

Special Variation Application Form – Part B

Council application for 2015/16

Wollondilly Shire Council

Date Submitted to IPART: 16 February 2015

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ISBN [Click **here** and type in book number, inserting spaces in correct positions.]

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1 Introduction

IPART will assess each application against the criteria set out in the Office of Local Government's (OLG) *Guidelines for the preparation of an application for a special variation to general income for 2015/2016* (the Guidelines). Councils should refer to these guidelines before completing this application form.¹

Each council must complete this Part B application form when applying for a special variation to general income either under section 508A or under section 508(2) of the *Local Government Act 1993*.

The Part B form must be completed together with the Part A (spreadsheet) form for both s508(2) and s508A applications. The Guidelines also require the council to have resolved to apply for a special variation. You must attach a copy of the council's resolution to make a special variation application. IPART's assessment of the application cannot commence without it.

1.1 Completing the application form

This form is structured to provide guidance on the information we consider necessary to assess a special variation application. To complete the form, the council will need to respond to questions and insert text in the boxed area following each section or sub-section.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size of the variation sought. More complex applications or requests for a high cumulative percentage increase should be supported by stronger, more extensive evidence.

Councils may submit additional supporting documents as attachments to the application (refer to section 8). These should be clearly identified in Part B and cross-referenced. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. You should provide details of how we can access the complete publication should this be necessary.

We publish Fact Sheets on how IPART assesses special variations and on the nature of community engagement for special variation applications. These will assist in preparing the application. The latest Fact Sheets on these topics are dated October 2014 and are available on IPART's website.²

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

¹ The Guidelines are available at www.olg.nsw.gov.au

² See www.ipart.nsw.gov.au.

This application form consists of:

- ▼ Section 2 – Preliminaries
- ▼ Section 3 – Assessment criterion 1
- ▼ Section 4 – Assessment criterion 2
- ▼ Section 5 – Assessment criterion 3
- ▼ Section 6 – Assessment criterion 4
- ▼ Section 7 – Assessment criterion 5
- ▼ Section 8 – List of attachments
- ▼ Section 9 – Certification.

1.2 Using the Council Portal to submit the application

All councils intending to apply for a special variation must use the Council Portal on IPART's website to register as an applicant council and to submit an application.

The Portal is at http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt. The [User Guide](#) for the Portal will assist you with the registration and online submission process. If you experience difficulties please contact Himali Ranasinghe on (02) 9113 7710 or by email himali_ranasinghe@ipart.nsw.gov.au

Councils intending to submit an application under either section 508(2) or section 508A must notify us of their intention to apply by **COB Friday, 12 December 2014**.

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

We ask that councils also submit one hard copy of their application to us (with a table of contents and appropriate cross referencing of attachments). Note, early in 2015 IPART will be relocating to the following address:

Local Government Team
Independent Pricing and Regulatory Tribunal
PO Box K35,
Haymarket Post Shop NSW 1230

2-24 Rawson Place, Sydney NSW 2000

We must receive your application via the Council Portal no later than **COB Monday, 16 February 2015**.

We will post all applications (excluding confidential content) on the IPART website. Confidential content may include part of a document that discloses the personal identity or other personal information pertaining to a member of the public or whole documents such as a council working document and/or a document that includes commercial-in-confidence content. Councils should ensure that documents provided to IPART do not expose confidential content.

Councils should also post their application on their own website for the community to access.

2 Preliminaries

Background

Wollondilly Shire Council, like most NSW councils, is faced with the challenge of making sure we have sufficient funds to look after the Shire's infrastructure into the future. The Wollondilly community places a high priority on the maintenance of the Shire's infrastructure, so the current trend of deteriorating infrastructure needs to be reversed.

Following a comprehensive engagement process, which started in June 2014, and with the support of our community (evidenced by an independently conducted, randomly selected survey), Wollondilly Shire Council is seeking a reasonable and affordable increase in rates. This would see total rates revenue increase by 10.8% each year for 4 years.

This increase in rating revenue is part of Council's Long Term Financial Sustainability Strategy and Corporate Business Planning (IP&R), with Council also pursuing increased grants, making use of subsidised loans (LIRS) and the ongoing organisational efficiency initiatives as part of our Success Management Program. The strategy will enable Council to maintain and renew infrastructure, and continue to provide required services to the community.

Wollondilly Shire Council is faced with an \$80 million funding deficit after 10 years and needs to address this shortfall. Without a Special Rate Variation Council does not have the capacity to generate the funds required to sustainably address the infrastructure backlog over time. This application and associated strategies developed by Council, will address this issue and support the maintenance and renewal of the community's roads, footpaths, parks and community buildings.

The funding deficit faced by Council is the result of several complex and inter-related factors. Our Shire is made up of 17 towns and villages and is vast (at

2,560 km² or 256,000 ha) in relation to our low population of approximately 46,000 people which results in high infrastructure maintenance costs, particularly on roads, relative to a small rate base. Additionally, our Shire will experience significant growth with our population expected to grow substantially over the next 30 years and beyond.

Although the rates from new residential growth (as much as +94,000 people under the highest growth forecasts) will significantly fund future infrastructure, it will not fund the maintenance and renewal costs of our existing infrastructure.

Council has faced the challenge head-on, having difficult but honest conversations with our residents about being Fit For the Future. All contributing factors have been explored, and potential solutions examined. The proposed SRV is therefore necessary to maintain and manage our current and future infrastructure, and to enable Council to continue to deliver quality services in line with the expectations of our growing community.

2.1 Focus on Integrated Planning and Reporting

Councils must identify the need for a special variation to their General Fund's rates revenue as part of their Integrated Planning and Reporting (IP&R) process.³ The IP&R documents will need to be publicly exhibited and adopted by the council prior to it submitting its application to us. Also refer to section 6 for a more detailed explanation.

The key IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, the Asset Management Plan. A council's application may also include supplementary and/or background publications used within its IP&R processes. You should refer to these documents to support your application for a special variation where appropriate.

Wollondilly Shire Council has had an Integrated Planning and Reporting (IP&R) framework in place since 2008 when we introduced the Wollondilly Community Strategic Plan 2030. Our IP&R framework currently consists of a number of documents that reflect our community's needs, including:

- Wollondilly Community Strategic Plan 2033
- Wollondilly Revised Resourcing Strategy 2013/14 – 2022/23, comprising:
 - o Long Term Financial Plan
 - o Workforce Management Plan

³ The OLG's October 2014 *Guidelines* and the IP&R Manual outline this link between the special variation and the IP&R process.

- Asset Management Strategy
- Wollondilly Revised Delivery Program 2013/14- 2016/17 & 2014/15 Operational Plan

The key purpose of these documents is to focus on the short – medium term operations of Council and long term strategic planning and to set priorities and aspirations through Community consultation.

Wollondilly is at the starting point of an exciting future with significant growth anticipated over the next thirty years. Our IP&R and community engagement processes enable us to have frank and open discussions with our community about the role of Council into the future and the cost of providing services to our growing and changing Shire. It is through this process that we seek to reach a consensus on the best approach for delivering the services we want and need, and how much the community is prepared to pay. We cannot ignore the challenge of balancing community expectations with our future financial sustainability and we know that our community expects leadership from Council and Councillors on this issue.

Over the years the aspirations expressed by our community have been clear and consistent, and are presented in the Wollondilly Community Strategic Plan 2033 (Attachment 1). Our community wants:

- A balanced approach to growth which maintains the vision of “rural living”
- A network of sustainable, prosperous and resilient towns and villages
- Access to a greater range of local services and facilities
- More local jobs and education
- Better transport options
- Safer roads
- To protect and enhance our natural places and waterways
- To live a healthy lifestyle in rural surrounds
- To feel safe and protected
- To secure a future for ourselves and our children
- Leadership from Council
- Council to responsibly manage its finances and assets
- Council to listen and to be ethical, accountable and transparent

However, our Wollondilly community faces a specific set of challenges that arise from what we have:

- A substantial and ongoing shortfall in the funding required to maintain our assets to a satisfactory condition, in particular roads and community facilities
- The funding shortfall will grow as the Shire continues to meet demands for additional residential and employment lands, with consequent increases in traffic volume damaging our roads
- A deteriorating road network

- Deteriorating assets that can no longer be used due to safety risks

Council's Long Term Financial Plan (LTFP) and Asset Management Strategy have identified a funding gap of \$80 million due to the need to renew our failing assets. Our discussions with the community, through our IP&R documentation and specific community engagement activities, have given consideration to the options available to Council to address this shortfall and arrived at the decision to seek a SRV as the most appropriate solution. Our IP&R documentation and ongoing discussions have also included communication of accomplishments achieved using previous SRV funds and the State Government's Local Infrastructure Renewal Scheme (LIRS) loans.

Funding Our Future Strategy and how it is part of our IP&R documents

Council has actively consulted with the Wollondilly community in the development of its IP&R documentation which has produced a vision for the Shire, and has demonstrated clearly linkages and awareness of Council's services. The key IP&R documents have clearly articulated the financial challenges facing Council, and the development of the IP&R documentation has allowed for the development of solutions that are acceptable to the community.

Wollondilly 2033 Community Strategic Plan (CSP) sets out the Vision and Strategies of the Community

The CSP was first developed by Council in 2008, reviewed in 2010 and through extensive consultation reviewed and updated again in late 2012 to ensure it remained relevant and able to meet the needs of our changing community.

The CSP is Council's highest level long term plan in the suite of IP&R documents and it expresses the aspirations of the Wollondilly community. While it does not overtly incorporate a special rate scenario, it does clearly express the community's desired outcomes across five themes. These outcomes require many contributors, although Council is a primary contributor in many areas. The delivery of these aspirations will require Council to improve its operating result such that services that are delivered through assets can continue to be delivered.

Wollondilly Community Strategic Plan 2033 themes and outcomes are as follows:

- Looking After the Community
 - Access to a range of activities, services and facilities
 - A connected and supported community
- Accountable and Transparent Governance
 - Government, community and business talking and working together
 - A Council that demonstrates good business management and ethical conduct
- Caring for the Environment

- Our local environment is valued and protected
- A community that interacts with and cares for their environment
- Building a Strong Local Economy
 - A strong local economy providing employment and other opportunities
- Management and Provision of Infrastructure
 - Safe, maintained and effective infrastructure
 - Access to a range of transport options

The CSP is driven by the knowledge gained directly from the communities of Wollondilly Shire and sets out the clear vision and strategies as well as the challenges and opportunities to achieving the outcomes in the CSP.

Council then used the CSP to develop the Delivery Plan and Operational Plan to outline what we are able to do to assist in achieving the outcomes and strategies.

A copy of 'Wollondilly 2033' can be seen as Attachment 1.

