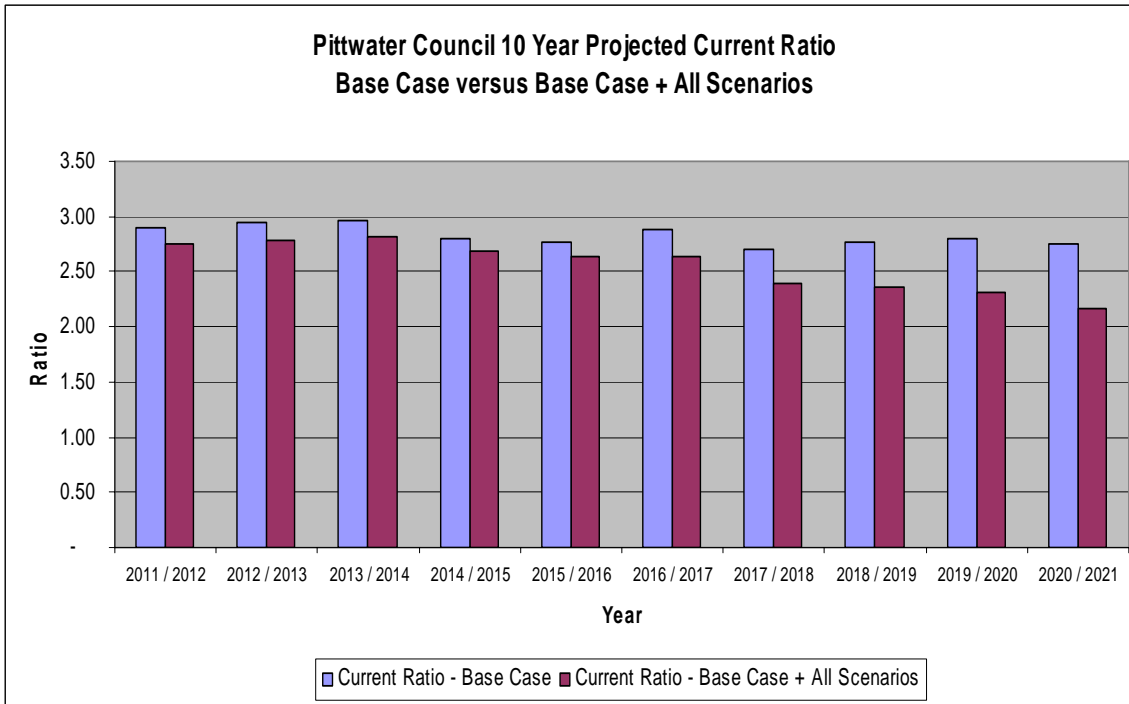
To reiterate, the inclusion of the proposed Special Rate Variation into the Council's rate base will increase from \$32.9 million dollars in 2011/12 to \$45.8 million dollars in 2020/21 (inclusive of CPI). The above new income stream is a vital inclusion in Council's LTFFP. The above analysis can be found at Scenario Seven of the LTFFP.

Pittwater Council's LTFFP assumes that to be a financially sustainable Council, the proposed Seven Scenarios need to all occur in order to avoid service reductions to the community and to maintain financial sustainability.

Accordingly, the LTFFP models all scenarios as a collective group, excluding scenarios from time to time to demonstrate their financial impact.

The initial analysis assesses the impact to the Council's financial position, cash and current ratio, as a whole including all scenario impacts (Base Case versus Base Case + All Scenarios – including the Special Rate Variation). This analysis can be found at Section 1.4 - Summary of Financial Outcomes of the LTFP.

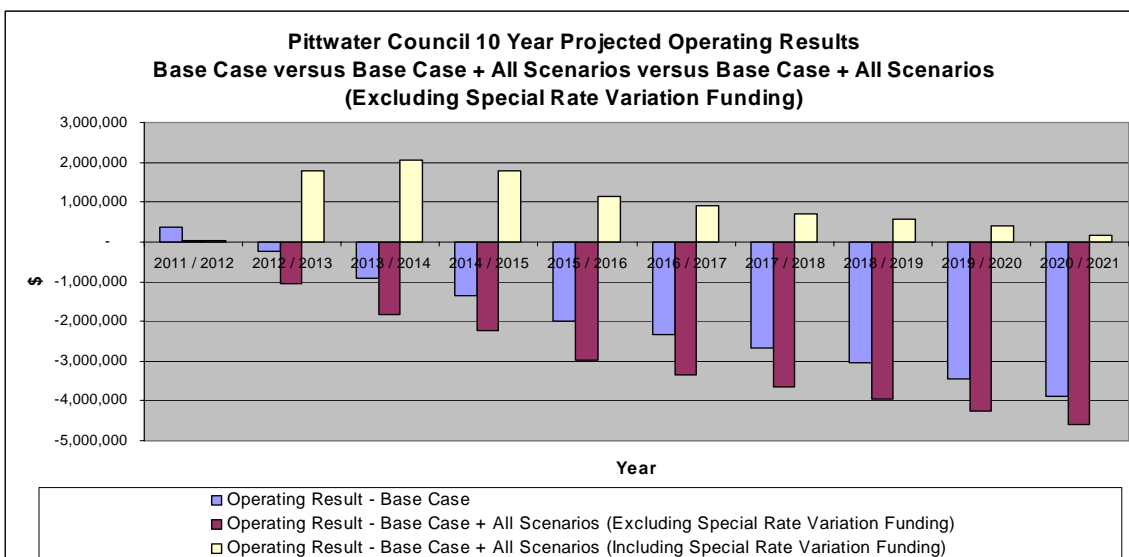


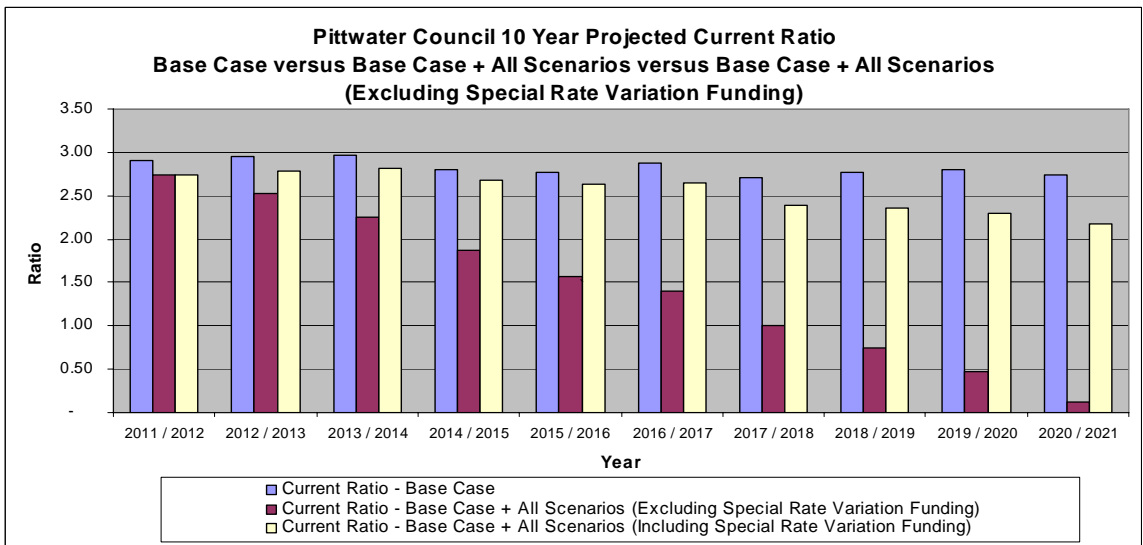
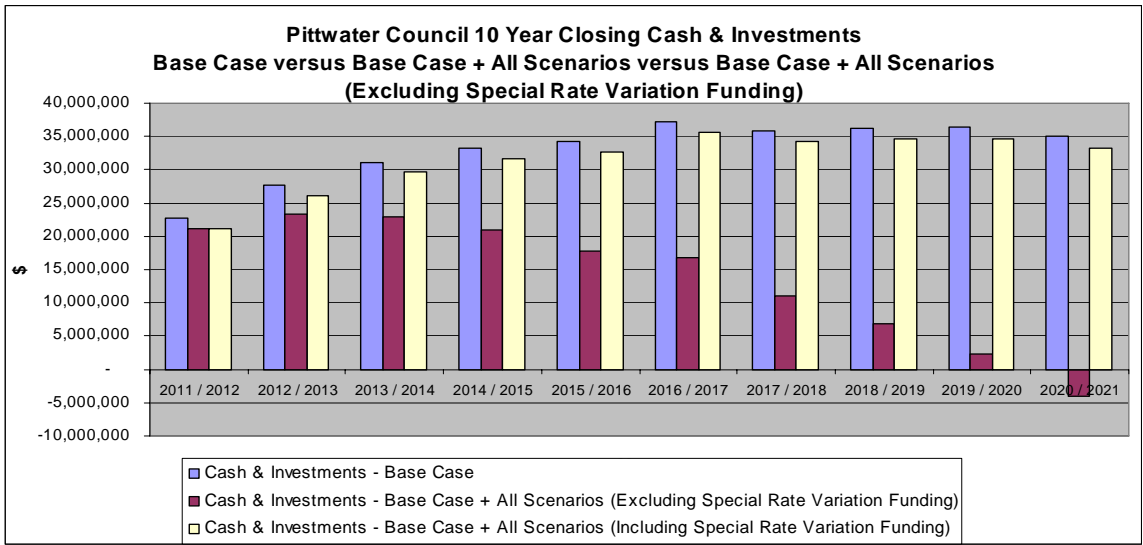


As indicated by the above graphs, the Council's operating position will be significantly improved with the inclusion of 'All Scenarios' and a healthy operating surplus can be maintained in the short, medium and long term fundamentally due to the inclusion of the Special Rate Variation.

While it is recognised that the increase in Council's operating result is mainly due to the Special Rate Variation being recognised as operating income, with the majority of associated expenditure being capital expenditure. Regardless of this accounting treatment, the Council's overall long-term position under a Base Case + All Scenarios remains strong and sustainable. This view is supported by the Council's long term cash position of between \$21 and \$33 million over the ten year period and a current ratio of 2.74 to 1 in 2011/12, trending to 2.17 to 1 by 2020/21 average as indicated by the graphs below. This also includes the 10 year \$38 million dollar additional program of works.

The next analysis undertaken was to assess the impact to Council's financial position, cash and current ratio, as a whole including all scenario impacts but excluding income generated from the Special Rate Variation (Base Case versus Base Case + All Scenarios excluding income from the Special Rate Variation Scenario). This analysis can be found at Scenario Seven of the LTFFP.



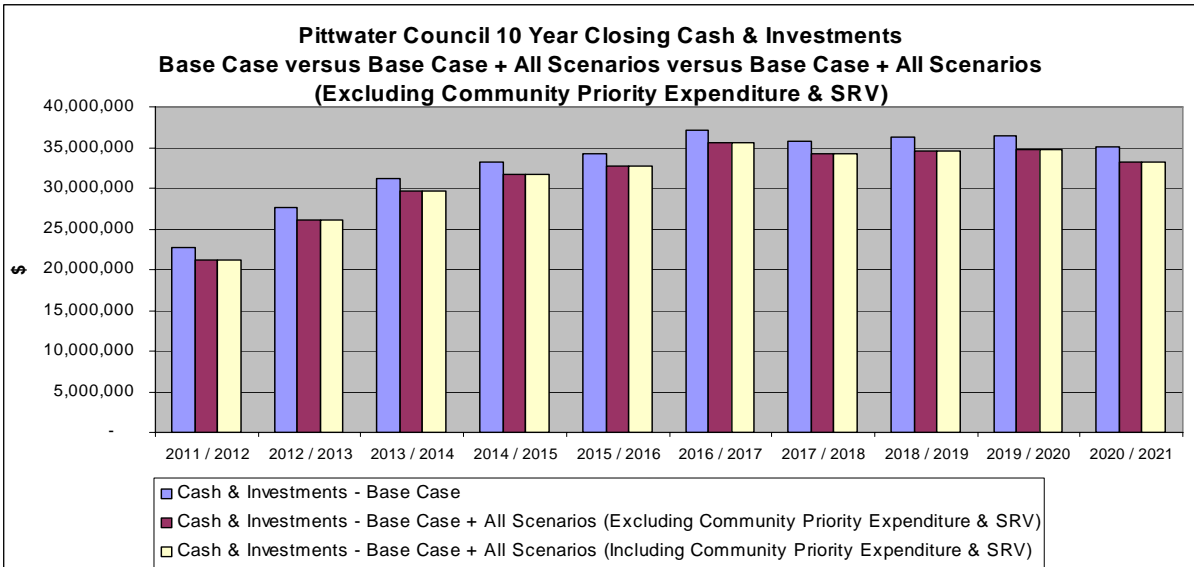
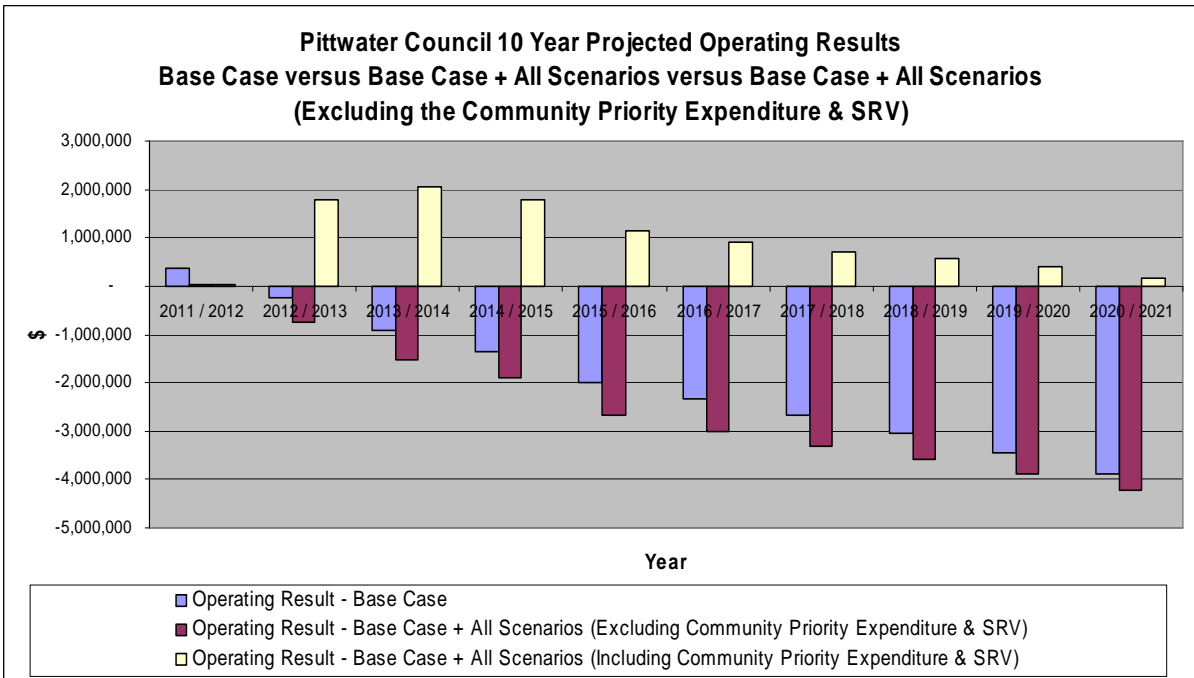


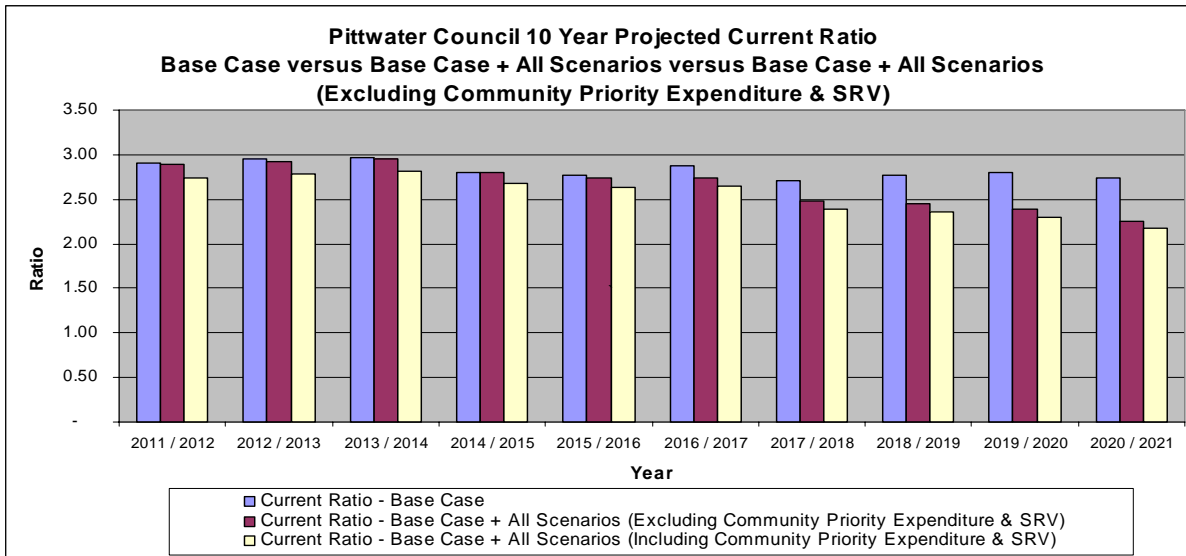
As indicated within the graphs above, the removal of the Special Rate Variation funding only will:

- Significantly decrease the Council's net operating result of between \$2.5 million in 2012/13 to \$4.3 million in 2020/21 from that presented in the Base Case + All Scenario results. The Council will no longer benefit from Special Rate Variation funds flowing through Council's income statement with the majority of associated expenditure being costed to capital works.
- Significantly decrease the Council's cash position from that presented in the Base Case + All Scenario results (negative in 2020/21), as income associated with the Special Rate Variation is removed. The Council will still be incurring expenditure associated with the Community priorities and asset improvements.
- Significantly decrease the Council's current ratio from that presented in the Base Case + All Scenario results as current assets are disseminated due to the removal of income associated with the Special Rate Variation. However the Council's current liabilities will remain constant.

Finally, an analysis was undertaken to assess the impact to the Council's financial position, cash and current ratio as a whole including all Scenario impacts but excluding income and expenditure generated from the Special Rate Variation. Therefore, Base Case versus Base Case + All Scenarios excluding income from the Special Rate Variation Scenario and expenditure from the Special Rate Variation Scenario and expenditure from Community Priority Expenditure Scenario. This analysis can be found at Scenario Seven of the LTFP.

As the Special Rate Variation has been raised only on the basis of providing additional community priority expenditure a more realistic analysis incorporates the removal of both the Special Rate Variation and program of works associated with community priorities. The graphs below indicate such analysis:





As indicated within the graphs above, the removal of community priority expenditure and the associated Special Rate Variation will:

- Significantly decrease Council's net operating result of between \$2.5 million in 2012/13 to \$4.3 million in 2020/21 from that presented in the Base Case + All Scenario results. The Council will no longer benefit from Special Rate Variation funds flowing through its income statement with the majority of associated expenditure being costed to capital works.
- Have little effect on Council's cash position from that presented in the Base Case + All Scenario results as both income and associated expenditure has been removed from the Council's financials,
- Improve Council's current ratio from that presented in the Base Case + All Scenario results due to current assets remaining constant. Both income and expenditure associated with the Special Rate Variation are removed simultaneously however current liabilities will be reduced as Council is no longer incurring expenditure via current liabilities.

Further to the above long term (10 Year) Scenario analysis the Special Rate Variation has impacted on Council's performance indicators over the life of the application period (three years) as outlined at 3.4.2 of this application.

3.2.4 Alternative income sources (e.g. borrowings and grants) - how they have been considered.

When constructing the LTFFP, in addition to income derived from the Special Rate Variation, a number of alternate income sources have been included and modelled.

They include:

- Scenario 5 - New Borrowings
- Scenario 6 - New User Fees, Charges, Grants and Other Income

Commentary relating to other income sources as shown above is as follows:

New Borrowings

The nature of Pittwater Council's activities and the way they are managed and funded are generally 'low risk' and without significant borrowings. Council's income streams are much less volatile than the private sector. However, Council have tended to take a very conservative approach to debt.

While it has historically been considered desirable to keep debt levels as low as possible, borrowing is a valid and appropriate option available to Council to help finance ongoing infrastructure requirements and is justified due to the greater cost in future years through deferring the spending activity.

A zero debt policy is often inappropriate for local government as it implies that current ratepayers are expected to meet the full cost of infrastructure assets, while in reality the benefit will actually be gained by future ratepayers as well. On inter-generational grounds it is considered that additional borrowings can be considered to fund capital expenditure, and such capital expenditure gives rise to infrastructure enhancement that benefits future as well as existing ratepayers. In this way, the cost of the asset is matched by the benefits from consumption of service over the life of the asset, and promotes inter-generational equity, only reasonable given the future benefit of the asset. Therefore a zero debt policy usually results in under-investment in a council's infrastructure assets and is a burden on current ratepayers.

Debt does not necessarily mean a council is acquiring things it cannot afford. It merely provides an alternative and immediate form of capital. The important thing to understand is that the purpose to which the borrowings are deployed will ultimately determine their impact on the council's overall sustainability. Borrowings must not be regarded as revenue. They do not replace the need to generate adequate revenue but may be used to provide a new infrastructure asset, or to replace and rehabilitate specific assets that the council already owns. Borrowing is useful when it enables a change in capacity, for example through building additional infrastructure. The funding of existing infrastructure renewal has to be balanced against any decision to pour maintenance money into an older asset towards the end of its life.

Therefore, borrowing is an appropriate means of financing long-term infrastructure assets. The benefit that debt provides is to enable work to be done sooner. An increase in debt will allow Council to spread the burden of future costs more equitably across future generations and reduce the growth in renewal costs that arises from delay in investment in assets.

Assumptions

As part of its LTFFP Pittwater Council is proposing to maintain an affordable level of debt for either new infrastructure, renewing existing infrastructure or commercial undertakings that will increase its income streams.

Currently, Council has a policy concerning debt whereby loan borrowings are limited to a level where the ratio of net debt service costs (principal and interest) to operating revenue does not exceed 5.5%.

This ratio remains at an upper level in terms of the capacity to repay debt versus a need to maintain borrowing at an adequate level to fund capital works.

Council's projected debt service ratio for 2011/12 stands at 2.36% with associated budgeted principal and interest repayments of \$1.483 million at current debt profiles. When taking into account operating results and Council's cash position this level of debt service ratio and repayments are at a manageable level, although below the Council's debt service ratio policy of 5.5%.

It is projected that as a part of Council's overall funding arrangements for its infrastructure provision, a rolling program of borrowings of \$1,000,000 per annum (in addition to the Sydney Lakeside Tourist Park loan of \$1.4 million for cabin replacement) will be undertaken. Such a rolling program will be in addition to the Council's Special Rate Variation application to ensure a high level of infrastructure provision is maintained to meet community expectations for Council assets.

Based on Council's loan profiling, it is projected that new borrowings associated with the rolling program will have the impact shown below on Council's debt levels, repayment obligations and debt service ratio. The tables and graphs below indicate the financial impacts before and after the commitment to the rolling loan program.

Projected 10 Year Loan Schedule (Base Case - No New Loans)

Period	Year	New Loan Borrowings	Loan Balance at Financial Year End	Project Repayments Annually	Debt Service Ratio
1	2011/12	\$ 1,400,000	\$ 7,057,975	\$ 1,483,000	2.36%
2	2012/13	\$ -	\$ 6,184,817	\$ 1,459,000	2.27%
3	2013/14	\$ -	\$ 5,577,078	\$ 1,229,000	1.88%
4	2014/15	\$ -	\$ 5,027,254	\$ 887,552	1.32%
5	2015/16	\$ -	\$ 4,568,851	\$ 886,406	1.28%
6	2016/17	\$ -	\$ 4,068,777	\$ 887,248	1.25%
7	2017/18	\$ -	\$ 3,524,768	\$ 886,077	1.21%
8	2018/19	\$ -	\$ 2,930,376	\$ 884,630	1.18%
9	2019/20	\$ -	\$ 2,581,764	\$ 589,640	0.76%
10	2020/21	\$ -	\$ 2,198,315	\$ 588,594	0.74%

Notes:

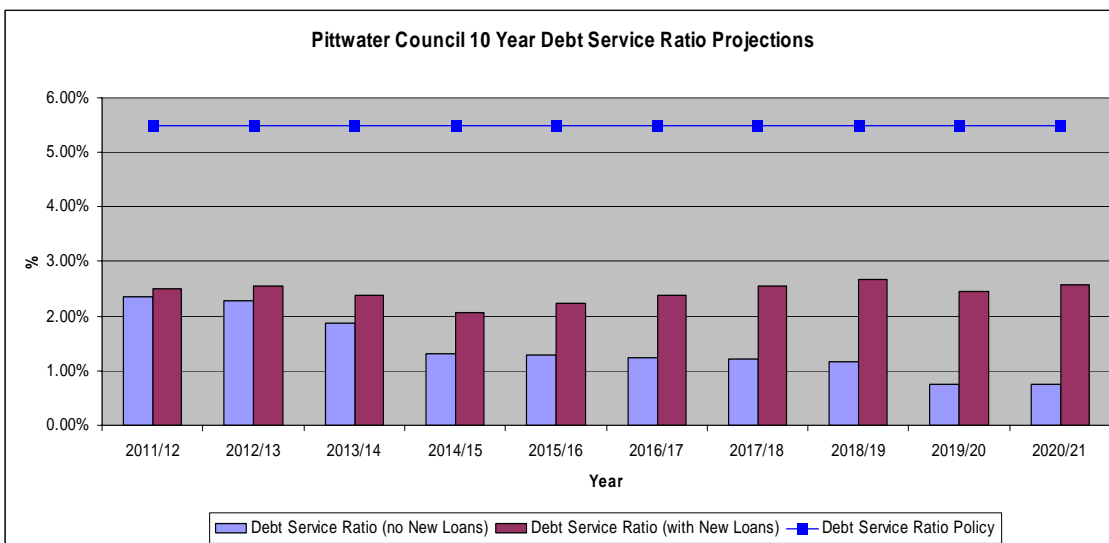
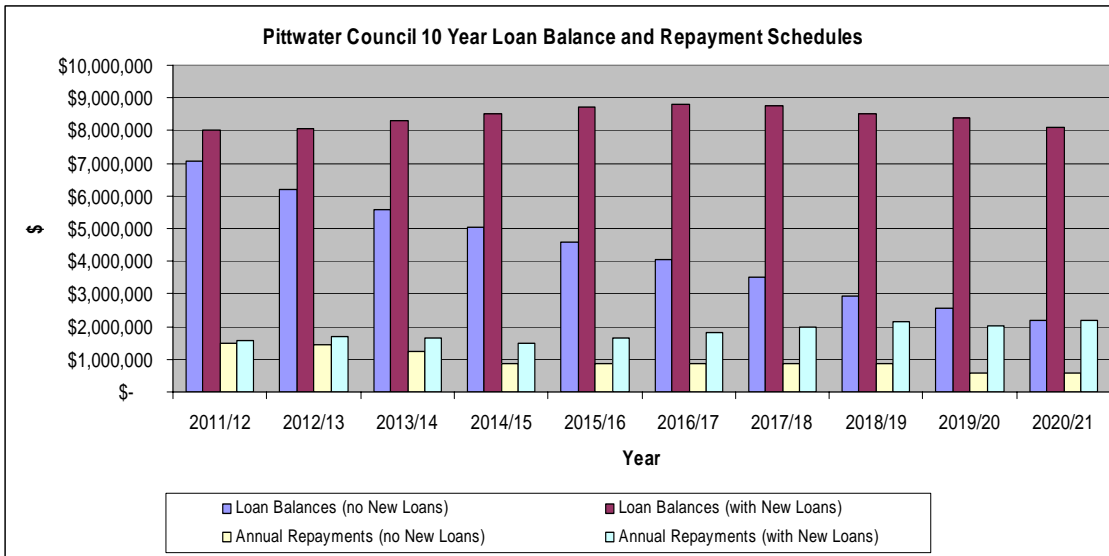
1. Indicative Interest Rate 11.00% based on BIS Shrapnel Forecast Trend of 10.3% + .07% Margin
2. All new Loans to be taken up in December Each Year
3. Loan Repayments are semi-annul
4. \$1.4 million loan for Sydney Lakeside will occur regardless of new rolling loan program
5. The above Loan Balances and Repayments includes a Financial Lease of approximately \$260,000

Projected 10 Year Loan Schedule (Base Case + All Scenarios with New Loans)

Period	Year	New Loan Borrowings	Loan Balance at Financial Year End	Project Repayments Annually	Debt Service Ratio
1	2011/12	\$ 2,400,000	\$ 8,028,975	\$ 1,567,000	2.49%
2	2012/13	\$ 1,000,000	\$ 8,064,817	\$ 1,710,000	2.54%
3	2013/14	\$ 1,000,000	\$ 8,297,078	\$ 1,647,000	2.37%
4	2014/15	\$ 1,000,000	\$ 8,510,254	\$ 1,472,552	2.06%
5	2015/16	\$ 1,000,000	\$ 8,728,851	\$ 1,639,406	2.23%
6	2016/17	\$ 1,000,000	\$ 8,810,777	\$ 1,807,248	2.39%
7	2017/18	\$ 1,000,000	\$ 8,742,768	\$ 1,973,077	2.54%
8	2018/19	\$ 1,000,000	\$ 8,506,376	\$ 2,138,630	2.68%
9	2019/20	\$ 1,000,000	\$ 8,383,764	\$ 2,011,640	2.45%
10	2020/21	\$ 1,000,000	\$ 8,079,315	\$ 2,178,594	2.58%

Notes:

1. Indicative Interest Rate 11.00% based on BIS Shrapnel Forecast Trend of 10.3% + .07% Margin
2. All new Loans to be taken up in December Each Year
3. Loan Repayments are semi-annul
4. New \$1 million dollar per annum rolling loan program has been undertaken
5. The above Loan Balances and Repayments includes a Financial Lease of approximately \$260,000



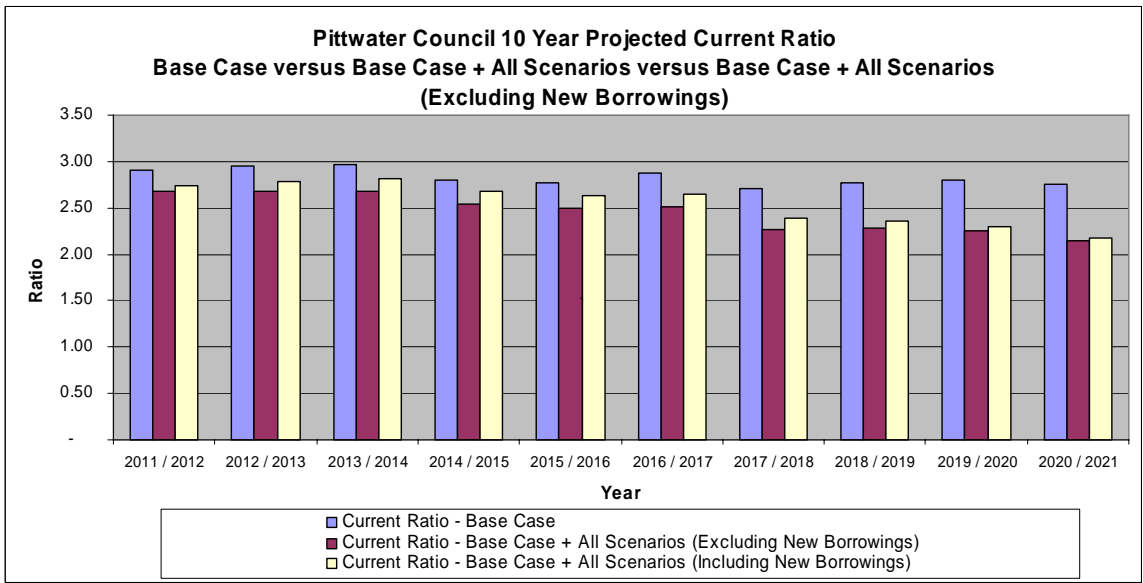
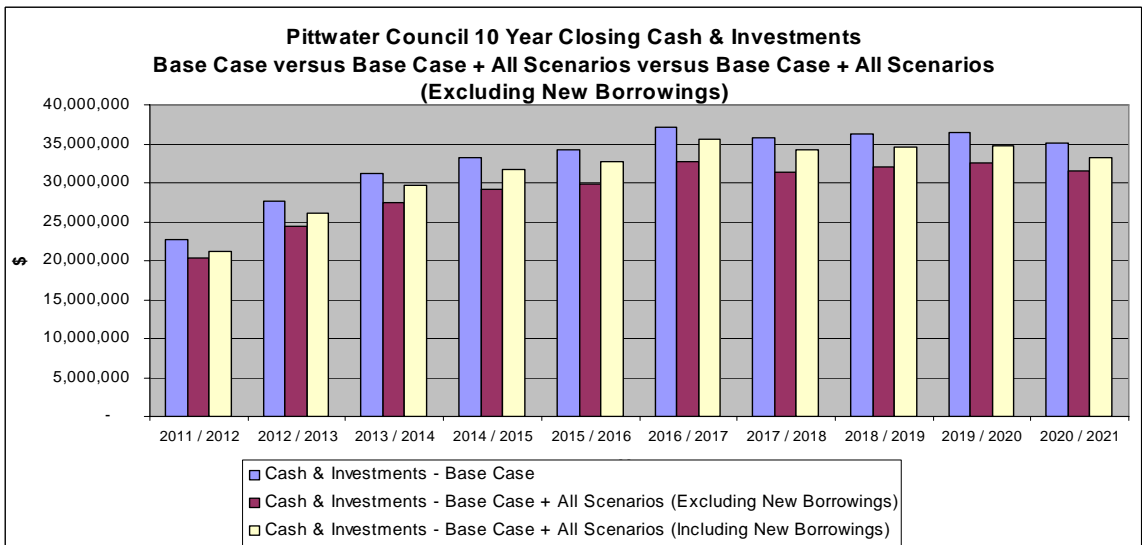
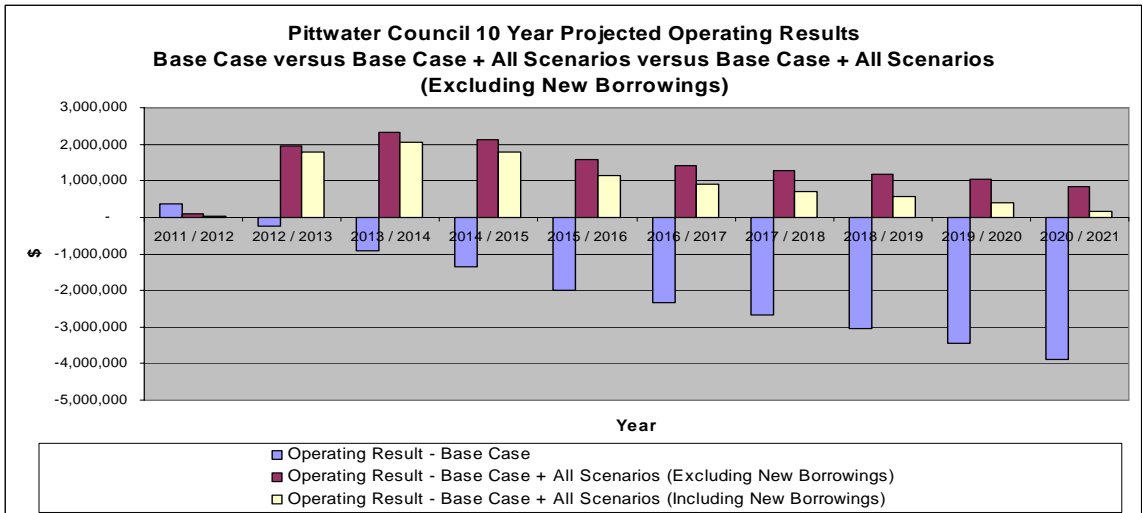
As indicated by the above graphs, as a part of its LTFP Pittwater Council is proposing to maintain an appropriate level of debt by embarking on a rolling program of borrowings over the long term. These borrowings will assist with the renewal of existing infrastructure or commercial undertakings that will increase the Council’s income streams.