Revised Delivery Program 2014-15 and Operational Plan 2014/15 and how it supports the SRV application

Council, in its Delivery Program 2013/14 – 2016/17 and Operational Plan 2014/15 (Refer to Attachments 13 and 14) detailed its intention to commence consultation with the Wollondilly community about the different options for funding for the future. The Delivery Program 2013/14 – 2016/17 went on exhibition in May 2014 and was the start of consultation with the community about funding options for the future. Following consultation with the community the Delivery program was revised in November 2014 to reflect three scenarios under consideration, and the revised version was adopted by Council in February 2015.

A copy of the Revised Delivery Program 2014-15 and Operational Plan 2014/15 is included at Attachment 2.

Resourcing Strategy 2015 – how we address our Future Needs sustainably

Council's Resourcing Strategy (Refer to Attachment 22) focuses in detail on matters that are the responsibility of Council and gives consideration to Council's capacity to deliver on its responsibilities as contained within our CSP. The Resourcing Strategy informs and is informed by the 4 year Delivery Program and is reviewed and updated as appropriate in line with revisions to the Delivery Plan.

Council's Resourcing Strategy incorporates the following:

- **Asset Management Strategy**

Council's Asset Management Strategy is predicated on the need for assets to be maintained at a reasonably safe and functional standard. Critical to this will be the provision of sufficient funding over future years to ensure that infrastructure is maintained and renewed such that services can be provided at the standard that the community agrees and can afford.

Council's Asset Management Strategy and draft Asset Management Plans identify that there is currently an asset maintenance and renewal funding shortfall resulting in the deteriorating condition of our infrastructure.

- **Long Term Financial Plan 2014-15 – 2023/24**

The Long Term Financial Plan is a 10 year plan demonstrating Council's financial sustainability and allows early identification of financial issues and their longer term impacts. Given the significant funding shortfall identified by Council's draft Asset Management Plans, Council's Long Term Financial Plan includes modelling of the three SRV options that the community has been asked to consider and provides an indication of the financial implications of each of those options.

- **Workforce Management Plan**

Council's Workforce Management plan is focused on retaining staff, developing leaders, skilling managers and positioning Council as an employer of choice in order to face the increasing demands of a constantly changing environment, and ensuring that council has sufficient resources available to achieve the outcomes identified in the CSP.

2.2 Key purpose of special variation

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

Maintain existing services	<input type="checkbox"/>
Enhance financial sustainability	<input checked="" type="checkbox"/>
Environmental services or works	<input type="checkbox"/>
Infrastructure maintenance / renewal	<input checked="" type="checkbox"/>
Reduce infrastructure backlogs	<input checked="" type="checkbox"/>
New infrastructure investment	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>

You should summarise below the key aspects of the council's application, including the purpose and the steps undertaken in reaching a decision to make an application.

Council is seeking a S508A Special Rate Variation of 10.8% each year for 4 years from 2015/2016 to 2018/2019.

Our Long Term Financial Plan modelling estimates an \$80 million deficit in the next ten years unless there is a significant change to expenditure or revenue. The most significant contributor towards this future deficit is our infrastructure maintenance backlog. Each year there is an asset maintenance and renewal funding shortfall and, as a result, the condition of our infrastructure is getting progressively worse.

Council first identified a need for additional expenditure on our infrastructure assets ahead of applying for an SRV in 2011. At the time the shortfall was estimated to be \$60 million requiring an SRV increase of 8% over 7 years. The subsequently approved SRV at 6% over 3 years (which ended in 2014) resulted in generating only \$17 million leaving a substantial portion unfunded. Since this time, Council has updated its infrastructure data, conducted condition assessments on more asset classes and sought an independent financial assessment, which has confirmed that in order to continue to provide our current range of services as well as bring all infrastructure up to a satisfactory standard, we would require an additional \$80 million over 10 years.

Council has a number of revenue sources as follows:

- Rates & Annual Charges– the largest single portion of total revenue at 59%
- Fees and User charges – based on partial recovery of the cost of the service and continually reviewed to establish appropriate levels of cost recovery and ensure that the wider community is not unreasonably subsidising services. Currently accounts for 9.8% of revenue.
- Grants & contributions – from Federal and State Governments are 23.5% of revenue
- Interest from investments – Council invests the cash it does not need immediately to generate additional income through interest received which is generally in the vicinity of \$1.5 million per year or 3.8% of revenue.
- Asset sales – Council’s asset base has a written down value of \$349 million as at 30 June 2014 and Council continually reviews its asset holdings to identify opportunities to dispose of assets no longer needed for service delivery
- Borrowings – Council’s current annual loan repayments are around \$3 million per annum, resulting in a debt service ratio of approximately 7%. Additional borrowings could be considered to fund significant works; however, in the absence of cuts to service levels, additional revenue would be needed to service the additional loan repayments

- Developer contributions – Council is able to levy new developments under the Environmental Planning and Assessment Act 1979. The additional funds achieved can be used to deliver new infrastructure.

While Council continues to explore all sources of income to identify additional funds to address the funding gap, the majority of these funding streams are determined by the NSW Local Government Act and opportunities to raise additional funds fall well short of the required \$80 million.

Council, through its IP&R documentation and community engagement, asked the community to consider three options for addressing the shortfall as follows:

Option1 – Deteriorate – no Special Rate Variation

Council would be unable to fund the shortfall and the following would occur:

- Our infrastructure would deteriorate further, resulting in a worsening of roads and continuing deterioration of facilities such as playgrounds and community buildings
- Council would have little capacity for new capital works. This means Council will have difficulty funding new infrastructure such as kerb and gutter, footpaths, cycle ways, open space improvements and new community facilities
- Council would need to consider a significant reduction in a wide range of services

Option 2 – Stabilise – Special Rate Variation of 8.5% per annum over 4 years

The funding shortfall would be reduced by \$54.5 million over 10 years allowing the following to occur:

- Our infrastructure deterioration would be stabilised and the current condition of our roads, facilities and other infrastructure would be gradually improved through essential maintenance
- Council would have some additional funds available to provide new infrastructure (in addition to developer contributions and grants)
- Council could maintain its current range of services

Option 3 – Improve – Special Rate Variation of 10.8% over 4 years

The funding shortfall would be eliminated by generating an additional \$80 million over 10 years allowing the following to occur:

- Council would be able to deliver better roads, facilities and other infrastructure sooner as we would increase and bring forward much needed maintenance. We would also fully implement a preventative maintenance regime to reduce future costs to the community.
- Council will have more funds available to provide new infrastructure.

- Council would be able to deliver a wide range of services

The following is a list of the community engagement methods that were used to ensure that our community was aware that Council was considering making an application for an SRV and was able to provide feedback:

Councillor Workshops
Council Reports
Static Displays
Train Station Engagements
Information and Distribution at Community Events
Community Meetings
Information & Drop-In Session
Drop-In Q&A Sessions
Information Kits
Special Rate Variation Newsletter
Radio Interviews
Media Releases
Bush Telegraph Articles
Newspaper Advertising
Media Coverage
Flyer Distribution
Information Stalls
Social Media
Submissions
Addressing Your Future Needs Webpage
Telephone Survey
Informal information sessions utilising the Dilly Wanderer
Correspondence
Mayor's Column

In addition to this, Council developed a wide range of promotional information which was distributed at all engagement activities.

Feedback showed that the community recognises that there is a genuine need for additional funding in order to maintain our infrastructure into the future and generally supports Council in making an application to IPART for a SRV. Subsequent to this, Council resolved to apply for an SRV increase of 10.8% over four years in order to fully close the infrastructure funding gap.

2.3 Capital expenditure review

You should complete this section if council is undertaking major capital projects that are required to comply with the OLG's Capital Expenditure Guidelines, as outlined in OLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council's annual ordinary rates revenue or \$1 million (GST exclusive), whichever is the greater.

A capital expenditure review is a necessary part of a council's capital budgeting process and should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

Does the proposed special variation require council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010

Yes ☐ No ☒

If Yes, has a review been done and submitted to OLG?

Yes ☐ No ☐

3 Assessment Criterion 1: Need for the variation

Criterion 1 within the OLG Guidelines is:

The need for and purpose of a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, including its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:

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

Evidence to establish this criterion could include evidence of community need /desire for service levels/projects and limited council resourcing alternatives.

Evidence could also include the assessment of the council's financial sustainability conducted by the NSW Treasury Corporation.

The response to this criterion should summarise the council's case for the proposed special variation. It is necessary to show how the council has identified and considered its community's needs, alternative funding options (to a rates rise) and the assessment of its financial sustainability as conducted by the NSW Treasury Corporation (TCorp).

The criterion states that the need for the special variation must be identified and clearly articulated in the council's IP&R documents especially the Long Term Financial Plan (LTFP) and the Delivery Program, and, where appropriate, the Asset Management Plan (AMP). The purpose of the special variation should also be consistent with the priorities of the Community Strategic Plan (CSP).

3.1 Case for special variation - community need

Summarise and explain below:

- ▼ How the council identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
- ▼ How the decision to seek higher revenues above the rate peg was made and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.
- ▼ Why the special variation is the most appropriate option. For example, typically other options would include introducing new or higher user charges and/or an increase in council loan borrowings, or private public partnerships or joint ventures.
- ▼ How the proposed special variation impacts the LTFP forecasts and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council's LTFP forecasts.

In addressing this criterion, you should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

The Wollondilly community faces a specific set of challenges that arise from:
Where we are:

- Our relatively low population
- Our location on the fringe of a city
- Our dispersed and varied towns and villages
- Our attractiveness as a place to live means that increasing population growth will be an important part of our future

What we have:

- A substantial and ongoing shortfall in the funding required to maintain our assets to a satisfactory condition, in particular, roads and community facilities

- A shortfall that is expected to grow as the Shire continues to meet demands for additional residential and employment lands, with consequent increases in traffic volume damaging our roads
- A deteriorating road network
- Deteriorating assets that can no longer be used due to safety risks

Our biggest challenges facing us today are reversing our infrastructure maintenance backlog and our financial sustainability into the future.

- Like most NSW councils Wollondilly Shire Council needs to make sure we have enough money to look after our Shire's infrastructure now and into the future. We know that our community places a high priority on the maintenance of the Shire's infrastructure, and in particular our road network, so the current trend of deteriorating infrastructure needs to be reversed.
- Like all Councils in NSW, Wollondilly Shire Council needs to be financially sustainable and "Fit for the Future". Our aim is to be financially sound, operating efficiently and in a strong position to guide community growth and deliver quality services to our community now and into the future.

Despite these and other challenges, Wollondilly's residents are very proud of the Shire and value its rural lifestyle, local village identity, community spirit and friendly atmosphere.

The challenges outlined above, along with the community and Council's priorities and aspirations are documented throughout Council's Corporate Business Planning documents (the Integrated Planning & Reporting documents).

Council's current IP&R documents are:

- Wollondilly Community Strategic Plan 2033
- Wollondilly Revised Resourcing Strategy 2013/14 – 2022/23
 - Long Term Financial Plan
 - Asset Management Strategy
 - Workforce Management Plan
- Wollondilly 'revised' Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15
- Wollondilly Reporting – Quarterly Reviews & Annual Report

Wollondilly Community Strategic Plan

The Community Strategic Plan (CSP) was first developed by Council in 2008 through extensive consultation with the community and then reviewed and updated in 2010.

During August to November 2012, Council conducted a further review of the CSP as Council is required after every election to review its CSP to ensure it remains relevant and able to meet the needs of our changing community.

In November 2012, direct focused engagement was undertaken with our community in order to hear their concerns, aspirations, goals and priorities in order to refine our CSP with a focus and direction for achieving the outcomes we all want.

The 2012 community consultation produced the following outcomes:

- Refinements to the key issues and
- Re-affirmation of our desired outcomes and strategies
- Refinements to the concept of rural living as our vision for the future

In addition to the findings arising from the 2012 consultation, the review of the CSP was informed by:

- Accumulated “knowledge” of key issues and community aspirations which have been gained over time through previous community engagements
- Findings of Council’s End of Term Report
- Ongoing dialogue and engagement with elected Councillors who bring forward issues and perspectives on behalf of their constituents
- Engagement with other agencies and community groups
- Key issues for the Shire as contained in our Federal/State Issues paper

Council’s role in the Community Strategic Plan is to provide services, make wise and beneficial decisions in the interests of the community and represent our community in local, state and federal contexts.

Over the years the aspirations expressed by our community have been clear and consistent and include:

- Safer roads
- Leadership from Council
- Council to responsibly manage its finances and assets
- To secure a future for ourselves and our children

Our community expects leadership from Council and responsibility in managing its finances and assets. They expect Council to listen and to be ethical, accountable and transparent.

In consultation with the community, we have developed the following Wollondilly Community Strategic Plan themes:

- Looking after the Community
- Accountable and Transparent Governance
- Caring for the Environment
- Building a Strong Local Economy
- Management and Provision of Infrastructure

Under each of these themes there are Outcomes, expressing what the community wants Council to achieve in the long term. The Outcomes are:

- Access to a range of activities, services and facilities
- A connected and supported community
- Government, community and business talking and working together
- A Council that demonstrates good business management and ethical conduct
- A local environment that is valued and protected
- A community that interacts with and cares for its environment
- A strong local economy providing employment and other opportunities
- Safe, maintained and effective infrastructure
- Access to a range of transport options

Council's ability to achieve all of these outcomes is affected by our finances and resources.

Wollondilly Resourcing Strategy

The Resourcing Strategy focuses in detail on matters that are the responsibility of Council and looks more generally at matters that are the responsibility of others. The Resourcing Strategy gives consideration to Council's capacity to deliver on its responsibilities as contained within our CSP.

The Wollondilly Resourcing Strategy seeks to answer questions such as:

- Can we afford what the community wants?
- How can we go about achieving these outcomes?
- Can we survive the pressures for the future?
- What are the opportunities for future growth and economic growth?

- Can we address the infrastructure backlog?
- Can we develop cost-effective management strategies for the long term?
- Will we meet the impact of growth through demand management and infrastructure investment?
- Will we adequately manage risks associated with asset failure?
- How will we implement continuous improvements in asset management practices?

Council's Long Term Financial Plan

This plan focuses on Council's long term financial goals of financial sustainability and delivering quality services to the community. This plan addresses areas that impact on Council's ability to fund its services and capital works, whilst living within its means and ensuring financial sustainability.

Council's Asset Management Strategy

This strategy is a reflection of Council's intention that our community's infrastructure network is maintained, in partnership with other levels of government and stakeholders, to meet the needs of local residents. The strategy is predicated on the needs for assets to be maintained at a reasonably safe and functional standard. Critical to this will be the provision of sufficient funding over future years to ensure that infrastructure is capable of supporting the services at the standard that the Community accepts and can afford.

Wollondilly Shire Council has recently developed Asset Management Plans for its assets in Transport, Buildings and Open Space. Through these asset management plans, Council is seeking to plan for the most sustainable allocation of funding of assets, to enable service to be maintained to the community into the future.

The Asset Management Plans strongly support the need for a Special Rate Variation of 10.8%.

For Transport – under the current funding the projected outlays necessary to provide the services covered including operations, maintenance, renewal and upgrade of existing assets over the 10 year planning period is \$157.1m or an average of \$15.7m per year.

Estimated available funding for this period is \$73.343m or an average of \$7.3m per year which is 47% of the cost to provide the service. This is a funding shortfall of \$8.383m on average per year.

For Buildings, the current funding for projected renewals to provide the services covered including maintenance, renewal and upgrade of existing assets over the 10 year planning period is \$19.961m or an average of \$1.961m per year.

Estimated available funding for this period is \$15.670m or an average of \$1.567m per year which is 78% of the cost to provide the service. This is a funding shortfall of \$429,000 per year.

And for Open Space the current funding for projected renewals necessary to provide the services covered including maintenance, renewal and upgrade of existing assets over the 10 year planning period is \$17.527m or an average of \$1.753m per year.

Estimated available funding for this period is \$11.971m or an average of \$1.197m on average per year which is 68% of the cost to provide the service. This is a funding shortfall of \$556,000 per year.

Based on the draft Asset Management Data, the total for the three asset classes is an average funding shortfall of \$9.3m per year. The SRV will generate total additional funds of approximately \$9m per year by the end of the 2018/19 year.

A copy of the draft Asset Management Plans is included at Attachment 10.

Workforce Management Plan

The plan is focused on retaining staff, developing leaders, skilling managers and positioning Council as an employer of choice, whilst ensuring sufficient human resources to achieve the outcomes identified in the CSP.

Wollondilly Delivery Program & Operational Plan

This document is Council's summary of prioritised strategies, activities and actions that Council will continue to work towards in achieving the outcomes in the Wollondilly Community Strategic Plan. It addresses the full range of Council operations.

Through Council's IP&R documents, Council is continually investigating and identifying opportunities to meet our community's needs. However these needs and aspirations cannot be achieved without time, money, assets and people to make them happen.

Council's decision to seek higher revenue through a special rate variation has been an on-going conversation Council has been having with the community.

In early 2011, Council applied for a Special Rate Variation for the purpose of reducing the backlog in infrastructure maintenance and renewal. We were originally seeking a Special Rate Variation of 8% per annum over 7 years. This was then reduced to 6.7% per annum over 7 years following extensive community consultation. An increase of only 6% per annum over 3 years was subsequently approved. This fell substantially short of providing the required funds to address the mounting infrastructure maintenance gap.

This left us with a \$43 million gap in funding which has resulted in the condition of our infrastructure declining further.

Although we received less than we expected, we were still able to complete a number of projects to improve infrastructure and services for our community with the funds generated from the Special Rate Variation.

The Special Rate Variation funds also allowed us to access the State Government's Local Infrastructure Renewal Scheme (LIRS) loans to provide the early delivery of a number of much needed infrastructure works.

With the expiry of the 2011 special rate variation in 2013/14, Council once again needed to talk with the community about the challenges we are facing.

In June 2014 Council adopted the Wollondilly Delivery Program & Operational Plan which incorporated the message "we need to talk with you" about the fact that:

- the revenue shortfall doesn't allow Council to pursue projects that will enhance and maintain services we deliver, or to increase our levels of service in villages that we know our communities will like to see.

In November 2014 Council endorsed the exhibition of the draft 'revised' Wollondilly Delivery Program & Operational Plan which incorporated the message "Addressing your future needs" detailing:

- That we are seeking your assistance in our efforts to reach a position of financial sustainability into the long term.

With rates revenue being one of the few direct sources of funding available to Council, it is one area that needed to be closely assessed. We knew this would be a difficult conversation to have with our community but one that was needed, as we all want Wollondilly to continue to be a great place to live, work and visit - now and for future generations.

The draft 'revised' Wollondilly Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15 was placed on exhibition with a range of information

to enable the community to have a better understanding for the need for a special rate variation.

This information included:

- I. Council has identified the funding gap that we are currently facing and have examined other options for funding resources, with almost all sources regulated in some way. These sources include:
 - Rates
 - Fees & Charges
 - Grants and Contributions (including Developer Contributions)
 - Interest from Investments
 - Asset Sales
 - Borrowings
- II. Our long term financial modeling estimates that Council faces an \$80 million funding shortfall at the end of ten years unless there is a significant change to expenditure or revenue.
- III. The most significant contributor towards this future deficit is our infrastructure maintenance backlog. Wollondilly Shire is vast in size compared to its relatively low population of around 46,000. As a result we have high infrastructure maintenance costs (particularly on roads) relative to a small rate base. Here are some key facts about our infrastructure maintenance challenge:
 - Council looks after:
 - 840 km roads
 - 90 parks and reserves
 - 78 bridges
 - 33 playgrounds
 - 13 playing fields
 - 19 halls
 - Over 50% of community halls and buildings are more than 50 years old
 - In the next 4 years we need to replace 9 playgrounds which have reached the end of their useful lives, while many others are not meeting current community needs
 - 9 out of 10 tennis court complexes have significant issues with poor lighting not meeting current standards.
 - The condition of our roads is considerably worse than comparable councils.

- IV. Each year there is an asset maintenance and renewal funding shortfall and as a result the condition of our infrastructure is getting progressively worse. The backlog of maintenance and renewal works needed to bring our infrastructure up to a satisfactory standard is currently \$45m but as each year passes this figure increases.
- V. To fully address our infrastructure funding gap, ideally we need an extra \$80m over the next 10 years. \$45m is needed to “close the gap” and bring our infrastructure up to a satisfactory standard. A further \$35m is needed for ongoing infrastructure maintenance and renewal (to “keep the gap closed”).
- VI. A Special Rate Variation is therefore an essential part of a long term funding strategy to not only maintain and manage our current infrastructure, but also to maintain and manage future infrastructure. Council also needs to be able to continue to deliver quality services in line with the reasonable expectations of a growing and changing population.

Integrated Planning & Reporting Exhibition:

In June 2014 - Council adopted the Wollondilly Delivery Program & Operational Plan which incorporated the message “we need to talk with you”. This message detailed Council’s need for seeking community assistance in its efforts to reach a position of financial sustainability over the long term.

In November 2014 - Council endorsed the draft ‘revised’ IP&R Documents to be placed on exhibition for the period from 18 November 2014 – 19 December 2014. The draft ‘revised’ Wollondilly Delivery Program & Operational Plan detailed the three options being considered in the context of an estimated \$80 million shortfall over the next 10 years with varying consequences.

Note: The draft ‘revised’ Wollondilly Delivery Program & Operational Plan details the three options being considered against the context of an estimated \$80 million shortfall over the next 10 years with varying consequences.

1. Option 1 - Deteriorate – No Special Rate Variation
2. Option 2 – Stabilise – Special Rate Variation of 8.5% per annum over 4 years
3. Option 3 – Improve – Special Rate Variation of 10.8% per annum over 4 years

In February 2015 – Council adopted the ‘revised’ Wollondilly Delivery Program & Operational Plan

Council received submissions regarding the SRV through the community engagement process (Refer to Attachment 6B). No direct submissions on the IP&R documentation were received through the exhibition period.