Under a Base Case Scenario Council’s debt levels were to reduce to effectively zero. However, it is recognised that borrowings are an appropriate means of financing long-lived infrastructure assets and as a result, the Council will now maintain a constant level of debt.

Such a constant level of debt will allow the Council to spread the burden of future costs of infrastructure more equitably across future generations and reduce the growth in renewal costs that arises from delay in investment in assets. The above levels of debt are maintained within an operating surplus, adequate cash provisions and a healthy current ratio.

Financial Implications

It is projected that the financial implications of the LTFPs *Scenario 5 – New Borrowings* on Council’s net operating result, cash position and current ratio are as follows:



As indicated within the graphs above, the removal of Council's \$1 million dollar rolling borrowings program will:

- Increase the Council's net operating result from that presented in the Base Case + All Scenario results as the Council will no longer incur interest repayments associated with a new borrowings program and income streams remain constant,
- Decrease the Council's cash position by the net amount of the annual loan borrowing of \$1 million dollar (inflow) less associated annual borrowing costs and capital redemption payments (outflow).
- Decrease Council's current ratio, as the reduction in annual cash inflows associated with borrowings is greater than the reduction in the annual current liabilities associated with the debt redemption of the new borrowing program.

New User Fees, Grants and Contributions

On average, approximately \$18 to \$22 million dollars of the Council's revenue is sourced from user fees, charges and grants (both capital and operating) constituting some 20% to 23% of total annual funds received.

In terms of fees and charges, while many such fees are statutory and generally cannot be freely increased to match their cost of service, some fees and charges can be increased to better match their cost of service. The Council is mindful of the community's capacity to pay and the fact that our business is that of service delivery. Therefore fees and charges are set on a user pays basis but mindful of the notion of equity.

Further to the income associated with fees and charges, income sourced from grants is a vital part of the Council's service and infrastructure delivery programs. Accordingly, it is anticipated that with a more targeted approach to grant sourcing and administration, the total funds received from grants may be improved in coming years.

Assumptions

New User Fees and Charges

Council sets fees and charges on the basis of its "Fees and Charges Policy No.17" as outlined in Section 3 of the 2011-15 Delivery Program and as per Section 5 – Statement of Fees and Charges in the same document.

The "Fees and Charges Policy" determines that all fees and charges levied by Council be determined on the following basis:

- Consider any legislative limitations;
- Consider user pays principles when reviewing pricing levels;
- Take into account National Competition Principles

As a part of its LTFP, the Council will be undertaking an ongoing review and analysis and where possible, without a significant impact to service delivery or impediment to the users of the services, will undertake to apply an acceptable increase in the fee or charge for service. This will raise income on a user pays basis over and above CPI increases.

Accordingly, in order to assist in providing a sustainable financial platform of income to satisfy ever growing community demands on Council's services and the provision of infrastructure, the Council will include in its LTFP where suitable a 2% increase to user fees and charges. It is projected that such an increase will generate approximately \$50,000 additional operating income each financial year.

Centralisation of Grant Applications

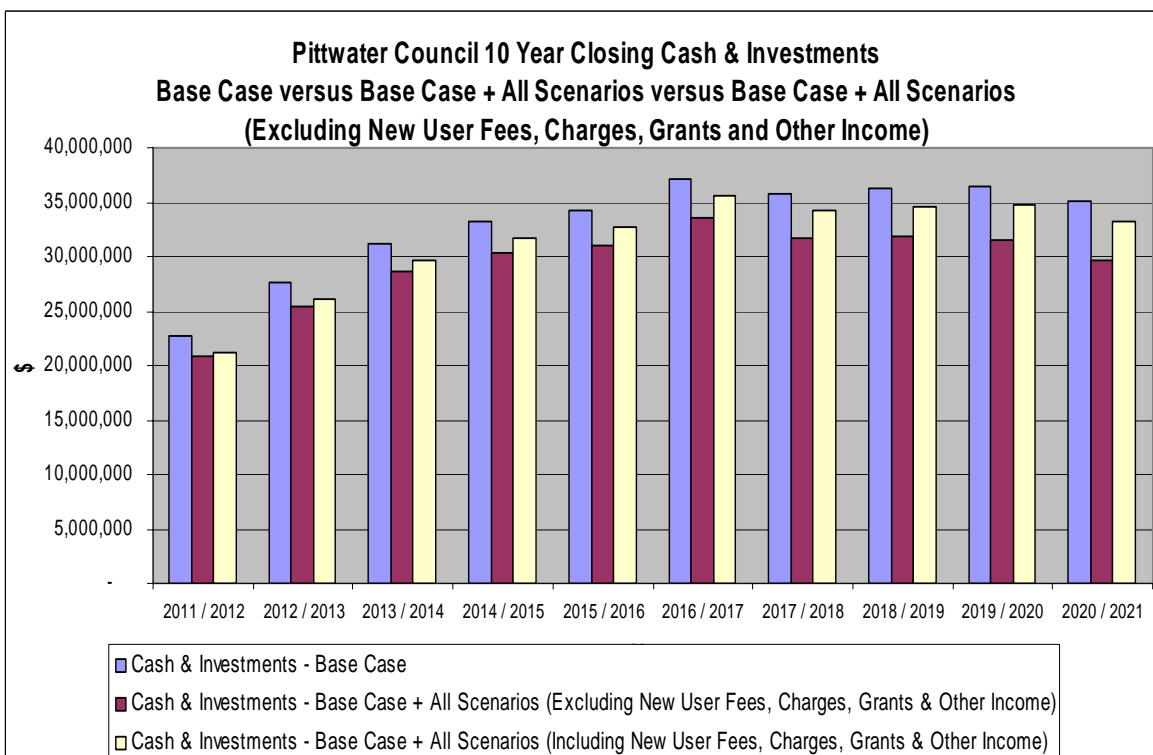
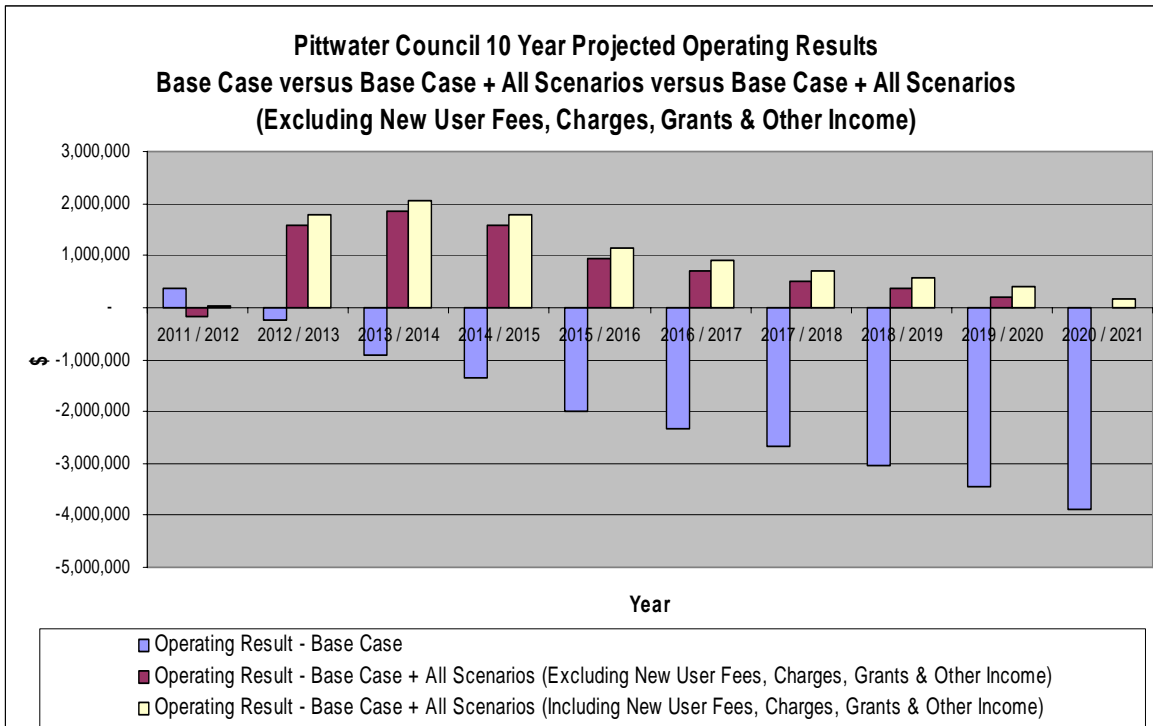
Across Council a number of grants are applied for each year. Of these grants that are applied for, some 100 grants are successful, bringing into Council revenues of approximately \$4 million per annum.

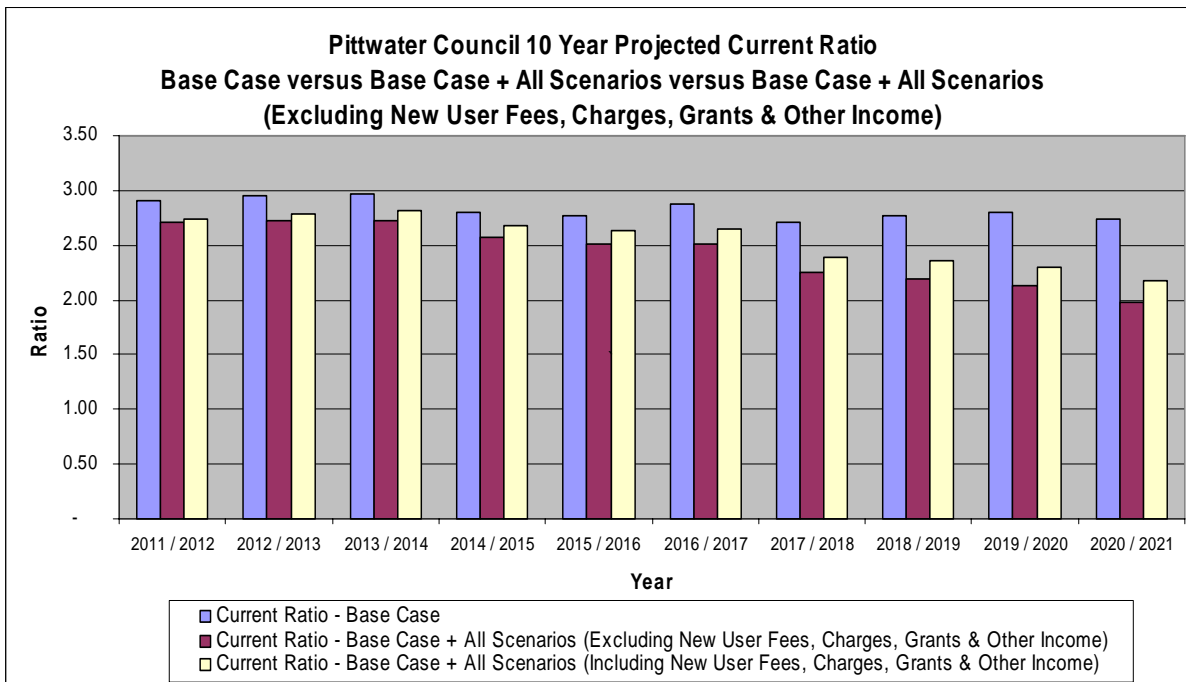
The income associated with grants is a vital part of the Council's revenue stream, yet over the past number of years grants to some extent have become harder to access. This is true both of the State and Federal levels of government as funds are supporting other council areas as well as Pittwater's.

In order to boost grant income into Council, a specific centralised position has been formed within the current budget for the sole purpose of sourcing and coordinating additional grants. It is envisaged that having a dedicated employee sourcing and assisting with grant applications, such applications will be more targeted, precise and better placed to win grant funds. Projections show that approximately \$300,000 (\$150,000 operational and \$150,000 capital additional grant funds) may be sourced with the creation of this new position.

Financial Implications

It is projected that the financial implications of the LTFPs *Scenario 6 – New User Fees, Charges, Grants and Other Income* on Council's net operating result, cash position and current ratio are as follows:





As indicated within the graphs above, the removal of \$200,000 associated with operational user fees, charges and grants and \$150,000 associated with capital grants will:

- Decrease the Council's net operating result by \$200,000 from that presented in the Base Case + All Scenario results, as the Council will not receive operational income associated with user fees, charges and grants, yet operating expenditure levels will remain constant.
- Decrease the Council's cash position by \$350,000 annually (accumulating to \$3.5 million over the 10 year life of the LTFP) as the annual projected additional income associated with new user fees, charges, grants and other income will no longer occur, yet cash outflows remain constant.
- Slightly decrease the Council's current ratio as funds associated with new user fees, charges, grants and other income that are no longer to be received will reduce Council current asset of cash, yet current liabilities remain constant.

3.3 Efficient and Feasible Program of Expenditure

3.3.1 Overview of Research and Feasibility

Council has developed a range of scenarios within the LTFFP that demonstrate the impact long term asset management will have on our long term financial sustainability. With an ageing infrastructure stock and to ensure council is able to continue the services to the community council has had to work through a vast quantity of information and data in determining the 10-year \$38Million SRV Program of Works.

Section 3.3 provides an overview of the research and work done in determining the SRV Program of Works. The table at the end of this section details the program of works. Each program/project has been assigned a Key Direction, Strategy and Strategic Initiative so that each line can be associated to *Pittwater 2020*, the Delivery Program & Budget and finally the Asset Management Strategy. Council will develop a 4-year rolling program of detailed works annually within the Delivery Program and Budget so that the Council is held accountable to the community for the delivery of the SRV program into the future.

In developing the SRV Program investigation was undertaken using a number of primary source documents / inventories that highlighted the range of assets under management and the extensive list of asset improvements required to bring asset conditions to an acceptable standard and to keep this standard into the future. Following is a summary of a number of these primary documents that aided in the development of the SRV Program

1. Pittwater's 2020 Community Plan and Delivery Program & Budget

The 2020 Community Plan provides a Strategic Vision for Pittwater for the next 12 years. It has identified 36 high level goals, 5 Key Directions and 20 Strategic Outcome areas. The Plan contains a long list of strategic initiatives and an even longer list of specific actions required to attain the identified community goals and overarching aspirations. This are is further discussed in Section 8.

2. Asset Risk Management Strategies, Inventories and Condition Assessments

Pittwater Council manages its assets under the following Asset Risk Management Framework

a. Traffic & Transport

Road Pavement Assets

- The Pittwater LGA has an extensive network and hierarchy of State, Regional and Local roads.
- Due to the age and historic legacy of earlier subdivisions that did not require the provision of infrastructure to today's standards and community expectations, there is a large backlog of expensive retrofit required. This includes road pavement strengthening, road edge treatments, retaining works, and associated stormwater drainage upgrades
- Road Pavement Asset Management for Council is provided through the SMEC Pavement Management System - this provides a road pavement serviceability index based upon road condition indices that are used to prioritise and schedule the optimum timing for road pavement rehabilitation and resurfacing works. These priorities are aligned to available budget.
- The current EI Levy is assisting with reducing this backlog. It is essential that this funding continue and if possible expand so that this important retrofit and upgrade program can continue to deliver on the upgrades still required.

Footpaths & Cycleways

The Walks & Rides Masterplan for Pittwater has identified the primary and secondary routes for pathways, cycleways and multi-use pathways. This highlights that there are numerous locations throughout Pittwater where there is missing infrastructure. This is exacerbated by the former road construction that made little or no provision for footpath formation on which to construct a path. Hence many routes require extensive and expensive road widening and kerb separation and in a number of situations suspended paths may be the only answer to traverse steep drop off areas. The current EI-Levy provides essential funding to progressively fill in the missing segments to provide connectivity to schools, shops, parks and provide continuous routes for the coastal and foreshore walkways, in particular road reserve linkages. As is the case with roads, it would be an advantage for this Levy or its derivative to continue and if possible expand so that this important retrofit and upgrade program can continue to deliver on the upgrades still required

Carparks

In addition to the primary road network Pittwater has numerous carparks that service our beaches, sportsgrounds, shopping centres, community centres, foreshore nodes and open spaces. Additional funding would allow the progressive upgrade and renewal of these important carpark facilities, including the strengthening of pavements, resurfacing and renewal of linemarking. The asset management framework established for road pavements will be utilised to determine priorities and timeframes for carparks.

Traffic Facilities

Pittwater has a network of traffic facilities that improve the safety and amenity for motorists and pedestrians. Where funding permits and in the context of other priority works additional traffic facility works are considered e.g. pedestrian refuge in conjunction with a footpath project.

b. Public Buildings & Structures Asset Management

Pittwater has an extensive network of public buildings and structures that support the social and recreational needs of the Pittwater community. These include community centres, libraries, public amenities, surf clubs, sporting clubs, sports stadium, scout & girl guide facilities, public wharves, recreational boating facilities, etc. Many of these buildings and structures are located in aggressive marine environments that results in a more rapid deterioration and hence more frequent replacement or the need for higher grade protection materials at much higher cost e.g. stainless steel fittings, reinforcing etc. The primary classes of public building assets are discussed below:

Community Centres & Library facilities

Pittwater has a network of community centres throughout its main village and neighbourhood centres. In recent times new/upgraded facilities have been provided at Avalon, Mona Vale and Newport. Other centres also undergo periodic upgrades and refurbishment. Building and structural condition assessments are regularly carried out and rectification inventories are prepared from which priorities for repair and replacement are determined. Improvements are carried out on a cyclical basis based upon building condition assessments and where possible to accommodate facility user requirements.

Surf Clubs & Beach facilities

As mentioned in the background, the Pittwater LGA has the equivalent of 25% of the Sydney Metropolitan coastline in the one local government area. The Pittwater

coastline has 9 primary ocean beaches with 7 surf club buildings owned by Council. In addition there are 7 ocean rock pools. This is a significant asset load for a relatively low population density but high external visitation Council.

Structural condition assessments for these classes of assets are regularly carried out and rectification inventories are prepared on a regular basis from which priorities for repair and replacement are determined – this has identified that a number of surf club buildings are in urgent need of major structural replacement to keep at the required service level.

Beachfront infrastructure and in particular buildings and structures are directly impacted by aggressive marine and coastal influences and many buildings/structures are at an age where a number require significant refurbishment/renewal. Avalon Surf Club is a prime example of a building in need of substantial refurbishment/replacement as it is now at the end of its economic 'life'. There is a pressing need to inject additional funding to provide a building facility upgrade program for surf clubs to improve their safety, amenity and functionality so that these highly important community resources can continue to provide the essential base for surf life saving services and activities across Pittwater.

Public Amenities

Public amenities are in constant need of attention to provide reasonable and accessible facilities. Additional funding is required to improve some of these facilities to return to a reasonable condition e.g. the heritage listed Palm Beach Pavilion is again in need of extensive repairs/refurbishment in keeping with its heritage status. In conjunction with this upgrade the provision of a kiosk would help to provide an ongoing income to offset the ongoing costs associated with this building plus add to the general amenity of South Palm Beach.

Structures, in particular public wharves

- Pittwater has 27 public wharves that Pittwater Council directly manages for a combination of uses including recreational boating, ferry, commercial and commuting needs.
- In addition there are boat launching facilities and associated foreshore/waterway infrastructure along with long lengths of foreshore and seawalls e.g. Bayview to Church Point foreshore walkway
- With such a large portfolio of public wharf assets and waterway infrastructure in the one local government area, Pittwater Council struggles to not only meet the servicing and maintenance costs in what is an aggressive marine environment but also the significant replacement, renewal and improvement costs
- Structural condition assessments are regularly carried out and rectification inventories are prepared on a regular basis from which priorities for repair and replacement are determined – this has identified that a number of wharves are in urgent need of structural replacement to keep at a reasonable service level. If the funding cannot be found and the wharves are assessed as being unsafe then wharves will need to be closed on the basis of prudent risk management.
- Where practical, and having regard to recent legislation requiring improvements to accommodate disabled access, at the time of needing a replacement wharf, the conversion of fixed wharves to pontoon wharves to improve safety and accessibility and hence reduce future maintenance & servicing costs is a preferred outcome. This conversion also needs to consider the significance of the fixed wharf component.
- Grant funding, usually on a shared cost basis, is available under the NSW Maritime Program and possibly from Ministry of Transport. This is where additional Council funding would greatly assist by providing an additional funding source to seed grant funding applications for wharf and waterway infrastructure improvements.

c. Stormwater Asset Management

Pittwater has a broad network of stormwater infrastructure. The overall network has been mapped and through GIS has been spatially located. Condition assessments are being carried out on a catchment basis using video camera inspection of pipelines. This has identified problem areas from which priorities for stormwater asset management attention are scheduled. Again a significant problem for Pittwater is the type of joints used for older pipeline construction, the steep terrain and landslip potential, the low lying outlets to marine environments and the significant extra costs to repair and construct in such terrain, particularly in an existing urban context.

The Major Works Program and the Stormwater Management Services Charge (SMSC) currently provides a source of funds to allow the provision of additional stormwater infrastructure to be provided. Although there is an extensive need to upgrade and retrofit stormwater infrastructure and this need will be further exacerbated by the impacts of climate change and sea level rise there is no additional funding that can be sourced from the SMSC. Additional funding is required to progressively tackle the backlog and retrofits at this stage along with major funding to tackle the flood mitigation works arising from Flood Risk Management Plans and Climate Change adaptation strategies.

3. Plans of Management and associated Masterplans for Open Space, Bushland, Beaches and Sportsfields

Plans of Management, either detailed or generic, and in some cases masterplans have been prepared for various classes of open space such as bushland, beaches, sportsgrounds, regional parks, large parks and small neighbourhood parks, foreshore reserves, playgrounds, wetlands.

Plans of Management/Masterplans have also been provided for the Warriewood Valley Urban Land release, some main Village Centres and more recently for social hubs and transport nodes such as at Church Point.

Each Plan of Management contains an inventory of what could be deemed 'core' and 'aspirational' improvements and taken collectively there is a long and extensive list of upgrades identified. There is generally insufficient funding to provide for the recommended management strategies, in particular upgrades and improvements and as such additional sources of funds are required. Some of the funding can be derived from s94 plans and in the case of Church Point a user pays scheme. However, for most open space outcomes particularly bushland reserves, there is a need for additional sources of funding.

4. Risk Management for floodplains, coastal erosion and tidal inundation, bushfire, geotechnical (landslide)

a. Floodplain Risk Management Plans

There are six primary floodplains within Pittwater along with overland flow paths within the broader catchments. Each of these Flood Risk areas are currently being analysed in detail to determine the flood characteristics, risk management options and where practical and feasible flood mitigation works options. The added impact of climate change and sea level rise is also being taken into consideration using the NSW Government's recently announced policy statement, guidelines and benchmarks. This is likely to result in a further expansive and expensive list of infrastructure adaptation measures required to reduce the impacts of flooding.

b. Estuary Management Plan

An Estuary Management Plan has been produced in conjunction with Warringah Council for Narrabeen Lagoon and a draft of the Pittwater waterway Estuary Management Plan is currently under review. These Plans help guide the effective management of these important natural features in the context of a triple bottom line and ESD approach taking on board the environmental significance, the recreational and social importance along with the economic circumstances. Again the added impacts from climate change and sea level rise all need to be taken into consideration.

The Estuary Management Plan highlights the management strategies and improvements to the estuary and range of uses. A particular focus is the intertidal areas and reduction in foreshore erosion, improvements to water quality and aquatic habitats along with improvements to recreational facilities. This in itself generates a substantial works improvement program that requires a sustainable funding source. The EI-Levy currently provides an important funding source and additional funding is required for this important purpose.

c. Bushfire Management Plans

It goes without saying that effective and responsible bushfire management and in particular on ground hazard reduction works are essential to provide added bushfire protection to people and property. The current EI Levy provides seed funding to carry out proactive fuel reduction programs and as such it is essential that this funding continue and expand because the risk management of the bushfire hazard is an ongoing requirement. There is also significant fund leverage when this is combined with RFS programs.

d. Coastal Strategy/Vulnerability

The current Coastal Strategy was prepared prior to the need to take into consideration the increasing influence of sea level rise and the greater focus on coastal areas. Recently two of Pittwater's beaches (Mona Vale Basin Beach & Bilgola Beach) were listed by the State Government as coastal vulnerable 'hotspot' locations. This requires Council to provide specific emergency management plans for these beach compartments.

The current EI-Levy provides funding to assist with environmental enhancements and infrastructure upgrades to the Pittwater coastline, in particular to seed fund grant funding opportunities that may arise.

The retention of this funding and provision of additional specific funding will be required to address coastal management issues into the future.

e. Geotechnical (Landslide) Risk Management Policy for Pittwater

The adoption of the amended Pittwater Geotechnical Risk Management Policy 2009 and associated mapping has again highlighted the susceptibility of the Pittwater area to landslide on both private and public lands. This landslide hazard (in its various forms) can be an underlying natural feature of the landform or 'man' induced as a result of development activity or a combination.

The public areas of Pittwater such as headland cliffs, escarpment lines and steeper bushland areas along with rock cuttings for roads and accesses can be subject to rockfalls. Roads in steep terrain along with their cut and fill embankments may make them more susceptible to movement. Additional funding is required to address some of the higher priority instability locations.

This will help to improve risk to people and property noting that there are extensive areas of public assets located within mapped Geotechnical hazard Areas H1 & H2 and the Council does not currently have the resources to address many of these specific locations.

f. Cumulative impacts of Climate Change and Sea Level Rise including mitigation and adaptation strategies

Council has adopted a Policy and framework that outlines Council's approach to climate change and sea level rise and very recently has adopted the State Government's benchmarks for sea level rise. In terms of adaptation, Pittwater will need to determine the likely impacts on its infrastructure and community assets, what adaptation measures are feasible, timeframes for action and resources and funding required.

5. Social Plan & Cultural Plans

The Pittwater Social and Cultural Plans provide a strategic overview of the social fabric of Pittwater – the social perspective of sustainability. An important component is infrastructure which assists the community in many ways to go about their daily lives – these plans cross reference with and recommended actions arising have been incorporated within Pittwater 2020 and its key goals and strategies along with Plans of Management and infrastructure provision plans.

6. EI Levy Community Contract and Environmental Infrastructure Levy Advisory Committee

The current Community Contract, based on the EI Levy, has been highly successful in providing tangible improvements for Pittwater's environment and infrastructure within the scope of its current charter.

The Environmental Infrastructure Levy Advisory Committee has a good working appreciation of the need for further environmental, social and infrastructure retrofit/upgrades required.

A continuation of the Community Contract process and community engagement/audit role is recommended for the replacement and expanded Special Variation as discussed in Section 9.

7. Community Reference Group Feedback

In order to ensure that the community goals and objectives within *Pittwater 2020* were continually assessed, the council formed four Community Reference Groups that followed the 5 Key Directions from *Pittwater 2020*. One group covers two key directions. These reference groups meet quarterly and have considered most of the strategic goals and strategic initiatives arising from the *Pittwater 2020*.

These community groups have been used ensure council delivers on what has been put into operational plans across council.

The general feedback to date is that to make a positive difference and deliver upon a number of the strategic initiatives and associated actions will require suitable resourcing, including the injection of added financial assistance.

8. Internal Audit & Risk Committee

An Internal Audit & Risk Committee has also been appointed to review and comment on Council practices, including scope for efficiency and effectiveness improvements.

3.3.2 Other Considerations in determining the SRV Program of Works

1. Statutory, legislative and other 'fixed' requirements

Council is required to provide a range of services as part of legislative requirements or the administration of various acts and regulations. This makes these activities non discretionary. Council is also the provider of many community based goods and services and infrastructure because no other entity is prepared to or has the capacity to take on e.g. the provision of local roads and public reserves. These are classed as community and operational assets but from a pure financial perspective they are financial liabilities that must be subsidised by the community.

2. Risk Management & Safety

Pittwater Council is required to manage a range of public risks on behalf of the community, in particular natural hazards and disaster & emergency response. To operate within an acceptable risk requires an integrated risk management approach that must be backed by suitable financial and professional resources

3. Service Levels

Reduced costs can be achieved by reducing services. This however has knock on effects in that it can increase costs and risk through deteriorated assets and infrastructure. In general the community is reluctant to accept lower standards and is keen to have improved facilities that are fit for purpose. From an asset and risk perspective there is a minimum standard that must be met irrespective of deemed service level standard that the community is prepared to accept. Reduced service levels are generally not a sustainable source of additional funds, however if there are insufficient funds to sustain a level of service(s) then this could become an imperative e.g. if there are insufficient funds to service its full compliment of 27 public wharves to the necessary standards of safety and amenity there may arise a need to close some wharves until the necessary funds can be found for their upgrade.