In conclusion:

The special rate variation will address the significant funding shortfall facing Council now and over the coming years.

Council would be able to deliver what the community wants (better roads, facilities and other infrastructure) sooner as we would increase and bring forward much needed maintenance and renewal expenditure. We would also implement a preventative maintenance regime in accordance with the relevant draft Asset Management Plans to reduce future costs to the Community. It would also enable us to have more funds available to renew our infrastructure, and we would be able to continue to deliver a wide range of services.

If Council does not get a special rate variation it would leave us with an \$80 million funding shortfall over the next 10 years, so it would have the following impacts on our community:

- Our infrastructure would deteriorate further. This means we will see worsening roads and continuing deterioration of facilities such as playgrounds and community buildings.
- Council would have virtually no capacity for new capital works (apart from developer contributions and grants). This means Council will have difficulty funding new infrastructure such as kerb and gutter, footpaths, cycle ways, open space improvements and new community facilities to address current community concerns.
- Council would need to consider a significant reduction in a wide range of Council services in order to address the funding shortfall issues.

For information on the Need for a Special Rate Variation through the Revised Wollondilly Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15 refer to pages:

Page/s	Title/s
8 - 9	Addressing Your Future Needs
10	2 Options 1 – Deteriorate 2 – Stabilise 3 - Improve
11	What is Rate Pegging? What is a Special Rate Variation?

	Strategies effected by the SRV
35	The need for a SRV reflected through our Business Planning documents
36	Information on the Need for a Special Rate Variation
37	Fit for the Future
38 – 59	Further information on the Need for a Special Rate Variation
121	List of projects completed with the funds generated from the last SRV
124	Debt Recovery & Hardship Policy
133	Community's affordability & capacity to pay

For information on the Need for a Special Rate Variation through the Revised Wollondilly Resourcing Strategy 2013/14 – 2022/23 refer to pages:

Page/s	Title/s
17	Introduction to the Asset Management Strategy
18	Link to the Community Strategic Plan
18	The challenges ahead
24	Funding Implications
25	Proposed Funding Options
26 – 27	Asset Improvements
28 – 29	Fit for the Future

The following information was documented on pages 8 - 9 of the Wollondilly Delivery Program 2013/14 – 2016/17 & 2014/15 Operational Plan adopted by Council in June 2014 (Attachment 14).

ADDRESSING YOUR FUTURE NEEDS

WE NEED TO TALK WITH YOU

While Wollondilly is at the starting point of an exciting future, with significant growth projections anticipated over the next 30 years, the growth will not generate the revenue needed now by Council to sustain and enhance services and service levels to our communities or address works needed to bring the Shire's asset base to a 'fit for purpose' standard. The revenue shortfall doesn't allow Council to pursue projects that will enhance services we deliver, and increase our levels of service in villages that we know our communities will like to see.

We are seeking your assistance in our efforts to reach a position of financial sustainability into the long term.

Like other Councils across NSW we face increasing funding shortfalls over the period of the next ten years and beyond. While Council will explore all possible alternatives, there are three primary options available to Council and the Community to address the projected financial shortfall over the next ten years.

Option 1 - Is changes or cuts to services and service levels, identifying savings through this reduction. This may mean closures of some facilities, reducing maintenance levels or reducing expenditure on capital works.

Option 2 - Investigate ways to increase revenue just to maintain current services and service levels as at today's standard.

Option 3 - Is not only to maintain current services and service levels but also enhance and improve services and service levels, by further increasing revenue.

With rates revenue being one of the only direct sources of funding available to Council, it is one area that needs to be closely assessed. We know this will be a difficult conversation with ratepayers, but it is one that many Councils across NSW are having with their communities. It's a conversation that is needed as we all want Wollondilly to continue to be a great place to live, work and visit now and for future generations.

Over the coming months Council will consult with our communities to develop details under each of the primary options and gain a further understanding of the preferences of our communities in considering the services provided by Council now and into our future. We will then aim to reach agreement on the preferred options for Council and the Community moving forward over the next 10 years.

One of the major issues being faced by Wollondilly Shire Council is our ability to maintain our infrastructure assets to a satisfactory standard for future generations. A key indicator of our ability to keep our infrastructure assets at the desired service levels is the Building & Infrastructure Renewals Ratio. This ratio measures the amount spent on renewing existing infrastructure assets (as opposed to maintaining them) divided by their annual depreciation (loss of value). A ratio of 1.0 or greater is preferred.

As can be seen from the graph below, we expect to meet the benchmark in 2014/15, but without additional funding sources, we will not be able to afford to keep this ratio at preferred levels in future years.



To read more, please refer to the Financial Information Section, page 30.

You can have your say now at www.wollondilly2033.com.au

The following information was documented on pages 8 – 9 in the draft ‘revised’ Wollondilly Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15 endorsed for exhibition in November 2014 and adopted by Council in February 2015 (Attachment 16).

ADDRESSING YOUR FUTURE NEEDS

When Council adopted our current Wollondilly Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15 in June this year, we identified that we need to talk with you. We are seeking your assistance in our efforts to reach a position of financial sustainability into the long term.

Like most NSW councils we're faced with the challenge of making sure we have enough money to look after the Shire's infrastructure into the future. These are the essential things that we use every day – roads, footpaths, bridges, stormwater drains, parks libraries and community buildings.

From our many engagement initiatives and community conversations over the years we know that you place a high priority on the maintenance of the Shire's infrastructure, particularly its road network. So it is clear we need to reverse the current trend of deteriorating infrastructure.

Additionally, we are expecting to experience unprecedented growth in the coming years. While it is impossible to speculate with any certainty on what the ultimate growth outcomes will be for Wollondilly, the importance of regularly reviewing our Long Term Financial Strategy has never been greater. In this regard, we need a sharp focus on developer contributions and strategies for providing and maintaining infrastructure. We also need to seek a Special Rate Variation (SRV) to secure sufficient funds to maintain our current and future infrastructure.

While we understand that rate rises of any kind are never welcome we believe a Special Rate Variation, with a sustainable increase to rates, is a necessary course of action in order to meet the needs of our fast growing community. Without an SRV we won't be able to maintain essential infrastructure and Council services.

Council is considering three options. Each has varying consequences regarding infrastructure and service quality over time, refer to the following page for the three options.

3.2 Financial sustainability

The special variation may be intended to improve the council's underlying financial position, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council's current and future financial sustainability and the assumptions it has made in coming to a view on its financial sustainability.

You should explain below:

- ▼ The council's understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.
- ▼ Any external assessment of the council's financial sustainability, eg, by auditors or TCorp. Indicate how such assessments of the council's financial sustainability is relevant to supporting the decision to apply for a special variation.
- ▼ The council's view of the impact of the special variation on its financial sustainability.

Current State of financial sustainability

Council's current financial position is best summarised by referring to the primary financial statements in the most recent set of audited General Purpose Financial Reports (i.e. for the financial year ended 30 June 2014). This information should be viewed in conjunction with the related key performance indicators as set out in note 13 of the General Purpose Financial Reports.

Income Statement *For the financial year ended 30 June 2014*

\$ '000	Actual 2014
Income from Continuing Operations	
Revenue:	
Rates & Annual Charges	28,059
User Charges & Fees	4,645
Interest & Investment Revenue	1,802
Other Revenues	1,631
Grants & Contributions provided for Operating Purposes	6,083
Grants & Contributions provided for Capital Purposes	5,113
Other Income:	
Net gains from the disposal of assets	262
Net Share of interests in Joint Ventures & Associated Entities using the equity method	-
Total Income from Continuing Operations	47,595
Expenses from Continuing Operations	
Employee Benefits & On-Costs	17,688
Borrowing Costs	1,702
Materials & Contracts	14,982
Depreciation & Amortisation	11,143
Impairment	-
Other Expenses	4,116
Total Expenses from Continuing Operations	49,631
Operating Result from Continuing Operations	(2,036)
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(7,149)

Statement of Financial Position
For the financial year ended 30 June 2014

\$ '000	Actual 2014
ASSETS	
Current Assets	
Cash & Cash Equivalents	3,106
Investments	28,250
Receivables	4,536
Inventories	2,000
Other	210
Total Current Assets	38,102
Non-Current Assets	
Investments	11,812
Infrastructure, Property, Plant & Equipment	348,729
Total Non-Current Assets	360,541
TOTAL ASSETS	398,643
LIABILITIES	
Current Liabilities	
Payables	4,638
Borrowings	1,724
Provisions	4,883
Total Current Liabilities	11,245
Non-Current Liabilities	
Borrowings	16,595
Provisions	13,712
Total Non-Current Liabilities	30,307
TOTAL LIABILITIES	41,552
Net Assets	357,091
EQUITY	
Retained Earnings	292,638
Revaluation Reserves	64,453
Total Equity	357,091

Statement of Cash Flows
For the financial year ended 30 June 2014

\$ '000	Actual 2014
Cash Flows from Operating Activities	
<u>Receipts:</u>	
Rates & Annual Charges	28,060
User Charges & Fees	6,529
Investment & Interest Revenue Received	1,698
Grants & Contributions	9,967
Bonds, Deposits & Retention amounts received	21
Other	3,643
<u>Payments:</u>	
Employee Benefits & On-Costs	(17,282)
Materials & Contracts	(17,142)
Borrowing Costs	(860)
Bonds, Deposits & Retention amounts refunded	-
Other	(3,999)
Net Cash provided (or used in) Operating Activities	10,633
Cash Flows from Investing Activities	
<u>Receipts:</u>	
Sale of Investment Securities	33,088
Sale of Real Estate Assets	258
Sale of Infrastructure, Property, Plant & Equipment	90
<u>Payments:</u>	
Purchase of Investment Securities	(40,000)
Purchase of Infrastructure, Property, Plant & Equipment	(10,714)
Purchase of Real Estate Assets	(51)
Net Cash provided (or used in) Investing Activities	(17,329)
Cash Flows from Financing Activities	
<u>Receipts:</u>	
Proceeds from Borrowings & Advances	9,000
<u>Payments:</u>	
Repayment of Borrowings & Advances	(1,134)
Net Cash Flow provided (used in) Financing Activities	7,866
Net Increase/(Decrease) in Cash & Cash Equivalents	1,170
plus: Cash & Cash Equivalents - beginning of year	1,936
Cash & Cash Equivalents - end of the year	3,106
Additional Information:	
plus: Investments on hand - end of year	40,062
Total Cash, Cash Equivalents & Investments	43,168

Note 13 – Performance Indicators

For the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014
1. Operating Performance Ratio		
Total continuing operating revenue ⁽¹⁾		
(excl. Capital Grants & Contributions) - Operating Expenses	(7,411)	-17.55%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	42,220	
2. Own Source Operating Revenue Ratio		
Total continuing operating revenue ⁽¹⁾		
(less ALL Grants & Contributions)	36,137	76.35%
Total continuing operating revenue ⁽¹⁾	47,333	
3. Unrestricted Current Ratio		
Current Assets less all External Restrictions ⁽²⁾	24,693	3.18 : 1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	7,773	
4. Debt Service Cover Ratio		
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	5,434	1.92
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	2,836	
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage		
Rates, Annual and Extra Charges Outstanding	2,176	7.10%
Rates, Annual and Extra Charges Collectible	30,668	
6. Cash Expense Cover Ratio		
Current Year's Cash and Cash Equivalents including All Term Deposits	36,356	10.79
Payments from cash flow of operating and financing activities	3,368	

In his report to Council on the conduct of the 2014 Audit, Council's auditor, Mr Phillip Webster of Warton Thompson & Co stated: *"in my opinion Council's short-term financial position is very sound with working capital and debt servicing commitment in excess of accepted industry benchmarks"*.

Future Sustainability

Mr Webster's comments in relation to Council's longer term sustainability were as follows: "Council's long-term financial position needs to be constantly monitored. Council recorded an operating Deficit before Capital Grants and Contributions for the year 2013/14 of \$7.15m. This compares with Deficits of \$3.94m, \$2.27m and \$3.06m for years 2013, 2012 and 2011 respectively. Since Capital Grants and Contributions are applied to the acquisition or construction of new assets, the maintenance of Council's existing assets, especially its infrastructure assets, needs to be financed from its Operating Budget.

If Council continues to incur Operating Deficits, it may be difficult to raise funds in the future to replace existing assets whose condition is unsatisfactory and their useful lives almost expired. As shown on Special Schedule 7 of the Financial Report, Council has estimated that the costs to improve Infrastructure Assets and Buildings to a satisfactory standard total \$45.1m. This Schedule, I believe, reaffirms the need to plan and budget for the future maintenance and replacement of Council's infrastructure assets and buildings."

In its 2013 Financial Assessment and Benchmarking Report, Treasury Corporation (TCorp) also identified the deterioration of Wollondilly Council's infrastructure assets as a significant risk that would require additional funding to be sourced. At the time of making this assessment, TCorp relied upon Council's 2011 financial statements and a Long Term Financial Plan that provided for an approved 6% pa SRV increase to the end of the 2014 financial year. This assessment supported Council's application for LIRS funding which was successful and has been utilised to provide early delivery of a number of much needed infrastructure works. For full details of the TCorp Financial Assessment and Benchmarking Report refer to Attachment 4.

Long Term Projections

Council's Long Term Financial Plan (LTFP) is updated annually and is designed to outline the steps Council will take to address financial challenges and opportunities over the next ten years. Council's Long Term Financial Plan (Attachment 3) takes into account the findings of Council's draft Asset

Management Plans and presents consideration of funding options and their impact on Council's financial sustainability.

The current LTFP was originally developed in conjunction with the development of the 2013/14 operational plan but has since been revised with more up to date data and now uses the adopted 2014/15 budget as its base year for the future year projections, to which a range of assumptions and forecasts have been applied.

1. Demographics / Population:

According to the ABS 2006 Census, Wollondilly Shire has a larger proportion of two-parent families with children but a smaller proportion of one-parent families, group households and single person households in comparison to the Sydney Statistical Division. Family households accounted for 80.3% of total households in Wollondilly Shire while one-person households comprised 15.1%.

Wollondilly's current population features a larger than average number of adults and dependent children compared to the Sydney average. By the same comparative measure, Wollondilly has a lower proportion of people aged 18 to 34 and over 65 years. However, over the longer term it is expected that the Shire will carry a higher proportion of population that is ageing, similar to the State average.

Similarly, it is likely to register decreasing sized households. It can be safely assumed that the current trend of outmigration of persons aged 18 to 34 years will continue. A key implication of the assumed population growth trajectory and the ageing of the population is that this is likely to offset growth in rate revenue or user charges and hence the modelling allows for only a portion of revenue increase driven by additional properties.

Wollondilly is expecting some considerable population growth over the next 20 – 30 years, however the timing and extent of this growth is not yet known and neither are the impacts that it is likely to have on Council's income and expenditure levels. It is unclear whether the net financial effect over the next few years will be positive or negative (i.e. there will be additional income from development and building approvals, and eventually rate income), yet there will also be additional expenditure required in order to put in place the necessary infrastructure, as well as the additional resources to cope with the increased workloads and fund the maintenance and eventual renewal of the expanding asset base. Due to the unknown effects, the budgetary predictions within this long term financial plan have been based on normal growth patterns so as not to distort results.

2. Economy

Whilst Council has based its forecasts on reasonable assumptions about the future, it realises there are significant uncertainties that lie ahead which are likely to cause the forecasts to diverge, especially in the later years of the forecasting horizon.

Employment sectors within Wollondilly include mining, agriculture, sport/recreation, tourism, education and some home-based business. Mining and retail have been the major drivers for recent growth with further support coming from manufacturing, agriculture and tourism. However, over 60% of the resident labour force travels outside the Shire for their work.

Inflation

The CPI recorded the lowest increase for several years in 2014. This was affected by the sharp decline in oil prices at the end of the year and the removal of the price on carbon. Measures of underlying inflation also declined a little, to around 2¼ per cent over the year. With growth in labour costs subdued, it appears likely that inflation will remain consistent with the target over the next one to two years, even with a lower exchange rate. The RBA has previously commented that inflation is expected to be consistent with the 2-3 per cent target over the next few years.

It is however likely that the actual cost increases for Council will be higher than the CPI, as the CPI is based on a broad range of consumer goods, while key cost drivers for Council tend to focus more on employment and construction costs. IPART recognised this point of difference and developed the Local Government Cost Index in October 2010 to inform their rate pegging deliberations. However, as this index does not incorporate a forward view, the LTFP modelling has assumed cost increases will be in line with the upper end of the CPI target range (i.e. 3%pa).

Interest Rates

At its last meeting, the Reserve Bank reduced the cash rate by to 2.25%. The Board of the Reserve Bank commented that growth in the global economy had continued at a moderate pace in 2014 and forecasts for global growth in 2015 predicted there to be a continuation of this moderate growth.

Financial conditions are very accommodative globally, with long-term borrowing rates in many major countries reaching new all-time lows over recent months. Available data suggest that growth in Australia is continuing at a marginally slower pace, with domestic demand growth overall quite weak.

Council's Long Term Financial Plan anticipates that cash rates will remain consistently low across the next 10 years. Any variation in the cash rate will have

implications for this plan requiring adjustment to either revenues or expenditure in order to offset the effect of any interest rate movements.

Resource Sharing

Wollondilly is an active member of the Macarthur Regional Organisation of Councils (MACROC) and also has a resourcing agreement with neighbouring Wingecarribee Shire Council. Resource sharing agreements are currently being reviewed, with a focus on increasing resource sharing activities.

3. Service Levels

Council's Community Strategic Plan (CSP) identifies key community outcomes which were developed through an extensive consultation program and further research conducted by way of a formal community survey. Based on this analysis and having regard to Council's draft Asset Management Plans, Council intends to generally maintain its existing level of services while increasing infrastructure maintenance and renewal programs to match the level of funding available under each of the funding options to better align to the draft Asset Management Plan renewal schedules.

4. Revenue Assumptions

Rates and Annual Charges

Rate pegging has historically limited Council's ability to raise additional revenue beyond the historical pegged levels of approximately 3%. Notwithstanding this, Council has put forward 3 funding options to be considered as we work towards addressing our infrastructure maintenance gap. Option 1 considers the effects of not applying for a special rate variation and only makes allowance for annual rate peg increases (2.4% for 2015/16 and assumed to be 3% pa thereafter). Council has put forward two other options which both consider the effects of a special rate variation. Option 2 factors in a special rate variation (SRV) increase of 8.5% pa over 4 years from 2015/2016 in the "Stabilise" scenario and Option 3 considers a 10.8% pa increase over 4 years from 2015/2016 in the "Improve" scenario.

Fees & Charges

Statutory Fees

Council has no discretion to determine the amount of the fee for a service when the amount is fixed by regulation or by another authority. Examples of statutory fees include development assessment fees, inspection fees and planning certificates. The Long Term Financial Plan makes the assumption that income from these fees will increase in line with CPI.

User Fees & Charges

The Long Term Financial Plan assumes that the majority of user fees and charges will generally rise in accordance with CPI increases. Given the non-recurring nature of Council's for fee works, ongoing income is not factored into the plan and any work undertaken may have a once off positive impact on Council's revenues.

Grants & Contributions

The long term financial projections contained within this plan have only allowed for recurring grants and contributions and do not include any non-recurring grants.

Borrowings

Debt is raised to fund capital expenditure that will benefit current and future residents and taxpayers. All borrowings must be approved by Council resolution and all decisions will be made in accordance with Council's Borrowing Policy. It is considered appropriate that borrowing be considered for the delivery of major new infrastructure projects such as community facilities, as future debt servicing commitments can be considered appropriate for future generations to fund in return for the use of the capital item created.

The long term financial projections include all existing loan arrangements but have not made any allowance for new loans.

5. Expenditure Assumptions

Employee Costs

Employee costs are assumed to increase in accordance with the current award rates that have been agreed to (i.e.: 2014/15 = 2.6%, 2015/16 = 2.7%, 2016/17 = 2.8%). In addition to this, the LTFP has factored in an increase in staff to allow for increased planning and development in connection with the anticipated increase in subdivision of lands within the LGA. A small allowance has also been made to account for grade increases where staff increase their skill levels and take on additional responsibilities. Thereafter, assumed CPI rates of 3% pa have been used to index Council's projected level of employee costs.

Materials, Contracts and Other Operating Costs

Expenditure on materials, contracts and other operating costs have generally been increased in line with CPI increases (assumed at 3% pa).

Capital Expenditure

Capital expenditure represents expenditure towards both the creation of new infrastructure assets and the renewal of existing assets (particularly roads, drainage and footpaths). This expenditure category also includes capital purchases such as vehicles, plant items and information technology. The

expenditure is based on the 10 year capital works programs detailed in the draft Asset Management Plans.

Scenarios

The LTFP modeling has been devised with scenarios that include and exclude Special Rate variations to address asset renewal and maintenance challenges as identified in Council's Asset Management Plans. Modeling has been used to create the scenarios outlined below. Each scenario provides an alternative financial result subject to assumed capital funding, varying levels of asset condition and their impact on key financial indicators.

Option 1 – Deteriorate: No Special Rate Variation Proposed

Under this option rates will increase only by the annual rate peg amount. The rate peg percentage for 2013/14 was 3.4% and for 2014/15 it is 2.3%. IPART have announced that the rate peg percentage for 2015/16 will be 2.4%.