4. Increased efficiencies

Pittwater Council is continually seeking to improve level of efficiency and is constantly looking at ways to improve. Services are delivered either through staff resources and / or by contract / consultancy utilising market based quotation / tendering provisions. Increased use of technology and innovation also assists. For projects Council utilises latest construction techniques and economies of scale e.g. road resurfacing and stabilisation, stormwater pipeline relining, materials recycling and waste minimisation techniques.

5. Change priorities of service delivery

Council services, infrastructure, have been developed and been redefined over many decades to meet the changing needs of the community. More and more local government is called upon (often with cost shifting implications) to provide more and more with ever decreasing funds. Priorities and associated levels of service need to be periodically scrutinised to align with community expectations. If priorities are changed then there are usually knock on implications given that the funding pool is limited e.g. if the decision is to increase council provided child care services then any increase in Council funding would need to come from either another program area if not covered by user fees.

6. Regional economies of scale

Pittwater Council as part of SHOROC and other partnership arrangements is involved with and is further considering a number of regional initiatives. Examples of currently in place initiatives include purchasing arrangements for bulk materials, road making services, plant & equipment hire and waste management services. Other possible regional economies are currently being investigated.

7. Volunteering

The Pittwater community has a strong volunteering ethic built upon the community helping itself, eg surf life saving, rural fire service, bush care, community library, sporting clubs, meals on wheels to name a few. This assistance by its very nature defrays costs that otherwise would fall on the Council and hence in reality would not be possible without this valuable assistance. The most important aspect of volunteering however is the social cohesion and fabric it creates. It is vitally important to support, foster and recognise volunteering, in particular to encourage a younger contingent to provide inter-generational continuity. Volunteering is not a replacement funding source but rather value adding by the community to help itself.

8. Increased Commercial Portfolio

The Council has a limited commercial base. The major facilities include Sydney Lakeside Holiday Park and the Golf Driving Range as well as a developing lease portfolio. In comparison to other councils however it is small scale. To supplement rate income an expansion of income producing property assets would be an advantage as this would provide a regular income stream. In this regard there have been recent initiatives such as kiosks/restaurants and there is further scope to provide additional opportunities. In conjunction with the SPR Program there may be scope to convert other non-income producing property assets to income producing property assets to supplement rate income and hence improve the Council's financial sustainability

9. Long-Term Investments

Council holds fund reserves, usually restricted for specific purpose outcomes that are invested to achieve interest returns. Interest alone however does not necessarily keep pace with time value of monies held. In terms of fund reserves such as s94 it must be spent on specified works and the funds derived are spent as soon as practicable after received to achieve maximum benefit and as such the corresponding fund balances are kept low. Fund investments are therefore not a source of additional funds.

10. Increased use of technology

The effective use of technology can lead to efficiency and service level gains (reduced red tape as well) and cost effectiveness. A prime example is the electronic development application and assessment processes, which have greatly streamlined what is an already complex process. Council keeps abreast of improved technologies and has partnered to further develop new technology/ applications.

Another potential example of the use of technology is the expanded installation of solar powered energy generation on Council buildings as this has the capacity to offset the rapidly escalating costs of mains electricity for street lighting and community buildings / facilities. Again this requires a sizeable injection of upfront capital to achieve longer term financial and sustainability (reduced GHG emission) gains.

3.3.3 Cost considerations when estimating the Special Variation Program of Works

The priority setting and scheduling of the works and cost estimates are based upon efficient allocation of resources:

- Consistency with Pittwater 2020 Strategic Plan and associated strategic initiatives and actions
- Asset schedules established through ongoing asset condition assessment ratings and risk profile of assets along with community satisfaction and recognised industry benchmarks for safety, environmental integrity and amenity.
- Cost estimates derived from established unit rates associated with specialist-contracted services e.g. road resurfacing, road rehabilitation, footpath construction, drainage works, etc.
- Cost estimates derived from independent structural assessments e.g. condition assessments and associated estimate of cost of repairs required for wharves and surf club buildings
- Cost estimates extrapolated for similar contracted works e.g. for bush regeneration and bushfire hazard reduction works based upon benchmark outcomes for such activities
- Cost estimates derived from adopted Plans of Management and Management Plans, updated accordingly e.g. works on sportsgrounds, works associated with Pittwater estuary, works on parks, reserves & playgrounds, flood mitigation works.
- Cost estimates include use of latest technologies where appropriate and a strict project and contract management discipline is involved
- Note, the cost estimates are updated to detail estimates as part of the Delivery Plan process and where appropriate the projects put to competitive bid/tender under the same discipline as the current EI Levy
- The completion of the works has a corresponding incremental improvement in the condition and serviceability of the asset, a reduction in the risk and a reduction in the cost of maintaining or decommissioning an otherwise poor performing asset.
- It is well recognised that maintenance/ renewal intervention is far more cost effective if carried out at the optimum time rather than trying to resurrect failed assets/infrastructure and this is where the Council is seeking to better position itself into the future with its asset portfolios
- The program will also have the potential in some categories to apply for grant funding assistance (subject to approval) which will further assist delivering outcomes sought. Without the SV funding, access to this grant funding where it is reliant upon matching funds is greatly diminished meaning that the Council is missing out on a potential additional funding pool.

3.3.4 Sustainability Assessment on the Program of Works

The following provides an executive summary of the programs and associated projects relative to Council's 2020 Strategic Plan Key Directions as linked to sustainability outcomes.

1. Supporting & Connecting Our Community (Social)

The Pittwater community has a great affinity with the Pittwater environment and often cite this as the main reason why they live and work in the Pittwater area. With such a diverse landscape and terrain with its sandy beaches and dominant headlands, expansive waterways, remnant bushland, urban villages and open spaces it is a very special place. A healthy environment and a caring society are key ingredients to a healthy and vibrant community and the 'lifestyle' attributes often talked about. Pittwater's Community, Recreation and Economic Development Reference Group is scrutinising goals associated with social outcomes.

Infrastructure is also vital for community health, access, wellbeing and the local economy. Without reasonable infrastructure it constrains the community and can lead

to increased risks. Primary assets requiring an injection of additional funding include surf clubs, beach facilities and wharf infrastructure.

2. Valuing & Caring for Our Natural Environment (Environmental)

A healthy natural environment is vitally important to the health and sustainability of Pittwater. We pride ourselves on the natural beauty of our beaches, bushland and waterways and we all need to be diligent to protect these fragile ecosystems and landforms. Pittwater is seen as a 'biodiversity hotspot' with over 32 vegetation community types supporting a large array of flora and fauna.

Bushland, beaches, wetlands and other natural areas in the urban context require constant nurturing as weeds, feral and domestic animals, pollution & sedimentation, development pressures and encroachments are continually impacting them. With over 440 hectares of bushland in public ownership spread over 100 reserves it represents about 30% of the bushland in Pittwater (excluding National parks.). The other 70% is on private property.

A lack of funding to achieve long lasting sustainable outcomes has been a constant and frustrating constraint. The ability to expand programs through grant funding has been diligently pursued with whatever matching and 'in kind'/volunteer equivalent funding that can be put together. However this is also very constrained and other councils with access to Environmental Levy funding to seed fund grants do much better than Pittwater.

Pittwater's Natural Environment Reference Group has provided valuable feedback that the Pittwater natural environment is in need of additional care and that there needs to be additional funding and resources provided for environmental enhancement measures to be sustainable. The funding from an Environmental Levy has been suggested and as such is consistent with a Special Rate Variation.

Specific additional funds are required to provide essential positive and ongoing benefits to the Pittwater environment for the benefit of our local flora and fauna and the health and wellbeing of our community at large.

3. Enhancing Our Working & Learning (Economic)

The health, vibrancy and viability of the local Pittwater economy (in particular local businesses, shops, factories, real estate prices, recreation, sport & tourism, lifestyle) is heavily reliant upon the health and presentation of its natural and urban environments, the health and wellbeing of its community and social & volunteer support networks, and importantly the performance of its core infrastructure upon which Pittwater so heavily relies on a daily basis. It is therefore essential that suitable funding is in place to improve infrastructure to a reasonable standard to support community needs and is maintained at that standard.

One of the fundamental pillars of sustainability is the economy. In the case of Pittwater Council it is responsible on behalf of the Pittwater community for the management and delivery of outcomes across a broad array of program and project areas that assist the local economy. Recent organisational health checks have concluded that Pittwater is soundly managed and is currently on a positive financial footing. However, the forecast is that this financial situation is likely to deteriorate and as such Council will be further constrained in its ability to particularly maintain and service its existing infrastructure let alone provide sufficient funding for retrofits to install missing or upgrade infrastructure.

To further highlight this situation the Pittwater 2020 Community Strategic Plan along with associated Asset Management Registers, asset condition assessments, Plans of Management and strategic mapping along with risk management profiles have

identified a pressing need to provide additional funding for environmental and infrastructure improvements for Pittwater. This will become even more fundamental as we further take on mitigation and adaptation measures to combat climate change and sea level rise impacts.

4. Leading an Effective & Collaborative Council (Governance)

Initiatives to increase funding are progressed through established governance and community engagement protocols. This is usually via the Delivery Program process to establish fees & charges and in the case of a Special Rate Variation, it requires formal application and Ministerial approval.

5. Integrating Our Built Environment (Infrastructure)

The retrofit and improvement to the Pittwater's infrastructure is fundamental to Pittwater being a sustainable community. The community is heavily reliant upon its infrastructure for its daily needs and through Pittwater 2020 has identified the need to:

- Improve the standard of our roads and carparks
- provide safer and improved connected access for pedestrians
- provide sensitive tracks to experience our bushland areas
- improve the condition and amenity of our sportsgrounds and open spaces for the health and enjoyment of our community
- significantly improve the condition of our surf clubs and beachside amenities to continue to support the valuable role of our lifesaving movement
- significantly improve the condition of our public wharves and foreshore facilities to continue to provide waterway access and recreational amenity

Key Direction	Strategy	Strategic Initiative	Projects & Programs	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL	
KD1 - Supporting & Connecting our Community	Recreation/Build Comm	Create youth precincts at Avalon and Mona Vale (regional skate parks)/Facilitate and support local community organisations	PCYC (Police, Citizen and Youth Club) (Council Component)									638,321		638,321	
	Recreation/Build Comm	Create vibrant community spaces (Village Park outdoor performance space, Avalon, Newport Community Centre)/Develop a program of outdoor performances	Mona Vale Village Park Outdoor Performance Space									319,161	658,109	977,270	
	Recreation/Build Comm	Review and implement the Open Space, Bushland and Recreational Needs Strategy/Develop a program to promote healthy lifestyle and decrease obesity	Sports Field and Open Space Improvements	55,500	44,622	47,200	48,649	50,142	51,682	53,268	54,904	56,590	58,328	520,885	
	Recreational	Upgrade recreational facilities	Avalon Stage 1		299,506	999,183								1,298,689	
	Recreational	Upgrade recreational facilities	Mona Vale Surf Club							480,410				480,410	
	Recreational	Upgrade recreational facilities	Newport Surf Club				100,002							100,002	
	Recreational	Upgrade recreational facilities	South Palm Beach Pavilion					451,954						451,954	
	Recreational	Upgrade recreational facilities	North Palm Beach Surf Club							60,051	371,477			431,528	
	Recreational	Upgrade recreational facilities	North Narrabeen Rock Pool				383,569	56,494						440,064	
	Recreational	Upgrade recreational facilities	Warriewood Beach						186,386					186,386	
	Recreational	Upgrade recreational facilities	South Palm Beach Rock Pool						116,491					116,491	
	Recreational	Upgrade recreational facilities	Palm Beach Wharf		500,035									500,035	
	Recreational	Upgrade recreational facilities	Newport Wharf				458,913							458,913	
	Recreational	Upgrade recreational facilities	Bennetts Wharf					180,782						180,782	
	Recreational	Upgrade recreational facilities	Mackeral Beach Wharf					282,472						282,472	
Recreational	Upgrade recreational facilities	Bayview Wharf						291,228					291,228		
Recreational	Upgrade recreational facilities	Taylor's Point Wharf						87,368					87,368		
Recreational	Upgrade recreational facilities	Scotland Island Wharf						122,316	384,747				507,063		
Recreational	Upgrade recreational facilities	Boating Infrastructure		103,100	106,296								209,396		
		TOTAL		55,500	947,263	1,152,679	991,134	1,021,844	855,472	978,477	426,381	1,014,072	716,437	8,159,258	
KD2 - Valuing & Caring for our Natural Environment	Beach & Coastal	Investigate the feasibility of beach nourishment/ beach protection measures in conjunction with Sydney Coastal Councils Group (SCCG)	Facilities and Services at Beaches (Dune Restoration)		51,550	106,296	109,591	112,989	116,491	120,102	123,826	127,664	131,622	1,000,131	
	Beach & Coastal	Provide planning, design, investigation and management of beaches, coastline and estuaries	Pittwater Estuary and Coastal Rehabilitation	223,857	103,100	106,296	131,510	135,586	139,790	144,123	148,591	153,197	157,946	1,443,996	
	Beach & Coastal	Upgrade beach, coastal & estuary facilities	Facilities and Services at Beaches (Extension of Lifeguard Services)		103,100	106,296	109,591	112,989	116,491	120,102	123,826	127,664	131,622	1,051,681	
	Beach & Coastal	Maintain and service beach, coastal & estuary facilities	Cleanliness of Beaches and Ocean pools		41,240	42,518	43,837	45,195	46,597	48,041	49,530	51,066	52,649	420,673	
	Biodiversity	Create, review and implement Plans of Management Plan for all public lands including aquatic reserves	Bushland Reserve Regeneration	125,000	119,495	175,389	202,744	225,977	256,281	264,225	272,416	280,861	289,568	2,211,957	
	Biodiversity	Create, review and implement Plans of Management Plan for all public lands including aquatic reserves	Ingleside Chase (Escarpment) Bushland Restoration		25,775		27,398			29,123		30,956		32,905	146,158
	Biodiversity	Review and update the Wildlife Corridor Plan to improve connectivity and regenerate strategic corridors including road reserves	Reconnection and Enhancement of Wildlife Corridors			31,889	32,877	33,897	34,947	36,031	37,148	38,299	39,487	284,574	
	Biodiversity	Update, review and implement the biodiversity education program	Community Bushcare Program		10,620	21,259	21,918	22,598	23,298	24,020	24,765	25,533	26,324	200,336	
	Sustainability	Develop and implement a Climate Change Plan of Action	Energy Saving Initiatives and Retrofits		103,100	106,296	109,591	112,989	116,491	120,102	123,826	127,664	131,622	1,051,681	
	Sustainability	Develop and implement a Climate Change Plan of Action	Water Saving and Re-Use Initiatives		41,240	53,148	54,796	56,494	58,246	60,051	61,913	63,832	65,811	515,531	
	Biodiversity	Update and implement the Threatened Species Management Plan	Protecting Native Plants and Animals		51,550	53,148	54,796	56,494	58,246	60,051	61,913	63,832	65,811	525,841	
	Vegetation	Continue and increase targeted noxious weed removal	Noxious and Environmental Weed Eradication		30,930	31,889	32,877	33,897	34,947	36,031	37,148	38,299	39,487	315,504	
	Water	Support the Action Plans of the Catchment Management Authorities and State Plan	Flood Mitigation and Stormwater Rectification			116,926	153,428	158,184	163,088	168,143	173,356	178,730	184,271	1,296,125	
		TOTAL		348,857	681,700	951,350	1,084,954	1,107,288	1,194,035	1,201,025	1,269,213	1,276,643	1,349,124	10,464,189	
KD3 - Enhancing our Working & Learning	Community Learning	Develop Mona Vale and Avalon Community Libraries and CEC as centres for the development of information literacy and learning	Refurbishment of Library				71,234	61,014	132,218	27,624	123,207	126,771	130,964	673,030	
			TOTAL				71,234	61,014	132,218	27,624	123,207	126,771	130,964	673,030	
KD4 - Leading an Effective & Collaborative Council	Risk Management	Comply with Council's statutory obligations and to properly discharge Council's common law duty of care to the community when managing risks	Managing Natural Hazards	134,884	154,650	159,444	164,387	169,483	174,737	180,154	185,738	191,496	197,433	1,712,406	
	Risk Management	Develop, implement and review plans to mitigate/control wherever possible, risks associated with hazards	Managing and Protecting Creeks and Waterways		103,100	106,296	109,591	112,989	116,491	120,102	123,826	127,664	131,622	1,051,681	
			TOTAL	134,884	257,750	265,740	273,978	282,472	291,228	300,256	309,564	319,161	329,055	2,764,087	
KD5 - Integrating our Built Environment	Town & Village	Provide integrated carparking options in Foamcrest Avenue, Newport and Mona Vale and investigate other options via ongoing masterplans	Carpark and Access Improvement Program		85,131	138,185	142,469	146,885	151,439	156,133	160,973	165,964	171,108	1,318,286	
	Town & Village	Develop a program to build pride in community assets that assists Council in maintenance as well as deterring graffiti and vandalism	Keeping Villages and Surrounding Areas Beautiful		85,573	88,226	90,961	93,781	96,688	99,685	102,775	105,961	109,246	872,896	
	Town & Village	Upgrade of Town and Village facilities	Scotland Island road and Drainage Infrastructure	100,000	103,100	106,296	109,591	112,989	116,491	120,102	123,826	127,664	131,622	1,140,047	
	Transport	Upgrade of traffic and transport facilities	Road Rehabilitation Program	684,619	457,764	751,358	853,659	826,481	1,040,330	990,925	1,226,360	1,100,559	1,425,932	9,357,987	
	Transport	Upgrade of traffic and transport facilities	Footpath and Verges Rehabilitation	199,032	61,860	74,407	76,714	79,092	81,544	84,072	86,678	89,365	92,135	924,899	
	Transport	Review and implement the Walks and Rides Masterplan (including cycleway provision)	Footpath and Multi Purpose Access Networks		156,200	362,140	312,399	312,399	395,460	291,880	420,359	433,390	446,825	460,676	3,279,130
			TOTAL	983,651	949,628	1,520,612	1,585,793	1,654,688	1,778,172	1,871,276	2,381,653	1,908,674	2,259,098	2,459,098	16,893,245
GRAND TOTAL				1,522,892	2,836,340	3,890,382	4,007,093	4,127,305	4,251,125	4,378,657	4,510,018	4,645,319	4,784,678	38,953,810	

3.4 Impact on Financial Sustainability

In an analysis of case studies on variations of the financial sustainability of councils, IPART in their July 2009 review noted the councils that had improved their financial performance or achieved strong financial sustainability tended:

- To use special rate variations to progressively lift or maintain their own source revenue and fiscal flexibility relative to total revenue
- To have a rate base equivalent to 50% or more of total revenue
- Generally recorded operating surpluses excluding capital over a period of time
- Tended to have relatively low infrastructure backlogs relative to operating revenue (or recorded reductions in this ratio)
- Tended to retain or reduce expenditure on traditional service levels as a percentage of total expenditure (according to IPART traditional services relate to governance, administration, public order and safety, transport, communication /amenities)

The strategic long term financial sustainability aim of Pittwater Council is to:

- Continue to be financially sustainable over the long term while at the same time delivering identified services and infrastructure in response to the community's priorities in the Council's Community Strategic Plan, *Pittwater 2020*.
- Generate additional funding where possible to address community service priorities as defined by the Council's strategic actions and the recent community survey results and provide improvements to Council assets as identified.

It is considered by Pittwater Council (and supported by internal long term financial modelling and that presented by Morrison Low Consultants in 2009) that without a Special Rate Variation Council cannot maintain a long-term operating surplus without a significant reduction in operational expenditure and associated services.

The Council's financially sustainable position long term, impacts to Council's operating result, cash position and the key financial indicators of the current ratio are projected on the following basis:

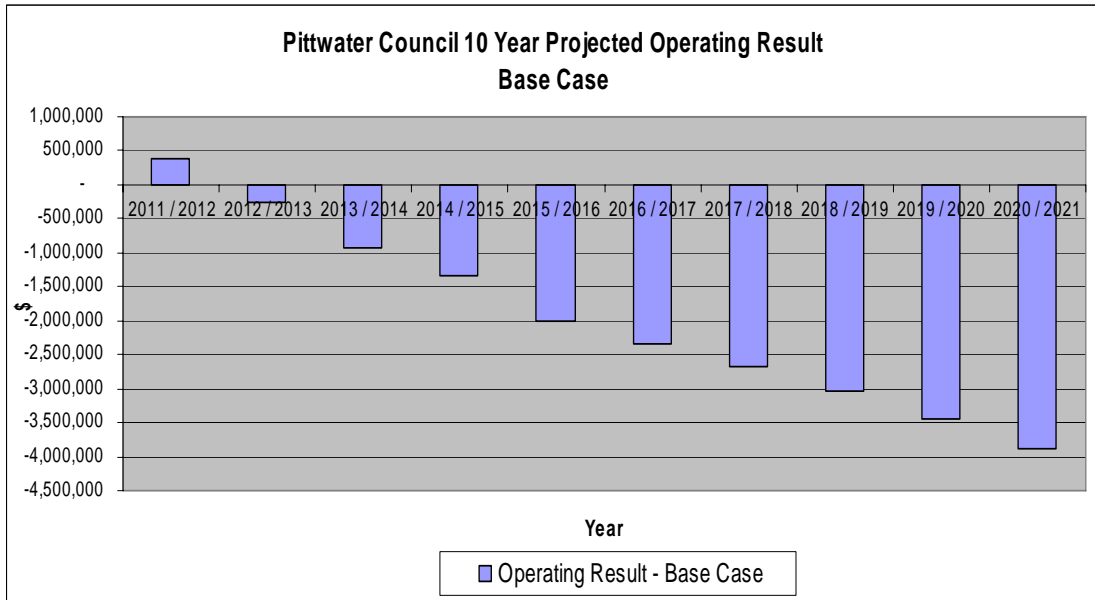
1. As a whole, on a 'business as usual' basis (Base Case without any Scenario impacts – including the Special Rate Variation)
2. As a whole including all Scenario impacts (Base Case versus Base Case + All Scenarios including the Special Rate Variation).
3. As a whole including all Scenario impacts but excluding income generated from the Special Rate Variation (Base Case versus Base Case + All Scenarios excluding income from the Special Rate Variation Scenario).

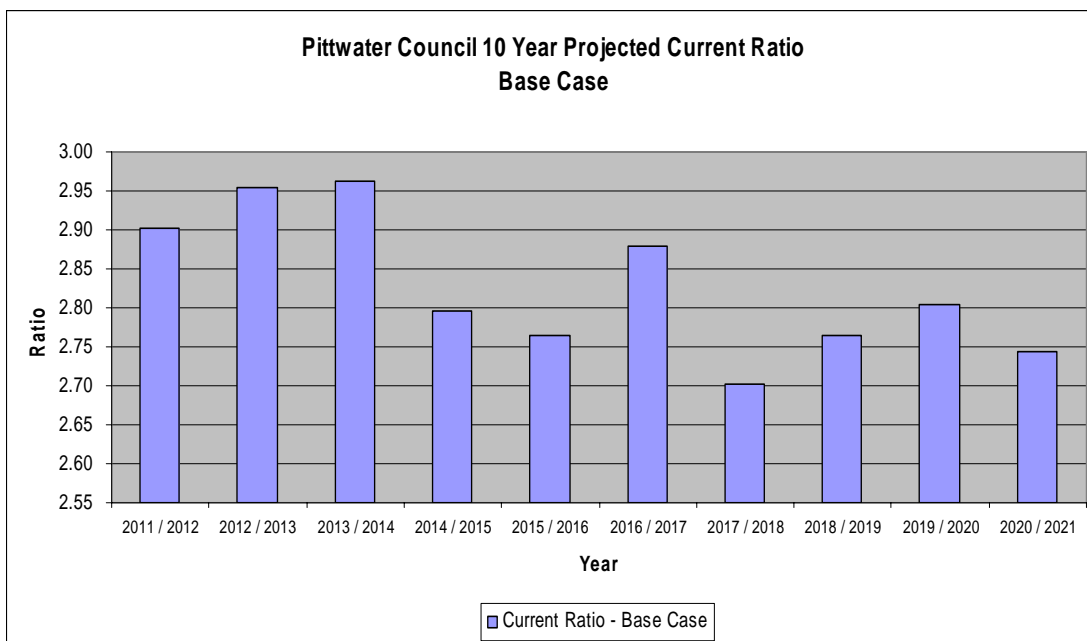
Accordingly, the financial outcomes and indicators as outlined above are summarised below:

Base Case Scenario

Incorporates the financial impacts of delivering current levels of service with current levels of funding. The Base Case or 'business as usual' Scenario includes forecasts of the Council's operating result, cash position and current ratio over the next ten years. These indicators are outlined in the graphs below.

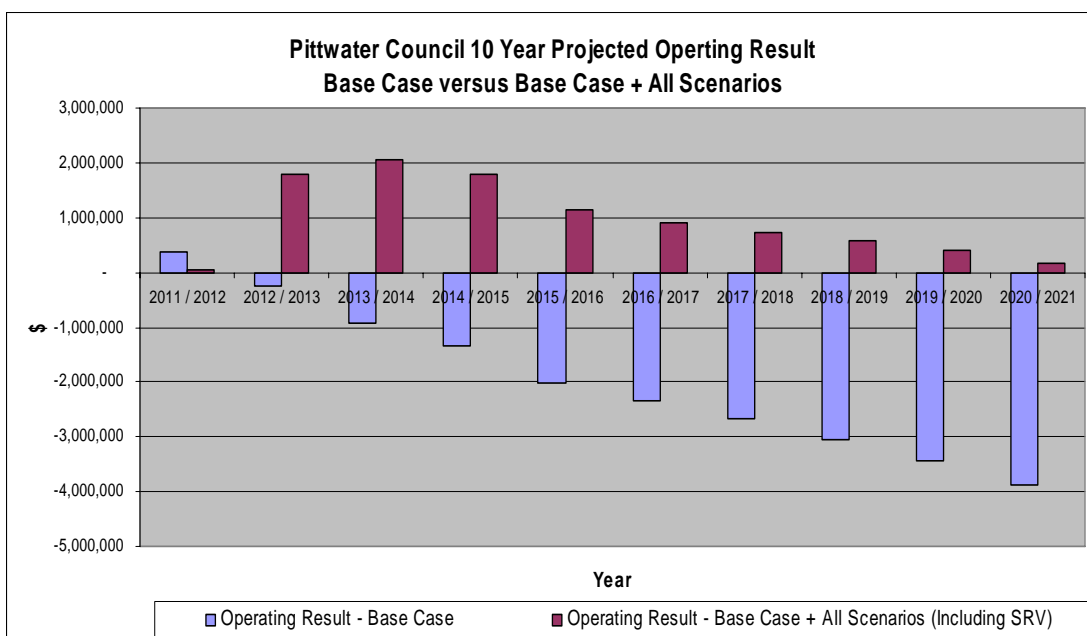
As indicated below, while Council's cash position and current ratio remain stable with an average year end closing cash and investment balance of between \$23 and \$35 million over the ten year period and a current ratio of 2.90 to 1 in 2011/12 trending to 2.74 to 1 by 2020/21, the Council's operating position at Base Case levels will be unable to be maintained in surplus in the short, medium and longer term horizons. Accordingly, additional funding sources such as the Special Rate Variation are essential to maintain our long-term operational financial sustainability.





Base Case Scenario + All Scenarios

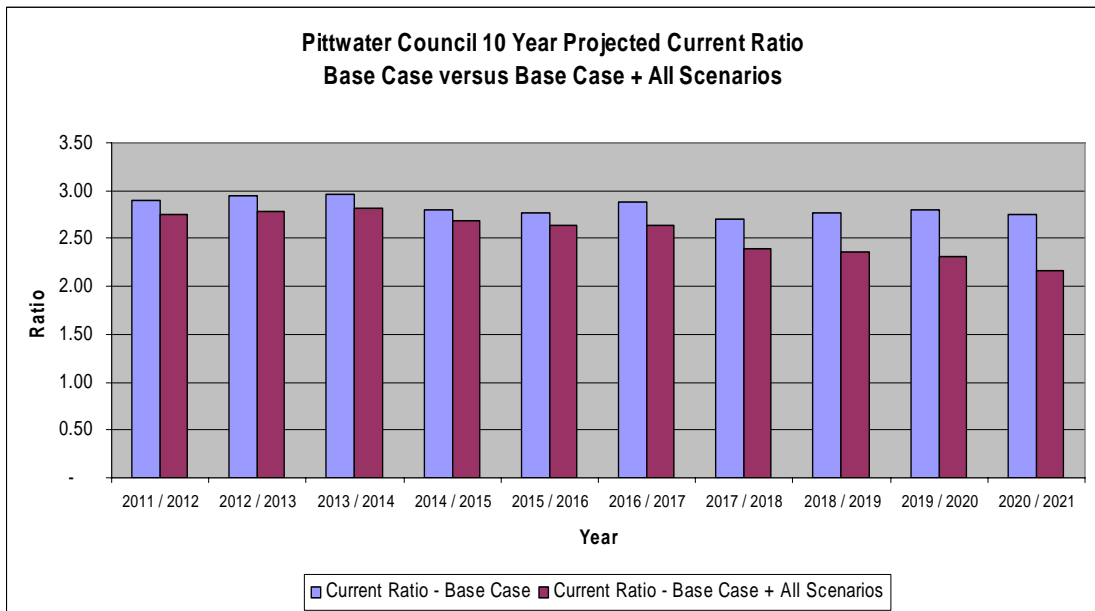
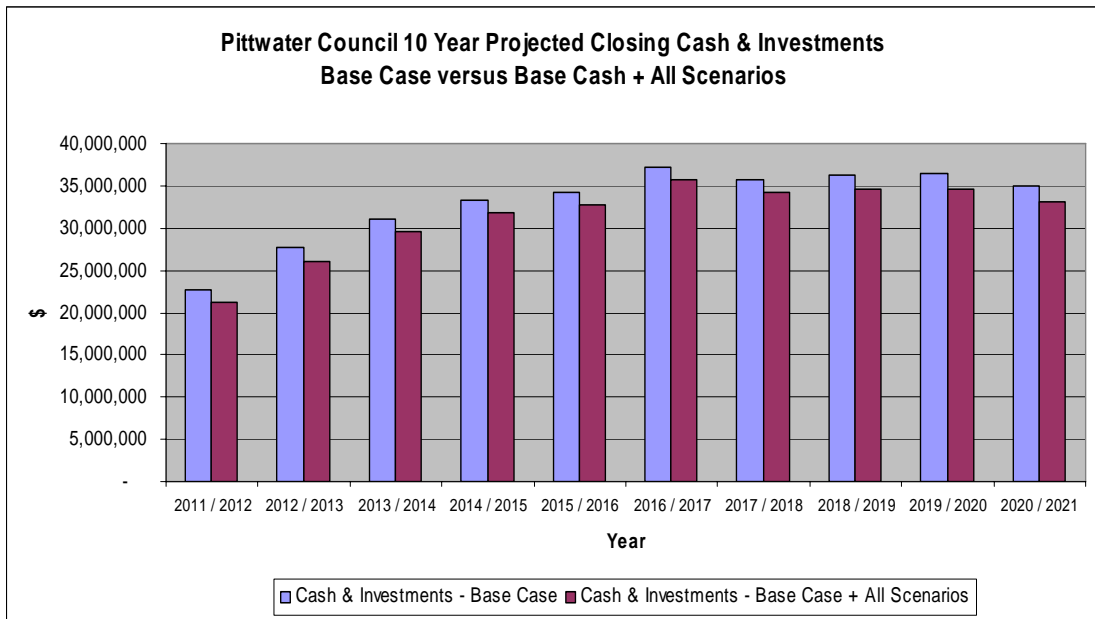
Incorporates the financial impacts of delivering additional levels of service and infrastructure (as demanded by the Pittwater community and Council's Asset Management Strategy) with new funding sources such as the Special Rate Variation, Grants, Loans, Cost Efficiencies etc, ***in addition to current levels of service and funding***. The Base Case + All Scenarios forecast an operating position of Council over the next ten years as outlined in the graph below:



As indicated by the above graph, Council's operating position will be significantly improved with the inclusion of 'All Scenarios' and a healthy operating surplus can be maintained in the short, medium and long term.

It is recognised that the increase in the Council's operating result is mainly due to the Special Rate Variation being recognised as operating income and the majority of

associated expenditure recognised as capital expenditure. However, regardless of this accounting treatment the Council's overall long-term position under a Base Case + All Scenarios remains strong and sustainable, as supported by its long term cash position of between \$21 and \$33 million over the ten year period and a current ratio of 2.74 to 1 in 2011/12 trending to 2.17 to 1 by 2020/21 average as indicated by the graphs below.

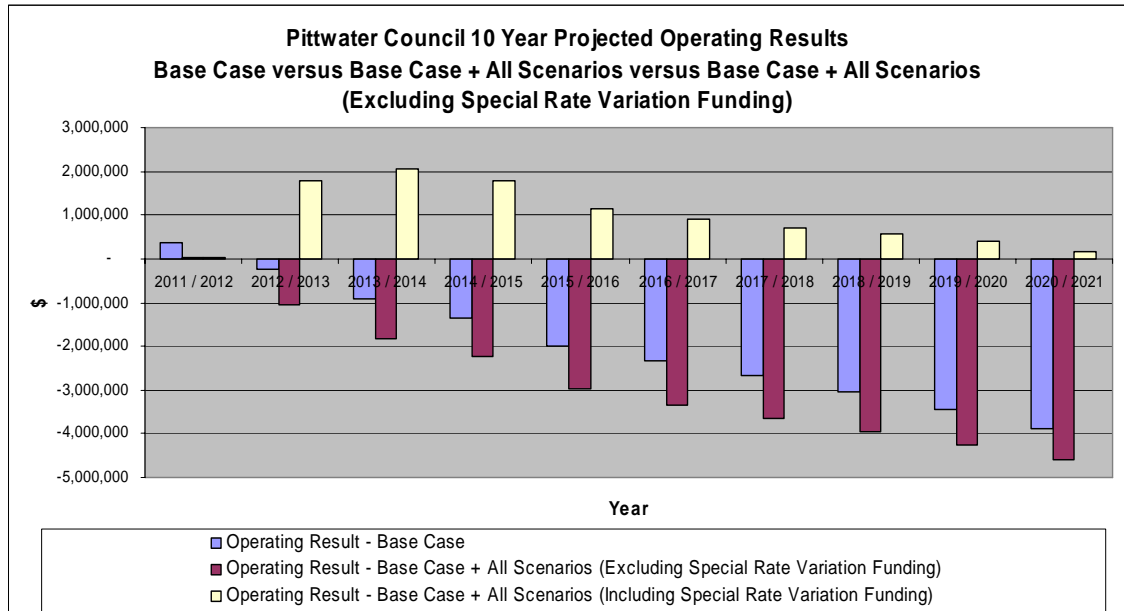


Base Case Scenario + All Scenarios (excluding income from the Special Rate Variation)

Incorporates the financial impacts of delivering additional levels of service and infrastructure (as demanded by the Pittwater Community and Council's Asset Management Strategy) with new funding sources such as Grants, User Fees, Cost Efficiencies etc, **in addition to current levels of service and funding**, yet excluding income from the Special Rate Variation. This analysis demonstrates the importance of Council's Special Rate Variation. Without the Special Rate Variation it would be impossible to deliver the level of service and

infrastructure that is required by both the community and the Council's long term plans. It would also be impossible to maintain a sustainable operating surplus for Council.

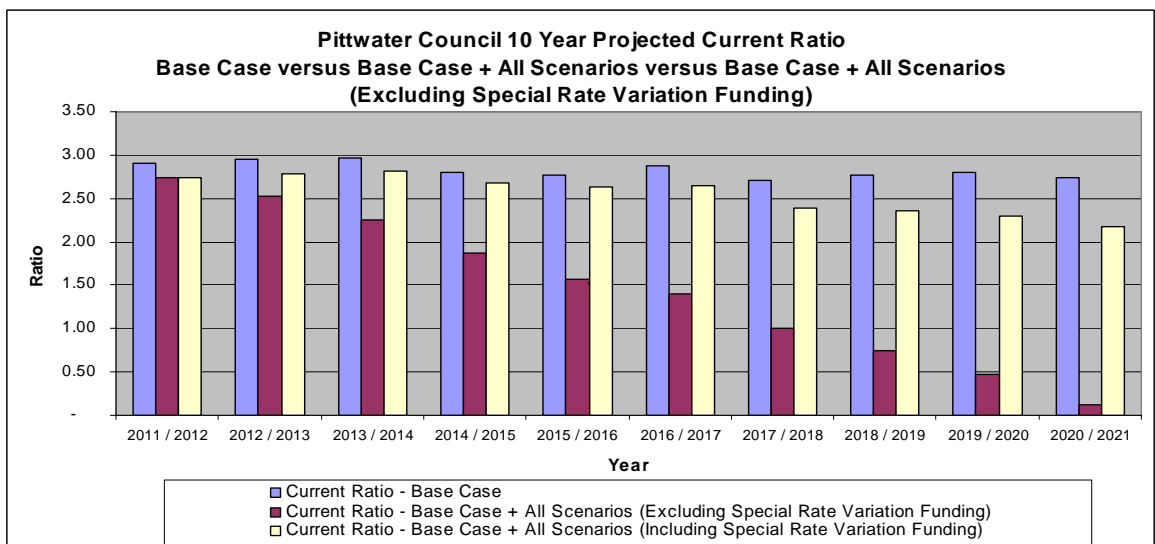
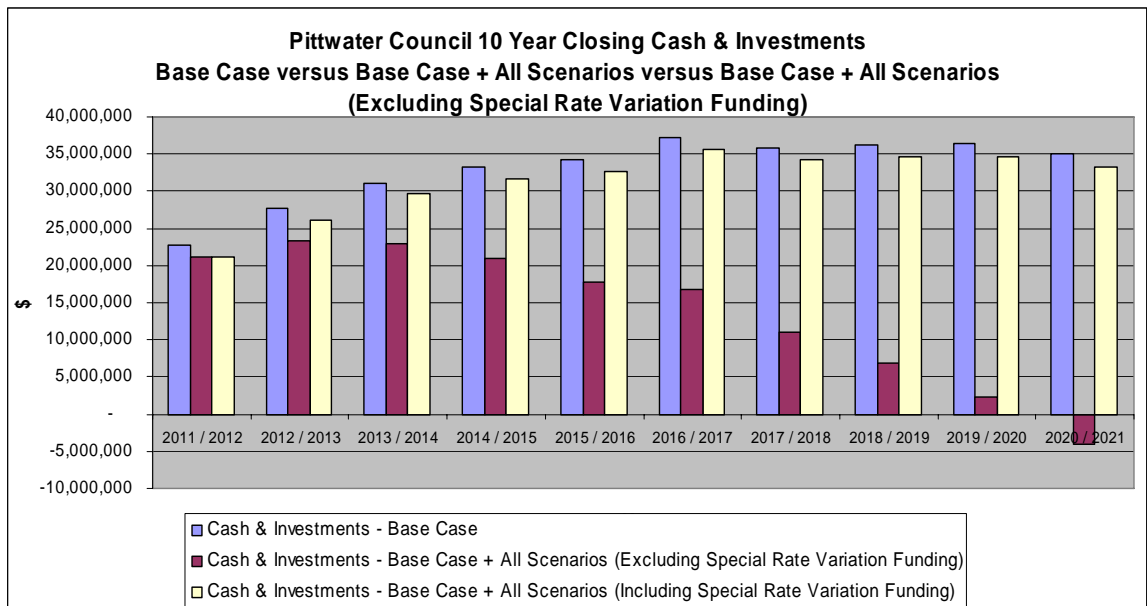
The Base Case + All Scenarios (excluding income from the Special Rate Variation) forecasts an operating position of Council over the next ten years as outlined in the graph below:



As demonstrated by the above graph, the additional expenditure without the supporting Special Rate Variation income pushes the Council's operating position into a greater deficit than both the Base Case Scenario and Base Case + All Scenarios.

In addition to the negative impact on the Council's operation position due to the lack of supporting income from the Special Rate Variation, additional expenditure associated with community priorities and Council plans will also have a significant negative impact on our closing cash position and current ratio.

As indicated by the graphs below, under a Base Case + All Scenarios (excluding Special Rate Variation income) the Council's long term cash would diminish to a negative position of -\$4 million at year 10 and the current ratio would diminish to 0.12 to 1 in 2020/21. Both these projected figures demonstrate clearly that the Council would no longer be in a sustainable financial position.



Long Term Financial Planning Key Assumptions Statement

In determining Council's LTFP and in conjunction with the essential requirements of the Department of Local Government, the following assumptions have been incorporated throughout the LTFP in order to achieve a sustainable financial platform over the next 10 years.

1. Inflation Forecasts – as prescribed by BIS Shrapnel Forecasting Agency November 2010 Edition and Long Term Forecasts 36th Edition – 3.0%

2. Interest Rate Movements – as prescribed by BIS Shrapnel Forecasting Agency Long Term Forecasts 36th Edition and Council Market Premium based on historical trends – Delivery Program Estimates for the first four years and thereafter a 2% premium above current indicative income from 2015/16.

3. Opportunities for a Special Variation to General Income – For opportunities for a Special Rate Variation see the commentary below relating to *Capacity for Rating and Scenario 7* – Special Rate Variation of Council's LTFP.

4. Capacity for Rating (Special Rate Variation Process) – As a Part of Council's LTFP a Special Rate Variation (SRV) has been incorporated into Council's long term financial planning in order to deliver to the community services and infrastructure that it has demanded.

Pittwater Council believes on the evidence shown by its community engagement process on the SRV that there is a willingness within the community to support a moderate rate increase if additional services and infrastructure were to be delivered.

Since 2002, Council has had in place an Environmental Infrastructure Levy of 5% which has generated approximately \$1.5 million dollars per annum in revenue for the past nine years. This levy in terms of an average ratepayer amounts to approximately \$60 per annum. This levy is due to expire in June 2012.

The new SRV proposed to replace this Environmental Levy will be levied at 7.8% (including CPI) in 2011/12, 7% (including CPI) in 2012/13 and 6% (including CPI) in 2013/14, deriving some \$38.9 million dollars over 10 years. This levy is cumulative and over the three year levying period will grow Council's rate base by approximately \$3.8 million dollars.

Accordingly, Council **does not** believe the increase in residential rates over the life of the Special Rate Variation will adversely impact on the quality of life of the ratepayers.

5. Impact in Rate Revenues from Changing Demographic and Industry Makeup – To date, there has been little growth (some 0.5%) in rates due to demographic changes. Accordingly, when forecasting rate growth in Council's LTFP, we have only allowed for a forecast rise by an estimated CPI (permissible rate increase) of 2.8% in year 2011/12 and 3.0% long term.

6. Projected Impact of the Rate Peg – To date, Council has been unable to fully service its community in terms of service provision and infrastructure delivery due the capping of rates. Accordingly, in order to partially address this service and infrastructure shortfall the Council has applied for a Special Rate Variation over a 3 year period as outlined in Scenario 7 – Special Rate Variation of Council's LTFP and the narration above associated with *Capacity for Rating*.

7. Council's Current Rating Structure and Likely Changes to that Structure in the Future – There are no proposed changes to Pittwater Council's rating structure. The Council's current rating structure is that of an ad valorem rate subject to a minimum. Council's minimum rate historically has been set a level higher than that prescribed by the Minister for Local Government in order to achieve an equitably distributed base across all ratepayers of Pittwater. The 'minimum' residential rate proposed for 2011/12 is \$703.30 and will derive some \$3,444,060 of Council's residential rate base. The ad valorem rate then is levied via a rate in the dollar on a ratepayer's land value and constitutes the balance of Council's residential rate base of \$25,810,979 for 2011/12. It is projected that Council's structure will continue unaltered as the Council feels it is the most appropriate structure to satisfy both the capacity to pay and an equitable distribution of rates across its locality.

8. New Fees and Charges – See Scenario 6 of Council's LTFP- New User Fees, Charges, Grants and Other Income for information on assumptions concerning fees and charges.

9. Existing Fees and Charges – 3% has been used for growth assumptions of existing user fees and charges (non-statutory).

10. Grants – See Scenario 6 of Council's LTFP, New User Fees, Charges, Grants and Other Income for information on assumptions concerning grants.

11. Borrowings – To ensure inter-generational equity in the funding of long term infrastructure, a rolling program of borrowings is envisaged as part of Council's long term financial planning. Accordingly, a borrowing program of \$1 million dollars per annum to fund Council's Capital Works Program has been projected. See Scenario 5 - Projected New Borrowings of Council's LTFP for details and impacts of the borrowings program.

12. Cash Reserves – See Appendix 2 - Council's Financial Statements and Appendix 3 - Restricted Cash and Investments of Council's LTFP for assumptions and position of cash reserves.

13. Expenditure Forecasts – Pittwater Council believes that to the best of its available and future resources, a suitable balance of meeting current and future expenditure expectations of its community has been achieved. Assumptions, details and costings on Council's forecast expenditure are contained within Appendix 2 - Council's Financial Statements of Council's LTFP and Council's Strategic Plan, Delivery Program, Operational Plans and Asset Management Strategy. These documents can be located on the Council's website at www.pittwater.nsw.gov.au.

14. Income Forecasts – Assumptions, details and income patterns on Council's forecast income are contained within Appendix 2 - Council's Financial Statements of Council's LTFP and Council's Strategic Plan, Delivery Program, Operational Plans and Asset Management Strategy. These documents can be located on the Council's website at www.pittwater.nsw.gov.au.

15. Sensitivity analysis – Council's sensitivity analysis has been based upon seven Scenarios that are considered significant in terms of Council's long term financial planning. These seven Scenarios are as follows:

1. Base Case (Static Delivery Program)
2. Strategic Action Expenditure
3. Community Priority Expenditure
4. Productivity Improvements and Cost Efficiencies
5. Projected New Borrowings
6. New User Fees, Charges, Grants and Other Income
7. Special Rates Variation

Details on the Scenario planning assumptions and impacts are contained at each Scenario outline in Council's LTFP.

16. Significant Activities of Council (neutral impact to Council)

Pittwater Council has a number of operational and infrastructure activities that are associated with a high level of expenditure and/or income, or are significant in terms of meeting community expectations. Although significant, such activities in terms of costs, income etc have a neutral impact to the Council's financial position by the very nature of their constitution. In general terms these activities have a minimal net cost to Council and generally will only be undertaken if associated funds are realised or based on a cost recovery platform.

Income and expenditure of such items (where applicable) have been included in Council's Long term Financial Model but do not form a Scenario in their own right as their overall impact is generally neutral. Such significant activities are outlined below.

16.1. Developer Contribution Plans

Pittwater Council operates seven Developer Contribution Plans for a variety of infrastructure provision. They include:

Developer Contribution Plans	Balance as at 31 st January 2011
Mona Vale Car Parking	\$3,184,822
Newport Car Parking	\$85,794
Open Space	\$796,066
Public Libraries	\$244,296
Community Facilities	\$233,679
Village Streetscape	\$428,514,
Warriewood Valley	\$1,488,512

These Developer Contribution Plans are a funding mechanism for the provision of infrastructure for new additional dwellings. The largest plan in operation is the Warriewood Valley Developer Contribution Plan. This has some \$60 million worth of infrastructure works remaining.

These Developer Contribution Plans and their associated infrastructures are predicated on the basis that works are fully costed and indexed and supported by matching income streams. Generally, works are not undertaken unless matching income is known. If income patterns become unclear, associated works are staged until income becomes more tenable. Accordingly, although large in cost such activities generally are managed on a balanced long-term financial basis.

16.2 Domestic Waste Service

Pittwater Council's domestic waste service, while costing approximately \$11 million, per annum, is fully offset by the annual domestic waste charge per rate paying household. The charge is based on a cost recovery situation for 2011/12 and then indexed by 6% per annum for the next three years (to allow for potential bin replacement at the end of the current contract) and then 3% thereafter for long term modelling purposes. Accordingly, this charge is projected (subject to annual review) as follows:

- 2011/12 \$450 per annum
- 2012/13 \$477 per annum
- 2013/14 \$505 per annum
- 2014/15 \$535 per annum

As indicated above, this annual charge fully recovers all associated service costs and in addition allows for a small reserve to fund additional one-off costs associated with the service such as bin upgrades. Accordingly this activity has a neutral impact on the Council's finances.

16.3 Church Point Precinct Master Plan

The Church Point Masterplan approved by Council divides the Church Point area into three distinct precincts for future upgrading and redevelopment.

Precinct 1 – including McCarrs Creek Road west of the general store, the dinghy commuter wharf and cargo wharf, plus Rostrevor Reserve – would see the construction of a new sea wall, dinghy facilities, a pedestrian boardwalk, car parking and wharf upgrades.

Under the Masterplan, Precinct 2 – including Thomas Stevens Reserve, the public wharves, the general store and the Pasadena function centre – would see upgrades to the wharves, pedestrian access, more boat tie-ups and improvements to the reserve, including lighting, seating and landscaping.

Precinct 3 – the Church Point Reserve and its immediate surroundings – would see construction of an improved seawall, a designated car parking area including motorcycle and cycle parking, extra tie-up facilities for boat-owners and landscaping improvements.

The expenditure associated with each precinct is as follows:

Precinct 1 - Ranges from \$5.6 million to \$7.1 million depending on the configuration

Precinct 2 - \$2.4 million

Precinct 3 - \$925,000

As indicated above, the total cost of the Church Point Masterplan is considerable. As a part of the Masterplan process a funding package has been prepared that offsets all associated expenditure. The expenditure will not proceed without a guaranteed income stream for each precinct. Accordingly this activity has a neutral impact on Council's long term finances.

3.4.1 Variations for capital expenditure

Not applicable to councils Section 508A Application.

3.4.2 Impact of Special rate Variation on Key Performance Indicators

The below tables demonstrate the impact on Council's Key Performance Indicators for the current year and 3 forward years under the 2 possible Scenarios – (1) the Special rate Variation is approved (Table 3.1) and (2) the Special Rate Variation is not approved (Table 3.2)

Table 3.1 Key Performance Indicators - Scenario 1 Special Rate Variation is Approved

Indicator	30/06/2010 Actual	30/06/2011 Estimate	30/06/2012 Forecast	30/06/2013 Forecast	30/06/2014 Forecast
Operating Balance Ratio %	3.48	0.25	0.06	2.61	2.90
Unrestricted Current ratio %	3.81	3.21	3.08	2.80	2.68
Rates and Annual Charges					
Outstanding Ratio %	4.95	5.00	5.00	5.00	5.00
Debt Service ratio %	2.71	2.37	2.49	2.54	2.37
Broad Liabilities Ratio%	28.66	26.30	28.46	27.34	27.37
Asset Renewals Ratio%	0.64	1.05	1.01	1.14	1.29

Notes:

The above KPI Table include all of Council's Scenarios from the LTFP, Including the Scenarios for the Special Rate Variation Income and Associated Works Program

Table 3.2 Key Performance Indicators - Scenario 2 Special Rate Variation is Not Approved

Indicator	30/06/2010 Actual	30/06/2011 Estimate	30/06/2012 Forecast	30/06/2013 Forecast	30/06/2014 Forecast
Operating Balance Ratio %	3.48	0.25	0.60	1.15	2.26
Unrestricted Current ratio %	3.81	3.21	3.08	2.84	2.83
Rates and Annual Charges					
Outstanding Ratio %	4.95	5.00	5.00	5.00	5.00
Debt Service ratio %	2.71	2.37	2.49	2.66	2.51
Broad Liabilities Ratio%	28.66	26.30	28.46	28.51	28.95
Asset Renewals Ratio%	0.64	1.05	1.01	0.72	0.71

Notes:

The above KPI Table include all of Council's Scenarios from the LTFP, but Excluding the Scenarios for the Special Rate Variation Income and Associated Works Program

Table 3.3 Key Performance Indicators - Variation between Scenario 1 and 2 Tables above

Indicator	30/06/2010 Actual	30/06/2011 Estimate	30/06/2012 Forecast	30/06/2013 Forecast	30/06/2014 Forecast
Operating Balance Ratio %	-	-	0.54	3.76	5.16
Unrestricted Current ratio %	-	-	-	0.04	0.15
Rates and Annual Charges					
Outstanding Ratio %	-	-	-	-	-
Debt Service ratio %	-	-	-	0.12	0.14
Broad Liabilities Ratio%	-	-	-	1.17	1.58
Asset Renewals Ratio%	-	-	-	0.42	0.58

Notes:

The above KPI Variation Table summarises the differences between Tables 3.1 and 3.2

As demonstrated in the above tables the following impacts have occurred on Council Key performance Indicators:

The Operating Balance Ratio – Council reports an operating surplus for the year ended 30/6/2012 under both Scenarios, albeit with a minor variation. The projected operating surplus under both Scenarios for the year ended 30/6/12 is due to the fact that each Scenario has a Levy/Special Rate Variation supporting its operational income. Under Scenario 1, Council will raise a Special Rate Variation and under Scenario 2, Council is raising an Environmental Infrastructure Levy. Again, under both Scenarios the majority of associated expenditure is expensed via capital expenditure therefore not significantly impacting Council Income Statement and Operating Balance Ratio (see Table 3.3 above), besides minor impacts to future depreciation amounts.

Assessing forward years this condition will significantly change. From 2012/13 under Scenario 2, if the Special Rate Variation is not approved Council will experience a negative operating balance ratio that reflects Council's operating losses as it no longer has the ongoing cash inflow via its income statement from the Special rate Variation.

This issue of future operating losses is significant as the Department of Local Government highlights continued operating surplus as one of its Local Government Benchmarks.

Unrestricted Current Ratio – It is projected that a minor improvement to Council's Unrestricted Current ratio will occur under Scenario 2 from year 2012/13 onwards. This is mainly due to the fact that Council's current assets remain reasonably constant as both income and expenditure associated with the Special Rate Variation are removed simultaneously. However current liabilities will be reduced as Council is no longer incurring expenditure via payables (current liabilities).

Rates and Annual Charges Outstanding Ratio – There is no projected change to this ratio (see Table 3.3 above) as Council believes that the proposed increase in rates due to the Special Rate Variation is within the ratepayers capacity to pay. Therefore it is not anticipated that any significant change in outstanding rates will occur.

Debt Service Ratio – It is projected that a slight increase in Council's Debt Service Ratio will occur (see Table 3.3 above) under Scenario 2 (Council's Special Rate Variation is not approved) as Council's operating revenue will be reduced (under Scenario 2) with Council's debt profile remaining constant. Therefore a slight increase Council's Debt Service Ratio will be experienced.

Broad Liabilities Ratio - It is projected that a slight increase in Council's Broad Liabilities ratio will occur (see Table 3.3 above) under Scenario 2 (Council's Special Rate Variation is not approved) as Council's operating revenue will be reduced (under Scenario 2) with Council's total debt and cost to clear infrastructure backlog remaining constant. Therefore a slight increase in Council's Broad Liabilities Ratio will be experienced.

Asset Renewal Ratio - It is projected that a decrease (worsening) in Council's Asset Renewal Ratio will occur (see Table 3.3 above) under Scenario 2 (Council's Special Rate Variation is not approved) as Council's funding source for asset renewals will be reduced and accordingly associated capital expenditure to improve our assets will be removed. With all other elements of the ratio being constant a decrease in Council's Asset Renewal will be experienced. This decrease in the Asset Renewal Ratio of 42% to 58% is significant as it is one of the major reasons

for Council seeking a Special Rate Variation. Council's proposed Special Rate Variation has been undertaken in an effort to lift such asset focused ratios which effectively reflects community aspirations for an improved asset base.

Notes to Council's Key Performance Indicators:

1. In terms of Council's Broad Liabilities Ratio, information concerning the cost to clear infrastructure backlog has been sourced from Council's Asset Management Plan instead of Council's Special Schedule 7 as the Plan holds the latest information on backlog expenditure. Such information from Council's Asset Management Plan will be updated in Council 2010/11 Special Schedule 7.

- 1. In the above ratios that utilised operating revenue, to be consistent with Councils Year End Calculation of Financial Ratios as per Council's Audited Financial Statements, capital grants and contributions have been excluded.*

For additional projected performance indicators as reflected in Council's LTFP please see Section 5 of Council's LTFP as attached in this application.

Council's Asset Management Plan (in its entirety) has been included as an attachment in this application for your information.

4.0 COMMUNITY CONSULTATION

4.1 Community Engagement Strategy

4.1.1 Introduction

Council is determined to conduct community engagement processes that genuinely seek to engage the broadest cross-section of the community in decision making about matters that will affect them. A large proportion of the work undertaken by Council can only be progressed in partnership with the community.

Council is committed to this process in the belief that a considered approach to community engagement will result in:

- quality feedback to Council that will enhance decision making
- the development of outcomes supported by the community
- higher satisfaction with forward planning for the community.

Council's commitment to the community concerning community engagement is based on the following social justice principles:

- **Equity** – The broadest cross-section of residents will have the opportunity to be involved in consultation activities and every effort will be made to implement processes that are fair and equitable.
- **Access** – Strategies will be put in place to ensure that individuals are not excluded from the consultation process.
- **Participation** – A range of methodologies will be implemented to encourage participation. These will include face-to-face meetings, written publications, on-line and social media technology, as well as committee and reference group formats.
- **Rights** – Council respects the right of residents to have their voices heard and be informed about the decision making process.

Council's community engagement framework consists of the following documents which are intended to guide and support consultation activities.

1. **Community Engagement Policy** - This policy provides the foundation upon which all community engagement processes will be developed (refer to Community Engagement Policy attachment).
2. **Community Engagement Procedures** – The procedures provide a step-by-step guide to completing community engagement plans underpinning consultation approaches (refer to 'Community Engagement Procedures' attachment).
3. **Community Engagement Toolkit**- The Toolkit provides guidance to staff about appropriate methodologies and identifies expected practice standards to be incorporated into all consultation activities (refer to 'Community Engagement Toolkit' attachment).

Council's community engagement policy ensures that Council:

- informs staff about elements to be considered in every consultation activity
- establishes an approach within the organisation that values community involvement in planning and decision making
- maintains best practice standards in all community engagement processes

- ensures that a consistent approach is undertaken in relation to all community consultation activities
- sets out a clear process so that the community can have confidence in the consultation undertaken by Council.

That the Pittwater community are:

- informed on issues that may directly or indirectly affect them
- actively encouraged to participate in Council's decision making processes
- provided with an appropriate opportunity to voice their opinions, concerns or interest in matters that affect them.

Further details about Council's approach to community engagement can be found at: http://www.pittwater.nsw.gov.au/council/community_engagement

4.1.2 Community Profile

Gender

Pittwater has a total population of 52, 681, comprising 25,791 (49%) males and 26,890 (51%) females.

Cultural background

11, 266 residents are overseas born, coming from countries such as the United Kingdom, New Zealand, USA, South Africa, Germany, Netherlands, Italy, Croatia, the Former Federal Republic of Yugoslavia and Canada.

Indigenous population

Pittwater has a small indigenous population of 167 residents.

Age

Pittwater's age structure has significantly changed over the last 5 years. Notably we have seen a large decrease (1,886 persons) in people aged 18 to 49 years and a large increase (1,429 persons) in people aged 50 to 69 years.

According to the 2006 census data:

- 24.3% of the population was aged between 0 to 17 years
- 20.8% were aged 60 years and over
- The 60+ population is 4.1% larger than the Sydney Statistical Division.

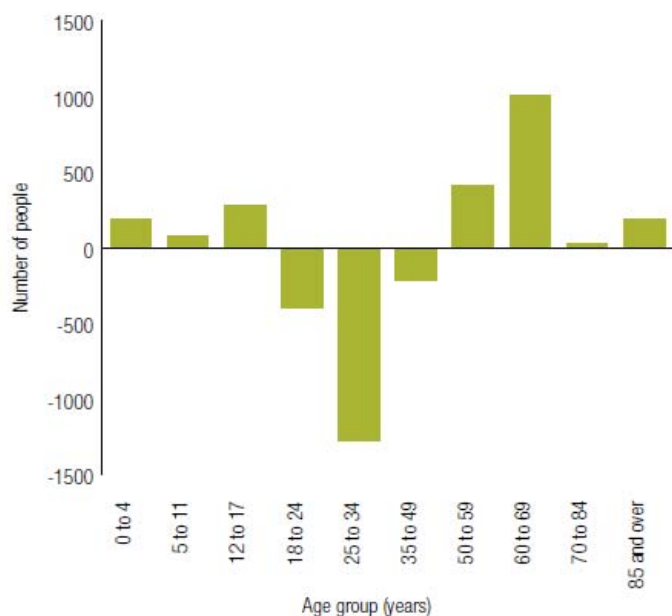
Households and dwellings

56.6% of residents either own or are purchasing their property

27.5% are renting

The average household size is 2.65 persons per household.

Change in age structure of Pittwater Council area, 2001 to 2006 (Enumerated data)



Sources: Australian Bureau of Statistics, 2006 & 2001 Census and informed decision, 2008 (<http://www.id.com.au>)

4.2 Community Engagement Strategy for Special Rate Variation

Council has taken a long term approach to the community engagement process for the Special Rate Variation beginning in April 2010 and building upon the work already identified as part of the consultation process for the Pittwater 2020 Strategic Plan. All supporting material associated with the community engagement process can be found in Part C: Section 4.

There has been a carefully planned and comprehensive schedule of engagement processes occurring over the last 12 months including:

- 2010-2014 Delivery Program – Public meeting (April 2010)
- Community Satisfaction Survey (July 2010)
- Follow-up Community Survey workshops (October 2010)
- Special Rate Variation Community Survey (January 2011)
- Extended media campaign (Dec – April 2011)
- Special editions of Pittwater Report (Feb 2011)
- Mayoral column in local newspaper (Jan – Feb 2011)
- General Manager's Blog
- SRV website page
- Community reference groups (ongoing)
- Media releases on Council decisions (ongoing)
- Local magazines (2010-2011)
- Public meetings (March 2011)
- Facebook & twitter (Jan – March 2011)

This strategy is comprised of the following four critical elements:

1. Foundational community engagement undertaken in the course of developing the Pittwater 2020 Strategic Plan.
2. A multi-faceted research program incorporating a community satisfaction survey, follow-up community workshops and a specific Special Rate Variation survey.
3. A range of community engagement activities to achieve public participation on the levels of *inform*, *consult* and *involve*
4. A comprehensive communication strategy aimed at informing all ratepayers in Pittwater about the Special Rate Variation proposal.

Further detail describing the exact nature of the approach and methodologies utilised in each of these elements is outlined as follows:

4.2.1 Community Engagement Strategy for Pittwater 2020

The Council embarked on an extensive process of community engagement between 2005 and 2008, working with the community to capture the aspirations of residents that culminated in Council's first Community Strategic Plan, '*Pittwater 2020 – Our Sustainable Future*'. This long-term document that was created in partnership with the community includes a range of activities, initiatives and aspirations, of what Pittwater could look like in the future.

Pittwater's 2020 Strategic Plan was the culmination of a two-year process of consultation and engagement capturing input and knowledge from the community, Councillors and Council staff. In 2005 a community forum was held with 100 community members, Councillors and Council staff to identify the key opportunities and challenges facing Pittwater's future.

Building on the outcomes from the first forum, a second community forum was held in 2006 with 100 community members to build a framework for Pittwater's 2020 Strategic Plan. This forum used the Sustainability Planning Web (P. Cuming) as a cooperative consultation and engagement tool to draft a vision, key directions, aims and initiatives to achieve a sustainable future for Pittwater. This process highlighted the multiple linkages between the identified key directions that support the common vision.

Following the two community forums, a Strategic Plan Reference Group was formed consisting of 47 participants including the community, Councillors and staff. This reference group met over a six month period and played a vital role in providing input into developing the 2020 vision, setting stretch goals and targets as well as identifying initiatives required to achieve the goals and overall vision.

In addition, a series of 40 internal workshops were held with senior Council Managers (Directors and Business Unit Managers) and other staff to obtain technical input into the development of 20 key Strategies. Staff briefings also gave other employees an opportunity to provide input into the development of the Plan. This is important given that 52% of Council staff are also residents of Pittwater.

The development of the Strategic Plan also drew heavily upon findings from recent consultations including Cultural Plan and Social Plan consultations as well as goals and actions identified in key Council documents such as the Management Plan and the State of the Environment Report.