Under this option, Council would be left with an \$80 million shortfall over the next 10 years, with the following impacts:

- Our infrastructure would deteriorate further as we would continue to underfund maintenance expenditure. This means we will see worsening roads and continuing deterioration of facilities such as playgrounds and community buildings.
- Council would have virtually no capacity for new capital works (apart from developer contributions and grants). This means Council will have difficulty funding new infrastructure such as kerb and gutter, footpaths, cycle ways, open space improvements and new community facilities.
- Council would need to consider a significant reduction in a wide range of Council services in order to address the funding shortfall issues. The nature and number of services delivered by Council, or the levels of service, would need to be reduced.

The following pages provide an Income Statement, Balance Sheet and Cash-flow Statement for Option 1

Wollondilly Shire Council												
10 Year Financial Plan for the Years ending 30 June 2024												
INCOME STATEMENT												
Scenario: Option 1 - "Deteriorate" (No SRV)												
Income from Continuing Operations	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:												
Rates & Annual Charges	29,448,789	30,514,391	31,758,303	33,052,926	34,400,331	35,802,667	37,262,175	38,781,186	40,362,127	42,007,522		
User Charges & Fees	3,997,626	4,116,903	4,168,756	4,333,967	4,466,831	4,576,655	4,958,760	4,910,484	5,140,180	5,275,216		
Interest & Investment Revenue	1,354,000	1,307,090	1,320,185	1,356,639	1,272,952	1,374,291	1,431,656	1,453,050	1,470,471	1,507,920		
Other Revenues	886,348	798,765	553,519	450,801	468,213	486,381	505,338	525,120	545,764	567,307		
Grants & Contributions provided for Operating Purposes	6,806,687	6,954,304	7,104,424	7,270,941	7,448,157	7,629,671	7,819,475	8,016,659	8,221,760	8,431,904		
Grants & Contributions provided for Capital Purposes	3,587,700	2,572,000	2,572,000	2,572,000	2,572,000	2,572,000	2,572,000	2,572,000	2,572,000	2,572,000		
Total Income from Continuing Operations	46,081,151	46,263,453	47,477,187	49,037,275	50,628,483	52,441,664	54,549,405	56,258,499	58,312,301	60,361,869		
Expenses from Continuing Operations												
Employee Benefits & On-Costs	18,752,826	19,773,478	21,121,719	22,032,172	22,961,380	23,911,917	24,879,571	26,024,158	27,216,786	28,443,488		
Borrowing Costs	1,160,007	1,049,301	926,362	824,536	725,981	618,232	507,702	407,047	307,397	200,652		
Materials & Contracts	15,762,536	15,241,064	16,166,613	16,838,539	17,475,286	18,224,396	18,897,765	19,725,296	20,488,201	21,367,027		
Depreciation & Amortisation	9,900,000	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274		
Other Expenses	4,670,880	4,940,024	5,490,034	5,540,593	5,873,387	6,230,253	6,913,201	7,024,424	7,466,318	7,941,506		
Total Expenses from Continuing Operations	50,246,250	50,901,141	53,602,002	55,133,115	56,933,307	58,882,073	61,095,513	63,078,198	65,375,976	67,849,946		
Net Operating Result for the Year	(4,165,099)	(4,637,688)	(6,124,815)	(6,095,840)	(6,304,824)	(6,440,409)	(6,546,108)	(6,819,699)	(7,063,675)	(7,488,078)		
Net Operating Result before Grants and Contributions provided for Capital Purposes	(7,752,799)	(7,209,688)	(8,696,815)	(8,667,840)	(8,876,824)	(9,012,409)	(9,118,108)	(9,391,699)	(9,635,675)	(10,060,078)		

Wollondilly Shire Council																					
10 Year Financial Plan for the Years ending 30 June 2024																					
BALANCE SHEET																					
Scenario: Option 1 - "Deteriorate" (No SRV)																					
	2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$		
ASSETS																					
Current Assets																					
Cash & Cash Equivalents																					
Investments																					
Receivables																					
Inventories																					
Other																					
Total Current Assets																					
Non-Current Assets																					
Investments																					
Infrastructure, Property, Plant & Equipment																					
Total Non-Current Assets																					
TOTAL ASSETS																					
LIABILITIES																					
Current Liabilities																					
Payables																					
Borrowings																					
Provisions																					
Total Current Liabilities																					
Non-Current Liabilities																					
Borrowings																					
Provisions																					
Total Non-Current Liabilities																					
TOTAL LIABILITIES																					
Net Assets																					
EQUITY																					
Retained Earnings																					
Revaluation Reserves																					
Total Equity																					

Wollondilly Shire Council												
10 Year Financial Plan for the Years ending 30 June 2024												
CASH FLOW STATEMENT - GENERAL FUND												
Scenario: Option 1 - "Deteriorate" (No SRV)												
Cash Flows from Operating Activities	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Receipts:												
Rates & Annual Charges	29,590,298	30,469,636	31,706,058	32,998,552	34,343,740	35,743,769	37,200,876	38,717,388	40,295,727	41,938,415		
User Charges & Fees	4,173,111	4,077,470	4,151,613	4,279,348	4,422,906	4,540,347	4,832,435	4,926,444	5,064,242	5,230,573		
Interest & Investment Revenue Received	1,373,317	1,283,959	1,242,270	1,272,765	1,193,445	1,297,784	1,354,592	1,381,811	1,399,732	1,444,908		
Grants & Contributions	10,438,586	9,220,563	9,364,044	9,529,209	9,705,542	9,886,702	10,075,823	10,272,398	10,476,846	10,686,574		
Other	998,911	835,817	613,824	475,467	478,666	497,936	507,308	543,994	555,319	580,059		
Payments:												
Employee Benefits & On-Costs	(18,347,482)	(19,462,686)	(20,692,405)	(21,585,431)	(22,496,503)	(23,428,167)	(24,376,179)	(25,500,324)	(26,671,678)	(27,876,240)		
Materials & Contracts	(15,843,733)	(15,186,356)	(15,976,547)	(16,787,744)	(17,348,093)	(18,085,419)	(18,671,090)	(19,650,562)	(20,324,273)	(21,187,926)		
Borrowing Costs	(1,168,773)	(1,059,593)	(935,599)	(832,460)	(734,461)	(627,039)	(515,732)	(414,704)	(315,561)	(207,858)		
Other	(4,670,880)	(4,940,024)	(5,490,034)	(5,540,593)	(5,873,387)	(6,230,253)	(6,913,201)	(7,024,424)	(7,466,318)	(7,941,506)		
Net Cash provided (or used in) Operating Activities	6,543,356	5,238,787	3,983,225	3,809,112	3,691,854	3,595,659	3,494,833	3,252,022	3,014,036	2,667,000		
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	8,240,489	6,050,909	1,719,116	1,404,920	1,667,961	1,908,980	2,026,521	2,214,107	2,565,472	3,015,171		
Payments:												
Purchase of Infrastructure, Property, Plant & Equipment	(13,226,000)	(9,386,950)	(3,918,750)	(3,682,200)	(3,724,000)	(3,809,500)	(3,981,450)	(4,003,300)	(4,024,200)	(4,324,400)		
Net Cash provided (or used in) Investing Activities	(4,985,501)	(3,336,041)	(2,199,634)	(2,277,280)	(2,056,039)	(1,900,520)	(1,954,929)	(1,789,193)	(1,458,728)	(1,309,229)		
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	-	-	-	-	-	-	-	-	-		
Payments:												
Repayment of Borrowings & Advances	(1,724,244)	(2,024,450)	(1,816,891)	(1,558,720)	(1,668,071)	(1,732,314)	(1,579,477)	(1,506,230)	(1,605,880)	(1,417,522)		
Net Cash Flow provided (used in) Financing Activities	(1,724,244)	(2,024,450)	(1,816,891)	(1,558,720)	(1,668,071)	(1,732,314)	(1,579,477)	(1,506,230)	(1,605,880)	(1,417,522)		
Net Increase/(Decrease) in Cash & Cash Equivalents	(166,389)	(121,704)	(33,300)	(26,888)	(32,256)	(37,175)	(39,574)	(43,402)	(50,573)	(59,750)		
plus: Cash, Cash Equivalents & Investments - beginning of year	674,159	507,769	386,065	352,765	325,878	293,622	256,447	216,873	173,471	122,899		
Cash & Cash Equivalents - end of the year	507,769	386,065	352,765	325,878	293,622	256,447	216,873	173,471	122,899	63,149		
Cash & Cash Equivalents - end of the year												
Cash & Cash Equivalents - end of the year	507,769	386,065	352,765	325,878	293,622	256,447	216,873	173,471	122,899	63,149		
Investments - end of the year	24,880,690	18,917,199	17,285,501	15,967,998	14,387,455	12,585,893	10,626,790	8,500,101	6,022,047	3,094,294		
Cash, Cash Equivalents & Investments - end of the year	25,388,459	19,303,264	17,638,266	16,293,876	14,681,077	12,822,339	10,843,663	8,673,573	6,144,946	3,157,443		

Option 2 – Stabilise: Special Rate Variation of 8.5% per annum over 4 years

Under this option rates would increase by a total of 8.5% per annum (this includes the annual rate peg percentage) over a fixed four year period (2015/16 to 2018/19).

At the end of the four year period the SRV increase will be built into the rate base (in other words rates would be maintained at this new level with just the annual rate peg increases).

This option would generate an additional \$54.5m over the next ten years, enabling the following:

- Council would be able to stabilise the current deteriorating condition of our infrastructure as we would be able to fund our maintenance expenditure. This means the current condition of our roads, facilities and other infrastructure will be improved and stabilized through essential maintenance; however, there will be insufficient funds available for the required renewal program and ongoing programmed maintenance.
- Council will have some additional funds (in addition to developer contributions and grants) available to provide new infrastructure.
- Council could maintain its current range of services.