As referred to earlier in Section 3.1 the Pittwater 2020 Strategic Plan is a critical element in the engagement process because it has driven the priorities of Council since its inception and will continue to do so until 2020. The community indicated its aspirations for the future of Pittwater and it is important that any future engagement processes, such as the work undertaken in the development of a Special Rate Variation proposal, build on the extensive consultation carried out at that time.

Subsequently Council has developed a long-term detailed delivery program in response to *Pittwater 2020*. This delivery program has been reinforced by the results of the independent community survey.

4.2.2 Special Rate Variation Research Program

Council devised a three-stage research program incorporating:

1. Community Survey
2. Follow-up community workshops
3. Special Rate Variation Survey.

This approach sought to properly gather data from the community about the:

- priorities for a works program
- level of ratepayer support for a Special Rate Variation.

Customer Satisfaction Survey

In July 2010 Council commissioned an independent research company, Micromex Research, to undertake a community survey. This was the first comprehensive survey in Pittwater that examined resident's satisfaction with Council and council services as well as obtaining feedback about the areas of service delivery most important to residents.

The survey was conducted via telephone with a random sample of 400 residents of Pittwater. The sample of 400 residents provided a sampling error of +/- 4.9 at 95% confidence. This sample size is a statistically valid sample in relation to the population size

of Pittwater. According to the table below a statistically significant sample size for Pittwater is 382 participants.

Population Size	Confidence = 95%				Confidence = 99%			
	Margin of Error				Margin of Error			
	5.0%	3.5%	2.5%	1.0%	5.0%	3.5%	2.5%	1.0%
10	10	10	10	10	10	10	10	10
20	19	20	20	20	19	20	20	20
30	28	29	29	30	29	29	30	30
50	44	47	48	50	47	48	49	50
75	63	69	72	74	67	71	73	75
100	80	89	94	99	87	93	96	99
150	108	126	137	148	122	135	142	149
200	132	160	177	196	154	174	186	198
250	152	190	215	244	182	211	229	246
300	169	217	251	291	207	246	270	295
400	196	265	318	384	250	309	348	391
500	217	306	377	475	285	365	421	485
600	234	340	432	565	315	416	490	579
700	248	370	481	653	341	462	554	672
800	260	396	526	739	363	503	615	763
1,000	278	440	606	906	399	575	727	943
1,200	291	474	674	1067	427	636	827	1119
1,500	306	515	759	1297	460	712	959	1376
2,000	322	563	869	1655	498	808	1141	1785
2,500	333	597	952	1984	524	879	1288	2173
3,500	346	641	1068	2565	558	977	1510	2890
5,000	357	678	1176	3288	586	1066	1734	3842
7,500	365	710	1275	4211	610	1147	1960	5165
10,000	370	727	1332	4899	622	1193	2098	6239
25,000	378	760	1448	6939	646	1285	2399	9972
50,000	381	772	1491	8056	655	1318	2520	12455
75,000	382	776	1506	8514	658	1330	2563	13583

Council emphasised the importance of achieving quotas for age demographics to ensure that the sample taking part in the survey were reflective of the makeup of Pittwater residents. The survey was approximately 15-18 minutes in length. In broad terms the community survey focused on levels of satisfaction and stated importance of Council service delivery areas, satisfaction with Council and preferred communication methods. It also sought data concerning a number of key performance indicators from the Pittwater 2020 Strategic Plan. The full survey is included in the Community Survey Report.

Micromex Research conducted a three-step process to analyse the data concerning importance and satisfaction regarding Council performance. This entailed:

Step1: Performance Gap Analysis (PGA)

The performance gap was determined by subtracting mean satisfaction scores from the mean importance score.

Step 2: Quadrant Analysis

Quadrant Analysis plotted the stated importance in conjunction with stated satisfaction scores.

Step 3: Shapley Value Regression Analysis

The Shapley Regression analysis was applied to identify priorities that will drive overall satisfaction with Council performance. Using a regression analysis identifies attributes that build overall satisfaction which are known as 'derived importance' values.

Essentially, the Community Survey Report revealed the areas where Council could improve its performance to meet the community's expectations. It also identified the key drivers of community satisfaction. The quadrant analysis was particularly useful in assisting Council to determine those services and programs which required particular focus from Council and which may benefit from further allocation of funds which may arise if a Special Rate Variation was successful. The quadrant analysis has been referred to in Section 3 and extensive detail has been given to explaining how the survey results have influenced Special Rate Variation work program priorities. (Refer to attachment 4.4)

Community Survey – follow up workshops

Following the survey four workshops were undertaken in October. These included a sample of residents who had participated in the telephone survey. The emphasis was to gather further detail about the priorities identified in the community survey. It was important to further define the issues concerning residents about key issues that had emerged from the survey. These included managing development, community involvement in decision making, natural environment, access to information and support and youth services.

During the workshop the intention to apply for a Special Rate Variation was raised. It was explained that the results from the community survey and workshops would influence the directions and priorities in any Special Rate Variation proposal.

The structure of the rate increase was explained to residents and they were told that on average the ratepayers would experience on average a \$1.60 increase per week in their rates.

Overall the four workshops were overwhelmingly supportive of a rate increase, although participants specified a number of issues including:

- recognising the need for a rate increase to sustain the community assets (environment and built forms)
- being communicated to about the exact nature of the works program to be undertaken if a SRV application was successful
- being informed about the progress of SRV projects on a regular basis
- Council establishing mechanisms to ensure accountability to Pittwater residents.

Refer to part C: Section 4 – Qualitative Community Satisfaction Study.

Special Rate Variation Survey

Building on the outcomes achieved through the community survey and follow-up workshops, Council embarked on a further survey in January 2011. This survey was a

separate Special Rate Variation telephone survey completed with another sample of residents in Pittwater. Once again, Micromex Research undertook the telephone survey with 400 participants reflecting the demographics of Pittwater. The purpose of the survey was to gauge resident's views about a rate increase and importance of spending priorities. The broad program of works concept was outlined and the cost of the increase was explained.

The rationale for undertaking this additional telephone survey was to:

- measure community support for the implementation of a special rate variation to fund Council services and facilities into the future
- provide an avenue for feedback in order for residents to express their views on the proposed SRV.

Council also determined that a random telephone survey sample was the only truly representative method to gauge community support for the SRV proposal. It was concluded that other methodologies would provide valuable feedback, but are not truly representative of the broad cross-section of the community.

The questionnaire structure included (refer Part C: Section 4):

- How long have you lived in the Pittwater local council area?
- How satisfied are you with the quality of infrastructure currently provided by Council in the local area?
- How satisfied are you with the level of service currently provided by Council in the local area?
- How important do you believe it is for Council to implement programs that will maintain the natural environment?
- How important do you believe it is for Council to implement programs that will provide better infrastructure and service?
- Are you aware of The Pittwater 2020 Strategic Plan?
- Participants were read the SRV concept statement
- Overall, do you think that this rate levy increase is acceptable? Why do you say that?
- Based on what you have been told, how important do you believe it is that Pittwater Council is allowed to introduce this special rate variation? Why do you say that?
- Demographic profiling, age, gender, life stage etc.

4.2.3 Special Rate Variation Community Engagement Activities

The community engagement strategy developed for the SRV was underpinned by Council's commitment to Social Justice Principles as introduced earlier. Using a range of engagement techniques and different media forms we ensured that all residents of our community were able to have a voice in the process. In some instances Council used existing engagement initiatives to further spread the word concerning the SRV proposal.

The range of methodology was to ensure that Council consulted with the community at the levels of *inform*, *consult* and *involve* on the IAP2 Public Participation Spectrum.

It is important to note that an essential element of the strategy was the inclusion of direct research undertaken with a sample of residents of Pittwater. This research was undertaken to achieve the following key objectives;

- Ensure that the community's views directly influenced the priorities identified in the Special Rate Variation proposal
- Provide opportunities for the broadest cross-section of the community to be involved in the consultation process
- To build on the knowledge and views of residents currently involved in consultation mechanisms
- To be flexible and responsive to the questions raised by the community in relation to the SRV proposal.

Each methodology undertaken is discussed in detail below;

Pittwater Council Delivery Program and Budget 2010-2014

The publication of Council's draft Delivery Program and Budget for 2010 – 2014 report (refer Part C: Section 8) was the first opportunity to raise with the community Council's intention to apply for a Special Rate Variation. Council provided detail in the report about the rate increase structure and the rationale for seeking to apply. The community was further informed about the rate increase proposal at a May 2010 public meeting held to discuss the draft report. In his presentation the General Manager clearly outlined the rates increase that would be proposed (refer Part C: Section 4).

Community Reference Groups

Council established four community reference groups at the end of 2008. These reference groups are an important part of Council's consultation framework, assisting Council to review the progress of strategic initiatives identified in the Pittwater 2020 Strategic Plan. They also provide opportunities for Council to be more informed about the community, economic development, and the natural and built environments of Pittwater.

The reference groups consist of up to 14 members of registered community groups in Pittwater. They meet on a quarterly basis throughout the year. At the reference group meetings held in November 2010 and February 2011, members were given an update on the results of the community survey, follow-up workshops and the special rate variation proposal. All members were encouraged to attend the public meetings and to inform other members of their community group and extended networks.

Public Meetings 1 & 2 – March 2011

An extensive media and advertising campaign was undertaken using media releases, the Community Noticeboard and Mayoral Column, social media (Twitter and Facebook) as well as a special edition of the Pittwater Report to inform the community about the public meetings. The meetings were held at the Avalon Recreation Centre and Mona Vale Memorial Hall on 1 and 2 March respectively. All reference group members were informed about the SRV report to Council and invited to attend the public meetings.

The public meeting included a presentation by the General Manager (refer Part C: Section 4) about elements of the SRV proposal with the remainder of the meeting time allowing for questions and feedback from attendees.

Submission sheets were circulated at each meeting so that attendees could, in addition to raising matters at the meeting, also provide a written comment.

Notes were taken at each meeting and posted to the SRV consultation project webpage (refer Part C: Section 4).

All participants were informed about the location of these minutes. The minutes summarised the key issues raised at the meetings during the open question session. This is a common practice by Council to demonstrate to the community that their views will impact on the decision making process.

Designated contact person

In all communication with residents contact details were provided, if ratepayers wanted to ask specific questions over the phone. 23 calls were made to the designated contact person. In some cases callers wanted to clarify elements of the proposal including the nature of the rate structure. The remainder of calls covered issues identified by the written submissions.

Interactive web-based strategies

A number of web-based interactive community engagement strategies were devised in order to reach a proportion of the community unlikely to attend public meetings and for those who would prefer to interact online. In particular, the desire was to reach younger members of the community - a section of the community generally harder to reach.

There were two successful elements of the Council website worth noting:

- **On-line comment** – a significant proportion of the overall submissions received by Council emanated from the SRV webpage. Comments generated by this methodology were diverse and were recorded in a spreadsheet to capture key themes.
- **Your questions answered** – This allowed for an on-going dialogue with residents. Council was determined to be responsive to the questions and concerns that ratepayers had. Key themes emerging from the on-line comments were responded to with relevant information (refer Part C: Section 4)

Both strategies were implemented to ensure that there was transparency to the debate concerning the SRV process and to ensure that Council could not censor any views held by the community.

The General Manager's Blog

The General Manager's blog was initiated at the beginning of 2010 to provide an avenue for the community to have their say. The General Manager posts a blog periodically on issues that are deemed to be important to the community. The blog allows for an ongoing dialogue with residents encouraged to post responses to the General Manager's narrative.

During 2010 the General Manager posted two blogs where he referred to Council's intention to apply for a Special Rate Variation. These blogs were:

May 2010 – *This Years Budget and Beyond* – highlighting the delivery program and budget for 2010-2014.

September 2010 – *What Residents Want* – reporting to residents about the results of the community survey.

A specific General Manager's blog about the Special Rate Variation was published on 8 February 2011 encouraging residents to provide feedback about the SRV proposal (refer Part C: Section 4). Responses have been posted on the blog to answer resident's questions where appropriate. To date there have been 15 comments posted on the blog with the majority of them resulting in a posted comment from the General Manager. Once again, Council felt that it was important to publish the community's views and encourage informed discussion.

4.2.4 Comprehensive Communication Strategy

Media Releases

Media releases have been issued to the Manly Daily newspaper and local magazines Pittwater Life and Peninsula Living throughout the course of the community engagement process. Ongoing contact has been maintained with Council's Community Relations team and the local media, especially the Manly Daily. This has resulted in a number of articles to inform the community about the SRV proposal (refer Part C: Section 4).

Media releases were also sent to other electronic newsletters within the Pittwater community including the "Pittwater Off-Shore News" (refer Part C: Section 4).

Community Noticeboard and Mayoral Column

Council publishes on a fortnightly basis a full-page Council Community Noticeboard incorporating a Mayoral Column. Community survey results indicated that the local media such as the Manly Daily are a prime source of information for the community. These mediums have been used throughout the process to inform the community about the intention to apply for a SRV and indicating the various ways in which the community could have their say. Details regarding the two public meetings were highlighted. (refer Part C: Section 4).

On-line Pittwater Report

Council distributes an on-line newsletter on a monthly basis. This is intended to provide timely information to the community between the quarterly newsletter which is distributed with the rates notice. This was established in late 2010 as a result of the follow-up community survey workshops and the distribution numbers are steadily rising.

The December 2010 edition reported the community survey results and highlighted that there would be another telephone survey in early 2011. Residents were told that the coming survey would ask about Council's priorities and the willingness of ratepayers to accept a Special Rate Variation.

The February 2011 edition of the on-line Pittwater Report (refer to attachment 4.16) reported on the Council's approval for the Special Rate Variation proposal to go on public exhibition and provided detail about the broad spending priorities if a Special Rate Variation was approved. Residents were encouraged to access the Special Rate Variation web page for further detailed information.

Special Edition of Pittwater Report

A special edition of the Pittwater Report about the Special Rate Variation was sent to **every ratepayer** (refer to part C: Section 4). This means that 24, 356 copies were directly mailed to ratepayers. It was deemed that the Special Rate Variation would be of significant importance to the community that a separate edition was created in addition to the normal quarterly Pittwater Report.

The special edition consisted of a four-page spreadsheet which clearly highlighted the key elements of the Special Rate Variation proposal and included:

- General Manager's comments
- SRV survey results
- What Council is doing to cut costs
- An introduction to the SRV by the Councillors
- What the rate variation will mean to ratepayers in dollar terms

- Broad details about the works program
- The long-term benefits to the community if a SRV is approved
- Comprehensive details about how the community can have their say

Copies of the Special Edition were also distributed through the Customer Service areas, Mona Vale Library and through Council's Out of School Hours program to ensure that young busy families were aware of the rate proposal.

Expansion of Council's website

A separate webpage was created on Council's website (accessible through the home page) providing comprehensive information about the proposal. The information was provided over a number of linked pages including:

Special Rate Variation – A brief overview of the rationale and benefits to the community resulting from an increase in rates

The Special Rate Variation Explained – Identification of broad funding programs resulting from the SRV proposal

Community Consultation – Description of the consultation process and the research undertaken to clarify community needs and aspirations.

The Program of Works – An explanation of the works to be carried out with attached detailed works program and expenditure under each key direction of the strategic plan

The Bottom Line – Further explanation of the rates structure including the fact that the rates increase is in addition to CPI and will be cumulative over three years. Graphs clearly depict the cumulative effect and exact figures of the rate increase and revenue raised for Council's SRV program of works. Graphs were chosen to ensure that the rate increase could be shown clearly to the community

Your Rates Change – Specific calculation of the dollar amount according to land value brackets incurred by ratepayers as a consequence of the rate increase

Your Questions Answered – Interactive web page where key questions and themes posed by residents were answered in detail for others to see and be informed

Have Your Say – Explanation of the range of ways in which the community can have their say.

An additional fact sheet with common questions and answers was developed for the website.(refer to attachment 4.18)

Social Media

An emerging area of expertise is the introduction of social media to engage with a younger demographic of the Pittwater community.

Council has developed its own Facebook page "I Love Pittwater" and has posted information about the special rate variation through this medium. This Facebook page has 194 followers who received updates about the proposal and public meetings.

(refer to attachment 4.19 for examples of Facebook posts).

In addition to Facebook Pittwater Council has developed a Twitter page. Council has 1320 followers via this method. It was seen as a way to simply inform residents about the public meetings and information contained on Council's website.

PittStop and Internal Staff Blog (refer Part C: Section 4)

In recognition of the fact that approximately 52% of Council staff live in the Pittwater area it was important to inform them about the proposed rate increase. An article from the General Manager was written for *PittStop*, the internal staff newsletter

The staff blog was utilised by one staff member to ask questions anonymously about the rate increase proposal and a response was quickly posted in reply

In addition there are a significant number of staff working on the front-line who may be approached by the community so they needed to be informed about the process and how to access information. Indeed one staff member working in the outdoor area was asked some questions about the Special Rate Variation. Consequently Council provided copies of the special edition newsletter to be available in the Council trucks for distribution if required.

Councillor Briefings

In addition to communication with staff the other significant internal stakeholders are the Councillors. Over the last 12 months Councillors have received four briefing sessions about the progress of the research program at each stage and to discuss the Special Rate Variation proposal and works program.

4.3 Outcomes from the Community Engagement Process

An obvious component of the Special Rate Variation strategy was the demonstration of community support for a rate increase. The following provides detail about the data captured to demonstrate community support and concerns raised by the ratepayers.

4.3.1 Special Rate Variation Survey

In devising the research strategy, weight was given to the specific rate variation survey as a demonstration of the level of community support. As referred to earlier the Special Rate Variation survey was seen as the most robust measure of community support as it sought the views from a random sample of residents reflective of the broad demographics of Pittwater. The survey was also undertaken by an independent and reputable research company.

General survey results revealed that:

- Because there was age weighting in the survey sample, the profile reflects the current demographic profile of Pittwater.
- Over 50% were in a married/de facto relationship with children
- All suburbs of Pittwater were represented with one-third (33%) of respondents living in Newport, Avalon and Palm Beach.
- Over 70% participating in the survey had lived in the Pittwater LGA for more than 10 years.

A series of questions were asked about Council services and spending priorities influencing the works program. When asked about Council services:

- the level of satisfaction with Council infrastructure was significantly lower than the stated satisfaction with Council services
- 92% of respondents felt that it was important (32%) or very important (60%) for Council to execute programs relating to the environment, infrastructure and services.

There was a high level of support for the Special Rate Variation which is demonstrated by the following results:

- 69% of respondents indicated support for a rate increase
- 83% of respondents felt that it is at least 'somewhat' to 'very' important that Pittwater Council is allowed to introduce the proposed new levy.

The majority of those supporting a Special Rate Variation application felt it was important for the following reasons:

- It sounds affordable **22%**
- Council needs the money in order to make improvements to the area **16%**
- Council needs to ensure the money is spent as indicated **12%**

Further comments included:

"It seems like a fairly small increase across a broad range of people to provide funds for the proposed actions" (verbatim)

"A lot of people may complain, but it is important. What is Pittwater Council going to do otherwise? There is no other way to successfully address the situation" (verbatim)

"I think those things are extremely necessary and I don't think our rates are particularly high" (verbatim)

Council has noted that the theme arising from the results is a desire for transparency concerning how the funds raised will be spent.

Council also notes the concerns raised by those who were not supportive of Council proceeding with a Special Rate Variation application.

For those against a rate increase they believed that:

- Rates are already too high **9%**
- Other concerns related to Council's financial management and efficiencies.

"Council cannot expect an increase in rates when residents' wages are not being raised." (verbatim)

"Council should have enough funding from ratepayers to cover additional costs." (verbatim)

The consultant's report for the survey suggests that acceptance of the proposed SRV is high. It is their assertion that residents seem to accept that if they want a better functioning Pittwater they will need to pay more for it.(refer to attachment 4.6).

4.3.2 Public Meetings

The two public meetings held at Avalon and Mona Vale were widely publicised and approximately 80 participants attended the public meetings (40 attendees at the Avalon Recreation Centre and 40 attendees at the Mona Vale Memorial Hall).

Participants were requested to sign the attendance list which sought demographic data of those attending, including postcode and age group (18-34, 35-54, over 55).

Of those who provided their details, the breakdown is as follows:

<u>Age category</u>		
18-34 y.o	1	(0.02%)
35-54 y.o.	10	(16%)
Over 55	53	(83%)
Total	64	(100%)

<u>Postcode</u>		
2103 (Mona Vale)	4	(6%)
2104 (Bayview)	4	(6%)
2105 (Church Pt., Lovett Bay, Scotland Island)	6	(9%)
2106 (Newport)	8	(13%)
2107 (Avalon, Whale Beach)	33	(52%)
2108 (Palm Beach, Mackerel Beach)	9	(14%)
Total:	64	(100%)

Of note, the demographic data collected at the public meetings indicates that over 80% of participants were aged over 55 years of age (compared to Pittwater demographics which indicates that 20.8 % of residents are over 60).

Key issues discussed at the meetings were:

- Clarification of the rating structure and the exact cost to ratepayers.
- A number of people were not happy that they would be paying more in comparison to those with lesser land values. This issue dealt with the ad valorem rating structure that is currently in place.
- Increasing financial pressures due to increased cost of living expenses including state land tax, especially for those who are asset rich/cash poor. Rebates for pensioners and those suffering financial hardships were highlighted as available options.
- Support for the works program, especially the upgrade of facilities such as surf clubs.
- The need to protect and preserve the natural environment and recognition that residents need to be prepared to pay if they want to continue living in an area of natural beauty such as Pittwater.
- That the program of works outlined in the Special Rate Variation proposal is in addition to Council's existing Capital Improvement Program. The

SRV proposal will present the opportunity for additional works to be undertaken on the backlog of roads and footpaths as well as an upgrade of community facilities and amenities.

- That Council should do more in relation to future costing savings initiatives and productivity gains.
- Concern that loss on investments such as CDOs necessitated an increase in rates. Residents were assured that the return on the broad investment portfolio has remained in positive figures (approximately 4.4% averaged over the last 4 years 2007 to 2010 inclusive) even during the global financial crisis.
- Cost shifting from the state government which has contributed to the widening gap between income and required expenditure such as the upkeep of key roads in Pittwater.
- The preference to pursue a Special Rate Variation rather than an infrastructure levy and an explanation that the the Division of Local Government with the Integrated Planning & Reporting Framework are encouraging councils to develop longer term 10 year planning cycles.
- Accountability of Council to deliver on the works program with the initiation of a contract with the community and the establishment of a monitoring committee with community representation. Reporting to the community to occur every six months.
- Assurance that the funds raised through the SRV will go to projects as highlighted and not to administrative costs.
- Questions about the priorities of the works program which have been determined by the Community Strategic Plan, the Community Survey and the assessment of the condition of our assets. Some specific requests were made in relation to minor works that could be included, e.g. footpaths in certain streets.

4.3.3 Written Submissions

Another important mechanism for people to have their say was via written submission. Ratepayers were given nearly 5 weeks to provide submissions with their comments/questions about the SRV proposal. Submissions closed on Friday 11 March 2011.

Council received two hundred and fifty six submissions. These were comments received via the General Manager's blog, the on-line comment option from the SRV web page, paper submission sheets from the public meetings, from emails received through the Pittwater Council email address and letters addressed to the General Manager.

It is difficult to determine the true representativeness of submissions received as they do not determine independent research principles, such as ensuring the sample reflects the demographic nature of Pittwater. However, it is noted that the submissions are a reflection of the broad range of issues of importance amongst ratepayers.

Of the 256 submissions, 52% of respondents were in favour of the rate increase and 48% were against.

There was a predominance of submissions from the northern areas of Pittwater with approximately 70% of submissions received from Newport, Whale Beach, Avalon and Palm Beach postcodes.

Two key issues emerged from submissions:

1. Overwhelming support for the injection of money to upgrade Avalon Surf Club (75 submissions)
2. A criticism of the current rate system (ad valorem rating structure) which meant that those with high land values will see a proportional increase in their rates (60 submissions).

In respect to the criticism of the current ad valorem rating system Council is reluctant to make any changes. Council undertook a comprehensive review of this issue in 2007 and it was decided that Council would continue with an ad valorem rating system. It was deemed that this was the most equitable system for all Pittwater ratepayers.

Other key themes

For those in support of the rates increase a number of themes were highlighted throughout the submissions:

- A proportion of submissions stated that maintenance of infrastructure is long overdue. Others felt that residents are prepared to pay for better infrastructure and that the renewal of infrastructure is vital for Pittwater’s future.
- Others commented on the works program believing it to be a ‘good program’, and a ‘commendable list of projects’.
- Indeed, one submission stated that Council should not be apologetic for the rate increase and that it should be given the ‘go ahead’ to proceed with the SRV proposal.
- A further submission provided feedback about the ‘excellent explanatory material’.

In addition to these submissions a number of other themes were identified by the submissions. Council has reviewed these submissions and has given consideration to how Council may address their concerns where appropriate:

Key theme	Council’s Response
Ratepayers would like assurance that Council will spend the money in the areas identified in the works program and they would like to be informed about the progress of these projects.	Council has heard the request from the community about the need to communicate regularly with the community about the progression of projects and expenditure. Council intends to establish a contract with the community clearly outlining the program of works. In addition Council will establish a monitoring committee, with community representatives to oversee the program over the life of the rate variation.
Questions were raised about the equity of project priorities with some resistance conveyed about expenditure on Scotland Island.	Pittwater Council believes in the principles of access, participation, rights and equality for all residents of Pittwater. We believe all residents should have fair access to services, resources and opportunities to increase their quality of life. There is a range of long-term planning documents

	relating to Scotland Island's drainage and road network. The 10-year program of works funded by the special rate variation has set aside approximately \$1.6million for the upgrade of essential infrastructure on Scotland Island. This equates to 4% of the overall works program over a ten year period.
Overall support for the rates increase, with comments such as 'a commendable list of projects', 'prepared to pay for better infrastructure.'	Council remains committed to the works program as proposed.
Request for pensioner rebate to be adjusted upwards.	Council already has a generous pensioner rebate system and also negotiates with residents under financial stress.
Would like to see evidence of more efficiency and more detail about how cost savings have been achieved.	In terms of productivity and efficiency gains, the Council has created approximately \$1.6million worth of recurrent productivity gains across the business in the last three years. Council has forecast a further \$300,000 worth of savings in the 2011/2012 financial year.
Belief that Council should work within its current budget, given broader economic climate and financial losses.	Council believes it has demonstrated a sound approach to our long term financial strategy. Any losses incurred on investments during the global financial crisis are indeed regrettable but it must be noted that Council has maintained portfolio diversification and as a result has never had a negative annual return on its investment portfolio.
Increase user fees especially for those who don't live in Pittwater.	Beach parking is one of our best revenue streams and much of that comes from visitors. They also contribute to the local economy in that they spend money in the area.
Overall support for the works program with specific requests for small works carried out in their area to be included in the works program (e.g. footpaths and roads).	Due to the ten year nature of the works program Council will be developing a detailed four year rolling program.
Other requests included a request for 'seed' funding for a Pittwater Aquatic Centre and progression of youth infrastructure such as a performance space and PCYC facility to be implemented sooner.	The provision of an additional swimming facility was not included in the works program as it could cost up to \$20m. Further negotiation is underway to secure the development of a PCYC facility.
A small number of submissions stated that Council should further increase rates for businesses in Pittwater.	Due to the small numbers of rateable businesses in Pittwater, there is a limited value to this option.
Would like an infrastructure levy rather than a special rates variation.	The Local Government Act has moved away from levies in order to provide for longer term strategies for managing infrastructure and services.

4.3.4 Council Meeting – 21 March 2011

At its council meeting held on the 21 March 2011 where Council considered the staff recommendation to progress with the SRV Application and submit a 508A SRV Application to IPART there were only two community members who spoke against the recommendation for an SRV Application. The number of community members at the meeting was similar to normal council meetings that are held every two weeks.

4.4 Summary

- Council is satisfied that every effort has been made to reach the broadest cross-section of the community to inform them about the rates increase and proposal of works. Comprehensive information has been circulated both in written form and via the website. The publication of the special edition of the Pittwater Report which was sent to every ratepayer demonstrates that Council wanted communication with ratepayers to be transparent and expansive.
- Another critical element of the community engagement strategy was the hosting of two public meetings with residents. These were important as residents felt that they had a direct say regarding the rate increase. Whilst there was a range of issues raised about the rate increase it was crucial that Council was open to receiving both positive and negative feedback about the proposal.
- Council has also been responsive to the questions raised by residents in relation to on-line comment and blog formats.
- Whilst a proportion of ratepayers have indicated they are supportive of the rate increase there is clearly an expectation that Council will need to communicate regularly to the community about the progress of works projects to ensure trust and accountability to the community.
- Despite a number of specific requests regarding small works to be included in the works program it does appear that there is general support for the overall works program identified. There was also overwhelming support for the upgrade of Avalon Surf Club. It has been reiterated that project priorities have been determined on principles of equity and have been driven largely by what the community have told us they want.
- There is ongoing criticism of a rates structure based on the ad valorem system. Whilst in many respects this is a separate issue to the Special Rate Variation proposal, the notion that those with high land values will continue to pay more under the rate increase has been highlighted as an issue of concern to these ratepayers.
- Council will establish mechanisms to provide transparency and accountability to the community through the development of a community contract and monitoring committee with community membership.
- The most significant element of the strategy has been the deliberate and ongoing research program undertaken over a period of nine months. Council has undertaken research that builds on previous stages in an effort to have the community truly guide the spending priorities in the works program.
- The outcome that is most significant is the results of the Special Rate Variation survey with 69% of respondents agreeing to the rate proposal. The methodology using a random sample of residents reflective of the demographics of Pittwater reinforces that weight should be given to this outcome. This sample reflects a message from the community that was not influenced by particular interests and

biases. Council is of the opinion that the community have indicated what they would like. They live in Pittwater for its beauty and uniqueness and are prepared to pay for the protection and enhancement of assets that will be of benefit to everyone in the future.

5.0 RATING STRUCTURE AND THE IMPACT ON RATEPAYERS

5.1 Proposed Rating Structure for the Revenue Path

Like all Councils, Pittwater Council is required to set a rating structure that will determine how its community's rates and charges will be calculated and levied.

Under Section 497 of the Local Government Act 1993, Council has adopted:

- An ad valorem amount (which is subject to a minimum in accordance with Section 548).

With the following rating categories, based upon Section 493 of the Local Government Act 1993:

- Farmland
- Residential
- Business. (with a sub-category for Warriewood Shopping Centre)

Under the Council's rate structure of ad valorem rates (based on land value) subject to minimum rates, the calculation of the ad valorem amount is made and then compared with the minimum amount. The ratepayer is then charged the greater amount.

Pittwater Council's proposed minimum rate for 2011/12 has been set at an amount of \$703. This is approximately 59% higher than the 2011/12 estimated legislated minimum of \$442.

The fact of Council setting a higher minimum than legislatively required has occurred to address the issue of equity amongst ratepayers in terms of "ability to pay" and the "benefit principle".

As indicated above, the issue of "fairness" or "appropriateness" of rates may be considered in the light of two criteria, being:

- The extent to which those who receive the benefits of the Council's services also pay for those services - the so-called "**benefit principle**".
- The extent to which those who pay for the Council's services have the ability to pay for those services - the so-called "**ability to pay principle**".

It is difficult to strike a balance that will cater for all ratepayers, although Council holds to the belief that the rating structure of an ad valorem rate subject to a minimum (set higher than legislatively required) is the most equitable system of charging rates.

It is proposed that the Council's current rating structure of ad valorem rates, subject to minimum rates, for all categories will not be changed during the life of the special variation.

It is anticipated that the growth in rates income due to new rateable properties over the life of the special variation will equate to 0.51%, this being the average growth over the last five years. The figures shown in this section of the application do not include growth in order to be consistent with the automated notional rates income figures from Part A of the application.

Accordingly, the proposed notional rates income for each category is based on an ad valorem rate subject to a minimum under the two scenarios is detailed below.

5.1.1 Rate Structure inclusive of Special variation

Rates Structure if Variation Approved - 2011/2012					
<i>Category</i>	<i>Sub-category</i>	<i>Number</i>	<i>Minimum \$</i>	<i>Rate Income \$</i>	<i>Average Rate \$</i>
Business		1,861	897.70	3,561,506	1,914
Business	WW Square	1		73,322	73,322
Farmland		12	703.30	26,215	2,185
Residential		22,482	703.30	29,255,028	1,301
		24,356		32,916,070	1,351
Rates Structure if Variation Approved - 2012/2013					
<i>Category</i>	<i>Sub-category</i>	<i>Number</i>	<i>Minimum \$</i>	<i>Rate Income \$</i>	<i>Average Rate \$</i>
Business		1,861	960.75	3,793,184	2,038
Business	WW Square	1		78,081	78,081
Farmland		12	752.53	27,916	2,326
Residential		22,482	752.53	31,155,679	1,386
		24,356		35,054,860	1,439
Rates Structure if Variation Approved - 2013/2014					
<i>Category</i>	<i>Sub-category</i>	<i>Number</i>	<i>Minimum \$</i>	<i>Rate Income \$</i>	<i>Average Rate \$</i>
Business		1,861	1,018.39	4,029,912	2,165
Business	WW Square	1		82,953	82,953
Farmland		12	797.68	29,658	2,472
Residential		22,482	797.68	33,100,293	1,472
		24,356		37,242,816	1,529

5.1.2 Rate Structure exclusive of Special variation

Rates Structure if Variation Not Approved - 2011/2012					
<i>Category</i>	<i>Sub-category</i>	<i>Number</i>	<i>Minimum \$</i>	<i>Rate Income \$</i>	<i>Average Rate \$</i>
Business		1,861	896.57	3,553,655	1,910
Business	WW Square	1		72,879	72,879
Farmland		12	702.27	26,051	2,171
Residential		22,482	702.27	29,131,637	1,296
		24,356		32,784,222	1,346
Rates Structure if Variation Not Approved - 2012/2013					
<i>Category</i>	<i>Sub-category</i>	<i>Number</i>	<i>Minimum \$</i>	<i>Rate Income \$</i>	<i>Average Rate \$</i>
Business		1,861	879.70	3,486,768	1,874
Business	WW Square	1		71,508	71,508
Farmland		12	689.05	25,560	2,130
Residential		22,482	689.05	28,583,321	1,271
		24,356		32,167,157	1,321
Rates Structure if Variation Not Approved - 2013/2014					
<i>Category</i>	<i>Sub-category</i>	<i>Number</i>	<i>Minimum \$</i>	<i>Rate Income \$</i>	<i>Average Rate \$</i>
Business		1,861	906.09	3,591,371	1,930
Business	WW Square	1		73,653	73,653
Farmland		12	709.72	26,327	2,194
Residential		22,482	709.72	29,440,821	1,310
		24,356		33,132,172	1,360

5.2 Impact on Rates

The proposed impact of the Special Rate Variation increase on different rating types and categories, as detailed in Worksheet 5 of Part A, is as follows:

Pittwater Council has one rating type, being an ordinary rate (ad valorem subject to a minimum rate as detailed in 5.1 of this application) with the categories of Residential,

Business and Farmland and a sub-category within Business for the Warriewood Square Shopping Centre.

It is proposed by Council to apply for an increase in rates on the following basis:

Year	Proposed Variation	Permissible Rate Increase (CPI Equivalent)	Total Proposed Rate Variation
2011/12	5.0%	2.8% (IPART Notified)	7.8%
2012/13	4.0%	3.0%	7.0%
2013/14	3.0%	3.0%	6.0%

It should be clearly noted that in 2011/12 the 5% proposed increase will replace Council's existing Environmental Infrastructure (EI) Levy. Therefore, the additional impact to ratepayers in 2011/12 will mainly reflect the increase attributable to Council's permissible rate increase (CPI equivalent) and an approximate 0.04% increase regarding the differential between the removal of the EI Levy and the introduction of any Special Rate Variation.

Council has chosen to replace the current EI Levy with the Special Rate Variation one year before its official conclusion for the following reason. If the Council is unsuccessful in its application to IPART for the proposed new Special Rate Variation, it would leave Council with a one year lead time (as the existing EI levy would remain in place) to begin the process of significant service reduction and infrastructure provision restructure in order to maintain our financial sustainability.

Accordingly, the detail concerning the impact on Council's proposed Special Rate Variation is outlined below in a summary of Worksheet 5 of Part A of the application.

Category	Sub-category	Average Ordinary Rates			
		Current Year Average	Average 2011/12	Average 2013/13	Average 2013/14
Business		1,857	1,914	2,038	2,165
Business	Warriewood Sqr	70,895	73,322	78,081	82,953
Farmland		2,112	2,185	2,326	2,472
Residential		1,260	1,301	1,386	1,472

Category	Sub-category	Current Year Average	Average Ordinary Rate Increase					
			Average \$ Increase 2011/12	Average % Increase 2011/12	Average \$ Increase 2012/13	Average % Increase 2012/13	Average \$ Increase 2013/14	Average % Increase 2013/14
Business		1,857	57	3.07%	124	6.48%	127	6.23%
Business	Warriewood Sqr	70,895	2,427	3.42%	4,759	6.49%	4,872	6.24%
Farmland		2,112	73	3.46%	141	6.45%	146	6.28%
Residential		1,260	41	3.25%	85	6.53%	86	6.20%

		Average Ordinary Rate Cumulative Increase						
Category	Sub-category	Current Year Average	Average \$ Increase 2011/12	Average % Increase 2011/12	Average \$ Increase 2012/13	Average % Increase 2012/13	Average \$ Increase 2013/14	Average % Increase 2013/14
Business		1,857	57	3.07%	181	9.75%	308	16.59%
Business	Warriewood Sqr	70,895	2,427	3.42%	7,186	10.14%	12,058	17.01%
Farmland		2,112	73	3.46%	214	10.13%	360	17.05%
Residential		1,260	41	3.25%	126	10.00%	212	16.83%

As indicated above, the increase in the average annual rates, regardless of the category of rates, ranges from 3.07% to 3.46% for 2011/12, 6.45% to 6.49% for 2012/13 and 6.20% to 6.28% for 2013/14.

To reiterate, it should be clearly noted that in 2011/12 the 5% proposed increase will replace Council's existing Environmental Infrastructure (EI) Levy. Therefore, the additional impact to ratepayers in 2011/12 will mainly reflect the increase attributable to Council's permissible rate increase (CPI equivalent) and an approximate 0.04% increase regarding the differential between the removal of the EI Levy and the introduction of any Special Rate Variation. Additionally, the increase is also slightly affected as the Council intends to recoup in 2011/12 the valuation objection income, as shown in Worksheet 4 of Part A. Therefore a 3.07% to 3.46% increase on average will be experienced by each ratepayer (depending on their rate category).

The impact to the ratepayer in 2012/13, on average, will be slightly less than the proposed 7.0% total increase. This is due to the fact that Council must reduce its rate levy by the amount recouped in 2011/12 for valuation objections. Accordingly, while it is proposed that an annual 7.0% rate increase be levied in 2012/13, the annual average increase will be in the order of 6.45% to 6.49% (depending on the rate category).

The impact to the ratepayer in 2012/13 on average will be 6.20% to 6.28% (depending on the rate category) which is in the order of the proposed 2013/14 increase of 6%. The slight increase above 6% is simply due the calculation of the increase on an average rate.

On a cumulative basis, the increase in the average rate depending on rate category ranges from 3.07% to 3.46% for 2011/12, 9.75% to 10.14% for 2012/13 and 16.59% to 17.05% for 2013/14. In terms of the cumulative increase, as in the first year the Special Rate Variation replaces the existing EI levy, the total cumulative increase over the CURRENT annual rate (inclusive of the EI Levy) payable is between 16.59% to 17.05%. As a result, this is not an approximate cumulative increase of 22% as the ratepayer is technically already paying the first year of the Special Rate Variation in their rates via the EI Levy. The table above showing the cumulative effect reflects this fact.

Again, the detail on the impact on the average rate as per the Council's rate categories is summarised in the above tables and at Worksheet 5 of Part A of Council's Special Rate Variation application.

5.2.1 Minimum Rates

Does Council have minimum Rates? **YES**

Pittwater Council's Minimum Rate Structure (including details of the share of ratepayers on the minimum rate for the relevant category with and without the Special Variation).

Below is a summary of the categories of Council rates on minimums, with and without the Special Variation.

Category	Current Year		2011/2012			
			Approved		Not Approved	
	No.	\$	No.	\$	No.	\$
Business	1,147	872.15	1,146	897.70	1,146	896.57
Residential	4,913	683.15	4,897	703.30	4,913	702.27
			2012/2013			
			Approved		Not Approved	
			No.	\$	No.	\$
Business			1,146	960.75	1,146	879.70
Residential			4,897	752.53	4,913	689.05
			2013/2014			
			Approved		Not Approved	
			No.	\$	No.	\$
Business			1,146	1,018.39	1,146	906.09
Residential			4,897	797.68	4,913	709.72

- For properties categorised as Business, the percentage of properties assessed on the minimum rate is 62%.
- For properties categorised as Residential, the percentage of properties assessed on the minimum rate is 22%.

5.2.2 Community's Capacity to Pay Proposed Rate Increases

Socio-economics refers to the social impact of any kind of economic change. In Pittwater Council's case, the proposed increase in rates can be considered the driver of economic change. The effect that the special rate variation may have on our community's patterns of consumption, their distribution of incomes and wealth, the way in which people behave (both in terms of purchase decisions and the way in which they choose to spend their time and the overall quality of life is very hard to assess and predict. Therefore, in terms of socio-economic change and or capacity to pay, the amount of the variation must be the main point of consideration.

Fundamentally, is Pittwater Council's Special Rate Variation excessive and is there an appetite in the community for the increase?

In terms of whether Council's rate increase is excessive, especially with respect to the Residential Rate Category (being the majority of Council's rate base), an analysis of the Australian Bureau of Statistics (ABS) Average Total Income from All Sources (excluding pensions and allowances) for 2007/08 (latest data – released 14/9/2010) per Local Government Area (LGA), indicates that out of approximately 150 Councils, Pittwater Council is ranked 11th highest with an average annual income of \$61,220.

When comparing this average income (indexed to 2011/12 dollars by 3% per annum) of \$68,903 with the proposed Special Rate Variation increase over the three year life of the application, for an average ratepayer the following will apply:

- An increase of \$212 over the three years will occur.
- This amounts to **0.030%** of the average total income from all sources for Pittwater ratepayers
- Once increased by the Special Rate Variation, the average residential ratepayer will pay \$1,472 annually in rates
- This amounts to **2.13%** of the average total income from all sources for Pittwater ratepayers

When comparing various types of tax within the Pittwater community, the burden of rates is minor compared with that of other forms of tax. Furthermore, the direct benefit to the ratepayer through an increase in rates is far greater as the ratepayer receives an increased level of service and infrastructure provision as outlined at 3.3 of this application.

Further to Pittwater Council's Residential Rate Category, the Ordinary Business Rate is currently about 85% higher than the Ordinary Residential Rate. This reflects generally the business property owners' ability to pay a higher rate, as the rateable property is usually generating an income and owners can make a tax deduction for payment of their rates assessment.

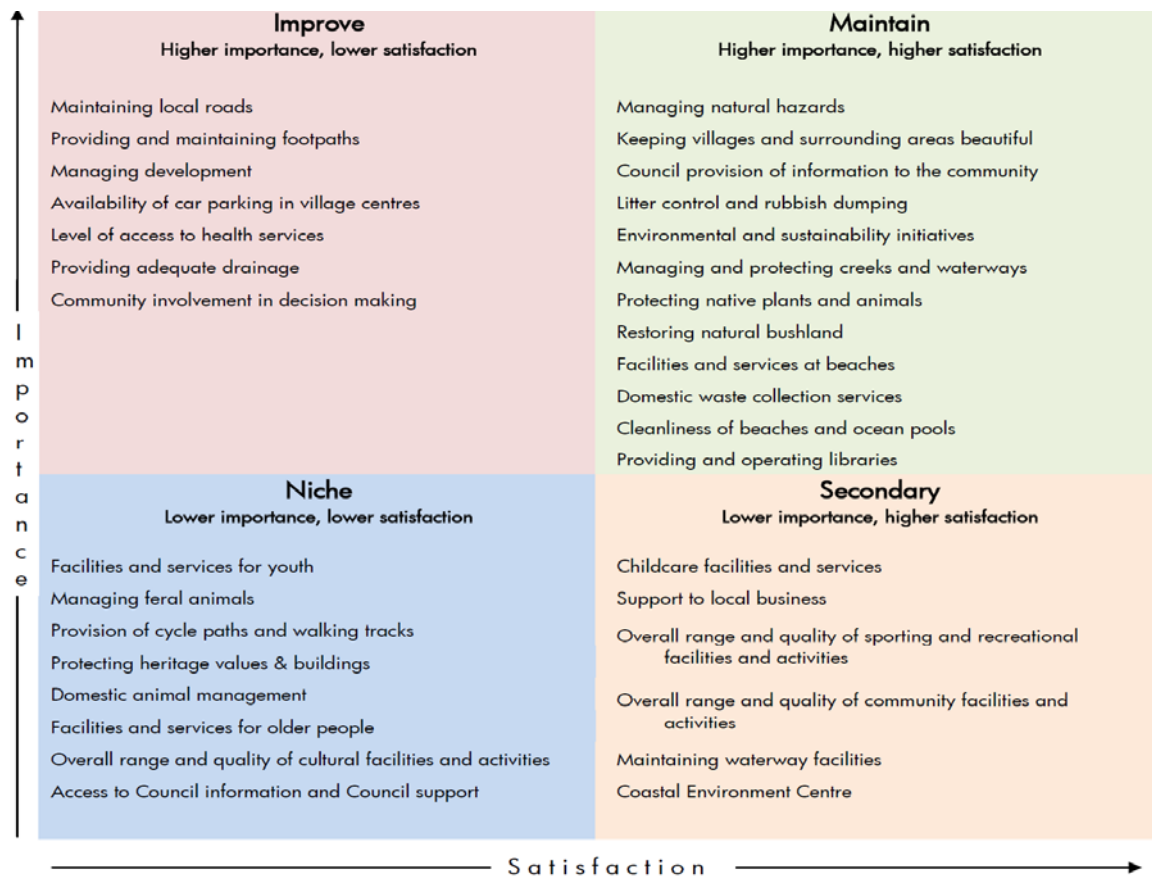
The Division of Local Government Comparative information for 2008/09 shows Pittwater's average annual Business Rate to be \$1,706.23, which is less than half of the NSW average business rate of \$3,988.16. Accordingly, the additional minor impost that Council wishes to levy via its Special Rate Variation should not adversely impact businesses on the basis that it will generally be tax deductible and they are currently well below the NSW average.

Finally, Pittwater Council's Ordinary Farmland Rate is the lowest of the rates made by the Council each year. It is levied on only 12 rateable properties. The average annual Farmland Rate included in the abovementioned DLG publication is \$1,916.67, which is only \$140 higher than the NSW average Farmland rate. Accordingly in terms of capacity to pay, the argument as presented in the Residential Rate Category above prevails for farmland ratepayers. That is, that the rate increase only amounts to a minor impost as against the average earnings of a Pittwater ratepayer.

Accordingly, Council **does not** believe the increase in residential rates over the life of the Special Rate Variation will adversely impact significantly on the quality of life of Pittwater ratepayers, because the income and subsequent consumption pattern of our ratepayers would be affected by the Special Rate Variation by less than 0.05% of the average household income.

In terms of whether the ratepayers have an appetite for the Special Rate Variation, Council believes, on the evidence presented by its community engagement process regarding the special rate variation, that there is a willingness within the community to support a moderate rate increase if additional services and infrastructure were to be delivered.

Recent surveys support these comments. A survey of Council residents in July 2010 gave a clear picture of community priorities. As outlined in the survey results below, the level of importance and satisfaction as to the priorities from the community concerning delivery of Council's services and infrastructure is presented. In turn, Council has been able to utilise these survey results in an effort to outline expenditure priorities specific to community sentiment and demands over the medium to long term.



Further to the above expenditure priority survey, the community was then surveyed as to their tolerance for a Special Rate Variation to fund such works. The results from this survey indicated that some 69% of ratepayers were in favour of a Special Rate Variation to enhance infrastructure works and services programs.

Accordingly, Council fundamentally believes that our community has an appetite for Council's proposed Special Rate Variation and has the capacity to pay.

5.3 Addressing Hardship

Does Council have a Hardship Policy in Place? **YES.**

Please find a copy of Council's Hardship Policies at Part C: Section 5.

Does Council propose to introduce any measures to limit the impact on vulnerable groups such as pensioners? **NO.**

As indicated above, Council does not propose to add any NEW measures concerning hardship for two fundamental reasons:

1. Pittwater Council already has in place generous hardship measures beyond those legislated by the State Government that adequately addresses the needs of current and future (after the Special Rate Variation if approved) vulnerable groups.
2. The proposed Special Rate Variation in terms of increase to current average rates and with respect to the capacity to pay as outlined in 5.2.2 is not excessive and should not create an excessive financial burden to Pittwater ratepayers that cannot be addressed through current hardship policies.

The measures Council have in place to address hardship are included in two of Council's policies, being *'Rebates and Accruals of Pensioner Rates, Domestic Waste Charges and Interest'* and *'Rates Collection and Recovery'*.

In addressing financial hardship affecting eligible pensioners, Pittwater Council through its policies offers in addition to the mandatory rebate of half the rates and charges to a maximum of \$250, an extra \$150 rebate to pensioners under the accepted retirement age and those on a 'blind pension'.

In addition to these rebates, Pittwater Council has a policy of not taking action to recover overdue rates and charges against any pensioner who states that they are in financial hardship. These pensioners are allowed to accrue their rates debt against their estate.

In addition to vulnerable groups such as pensioners, Council will also enter into mutually agreed payment arrangements with any other ratepayer who is in financial difficulty, allowing them to pay their rates in instalments that fit in with their individual circumstances. No recovery action is taken against these ratepayers as long as they adhere to the agreement. In many cases the Council will also write off interest charges in order to relieve financial hardship.

Accordingly, as stated above the Council's current policies relating to hardship and vulnerable groups are comprehensive, cater for all Pittwater ratepayers and offer more than is legislatively required. We believe in an ethical and compassionate approach to ratepayers who are unable to meet their financial obligations regarding payment of rates.

6.0 FINANCING STRATEGY

6.1 New Capital Financing Strategy

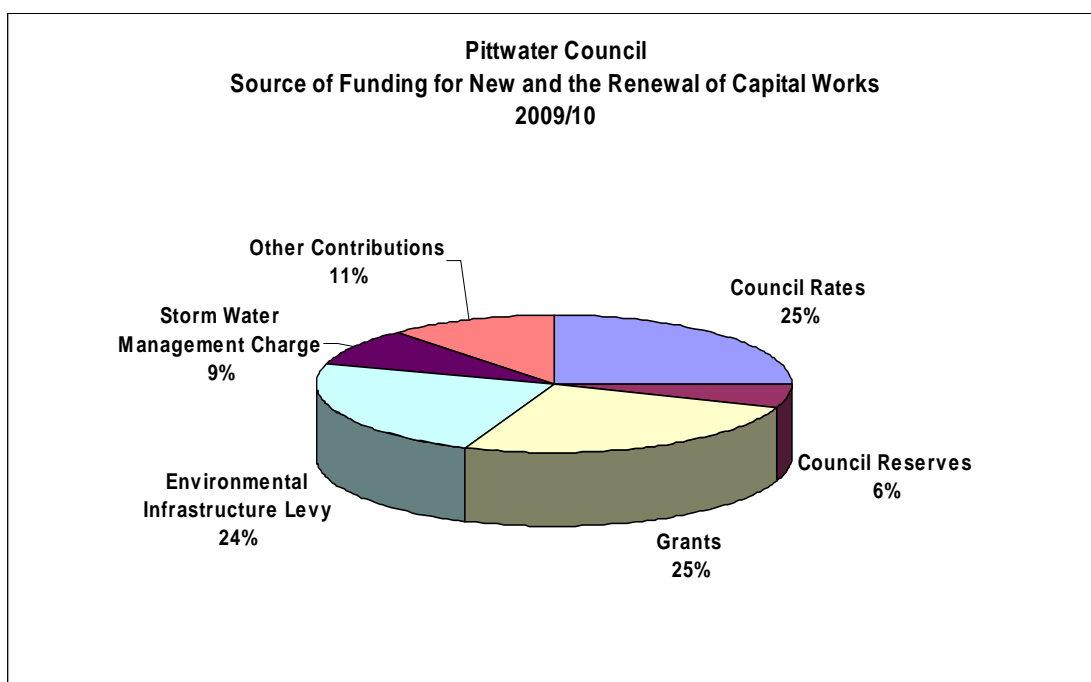
6.1.1 Overview of Council's Strategy for Funding New Capital Works and the impact on this Strategy over the course of the Special Variation

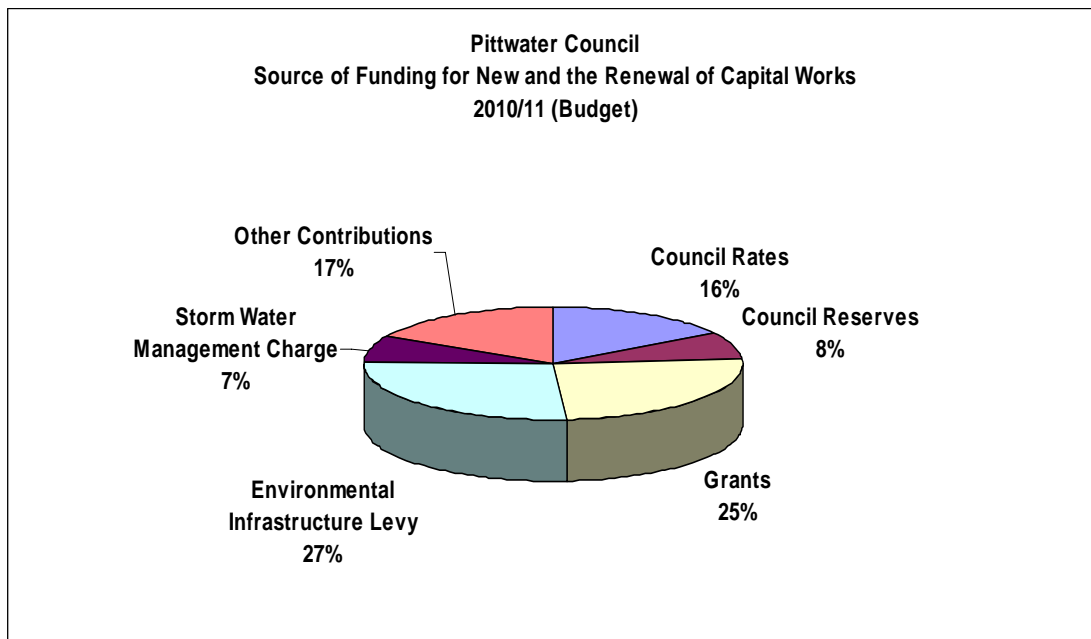
There are several options available to Council to address demands from the community on service levels and infrastructure backlogs. Like all Councils, Pittwater can access funds (limited) through a variety of sources including but not limited to:

- Rates (including special variations)
- Levies
- User Fees and Charges
- Borrowings
- Grants
- Asset Rationalisation
- Developer Contributions

Pittwater Council to date has utilised a funding strategy for its Capital Improvements Program that has drawn from a combination of income sources described above in order to effectively deliver to the Community of Pittwater a targeted new and renewal program concerning its infrastructure assets. The breakdown of the current and last financial years funding sources are outlined in the table and graphs below as a representation of Council's Financing Strategy.

Description of Funding	2009/10		2010/11	
	Amount	% of Total	Amount	% of Total
Council Rates	1,268,341	25%	1,239,707	16%
Council Reserves	288,118	6%	594,980	8%
Grants	1,292,471	25%	1,898,136	25%
Environmental Infrastructure Levy	1,205,955	24%	2,027,034	27%
Storm Water Management Charge	442,802	9%	562,399	7%
Other Contributions	583,887	11%	1,326,434	17%
Total Funding	5,081,574	100%	7,648,690	100%





As demonstrated above, Council has strategically relied on major funding sources of council rates, grants, developer contributions and the current environmental levy to make up some 80% of the overall funding of Council's new and renewal programs associated with its capital infrastructure. To date, this balance has been deemed appropriate in the provision of capital works for the following reasons:

- It draws from the community a level of funds via rates to assist with capital programs, as ultimately the ratepayers are the beneficiaries of such capital works programs,
- It draws from developers a level of funding that will support the requirement to add and or upgrade capital infrastructure based upon the additional burden and impact on infrastructure within the community,
- It draws from other tiers of government a level of funding that is necessary (although well short of required levels based on cost shifting analysis) to support the care control and management of their own infrastructure that resides with Pittwater.
- It draws from the community a level of funds via a special rate levy to facilitate additional capital works, desired by the community for their current and future betterment.

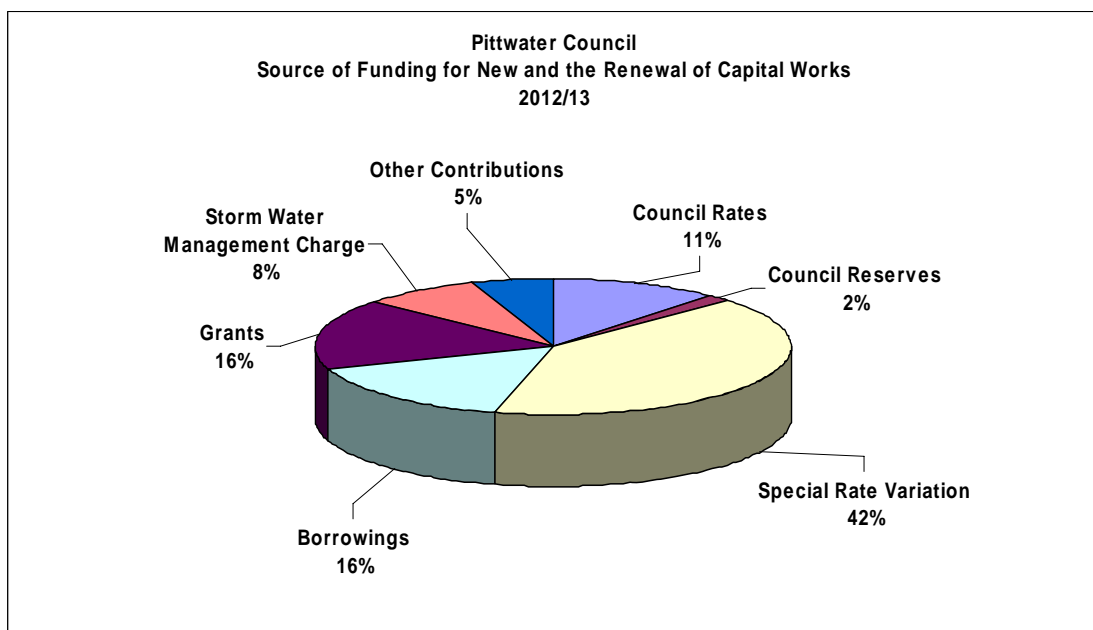
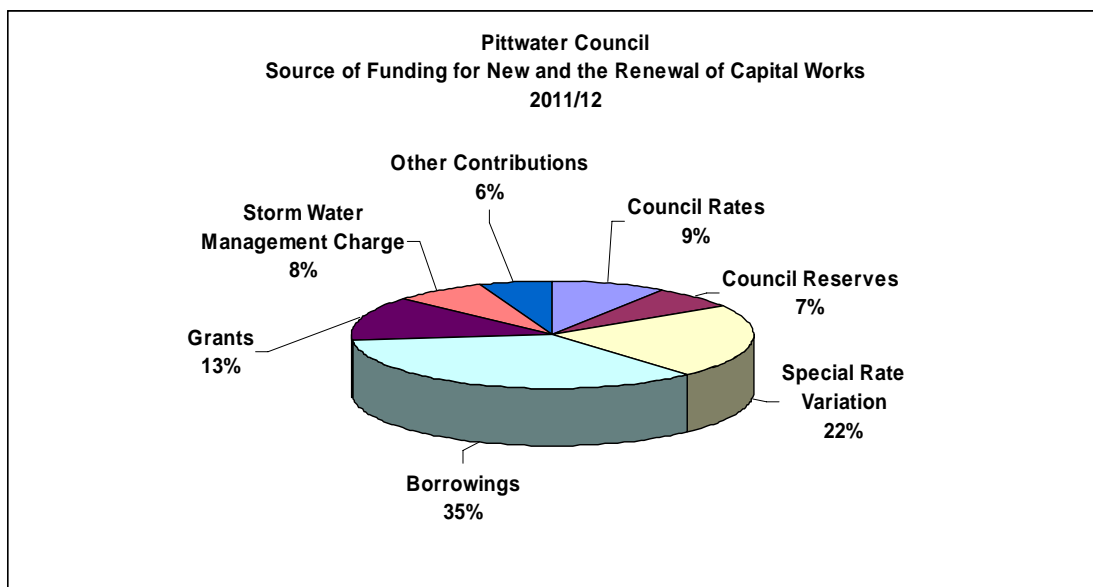
In undertaking such a financing strategy to date, especially with the utilisation of current and historical levies, Council has been able to deliver a consistent and highly effective capital works program to the community of some \$6 million dollars per annum on average.

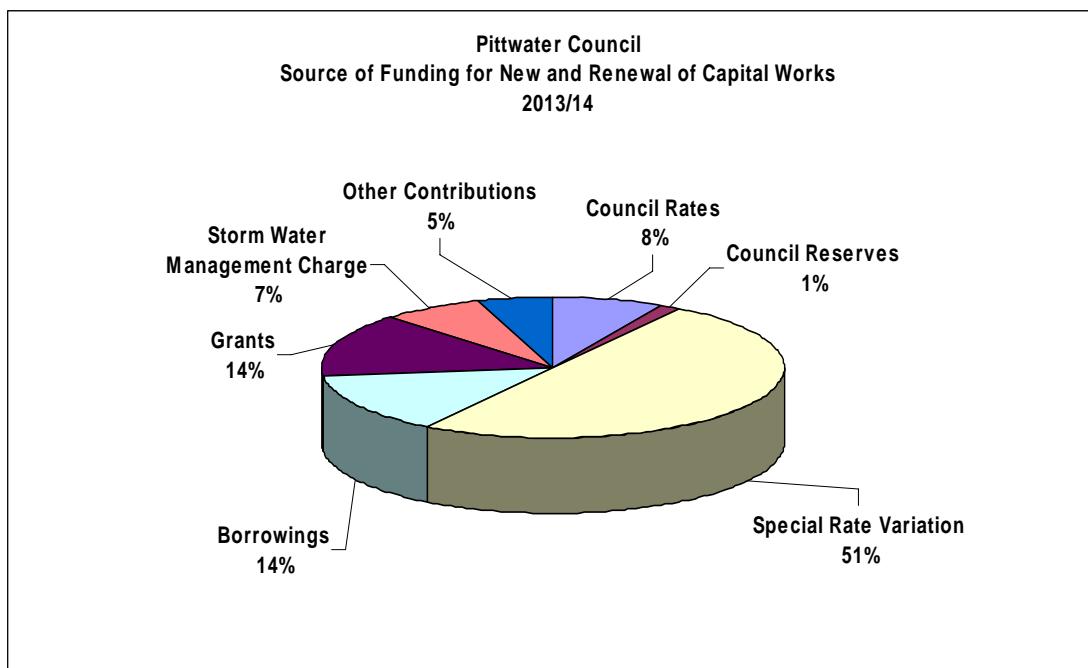
Council's Capital Funding Strategy is now evolving in line with the IP&R legislative framework and the forward planning associated with Council's LTFP and Asset Management Strategy. Council has now begun the process of fine tuning its usage capital funding and has more effectively isolated infrastructure backlogs and community demanded works via asset management plans and extensive community consultation. Such fine tuning has seen ***Council effectively alter its Financing Strategy for new and renewal of capital works.***

As recognised in Council's LTFP and at 6.2 Sustainability of Debt of this submission, the continued use of special variations to rates and the utilisation of long term borrowing program to assist in bridging the infrastructure back log gap are a vital funding sources moving forward.