The following pages provide an Income Statement, Balance Sheet and Cash-flow Statement for Option 2

Wollondilly Shire Council													
10 Year Financial Plan for the Years ending 30 June 2024													
INCOME STATEMENT													
Scenario: Option 2 - "Stabilise" (8.5%pa x 4 yrs)													
Income from Continuing Operations													
Revenue:													
Rates & Annual Charges	29,448,789	31,885,839	34,541,247	37,435,352	40,590,420	42,246,567	43,970,293	45,764,355	47,631,625	49,575,088			
User Charges & Fees	3,997,626	4,116,903	4,168,756	4,333,967	4,466,831	4,576,655	4,658,760	4,910,484	5,140,180	5,275,216			
Interest & Investment Revenue	1,354,000	1,307,090	1,320,185	1,356,639	1,272,952	1,374,291	1,431,656	1,453,050	1,470,471	1,507,920			
Other Revenues	886,948	798,765	553,519	450,801	468,213	486,381	505,338	525,120	545,764	567,307			
Grants & Contributions provided for Operating Purposes	6,806,887	6,954,304	7,104,424	7,270,941	7,448,157	7,629,671	7,819,475	8,016,659	8,221,760	8,431,904			
Grants & Contributions provided for Capital Purposes	3,587,700	2,572,000	2,572,000	2,572,000	2,572,000	2,572,000	2,572,000	2,572,000	2,572,000	2,572,000			
Total Income from Continuing Operations	46,081,151	47,634,901	50,260,131	53,419,700	56,818,572	58,885,564	61,257,523	63,241,668	65,581,799	67,929,435			
Expenses from Continuing Operations													
Employee Benefits & On-Costs	18,752,826	19,773,478	21,121,719	22,032,172	22,961,380	23,911,917	24,879,571	26,024,158	27,216,786	28,443,488			
Borrowing Costs	1,160,007	1,049,301	926,362	824,536	725,981	618,232	507,702	407,047	307,397	200,652			
Materials & Contracts	15,762,536	15,241,064	16,166,613	16,838,539	17,475,286	18,224,396	18,897,765	19,725,296	20,488,201	21,367,027			
Depreciation & Amortisation	9,900,000	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274			
Other Expenses	4,670,880	4,940,024	5,490,034	5,540,593	5,873,387	6,230,253	6,913,201	7,024,424	7,466,318	7,941,506			
Total Expenses from Continuing Operations	50,246,250	50,901,141	53,602,002	55,133,115	56,933,307	58,882,073	61,095,513	63,078,198	65,375,976	67,849,946			
Net Operating Result for the Year	(4,165,099)	(3,266,240)	(3,341,871)	(1,713,414)	(114,735)	3,491	162,010	163,470	205,822	79,489			
Net Operating Result before Grants and Contributions provided for Capital Purposes	(7,752,799)	(5,838,240)	(5,913,871)	(4,285,414)	(2,686,735)	(2,568,509)	(2,409,990)	(2,408,530)	(2,366,178)	(2,492,511)			

Wollondilly Shire Council													
10 Year Financial Plan for the Years ending 30 June 2024													
BALANCE SHEET													
Scenario: Option 2 - "Stabilise" (8.5%pa x 4 yrs)													
ASSETS	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current Assets													
Cash & Cash Equivalents	507,769	388,125	358,094	336,250	311,629	284,973	257,607	228,233	193,622	151,888			
Investments	17,086,161	13,037,263	12,028,498	11,294,767	10,467,732	9,572,365	8,653,129	7,666,440	6,503,848	5,101,976			
Receivables	4,313,853	4,389,594	4,488,613	4,689,700	4,907,554	5,035,705	5,274,246	5,348,040	5,531,980	5,678,882			
Inventories	1,653,778	1,590,503	1,639,370	1,696,778	1,750,401	1,814,291	1,872,728	1,942,500	2,006,761	2,082,970			
Other	586,782	573,587	604,695	624,801	651,464	682,138	720,034	745,845	778,986	816,941			
Total Current Assets	24,118,343	19,979,071	19,119,269	18,642,297	18,088,780	17,389,472	16,777,745	15,931,058	15,015,197	13,832,657			
Non-Current Assets													
Investments	7,824,529	5,980,856	5,518,084	5,181,484	4,802,081	4,391,331	3,969,631	3,516,986	2,983,646	2,340,536			
Infrastructure, Property, Plant & Equipment	356,549,779	357,549,854	354,431,322	352,577,952	352,434,262	352,547,960	353,010,652	353,677,549	354,553,172	355,922,457			
Total Non-Current Assets	364,374,308	363,530,710	359,949,406	357,759,437	357,236,344	356,939,290	356,980,282	357,194,535	357,536,818	358,262,993			
TOTAL ASSETS	388,492,651	383,509,781	379,068,675	376,401,733	375,325,124	374,328,762	373,758,027	373,125,593	372,552,016	372,095,650			
LIABILITIES													
Current Liabilities													
Payables	5,187,082	5,081,538	5,369,880	5,528,333	5,769,653	6,018,364	6,361,704	6,548,196	6,829,568	7,143,988			
Borrowings	2,024,450	1,816,891	1,558,720	1,668,071	1,732,314	1,579,477	1,506,230	1,605,880	1,417,522	436,186			
Provisions	5,182,928	5,588,603	6,009,933	6,448,365	6,904,595	7,379,348	7,873,378	8,387,470	8,922,439	9,479,137			
Total Current Liabilities	12,394,459	12,487,033	12,938,534	13,644,769	14,406,563	14,977,189	15,741,312	16,541,546	17,169,529	17,059,311			
Non-Current Liabilities													
Borrowings	14,571,583	12,754,692	11,195,972	9,527,901	7,795,587	6,216,109	4,709,879	3,103,999	1,686,477	1,250,291			
Provisions	12,948,223	12,955,911	12,963,896	12,972,205	12,980,851	12,989,848	12,999,211	13,008,953	13,019,092	13,029,642			
Total Non-Current Liabilities	27,519,806	25,710,604	24,159,868	22,500,106	20,776,438	19,205,958	17,709,090	16,112,952	14,705,569	14,279,933			
TOTAL LIABILITIES	39,914,266	38,197,636	37,098,402	36,144,874	35,183,000	34,183,147	33,450,402	32,654,498	31,875,098	31,339,244			
Net Assets	348,578,385	345,312,144	341,970,273	340,256,859	340,142,124	340,145,615	340,307,625	340,471,095	340,676,917	340,756,406			
EQUITY													
Retained Earnings	284,060,385	280,794,144	277,452,273	275,738,859	275,624,124	275,627,615	275,789,625	275,953,095	276,158,917	276,238,406			
Revaluation Reserves	64,518,000	64,518,000	64,518,000	64,518,000	64,518,000	64,518,000	64,518,000	64,518,000	64,518,000	64,518,000			
Total Equity	348,578,385	345,312,144	341,970,273	340,256,859	340,142,124	340,145,615	340,307,625	340,471,095	340,676,917	340,756,406			

Wollondilly Shire Council												
10 Year Financial Plan for the Years ending 30 June 2024												
CASH FLOW STATEMENT												
Scenario: Option 2 - "Stabilise" (8.5%pa x 4 yrs)												
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24		
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	29,590,298	31,783,483	34,429,720	37,313,799	40,457,907	42,177,009	43,897,897	45,689,005	47,553,199	49,493,463		
User Charges & Fees	4,173,111	4,077,470	4,151,613	4,279,348	4,422,906	4,540,347	4,832,435	4,926,444	5,064,242	5,230,573		
Interest & Investment Revenue Received	1,373,317	1,266,807	1,224,860	1,251,980	1,168,611	1,288,891	1,343,248	1,369,102	1,385,558	1,429,181		
Grants & Contributions	10,438,586	9,220,563	9,364,044	9,529,209	9,705,542	9,886,702	10,075,823	10,272,398	10,476,846	10,686,574		
Other	998,911	852,501	630,995	494,925	500,657	501,024	510,523	547,340	588,802	583,685		
Payments:												
Employee Benefits & On-Costs	(18,347,482)	(19,462,686)	(20,692,405)	(21,585,431)	(22,496,503)	(23,428,167)	(24,376,179)	(25,500,324)	(26,671,678)	(27,876,240)		
Materials & Contracts	(15,843,733)	(15,186,356)	(15,976,547)	(16,787,744)	(17,348,093)	(18,085,419)	(18,671,090)	(19,650,562)	(20,324,273)	(21,187,926)		
Borrowing Costs	(1,168,773)	(1,059,593)	(935,599)	(832,460)	(734,461)	(627,039)	(515,732)	(414,704)	(315,561)	(207,858)		
Other	(4,670,880)	(4,940,024)	(5,490,034)	(5,540,593)	(5,873,387)	(6,230,253)	(6,913,201)	(7,024,424)	(7,466,318)	(7,941,506)		
Net Cash provided (or used in) Operating Activities	6,543,356	6,552,165	6,706,648	8,123,032	9,803,179	10,023,094	10,183,724	10,214,276	10,260,817	10,209,947		
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities	8,240,499	5,949,990	1,558,955	1,157,749	1,293,855	1,393,536	1,428,354	1,526,752	1,783,350	2,132,400		
Payments:												
Purchase of Infrastructure, Property, Plant & Equipment	(13,226,000)	(10,597,349)	(6,478,743)	(7,743,904)	(9,453,584)	(9,710,971)	(10,059,966)	(10,264,171)	(10,472,897)	(10,966,559)		
Net Cash provided (or used in) Investing Activities	(4,985,501)	(4,647,359)	(4,919,788)	(6,586,155)	(8,159,729)	(8,317,435)	(8,631,612)	(8,737,419)	(8,689,547)	(8,834,159)		
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances	-	-	-	-	-	-	-	-	-	-		
Payments:												
Repayment of Borrowings & Advances	(1,724,244)	(2,024,450)	(1,816,891)	(1,558,720)	(1,668,071)	(1,732,314)	(1,579,477)	(1,506,230)	(1,605,880)	(1,417,522)		
Net Cash Flow provided (used in) Financing Activities	(1,724,244)	(2,024,450)	(1,816,891)	(1,558,720)	(1,668,071)	(1,732,314)	(1,579,477)	(1,506,230)	(1,605,880)	(1,417,522)		
Net Increase/(Decrease) in Cash & Cash Equivalents	(166,389)	(119,644)	(30,031)	(21,843)	(24,621)	(26,655)	(27,366)	(29,374)	(34,611)	(41,734)		
plus: Cash, Cash Equivalents & Investments - beginning of year	674,159	507,769	388,125	358,094	336,250	311,629	284,973	257,607	228,233	193,622		
Cash & Cash Equivalents - end of the year	507,769	388,125	358,094	336,250	311,629	284,973	257,607	228,233	193,622	151,888		
Cash & Cash Equivalents - end of the year												
Cash & Cash Equivalents - end of the year	507,769	388,125	358,094	336,250	311,629	284,973	257,607	228,233	193,622	151,888		
Investments - end of the year	24,880,690	19,018,118	17,546,582	16,476,251	15,269,814	13,963,695	12,622,760	11,183,426	9,487,494	7,442,513		
Cash, Cash Equivalents & Investments - end of the year	25,388,459	19,406,243	17,904,675	16,812,501	15,581,442	14,248,669	12,880,367	11,411,659	9,681,116	7,594,401		

Option 3 – Improve: Special Rate Variation of 10.8% per annum over 4 years

Under this option rates would increase by a total of 10.8% per annum (this includes the annual rate peg percentage) over a fixed four year period (2015/16 to 2018/19).

At the end of the four year period the SRV increase will be built into the rate base (in other words, rates would be maintained at this new level with just the annual rate peg increases).

This option would generate the required \$80m over the next ten years, enabling the following:

- Council would be able to deliver better roads, facilities and other infrastructure sooner as we would increase and bring forward much needed maintenance expenditure. We would also implement a preventative maintenance regime to reduce future costs to the community.
- Council will have more funds available to provide new infrastructure.
- Council would be able to deliver a wide range of services.