Over the period of the special rates variation the shift in financing new and or the renewal of capital works from the existing patterns (as outlined in the above graphs) to that of a heavy utilisation of borrowings and the special rate variation can be demonstrated by the table and graphs below:

Description of Funding	2011/12		2012/13		2013/14	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Council Rates	630,199	9%	716,510	11%	555,508	8%
Council Reserves	480,500	7%	100,500	2%	100,500	1%
Special Rate Variation	1,522,892	22%	2,554,568	41%	3,589,562	50%
Borrowings	2,400,000	35%	1,000,000	16%	1,000,000	14%
Grants	902,000	13%	1,027,000	16%	1,027,000	14%
Storm Water Management Charge	520,000	8%	520,000	8%	520,000	7%
Other Contributions	402,000	6%	340,000	5%	380,000	5%
Total Funding	6,857,591	100%	6,258,578	100%	7,172,570	100%

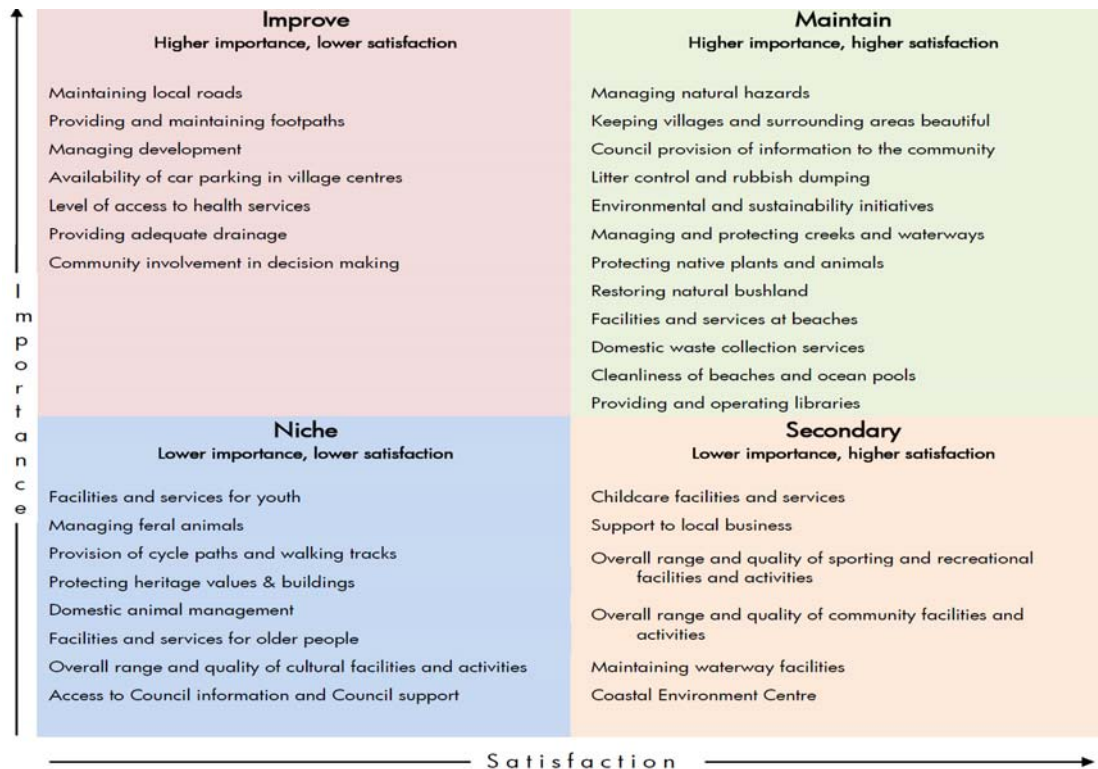




As determined by Council's LTFP, Council needed to shift from traditional funding sources to the inclusion of regular borrowings and a special rate variation in order to main long term financial sustainability. Furthermore, community demand for infrastructure improvements as a result of extensive community consultation also placed pressure on a change to Council's Capital Funding Strategy.

As a part of Council's Community Strategic Plan a program of community engagement and consultation was undertaken. In a random survey of Council residents in July 2010 a clear picture of community's priorities was gained. As indicated in the survey results below, the level of importance and satisfaction levels as to the delivery of Council's services and infrastructure are demonstrated. In terms of expenditure priorities those services and infrastructure provision that appear in the top left quadrant will effectively demand the highest priority within Council's LTFP as it is these services and infrastructure provision that rate highest in importance and the lowest in overall satisfaction. As clearly demonstrated within this Quadrant capital works including roads, footpaths, drainage and the like are clearly a community priority.

Community Survey Results Analysis



Therefore, in consideration of the long term financial needs of the Pittwater community and as a major part of Council's forward capital funding strategy, Council placed within its 2010-14 Delivery Program notification to its community of the need for a special variation in rates to fund future community desired capital works.

In an effort to portray the necessity of the special variation in rates that Council is seeking, if Council removed the funding and associated program of works from the 2011/12 to 2013/14 budgets the level of capital works (excluding Developer Contribution funded works) and associated funding would diminish to the levels outlined in the below table.

Description of Funding	2011/12		2012/13		2013/14	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Council Rates	630,199	12%	716,510	19%	555,508	16%
Council Reserves	480,500	9%	100,500	3%	100,500	3%
Borrowings	2,400,000	45%	1,000,000	27%	1,000,000	28%
Grants	902,000	17%	1,027,000	28%	1,027,000	29%
Storm Water Management Charge	520,000	10%	520,000	14%	520,000	15%
Other Contributions	402,000	8%	340,000	9%	380,000	11%
Total Funding	5,334,699	100%	3,704,010	100%	3,583,008	100%

Accordingly, in addition to the traditional funding mechanisms such as rates, grants, Council reserves, stormwater charges and contributions the projected special variation to Council's rates and Council's new rolling program of borrowings all form part of Council's future capital funding strategy.

It must be noted that in the above commentary Developer Contributions have been omitted. While they form a vital part of Council's over capital funding platform the magnitude of the contributions over the special rate variation period (2011/12 to 2013/14 and beyond) would have distorted the above data. Council's green field site of Warriewood Valley that is subject to a Developers Contribution Plan over the next ten years will attract some \$60 million dollars in funding and commensurate capital works. Such works will only be undertaken on the basis of receipt of income thus minimising Council's financial exposure to the plan. If such figures were included in the above analysis a true representation of

Council overall funding strategy for non-developer capital works would not have been portrayed.

6.2 Sustainability of Debt

Pittwater Council proposes to undertake a program of borrowings in 2011/12 and beyond to assist with funding Council Capital Works.

6.2.1 Introduction

The nature of a Pittwater Council's activities and the way they are managed and funded are generally 'low risk' and without significant borrowings. Council's income streams are much less volatile than the private sector. However, Council have tended to take a very conservative approach to debt.

While it has historically been considered desirable to keep debt levels as low as possible, borrowing is a valid and appropriate option available to Council to help finance ongoing infrastructure requirements and is justified due to the greater cost in future years through deferring the spending activity.

A zero debt policy is often inappropriate for local government as it implies that the current ratepayers are expected to meet the full cost of infrastructure assets, while in reality most of the benefit will actually be gained by future ratepayers. On inter-generational grounds it is considered that additional borrowings can be considered to fund enhancement capital expenditure, and such capital expenditure gives rise to infrastructure enhancement that benefits future as well as existing ratepayers. This way, the cost of the asset is matched by the benefits from consumption of service over the life of the asset, and it promotes inter-generational equity, which is only reasonable given the future benefit of the asset. Therefore a zero debt policy usually results in under-investment in a council's infrastructure assets, and is a burden on the current ratepayers.

Debt does not necessarily mean a council is acquiring things it cannot afford. It merely provides an alternative and immediate form of capital. The important thing to understand is that the purpose to which the borrowings are deployed will ultimately determine their impact on the council's overall sustainability. Borrowings must not be regarded as revenue. They do not replace the need to generate adequate revenue but may be used to provide a new infrastructure asset, or to replace and rehabilitate specific assets that the council already owns.

Therefore borrowing is an appropriate means of financing long-lived infrastructure assets. The benefit that debt provides is to enable work to be done sooner. An increase in debt will allow Council to spread the burden of future costs more equitably across future generations and reduce the growth in renewal costs that arises from delay in investment in assets.

Pittwater Council as a part of its LTFP is proposing to maintain an affordable level of debt for either new or the renewal of existing infrastructure or commercial undertakings.

6.2.2 Purpose of Council's Borrowing Program

Pittwater Council will be undertaking a borrowing program in 2011/12 of \$2.4 million dollars and then a rolling borrowing program of \$1 million dollars per annum over (at least) the next ten years.

In 2011/12, \$1.4 million dollars of the borrowings is attributable to the replacement of 10 cabins at Council's Lakeside Tourist Park. These cabins are to replace decommissioned accommodation that is no longer of a rentable standard. As these cabins form a part of the commercial operation of Council's Tourist Park, loan borrowings have been deemed the most appropriate form of funding and will be included in the cost structure of the commercial activity.

The balance of loan borrowings in 2011/12 of \$1 million dollars and the subsequent \$1 million per annum thereafter to 2020/21 (as a part of Council's rolling loan program) is to be used as a funding mechanism for Council's Capital Works Program.

These borrowed funds are to be used as part funding for a range of capital works required by Council to meet Community and asset renewal demands, as outlined (but limited to) below:

- Improvements to council community centre networks
- Amenities refurbishments to Council's beaches
- Surf Club upgrades
- Wharf improvements
- Installation and upgrades to roundabouts and other traffic devices
- Floodplain mitigation works
- Local road rehabilitation
- Playground improvements
- Rock pool upgrades

It is to be noted that Council projected rolling borrowings program will be in addition to Council's special rate variation application in order to ensure that a high level of infrastructure provision is maintained to Community expectations of Council assets.

6.2.3 Estimated Net Debt Position, Impact to Council's Debt Service Ratio and the Sustainability of Council's Borrowing Program

Currently, Council has a policy concerning debt whereby loan borrowings are limited to a level where the ratio of net debt service costs (principal and interest) to operating revenue does not exceed 5.5%. This ratio remains at an upper level in terms of the capacity to repay debt versus a need to maintain borrowings at an adequate level to fund capital works.

As indicated by the tables below, Council's projected net debt position and debt service ratio on a no new loan program for 2011/12 stands at \$7.057 million and 2.36% respectively with associated budgeted principal and interest repayments of \$1.483 million. On this base case scenario with no new loans being undertaken these debt levels fall to \$5.577 million for Council's debt position and 1.88% for Council debt service ratio over the life of the Special Rate Variation (2011/12 to 2013/14) and continue to decrease over the 10 year timeframe of Council's LTFP.

Such decreasing levels of debt do not address infrastructure renewal gaps or inter-generational argument of asset funding and therefore Council has addressed these issued by establishing its rolling borrowing program.

Accordingly, based on Council's below loan profiling, it is projected that new borrowings associated with the rolling program as a part of the LTFP will have the following impact on

Council's debt position, debt service ratio and repayment obligations over the life of the Special Rate Variation (2011/12 to 2013/14) and beyond. As demonstrated, Council's projected net debt position stabilises at \$8.297 million at the end of the Special Variation period (2013/14) and the debt service ratio for the same period is higher at 2.37% than that of a no new loan basis. Council's debt service repayments remain stable with an increasing trend over the longer term.

The below tables and graphs indicated the financial impacts before and after the commitment to the rolling loan program.

It is recognised that this level of debt and supporting ratio and repayments remain on a conservative level and below Council's debt service ratio policy of 5.5%, however when taking into account operating result pressures and the future servicing of rising loan repayments, these levels of debt are sustainable and do not negatively impact on Council's overall financial position yet still allow for a consistent injection of loan funds into Council's Financing Strategy.

Projected 10 Year Loan Schedule (Base Case - No New Loans)

Period	Year	New Loan Borrowings	Loan Balance at Financial Year End	Project Repayments Annually	Debt Service Ratio
1	2011/12	\$ 1,400,000	\$ 7,057,975	\$ 1,483,000	2.36%
2	2012/13	\$ -	\$ 6,184,817	\$ 1,459,000	2.27%
3	2013/14	\$ -	\$ 5,577,078	\$ 1,229,000	1.88%
4	2014/15	\$ -	\$ 5,027,254	\$ 887,552	1.32%
5	2015/16	\$ -	\$ 4,568,851	\$ 886,406	1.28%
6	2016/17	\$ -	\$ 4,068,777	\$ 887,248	1.25%
7	2017/18	\$ -	\$ 3,524,768	\$ 886,077	1.21%
8	2018/19	\$ -	\$ 2,930,376	\$ 884,630	1.18%
9	2019/20	\$ -	\$ 2,581,764	\$ 589,640	0.76%
10	2020/21	\$ -	\$ 2,198,315	\$ 588,594	0.74%

Notes:

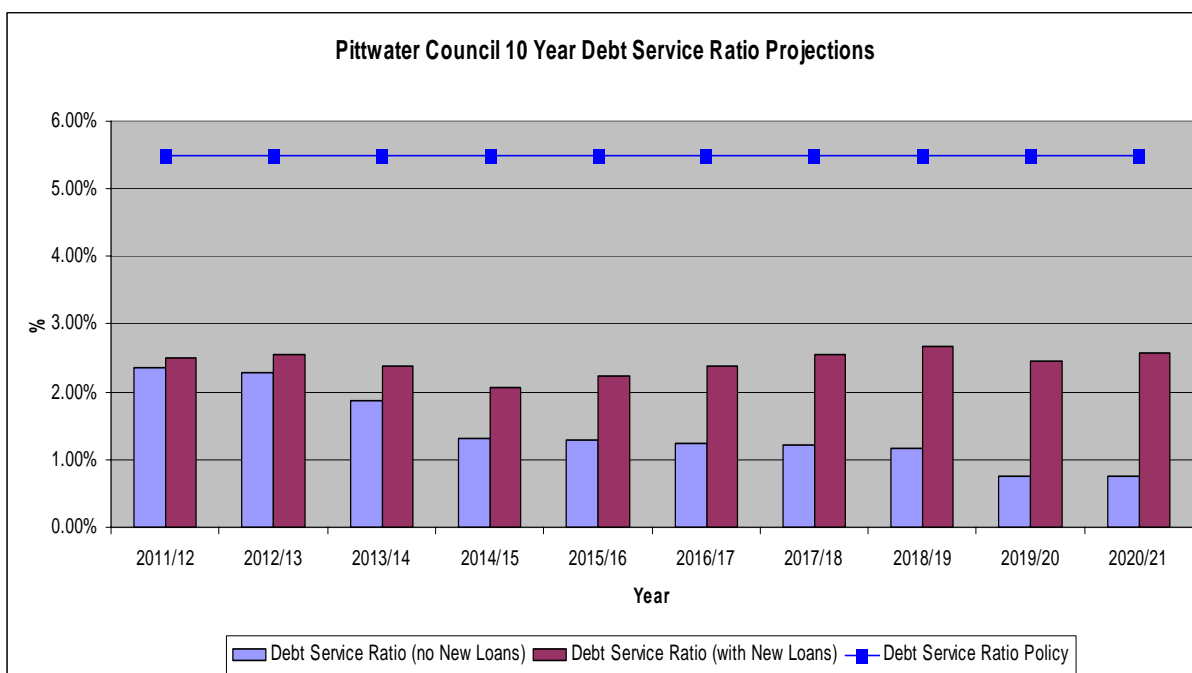
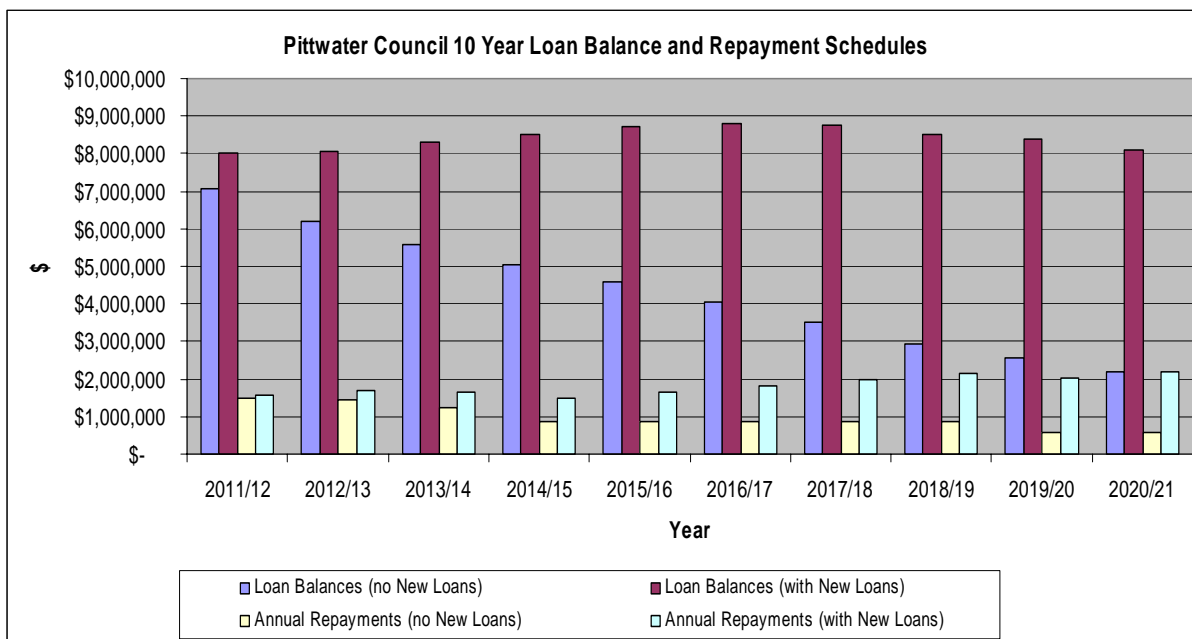
1. Indicative Interest Rate 11.00% based on BIS Shrapnel Forecast Trend of 10.3% + .07% Margin
2. All new Loans to be taken up in December Each Year
3. Loan Repayments are semi-annul
4. \$1.4 million loan for Sydney Lakeside will occur regardless of new rolling loan program
5. The above Loan Balances and Repayments includes a Financial Lease of approximately \$260,000

Projected 10 Year Loan Schedule (Base Case + All Scenarios with New Loans)

Period	Year	New Loan Borrowings	Loan Balance at Financial Year End	Project Repayments Annually	Debt Service Ratio
1	2011/12	\$ 2,400,000	\$ 8,028,975	\$ 1,567,000	2.49%
2	2012/13	\$ 1,000,000	\$ 8,064,817	\$ 1,710,000	2.54%
3	2013/14	\$ 1,000,000	\$ 8,297,078	\$ 1,647,000	2.37%
4	2014/15	\$ 1,000,000	\$ 8,510,254	\$ 1,472,552	2.06%
5	2015/16	\$ 1,000,000	\$ 8,728,851	\$ 1,639,406	2.23%
6	2016/17	\$ 1,000,000	\$ 8,810,777	\$ 1,807,248	2.39%
7	2017/18	\$ 1,000,000	\$ 8,742,768	\$ 1,973,077	2.54%
8	2018/19	\$ 1,000,000	\$ 8,506,376	\$ 2,138,630	2.68%
9	2019/20	\$ 1,000,000	\$ 8,383,764	\$ 2,011,640	2.45%
10	2020/21	\$ 1,000,000	\$ 8,079,315	\$ 2,178,594	2.58%

Notes:

1. Indicative Interest Rate 11.00% based on BIS Shrapnel Forecast Trend of 10.3% + .07% Margin
2. All new Loans to be taken up in December Each Year
3. Loan Repayments are semi-annul
4. New \$1 million dollar per annum rolling loan program has been undertaken
5. The above Loan Balances and Repayments includes a Financial Lease of approximately \$260,000



6.2.4 Borrowing Strategy and the Principles of Intergenerational Equity

As indicated by the above graphs, Council as a part of its LTFP is proposing to maintain an appropriate and consistent level of debt by embarking on a rolling program of borrowings over the long term to assist with the renewal of existing infrastructure and commercial undertakings.

Under a Base Case Scenario Council’s debt levels were to reduce to effectively zero but as it is recognised that borrowings are an appropriate means of financing long-lived infrastructure assets, Council will now maintain a constant level of debt.

Such a constant level of debt will allow Council to spread the burden of future costs of infrastructure more equitably across future generations and reduce the growth in renewal costs that arises from delay in investment in assets.

The above levels of debt are maintained within an operating surplus, adequate cash provisions and a healthy current ratio.

It must also be noted that Council's borrowings program is only one mechanism of Council's Capital Funding Strategy that addresses intergenerational equity in terms of asset funding. The Special Rate Variation is also another mechanism that is being undertaken to address such intergenerational equity issues. By the nature of this rate variation the impost is not only be placed on current ratepayers but as the variation is perpetual (extending Council's long term rate base) future generations of ratepayers will also contribute to the financing and maintenance costs associated with long-lived assets.

6.3 Schedule 7

Prior to 2010/11 and the comprehensive review undertaken by Council staff and independent consultant Morrison Low, Pittwater Council supplied figures for its "estimated cost to bring up to a satisfactory condition standard" for its assets under its Council's General Purpose Financial Statements - Special Schedule 7 Condition of Public Works based on best information at that point in time.

The Special Schedule 7 column, 'Estimated cost to bring up to a satisfactory condition standard', is at variance to the Asset Management Strategy and Plan estimated renewal/upgrade value for assets with Condition 4 and 5 for a number of reasons as follows:

- The Asset Management Strategy and Plan renewal/upgrade value of the Strategy and Plan is based on the actual cost (2010 dollars) to renew or upgrade the asset to meet the community priorities as determined through the 2010 Communities Priorities Research Report. The standard adopted for this purpose is to renew/upgrade assets to a Technical Level of Service condition rating 3.
- The asset condition in Special Schedule 7 in nearly all cases relative to the Asset Management Plan has been rated at a higher asset condition that in practice exists and for consistency needs to be revised down, having regard to the higher order of detail now contained in the Asset Management Plan.
- Correspondingly, the 'Estimated cost to bring up the assets to satisfactory condition standard' column as described in Special Schedule 7 has in nearly all cases been estimated low to bring the asset to satisfactory or minimal condition, the estimate more likely based on a 3.5 or 4 Condition.
- The Asset Management Strategy and Plan renewal/upgrade values provide for the upgrade to a 'satisfactory' condition, where as Special Schedule 7 in the 'Estimated cost to bring up the assets to satisfactory condition standard' column, does not include upgrade or planned enhancement of existing assets.
- The updated estimates on the Asset Management Plan are based on attaining a Condition 3 outcome and have regard to the need for associated integral upgrade components to meet community demands.
- The Special Schedule 7 estimates were based on the best available information at the time and understanding of staff in undertaking asset valuations.

Accordingly, prior information used in Council's General Purpose Financial Statements - Special Schedule 7 Condition of Public Works has been superseded by Council's Asset Management Strategy and Plan.

7.0 PRODUCTIVITY IMPROVEMENTS

7.1 Introduction

Within Council's long term financial planning the requirement for additional expenditure has been identified through operational needs and an increased level of community-demanded services and infrastructure. These additional expenditure requirements increase the financial gap that Pittwater Council faces

To facilitate additional expenditure, Council must seek new methods to expand its revenue base and/or minimise its cost structure. This may come through not only traditional means such as increasing fees and charges, increased grant applications or even rate variations, but through improvements in productivity..

In the past number of years, Council has initiated approximately \$1.6 million dollars worth in productivity savings. Some of these savings have included:

- Corporate Services restructuring
- the introduction of an electronic planning system, allowing for a reduction in the planning workforce
- regional tendering and service provision, (including an Economic Development Coordinator previously fully-funded by Council)
- contracting of services such as mowing
- the introduction of an electronic infringement ticketing system
- and the implementation of energy-efficient devices throughout Council buildings.

Council's Long Term Financial Plan, '*Scenario 4 – Productivity Improvements and Cost Efficiencies*' is one of the mechanisms used to promote and continue ongoing productivity improvements and cost efficiencies within the organisation. By incorporating productivity improvements into Council's long term financial modelling this becomes one mechanism that will ensure Council's long term financial sustainability.

Moving forward, Council has estimated that a further \$750,000 (approximately) can be sourced through productivity improvements within Council. Although to ensure a realisable figure for the purposes of long term financial planning, a conservative assumption of a net savings to Council of \$300,000 (approximately 40% of the target) per annum has been included in Council's Long Term Financial Plan.

Cost efficiencies and productivity improvements will include (but are not limited to):

- Joint regionalisation of services and tenders
- Employment practices
- Procurement
- Productivity improvements within corporate services
- Water efficiency measures
- Council outsourcing (where appropriate).

A number of items listed in the tables below have been integrated into our workforce planning strategies. These include restructuring of corporate services, further accreditation of staff, industrial agreements and employing an insurance specialist to reduce our premiums.

As indicated above, Council is also involved in a number of regional initiatives with SHOROC (Pittwater, Manly, Warringah and Mosman Councils) that is looking at financial savings and economies of scale across the region. Examples of initiatives include joint

tendering to reduce unit costs, joint regional waste collection services and other procurement savings.

The following tables show both past productivity for Council and expenditure improvements for the last 3 years (approximate) together with potential future savings. These savings have also been linked back to one of Councils' 2020 strategies.

The impacts of the savings highlighted below in table 7.1 "*Past Savings Efficiencies*" have already been incorporated into previous budget review processes and have been integrated into all subsequent budget processes.

All future savings that are recurrent have also been factored into the Long Term Financial Plan. To reiterate, even though Council has identified approximately \$750,000 of future cost savings, we have conservatively incorporated \$300,000 of this into the 2011/2012 financial year. This figure will be adjusted if necessary through the Long Term Financial Plan Review and Budgetary Reviews.

7.2 Productivity Improvement Tables

Past Savings Efficiencies

Business Unit	Strategy	Description	Savings Estimation Per Annum	One Off or Recurrent	Notes
Administration & Governance	Business Management	Staff restructure in Records and Customer Service	84,375	Recurrent	Reduction in Staff (1.5 EFT) associated with Records/Customer Service
Administration & Governance	Business Management	Pittwater Report reduced in content and size	7,000	Recurrent	A smaller publication is more cost effective to produce
Catchment Management	Water Management	Water savings measures in Council buildings	20,000	Recurrent	Water saving devices such as dual flush toilet systems have been introduced in most Council Buildings
Community, Library & Economic Development	Economic Development	Regional co-operation with Warringah Council to jointly fund a Regional Economic Development Co-ordinator	120,000	Recurrent	Pittwater historically employed an Economic Development Officer. This position has been regionalized
Community, Library & Economic Development	Building Communities	Reduction in Library hours from 55hrs to 48hrs per week.	40,000	Recurrent	This reduced service level still meets community demands
Community, Library & Economic Development	Recreational Management	Introduction of online tennis court booking system resulting in reduction of staff hours	16,000	Recurrent	An EFT efficiency reduction of 0.25 is estimated with respect to the utilisation of an online booking system
Corporate Services	Business Management	Staff restructure - Corporate Services	257,500	Recurrent	The position of Director of Corporate Services was made redundant with no replacement sought.
Council Wide	Business Management	Regional tendering between SHOROC Council's	35,000	Recurrent	Four Northern Sydney Councils often group tender to obtain economies of scale.
Environmental Compliance	Land Use & Development	Implementation of the Rangers Industrial Agreement	20,000	Recurrent	The introduction of annualised salaries includes an overtime allowance that has reduced the overall salary cost to Council.

Environmental Compliance	Land Use & Development	Accreditation of all Compliance officers under the Building Professional Act 2005	65,000	Recurrent	Such accreditation has eliminated the need for external contract support
Environmental Compliance	Beach & Coastal	Moving from a manual infringement system to an electronic system.	170,000	Recurrent	Savings on processing time, incorrect issuing of tickets etc.
Finance & Information Technology	Information Management	Utilisation of virtual server technology	20,000	Recurrent	The utilisation of virtual server technology has seen a significant reduction in server replacement costs in addition to Council saving on power and maintenance costs
Planning & Assessment	Information Management	Introduction of an online electronic planning certificate process	75,000	Recurrent	The conversion to an electronic certificate system has saved one clerical position with an significant improvement in customer service
Planning & Assessment	Information Management	Introduction of an electronic planning assessor system	175,000	Recurrent	The conversion to an electronic assessor system has seen a reduction in planning EFT by two staff members
Planning & Assessment	Information Management	Introduction of an electronic planning information system	137,500	Recurrent	The conversion to an electronic planning system has seen a reduction in counter staff (ADO) EFT of 2 staff members
Reserves Recreation & Building Services	Energy Efficiency	Energy savings measures implemented in Council buildings	75,000	Recurrent	Energy saving devices such as auto- off light switches have been introduced in most Council buildings
Reserves Recreation & Building Services	Recreational Management	Contracting mowing services	40,000	Recurrent	As mowing is seasonal, contract labour is used to minimised Council's fixed costs
Reserves Recreation & Building Services	Recreational Management	Online booking system for reserves	37,500	Recurrent	An EFT efficiency reduction of 0.5 is estimated with respect to the use of an online booking system
Reserves Recreation & Building Services	Recreational Management	Online booking system for dinghies	37,500	Recurrent	An EFT efficiency reduction of 0.5 is estimated with respect to the use of an online booking system
Urban Infrastructure	Traffic & Transport	Use of improved construction and maintenance techniques	100,000	Recurrent	Such techniques including road stabilisation, pipe lining and pipe jacking
Urban Infrastructure	Traffic & Transport	Improved construction, material handling and recycling	100,000	Recurrent	Council recycles and re-uses construction materials such as rock, saving on disposal and acquisition costs
Total			1,632,375		

Future Savings Initiatives

Business Unit	Strategy	Description	Savings Estimation Per Annum	One Off or Recurrent	Notes
Administration & Governance	Business Management	Sourcing a new provider for records storage	20,000	Recurrent	It is proposed to move to records storage with the Hunter group of Councils
Administration & Governance	Business Management	Use of internal staff for the majority of in-house after hours customer service	30,000	Recurrent	Council proposes to move away from current contractor to an in-house service provision
Administration & Governance	Business Management	Undertake an archive project of Council records	7,500	Recurrent	It is anticipated that this project will return a 10% savings instorage costs
Administration & Governance	Business Management	Introduction of social networking groups such as FaceBook, Twitter and blogs to better reach our community electronically	5,000	Recurrent	The use of social networking via electronic means will reduce paper-based mail outs
Administration & Governance	Business Management	Introduction of I-Ferrat application system to improve in-house document search capabilities	14,063	Recurrent	It is envisaged that such a system will save staff resources
Administration & Governance	Business Management	Introduction of electronic business papers	10,000	Recurrent	Reduction of paper costs associated with the production and distribution of all business papers and staff efficiencies
Administration & Governance	Business Management	It is proposed to offer a commercial scanning and recording service to local business	10,000	Recurrent	Cost benefit analysis to be undertaken and market assessment to be analysed
Administration & Governance	Business Management	Reduction in the size of Council's Pittwater Report	44,000	Recurrent	A continued reduction in pages and resourcing of alternative printer has realised considerable savings. Since the decision there has been 8 editions at a saving of \$5,500 per edition.
Catchment Management	Water Management	Improvements to cleaning regime of stormwater quality improvement devices.	39,000	Recurrent	Annual budget \$130,000 - estimated savings approximately 30%
Catchment Management	Water Management	Watersavings efficiencies - landscaping and irrigation	4,000	Recurrent	Avalon Golf Course and Careel Bay Ovals minor cost in year 1 due to implementation costs
Catchment Management	Water Management	Expansion of on-line water monitoring service to Council's top 10 water usage Sites	20,000	Recurrent	Significant savings with only a \$2,500 annual management fee
Catchment Management	Water Management	Water fixture audit and ongoing replacement programs	5,000	Recurrent	This includes a progressive retrofit of all water facilities across council that are either faulty or that are not water savings rated.

Business Unit	Strategy	Description	Savings Estimation Per Annum	One Off or Recurrent	Notes
Corporate Development	Business Management	Employment of a workers compensation specialist	73,807	One Off	Premium reduction from \$1.236m in 2010/11 to \$1.136m in 2011/12. Net savings \$84,000 (\$100,471 less \$26,664 employee costs)
Corporate Development	Business Management	On-line recruiting Initiative - utilising Seek.com instead of traditional paper adverts	16,500	Recurrent	Average paper advert SMH \$2000/4=\$500 - MD \$500 - as against \$170 per advert on Seek.com (approx 50 p.a.)
Corporate Development	Business Management	Online training	4,800	Recurrent	Average staff to training per annum = 20 at a cost of \$7,000 In-house training license = \$2,200
Environmental Compliance	Beach & Coastal	Progressive upgrade of paid parking systems for credit card processing	15,000	Recurrent	The moving from batch processing of payments to real time will reduce payment declines
Finance & Information Technology	Business Management	Tender and transfer of banking services to new provider	20,000	Recurrent	From CBA to NAB
Finance & Information Technology	Information Management	Tender of telecommunication services and consolidation of handsets, data plans etc.	20,000	Recurrent	From Telstra to Optus
Planning & Assessment	Land Use & Development	Introduction of an online Tree Preservation Order system	34,375	Recurrent	The conversion to an online system will see savings in staff time
Reserves	Energy Efficiencies	Council wide energy savings	136,000	Recurrent	Revolving energy fund promotes future energy saving initiatives
Urban Infrastructure	Business Management	Introduction of a Council wide e-procurement system	20,000	Recurrent	It is envisaged that the e-procurement system will see savings in the area of standard catalogue and paperwork minimisation.
Urban Infrastructure	Business Management	Strategic Council wide movement to outsource where appropriate	200,000	Recurrent	Outsourcing has the potential to minimize Council expenditure on fixed labour costs
Total			749,045		

8.0 IMPLEMENTATION OF INTEGRATED PLANNING & REPORTING FRAMEWORK

Council started the implementation of IPRF in 2005 when we first began discussions with the community on their aspirations for Pittwater in the future. As a result, Pittwater had already started this process before IPRF legislation was released. We subsequently nominated for Group 1.

To date, Council has successfully implemented all the components of IPRF. Over time, each of the IPRF components will be reviewed and a major review conducted of the Community Strategic Plan *Pittwater 2020* in early 2012.

Pittwater has had two reviews of its IPRF; the DLG Best Practice Review and the DLG IPRF review. In both cases it was deemed that the Council's documents were '**well integrated, easy to read and provide relevant and useful information to the community**'. The review also suggested that the Council further develop its LTFP, Community Engagement Strategy and Asset Management Strategy. In response to this, all three of these documents have now been developed and fully integrated into the Council's IPRF, subsequent to the DLG review that was undertaken in August 2010. These documents have now been used as the basis for this application.

The DLG Best Practice Review, finalised in October 2009, concluded that, "**Pittwater Council is a well-managed and efficient local government authority, it is not considered necessary that Council report its progress to the Department.**"

Below is a summary of the different IPRF components. All associated documents relating to this section can be found in Part C: 8.

8.1 Pittwater 2020: Community Strategic Plan

The rationale behind *Pittwater 2020* was the key message from the community on the need to address local issues in a sustainable manner. The demand for both Council and the community to embrace sustainability is likely to increase, given the rapidly changing context in which we live. Climate change, rising sea levels, technological advances and population increases are all sustainability issues.

Over the years the community has informed Council in a variety of ways of their aspirations for how Pittwater will look in the future. This information has formed the basis of many of Council's key documents and plans. However it was recognised that a more strategic and proactive approach to sustainability planning was needed.

Pittwater 2020 provides an overarching framework to help the community and the Council respond to change, challenges and opportunities over the next 12 years. It does this in a consistent and sustainable way by providing a long-term focus and coordinated direction for all Council's activities, plans and policies.

Pittwater 2020 aims to pioneer new ways to develop stronger working partnerships between the community, the Council, Councillors and other agencies. It does this by linking the community's aspirations with the direction of Council to achieve a shared vision for Pittwater. *Pittwater 2020* encourages the Pittwater community to aim for a better future by setting goals and targets in areas of high priority. It also seeks to make the Council more accountable to the community.

The plan outlines five interlinked and interdependent key directions:

- Supporting & Connecting our Community - the need to enhance the health and wellbeing of the community by supporting a sense of community and a friendly and creative lifestyle
- Valuing & Caring for our Natural Environment - the need to be a model community, leading the way towards sustainable living by reducing our ecological footprint, protecting and enhancing our bush, beach and waterways as well as achieving long-term sustainability and biodiversity
- Enhancing our Working and Learning - the need to create a thriving local economy which maintains a beautiful environment in which to live, work and learn
- Leading an Effective & Collaborative Council - the need to have a transparent and accountable decision-making process including enhancing participation and engagement, fostering community partnerships and providing support to the community
- Integrating our Built Environment - the need to create a sustainable and relaxed living environment including appropriate development, effective transport choices and efficient support services

8.2 Delivery Program & Budget

The 2008-2012 Management Plan was the first Delivery Program & Budget that was built in response to *Pittwater 2020*. It provided Council with a delivery program to achieve the community vision. The Management Plan, now formally renamed the Delivery Program & Budget follows the same framework of the Strategic Plan, including 20 strategies under the five key directions.

The Delivery Program identifies *Pittwater 2020* initiatives that have been prioritised for the first four-year delivery period and translates these into yearly actions. Even though this document is a four year plan, the first year of the Delivery Program contains a high level of detail resulting in a combined operational plan and budget. From the 2008/2009 financial year, a budget is allocated to each key direction and strategy, as well as identifying which business unit within Council is responsible for delivering the actions.

Because Council implemented *Pittwater 2020* before the IPRF legislation, some of the names of documents did not match the eventual legislative naming conventions. The Council also chose to combine the Delivery Program & Budget with the Operational Plan. The overall IPR framework did however exist.

Since the IPRF has been formally introduced, the Council has slightly modified the Delivery Program to bring it into line with the legislation.

The Delivery Program establishes the overall operating framework for all Council activities and is the foundation on which all other organisational plans, such as business unit and individual performance plans, are based.

The Delivery Program also provides an instrument of public accountability and the basis for measuring the performance of the Council. Progress on Pittwater's Delivery Program is reported every quarter via a Quarterly Report and the Plan is reviewed and placed on public exhibition annually.

8.3 Resourcing Strategy

8.3.1 Long Term Financial Plan

In early 2009 Council engaged Morrison Low Consultants to assist Pittwater Council in developing a Long Term Financial Plan (LTFP). This was a twenty year financial projection, based on Council's 2009/2010 financial budget, modified for the impact of realistic forward

assumptions, changes in operational service levels and delivery, and the impact of proposed future strategic initiatives contained within *Pittwater 2020*.

With the Council, Morrison Low developed three initial scenarios for the LTFP. These first-cut scenarios included;

- Base case – as per the 2009/10 budget.
- Sustainable Asset Management – this includes the expenditure required to provide for sustainable management of the Council's infrastructure, based on the infrastructure profile as defined in Special Schedule 7 – Annual Report 2007/08.
- Strategic Projects – a number of strategic projects have been identified and where information is available, the financial implications have been quantified.

A summary of Morrison Low's findings are as follows:

- Pittwater Council has a **reasonably strong current financial position** as demonstrated by:
 - The positive operating surplus maintained until 2011/12.
 - A fully funded capital program (although it is based on limited infrastructure investment)
 - Cash reserves maintained above \$15 million until 2019/20.
- Pittwater Council has a “robust financial system and management practices in place, with activity managers demonstrating a good knowledge of their financial operations”.
- As part of a forward thinking Delivery Program, Council has recognised the future financial risks, particularly in relation to the expenditure and funding requirements for a comprehensive asset infrastructure program;

The LTFP does however identify impediments to the Council's long-term financial sustainability:

- Under the Base Case Scenario, the Council is constrained by rate pegging, holding revenue to an average increase of 3.1% per year (approx. \$2 million dollars). Yet Council is facing cost increases in the order of 3.5% per year (approx \$2.2 million dollars). This results in a growing income gap – eroding the current financial sustainability of Council until eventually expenditure exceeds revenue.
- Council will move into an operating deficit by 2012/13 – a result of rates increases not matching expenditure increases. The main drivers are wages and salaries increasing at 3.9% (an impact of \$700,000 per annum) and materials and contracts at 4.5% (an impact of \$560,000 per annum).

Since Morrison Low developed the model for the LTFP, the Council has spent the last two years further developing the LTFP. The subsequent Long Term Financial Plan further enhanced the model that has been used to develop different funding scenarios for this application. Further information pertaining to the Council's LTFP is contained within this application in Part C: Section 8.

8.3.2 Work Force Planning Strategy

Workforce planning is the process of identifying current and future staffing needs. It focuses on retaining existing staff as well as attracting new employees to ensure we have the right number of people, with the right skills in the right jobs at the right time, now and in the future.

The collective vision for Pittwater is: ‘To be a vibrant sustainable community of connected villages inspired by bush, beach and water’. The Workforce Plan sets out the corresponding issues, evidence and strategies required to deliver a sustainable Pittwater Council workforce capable of delivering this vision and continuing to deliver high quality services to the Pittwater community up to 2014. It builds upon the directions set out in the 2020 Strategic Plan and 2010 - 2014 Delivery Program and Budget and is aligned with the overarching NSW Planning and Reporting framework.

Workforce planning aims to determine future need on the basis of information we currently have. With the knowledge that overall, the Australian population is ageing and our workforce is shrinking due to declining birth rates, these demographic changes present significant long-term implications for the Australian economy and will also have an impact on our organisation.

The changing age profile of the Australian population is important to us for two reasons:

- Firstly, the age profile is one factor that determines our services. An ageing population will be a key driver of the type and mix of services supplied by us to our community.
- Secondly, the ageing of the population is likely to directly influence the potential pool of employees available to us. Our current workforce encompasses a range of occupations that require a variety of skills and experience. This places us in a vulnerable position if employees were to retire over a short period of time, as the current skills may be difficult to replace.

A summary of Pittwater Council's Programs & Projects for 2010/2011 is as follows. These programs and projects represent the focus of Council's workforce over the next 12 months in delivering the objectives and community aspirations contained in *Pittwater 2020*.

Key Direction 1 – Supporting & Connecting our Community

- Continue social and cultural planning activities
- Provide a family day-care service, long day-care, occasional care, after school care and vacation care services
- Implementation of the ‘Community Drug Action Team’ action plan
- Participate in the development planning for Mona Vale Hospital and the new regional hospital at Frenchs Forest
- Maintenance and upgrade of Council's playgrounds, reserves and community facilities
- Development of a Regional Skate Park facility at Kitchener Park, Mona Vale
- Progress the Plan of Management for Church Point Reserve & Masterplan for the precinct
- Upgrade the Sydney Lakeside Tourist Park
- Extension of cycleways network.

Key Direction 2 – Valuing & Caring for our Environment

- Complete the Fauna and Flora mapping project
- Continue to include new environmental controls into the DCP
- Maintenance of 42 foreshore parks
- Support of 250 active Bushcare volunteers
- Development of a community water quality monitoring program
- Annual collection of 2000 tonnes of waste during community cleanups
- Implementation of sustainability initiatives within Council as well as supporting the community

- Domestic animal management;
- Flood prevention works in Newport & North Narrabeen.
- Integration of climate change & sea level rise contingencies into Council policies.
- Extending water & energy saving initiatives in the community and in public buildings.

Key Direction 3 – Enhancing our Working & Learning

- Maintenance and enhancement of four Village Centres
- Continued management of Avalon and Mona Vale Libraries
- Provision of free internet and PC usage in village centres
- School education programs and projects
- Promotion of 50 school holiday programs
- Continuing refinement of Council's website
- Delivery of catchment, environmental and sustainability education programs
- Further expansion of the free WiFi capability in our village centres.

Key Direction 4 – Leading an Effective & Collaborative Council

- Preparation and management of all statutory reporting
- Financial management of Council
- Continued development of innovative community consultation mechanisms
- Quarterly distribution of Pittwater newsletters
- Provision of a 24/7 call centre
- Provide efficient and effective customer service for all residents
- Provide information required by residents
- Provision of councillor and mayoral administrative support
- Development of a long-term Resourcing Strategy
- Quarterly and annual reporting on strategic initiatives of Council & the community.

Key Direction 5 – Integrating our Built Environment

- Management of \$2bn worth of community land & infrastructure
- Ongoing management of 28 public wharves and jetties
- Development and review of statutory planning controls (LEP/DCP)
- Maintenance of 250km of roads
- Maintenance of 265kms of drainage networks
- Management of all electronic planning and land-use information
- Provision of a pre-development application service
- Planning and management of infrastructure of Warriewood Valley Urban Release
- Continued planning for the Warriewood & Ingleside Urban Release Areas
- Ongoing maintenance of traffic & transport facilities
- Improvements to Pittwater's footpaths and boardwalks.

8.3.4 Asset Management Strategy

Pittwater Council's asset management strategy deals only with physical assets owned and managed by the Council. The objective of the strategy is to establish effective internal asset management resources and systems which will enable Council to provide and maintain assets. The key driver of the strategy is for assets to deliver services to the residents of and visitors to Pittwater in accordance with Council's strategic plans, levels of service supported by the community, financial constraints and legislative requirements over the long term.

Sustainable asset management requires Council to integrate its strategic asset planning with its financial planning via the IP&R Framework.

The development of asset management plans is an ongoing process of improvement and revision. This strategy takes into account Council's key directions, strategies and strategic initiatives in *Pittwater 2020*. It also factors in the performance measures included in Council's delivery program, plus initial levels of service which reflect the current position.

Pittwater 2020 contains 20 strategies in total which outline how we intend to achieve the overall vision for the community. Each strategy sets out a number of strategic initiatives to achieve the aims, goals and targets desired by the community. The strategies and strategic initiatives that affect Council's assets and the assets are shown in the table below.

Strategy	Asset related Strategic Initiative	Asset Classes Affected	Business Unit Owner
Recreational Management Strategy	Continue to upgrade and enhance recreational spaces and facilities (e.g. Newport Community Centre, Warriewood community facilities, Dunbar Park, Billarong Reserve)	Buildings, Reserves and Open Spaces	Reserves, Recreation and Building Services
	Create youth precincts at Avalon and Mona Vale (regional skate parks)	Reserves and Open Spaces	Reserves, Recreation and Building Services
	Maintain and service recreational facilities	Buildings, Reserves and Open Spaces	Reserves, Recreation and Building Services
	Upgrade recreational facilities	Buildings, Reserves and Open Spaces	Reserves, Recreation and Building Services
	Provide planning, design, investigation and management of recreation facilities	Buildings, Reserves and Open Spaces	Reserves, Recreation and Building Services
Beach and Coastal Management Strategy	Improve and extend the network of coastal walkways	Reserves and Open Spaces	Reserves, Recreation and Building Services
	Investigate the feasibility of beach nourishment/ beach protection measures in conjunction with Sydney Coastal Councils Group (SCCG)	Beaches	Catchment Management
	Provide planning, design, investigation and management of beaches, coastline and estuaries	Beaches, Reserves and Open Spaces	Reserves, Recreation and Building Services
	Maintain and service beach, coastal and estuary facilities	Beaches, Boat ramps, Rockpools, Reserves and Open Spaces	Reserves, Recreation and Building Services
	Upgrade beach, coastal and estuary facilities	Beaches, Boat ramps, Rockpools, Reserves and Open Spaces	Reserves, Recreation and Building Services
	Review and integrate the Estuary, Bushland, Catchment and Beach Plans of Management	Beaches, Reserves and Open Spaces	Catchment Management
Biodiversity Strategy	Finalise and implement the Pittwater Estuary Plan and the Careel Bay Master Plan	Beaches, Reserves and Open Spaces	Catchment Management
	Create, review and implement Plans of Management Plan for all public lands including aquatic reserves	Beaches, Reserves and Open Spaces	Reserves, Recreation and Building Services
Vegetation Strategy	Develop and implement a program with the community and maximise tree plantings, tree retention and enhancement of bushcare	Street Trees, Reserves and Open Spaces	Reserves, Recreation and Building Services
	Audit tree replacement through tree preservation orders and development assessments	Street Trees, Reserves and Open Spaces	Reserves, Recreation and Building Services
Waste Management and Pollution Control Strategy	Minimise the discharge of pollution and effluent to any receiving waters	Drainage	Urban Infrastructure
Water Management Strategy	Provide planning, design, investigation and management of water management facilities	Drainage, Reserves and Open Spaces	Reserves, Recreation and Building Services, Urban Infrastructure
	Maintain and service water management facilities	Drainage	Urban Infrastructure
	Upgrade water management facilities	Drainage	Urban Infrastructure
Disaster and Emergency	Develop and implement a Disaster Recovery Plan	All	Urban Infrastructure

Strategy	Asset related Strategic Initiative	Asset Classes Affected	Business Unit Owner
Management Strategy			
Risk Management Coordination Strategy	Develop, implement and periodically test Council's Business Continuity Plan	All	Finance
	Develop a Master Risk Register including acceptable risk levels, weightings and priorities	All	Finance
	Develop, implement and review plans to mitigate/control wherever possible, risks associated with hazards	All	Natural Environment and Education
	Compliance with AS/NZS 4360 – Risk Management and other referenced documents	All	All
Asset Management Coordination Strategy	Develop, resource and implement a sustainable Strategic Asset Management Plan	All	Urban Infrastructure, Corporate Strategy
	Develop priorities based on a life-cycle analysis assessment	All	Urban Infrastructure
	Incorporate integrated and sustainable water, energy and waste initiatives into infrastructure, buildings and facilities	All	Reserves, Recreation and Building Services
	Investigate a system for the sustainable acquisition and retirement of all assets	All	Corporate Strategy
	Develop and implement an integrated asset management system	All	Urban Infrastructure
	Develop an advanced program of infrastructure asset acquisition and creation, maintenance, renewal and disposal to optimise Council's abilities to fund and resource this strategy	All	Urban Infrastructure, Planning and Assessment
Town and Village Strategy	Provide planning, design, investigation and management of town and villages	Commercial Centre Streetscapes	Reserves, Recreation and Building Services
	Maintain and service town and village facilities	Commercial Centre Streetscapes	Reserves, Recreation and Building Services
	Upgrade town and village facilities	Commercial Centre Streetscapes	Reserves, Recreation and Building Services
	Provide integrated car parking options in Newport and Mona Vale and investigate other options via ongoing masterplans	Road pavements, Constructed footpaths, Traffic facilities, Traffic Controls, Structures	Urban Infrastructure
Transport and Traffic Strategy	Review and implement the Walks and Rides Masterplan (including cycleway provision)	Reserves and Open Spaces	Reserves, Recreation and Building Services
	Develop and implement a plan to facilitate the upgrading of Mona Vale Road and Wakehurst Parkway	Road Pavements, Constructed footpaths, Traffic facilities, Traffic Controls, Structures	Urban Infrastructure
	Develop and implement a Car Parking Provision Plan for Pittwater	Road Pavements, Constructed footpaths, Traffic facilities, Traffic Controls, Structures	Urban Infrastructure
	Provide planning, design, investigation and management	Road Pavements, Constructed	Urban Infrastructure

Strategy	Asset related Strategic Initiative	Asset Classes Affected	Business Unit Owner
	of traffic and transport facilities	footpaths, Traffic facilities, Traffic Controls, Structures	
	Upgrade of traffic and transport facilities	Road Pavements, Constructed footpaths, Traffic facilities, Traffic Controls, Structures	Urban Infrastructure
	Maintain and service traffic and transport facilities	Road Pavements, Constructed footpaths, Traffic facilities, Traffic Controls, Structures	Urban Infrastructure
	Develop and implement the Traffic Network Plan for intersection improvements and pedestrian facilities	Road Pavements, Constructed footpaths, Traffic facilities, Traffic Controls, Structures	Urban Infrastructure

A survey to measure current levels of customer satisfaction was carried out on behalf of Council in July 2010, with the findings provided in the 2010 Communities Priorities Research Report. The importance and satisfaction of customers in relation to services/facilities provided by Council was measured on the basis of 1 – lowest importance or satisfaction to 5 - highest importance or satisfaction. Using the satisfaction results from the survey a quadrant analysis that highlighted those areas where the community thought the Council should focus its efforts. Further details of this report are contained within this application in PART C: Section 8. These survey results have also informed the SRV \$38million program of works that is being proposed.

The table below, from the Asset Management Strategy, shows the performance gap for services related to assets.

Service/Facility	Importance	Satisfaction	Performance Gap
Maintaining local roads	4.60	2.81	1.79
Availability of car parking in village centres	4.42	2.87	1.55
Providing and maintaining footpaths	4.35	2.83	1.52
Providing adequate drainage	4.40	3.17	1.23
Providing cyclepaths and walking tracks	4.18	3.22	0.96
Keeping village areas and surrounding areas beautiful	4.45	3.60	0.85
Managing and protecting creeks and waterways	4.40	3.63	0.77
Facilities and services at beaches	4.41	3.81	0.60
Cleanliness of beaches and ocean pools	4.6	4.04	0.56
Restoring natural bushland	4.28	3.73	0.55
Maintaining waterway facilities	4.19	3.69	0.50
Range and quality of sporting and recreational facilities and activities	4.12	3.63	0.49

8.4 Division of Local Government IPRF review of Pittwater Council

The Council has already received feedback from the DLG regarding its IPRF implementation. Due to the timing of this review, we have since developed and advanced a number of the suggestions made by the DLG. Each section of the review is outlined below but only highlights

those comments that the DLG thought required additional work. Comments from the Council have been added to each suggestion. A copy of the full review is in Part C: 8.7

Community Strategic Plan

	DLG Review Comment	Council Response
1	The Community Strategic Plan would benefit from a review following the implementation of IPR, including more information about the relationship with State agencies in relation to the development of the plan	The Pittwater CSP was adopted by Council 18 months before the IPR legislation came into effect. It is due for a major review as per the legislation for 2012/13. We have undertaken to do this major review with the community.
2	Community consultation is outlined in the document but would benefit from more detail about who was engaged, what methods were used to engage them, and how the outcomes of the engagement informed the development of the CSP	An extensive consultation period was undertaken over 18 months for the CSP with over 150 residents who were part of focus and working groups over this time.
3	The five 'Key Directions' address the quadruple bottom line. This could be strengthened with a more comprehensive approach, as outlined in the IPR manual	Our 5 "Key Directions" cover quadruple bottom line principles and were directly developed by the community. We are comfortable that they provide a comprehensive approach.

Community Engagement Strategy

	DLG Review Comment	Council Response
1	Council does not appear to have a published Community Engagement Strategy	This document is now available on the web and is attached in Part C: Section 8

Workforce Management Plan

	DLG Review Comment	Council Response
1	EEO is not specifically addressed in the Work force Management Plan; however strategies are included that relate to EEO groups	Council has had an EEO Policy in place for a long time preceding the Workforce Management Plan. We have incorporated strategies that respond to EEO in the Plan
2	The Workforce Management Plan would benefit from stronger links to the activities outlined in the Delivery program	The Delivery Program actions reflect some of the workforce strategies outlined in the Workforce Management Plan

Asset Management Plan

	DLG Review Comment	Council Response
1	Council is developing its asset management planning documents	Council has recently completed the Asset Management Policy, Strategy and Plan. These are attached in Part C: Section 8

2	Council does not appear to have a published Asset management Policy or Strategy	Now published and on the web
3	No asset management plans were available for review	Now available

Delivery Program

	DLG Review Comment	Council Response
1	It appears that the Delivery Program/Operational Plan is a re-named Management Plan and contains statutory statements which are no longer required under the IPR legislation	The old Management Plan and current Delivery Programs are completely separate documents. We did choose to leave the statutory statements in while we did more community education on the proposed changes. The statutory statements have now been removed in the 2011-2015 Delivery program & Budget. Part C: Section 8

Overall Integration of Plans

	DLG Review Comment	Council Response
1	Generally well integrated, but would benefit from a consistent numbering system to clarify linkages	We are against using this numbering system as we believe the structure of our plans are self-evident
3	No asset management plans were available for review	Now available

Summary of Areas for Further Development

	DLG Review Comment	Council Response
1	A number of key documents are currently missing or still under development, including the Community Strategy Plan, asset management plans and a long-term Financial Plan	All three of these plans are now complete and are available in part C: Section 8
3	Details and extent of community engagement timeframes need to be provided	This has been discussed earlier. The Council will provide more detail during the major review of the CSP in 2012/13

9.0 OTHER INFORMATION

9.1 History of other SRV Applications

9.1.1 Environmental Infrastructure Levy

Commencing on 1 July 2005, Pittwater Council introduced a 5% *Pittwater Environmental Infrastructure Levy (EI Levy)* for a period of 7 years, ending 2011/12.

The *Pittwater Environmental Infrastructure Levy* is a comprehensive \$9.5 million program of works over seven years identified through Major Works Schedules and with community input through the Environmental Infrastructure Levy Advisory Committee. The Levy is 5% of the rate revenue (based on land value) applied across the Council area and is expected to be approximately \$1.2 million per annum compounding in line with the annual increases in rate revenue as approved annually by the Minister for Local Government. The preliminary budget for the seven year program is approximately \$9.566 million dollars which is dependent upon annual general rate increases.

The EI Levy is managed through the Pittwater EI Levy Community Contract, which sets out a range of works aimed to be achieved within the 7 year timeframe. The overall strategy is to upgrade and retrofit missing environmental infrastructure through carefully targeted, high priority 'on the ground' projects.

The 'Community Contract' is a guarantee to residents by Pittwater Council that all money raised through the 5% Environmental Infrastructure Special Rate Levy is spent on specific environmental infrastructure projects and not diverted to other projects within Council.

The strategy was based on taking catchment-wide actions to help bring Pittwater's aging infrastructure up to an acceptable standard with due regard for safety, risk management and the environmental outcomes required to achieve long term sustainability.

The schedules of projects established through the Community Contract were incorporated into the Pittwater Council Management Plan. These projects complemented other infrastructure projects identified in the Pittwater Council Management Plan that were funded through traditional sources such as Council rates, statutory and user charges.

Funding derived from the Levy was distributed across the program over the seven year period within the following categories;

A - Road rehabilitation and roadside verge improvements	40%
B - Pedestrian, cyclist and accessibility improvements	15%
C - Sporting facilities and open space improvements	15%
D - Pittwater estuary and coastline erosion rehabilitation	15%
E - Bushland management and access track improvements	15%
	100%

The reporting structure of the *Pittwater Environmental Infrastructure Levy* was structured around the following framework;

- Each year the programs/projects contained within the Community Contract, for that year, are incorporated into Councils annual delivery program and operational plans.

- These programs/projects are reported on quarterly within Council's existing quarterly reporting structure. These quarterly reports are then put to Council for consideration.
- The progress of the programs/projects for each year are reported in Council's Annual Reports as well as a separate *Pittwater Environmental Infrastructure Levy Annual Report*
- An independent financial audit on the *Pittwater Environmental Infrastructure Community Levy Contract* has been conducted annually by Council's Auditors and included in the Annual Report.

To date the EI Levy has provided significant improvements . Of particular note is the additional leverage that the EI-Levy has provided through matching grant funding assistance packages. These would not have been possible without the matching of Council funding and has resulted in a 33% expansion of outcomes achieved.

Further documentation detailing the Community Contract, Annual Reports and the minutes from two EI Levy Community meetings in 2010 can be found in Part C: 9.1/2/3/4.

9.1.2 Environmental Levy

Pittwater has achieved great success with its former Environmental Levy by helping to save the Warriewood Ingleside Escarpment. The E-Levy was based upon a Special Rate Variation of 5% for 5 years (2000 to 2005). Through this specific funding (along with the significant added leverage this provided, as well as other property acquisition initiatives), over 60 additional hectares of environmentally significant escarpment land were brought into Council/public ownership adding to the former Ingleside Park. The collective result is the creation of Ingleside Chase Reserve that now protects over 70 hectares of environmentally significant and visually-prominent escarpment that will eventually extend from Elanora Heights in the south to Mona Vale Road in the north.

9.2 SRV Reporting Framework

The existing *Pittwater Environmental Infrastructure Levy* reporting framework, as mentioned before, has worked exceptionally well and has provided a detailed feedback mechanism on the progress of programs/projects for the duration of the levy.

One of the major themes that came from the community survey conducted in October 2010 and during the SRV community engagement process was that the community wanted Council to be made accountable for the program of works. This was to ensure that the planned projects would be delivered. To this end we have expanded the existing EI levy reporting process.

Due to the success of this reporting framework Council proposes to add additional aspects to this existing framework. The proposed reporting framework for the Special Rate Variation would include the following aspects;;

- Council is proposing a SRV Community Contract for the length of the rate variation period
- Council would set up a Special Rate Community Advisory Committee to oversee the program of works
- Each year the works contained within the \$38 million program, for that year, would be incorporated into Council's Delivery Program & Budget and would be reported as separate project items in any reporting

- Additional funding received (e.g grant funding or matched funding) as a result of SRV income would also be reported quarterly within our existing grant management process
- The planned SRV works for that year, within the delivery program, would be reported clearly in the existing quarterly reporting structure as SRV programs in addition to planned capital improvement works. This report is a public document as it is put to Council each quarter
- The SRV works for that year would also be reported within the existing Annual Report that goes to Council, the community and the Division of Local Government each year
- An annual financial report on the SRV would also be produced and independently audited by Council's auditors during the year-end audit process
- Council would also establish a specific SRV works program website with online monitoring of programs and projects that would contain regular updates and financial information
- The fourth year "Term Report" at the end of each Council's term (as legislated in the new IPRF Legislation), will also include the progress and update of SRV works undertaken against what was planned.

9.3 Resolutions of Council

Resolution 1 (Part C: Section 9)

At its meeting on 21 June 2010 Council voted unanimously to endorse the two recommendations, note that the 2010-2014 Delivery Program & Budget incorporated a statement and page on the proposed Special Rate Variation in 2011/2012 (Part C: Section 8), as put by staff, including:

1. That Council makes the annual Ordinary Rates, Domestic Waste Management Charges and Stormwater Management Services Charges for 2010/2011 as shown in the Report.
2. That Pittwater Council's 2010-2014 Delivery Program, 2010-2011 Budget and all other Fees & Charges, as tabled, be adopted.

Resolution 2 (Part C: Section 9)

At its meeting on 7 February 2011 Council voted unanimously to endorse the three recommendations as put by staff, including;;

1. That Council adopt the draft 10-year, \$38 million works program that will form part of the Special Rate Variation Application.
2. That the Special Rate Application process be opened for community consultation until 11 March 2011.
3. That Council note that the finalised Special Rate Application and the themes from the community consultation be brought back to Council for final consideration on 21 March 2011.

Resolution 3 (Part C: Section 9)

At its meeting on 21 March 2011 Council voted 7/1 (one apology at meeting) in favour of the proposed special rate increase. The council resolved that:

1. Council adopt the proposed Special Rate Variation (SRV) beginning in 2011. The SRV will be 5% (2011/2012), 4% (2012/13) and 3% (2013/14) per annum, over and above CPI. When Council submits its Special Rate Variation application to IPART the figures used for CPI will be 2.8% for 2011/12, 3.0% for 2012/13 and 3.0% for 2013/14.
2. Council adopt the 10-year, \$38 million SRV works program that will form part of the Special Rate Variation Application and that will be incorporated into the 2011-2015 Draft Delivery Program & Budget.
3. The Special Rate Application be submitted to IPART for consideration and evaluation.

Resolution 4 (Part C: Section 9)

At its meeting on 21 March 2011 Council voted 8/0 (one apology at meeting) in favour of the DRAFT 2011-2015 Delivery Program & Budget. The council resolved that:

1. That Pittwater Council's 2011-2015 Draft Delivery Program, as tabled, be placed on public exhibition for a period of 28 days for community feedback.
2. That a public meeting be held on 1 June 2011 at 6.30pm in relation to the Draft Delivery Plan & Budget.
3. That following the public exhibition period a further report be brought to Council outlining any submissions received.

10. CHECKLIST OF APPLICATION CONTENTS

Item	Included?
Community Strategy Plan, Delivery Program & Draft Operational Plan extracts	<input checked="" type="checkbox"/>
Long Term Financial Plan extracts	<input checked="" type="checkbox"/>
Asset Management Plan extracts	<input checked="" type="checkbox"/>
Performance indicators	<input checked="" type="checkbox"/>
Proposed program of expenditure	<input checked="" type="checkbox"/>
New capital financing strategy	<input checked="" type="checkbox"/>
Contributions Plan documents (if applicable)	<input type="checkbox"/>
Hardship policy	<input checked="" type="checkbox"/>
Community engagement strategy	<input checked="" type="checkbox"/>
Community feedback	<input checked="" type="checkbox"/>
Annual Report extracts	<input checked="" type="checkbox"/>
Resolution to apply for the special variation	<input checked="" type="checkbox"/>

Note that it is the responsibility of Council to provide all relevant information as part of this application. It is not the role of IPART to pursue Council for information already requested in this application template or the application guidelines.

Certification by the General Manager and the Responsible Accounting Officer

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



General Manager: Mark Ferguson

Signature Date: 22 March 2011



Responsible Accounting Officer: Mark Jones

Signature Date: 22 March 2011

Once signed, this certification must be scanned and emailed to localgovernment@ipart.nsw.gov.au.