The following pages provide an Income Statement, Balance Sheet and Cash-flow Statement for Option 3

Wollondilly Shire Council													
10 Year Financial Plan for the Years ending 30 June 2024													
INCOME STATEMENT													
Scenario: Option 3 - "Improve" (10.8%pa SRV x 4 yrs)													
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations													
Revenue:													
Rates & Annual Charges	29,448,789	32,402,942	35,686,633	39,338,198	43,400,499	45,171,867	47,015,538	48,934,464	50,931,716	53,010,492			
User Charges & Fees	3,997,626	4,116,903	4,168,756	4,333,967	4,466,831	4,576,655	4,658,760	4,910,484	5,140,180	5,275,216			
Interest & Investment Revenue	1,354,000	1,307,090	1,320,185	1,356,639	1,272,952	1,374,291	1,431,656	1,453,050	1,470,471	1,507,920			
Other Revenues	886,348	798,765	553,519	450,801	468,213	486,381	505,338	525,120	545,764	567,307			
Grants & Contributions provided for Operating Purposes	6,806,687	6,954,304	7,104,424	7,270,941	7,448,157	7,629,671	7,819,475	8,016,659	8,221,760	8,431,904			
Grants & Contributions provided for Capital Purposes	3,587,700	2,572,000	2,672,000	2,672,000	2,772,000	2,772,000	2,872,000	2,872,000	2,972,000	2,972,000			
Total Income from Continuing Operations	46,081,151	48,152,004	51,505,517	55,422,547	59,828,651	62,010,864	64,602,768	66,711,777	69,281,890	71,764,839			
Expenses from Continuing Operations													
Employee Benefits & On-Costs	18,752,826	19,773,478	21,121,719	22,032,172	22,961,380	23,911,917	24,879,571	26,024,158	27,216,786	28,443,488			
Borrowing Costs	1,160,007	1,049,301	926,362	824,536	725,981	618,232	507,702	407,047	307,397	200,652			
Materials & Contracts	15,762,536	15,241,064	16,166,613	16,838,539	17,475,286	18,224,396	18,897,765	19,725,296	20,488,201	21,367,027			
Depreciation & Amortisation	9,900,000	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274	9,897,274			
Other Expenses	4,670,880	4,940,024	5,490,034	5,540,593	5,873,387	6,230,253	6,913,201	7,024,424	7,466,318	7,941,506			
Total Expenses from Continuing Operations	50,246,250	50,901,141	53,602,002	55,133,115	56,933,307	58,882,073	61,096,513	63,078,198	65,375,976	67,849,946			
Net Operating Result for the Year	(4,165,099)	(2,749,137)	(2,096,485)	289,432	2,895,344	3,128,791	3,507,255	3,633,579	3,905,914	3,914,893			
Net Operating Result before Grants and Contributions provided for Capital Purposes	(7,752,799)	(5,321,137)	(4,768,485)	(2,382,568)	123,344	356,791	635,255	761,579	933,914	942,893			

Woolondilly Shire Council											
10 Year Financial Plan for the Years ending 30 June 2024											
BALANCE SHEET											
Scenario: Option 3 - "Improve" (10.8%pa SRV x 4 yrs)											
ASSETS		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	Current Assets										
	Cash & Cash Equivalents	507,769	387,920	360,042	341,084	322,441	303,117	285,765	267,202	246,195	218,965
	Investments	17,056,161	13,030,365	12,093,950	11,457,136	10,830,920	10,181,808	9,598,971	8,975,409	8,269,793	7,355,105
	Receivables	4,313,853	4,417,089	4,551,419	4,794,526	5,065,090	5,203,819	5,456,273	5,544,156	5,745,024	5,909,131
	Inventories	1,653,778	1,590,503	1,639,370	1,696,778	1,750,401	1,814,291	1,872,728	1,942,500	2,006,761	2,082,970
	Other	586,782	573,587	604,695	624,801	651,464	682,138	720,034	745,845	778,986	816,941
	Total Current Assets	24,118,343	19,999,463	19,249,475	18,914,325	18,620,316	18,185,171	17,933,771	17,475,111	17,046,759	16,383,111
	Non-Current Assets										
Investments	7,824,529	5,977,691	5,548,110	5,255,971	4,968,694	4,670,913	4,403,536	4,117,477	3,793,775	3,374,161	
Infrastructure, Property, Plant & Equipment	356,549,779	358,056,020	356,047,513	356,019,921	358,545,714	361,408,979	364,703,726	368,287,639	372,167,789	376,631,736	
Total Non-Current Assets	364,374,308	364,033,712	361,595,623	361,275,892	363,514,408	366,079,893	369,107,262	372,405,116	375,961,564	380,005,897	
TOTAL ASSETS	388,492,651	384,033,175	380,845,098	380,190,218	382,134,724	384,265,064	387,041,033	389,880,227	393,008,323	396,389,007	
LIABILITIES											
Current Liabilities											
Payables	5,187,082	5,087,829	5,383,814	5,551,481	5,803,838	6,053,951	6,398,750	6,586,761	6,869,715	7,185,780	
Borrowings	2,024,450	1,816,891	1,558,720	1,668,071	1,732,314	1,579,477	1,506,230	1,605,880	1,417,522	436,186	
Provisions	5,182,928	5,588,603	6,009,933	6,448,365	6,904,595	7,379,348	7,873,378	8,387,470	8,922,439	9,479,137	
Total Current Liabilities	12,394,459	12,493,323	12,952,468	13,667,917	14,440,748	15,012,776	15,778,358	16,580,111	17,209,676	17,101,103	
Non-Current Liabilities											
Borrowings	14,571,583	12,754,692	11,195,972	9,527,901	7,795,587	6,216,109	4,709,879	3,103,999	1,686,477	1,250,291	
Provisions	12,948,223	12,955,911	12,963,896	12,972,205	12,980,851	12,989,848	12,999,211	13,008,953	13,019,092	13,029,642	
Total Non-Current Liabilities	27,519,806	25,710,604	24,159,868	22,500,106	20,776,438	19,205,958	17,709,090	16,112,952	14,705,569	14,279,933	
TOTAL LIABILITIES	39,914,266	38,203,927	37,112,336	36,168,023	35,217,185	34,218,734	33,487,448	32,693,063	31,915,245	31,381,037	
Net Assets	348,578,385	345,829,248	343,732,763	344,022,195	346,917,539	350,046,330	353,553,585	357,187,164	361,093,078	365,007,971	
EQUITY											
Retained Earnings	284,060,385	281,311,248	279,214,763	279,504,195	282,399,539	285,528,330	289,035,585	292,669,164	296,575,078	300,489,971	
Revaluation Reserves	64,518,000	64,518,000	64,518,000	64,518,000	64,518,000	64,518,000	64,518,000	64,518,000	64,518,000	64,518,000	
Total Equity	348,578,385	345,829,248	343,732,763	344,022,195	346,917,539	350,046,330	353,553,585	357,187,164	361,093,078	365,007,971	

Wollondilly Shire Council											
10 Year Financial Plan for the Years ending 30 June 2024											
CASH FLOW STATEMENT											
Scenario: Option 3 - "Improve" (10.8%pa SRV x 4 yrs)											
	2014/15	2015/16	2016/17	2017/18	Projected Years			2020/21	2021/22	2022/23	2023/24
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities											
Receipts:											
Rates & Annual Charges	29,590,298	32,278,867	35,548,718	39,184,832	43,229,882	45,097,470	46,938,104	48,853,869	50,847,832	52,923,184	52,923,184
User Charges & Fees	4,173,111	4,077,470	4,151,613	4,279,348	4,422,906	4,540,347	4,832,435	4,926,444	5,064,242	5,230,573	5,230,573
Interest & Investment Revenue Received	1,373,317	1,261,031	1,216,529	1,241,773	1,154,598	1,283,152	1,334,964	1,360,258	1,374,682	1,417,659	1,417,659
Grants & Contributions	10,438,586	9,220,563	9,464,044	9,629,209	9,905,542	10,086,702	10,375,823	10,572,398	10,876,846	11,086,574	11,086,574
Other	998,911	858,792	638,046	504,140	511,101	502,426	511,389	548,859	559,791	585,331	585,331
Payments:											
Employee Benefits & On-Costs	(18,347,482)	(19,462,686)	(20,692,405)	(21,585,431)	(22,496,503)	(23,428,167)	(24,376,179)	(25,500,324)	(26,671,678)	(27,876,240)	(27,876,240)
Materials & Contracts	(15,843,733)	(15,186,356)	(15,976,547)	(16,787,744)	(17,348,093)	(18,085,419)	(18,671,090)	(19,650,562)	(20,324,273)	(21,187,926)	(21,187,926)
Borrowing Costs	(1,168,773)	(1,059,593)	(935,599)	(832,460)	(734,461)	(627,039)	(515,732)	(414,704)	(315,561)	(207,858)	(207,858)
Other	(4,670,880)	(4,940,024)	(5,490,034)	(5,540,593)	(5,873,387)	(6,230,253)	(6,913,201)	(7,024,424)	(7,466,318)	(7,941,506)	(7,941,506)
Net Cash provided (or used in) Operating Activities	6,543,356	7,048,064	7,924,366	10,093,073	12,771,585	13,139,218	13,516,515	13,671,815	13,945,562	14,029,792	14,029,792
Cash Flows from Investing Activities											
Receipts:											
Sale of Investment Securities	8,240,499	5,960,052	1,453,414	1,016,371	1,000,911	1,034,311	937,632	997,040	1,116,736	1,421,720	1,421,720
Payments:											
Purchase of Infrastructure, Property, Plant & Equipment	(13,226,000)	(11,103,515)	(7,588,766)	(9,569,683)	(12,123,067)	(12,460,539)	(12,892,021)	(13,181,187)	(13,477,424)	(14,061,221)	(14,061,221)
Net Cash provided (or used in) Investing Activities	(4,985,501)	(5,143,464)	(6,135,352)	(8,553,311)	(11,122,156)	(11,426,228)	(11,954,389)	(12,184,148)	(12,360,688)	(12,639,501)	(12,639,501)
Cash Flows from Financing Activities											
Receipts:											
Proceeds from Borrowings & Advances	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Repayment of Borrowings & Advances	(1,724,244)	(2,024,450)	(1,816,891)	(1,558,720)	(1,668,071)	(1,732,314)	(1,579,477)	(1,506,230)	(1,605,880)	(1,417,522)	(1,417,522)
Net Cash Flow provided (used in) Financing Activities	(1,724,244)	(2,024,450)	(1,816,891)	(1,558,720)	(1,668,071)	(1,732,314)	(1,579,477)	(1,506,230)	(1,605,880)	(1,417,522)	(1,417,522)
Net Increase/(Decrease) in Cash & Cash Equivalents	(166,389)	(119,850)	(27,877)	(18,958)	(18,643)	(19,324)	(17,351)	(18,564)	(21,006)	(27,231)	(27,231)
plus: Cash, Cash Equivalents & Investments - beginning of year	674,159	507,769	387,920	360,042	341,084	322,441	303,117	285,765	267,202	246,195	246,195
Cash & Cash Equivalents - end of the year	507,769	387,920	360,042	341,084	322,441	303,117	285,765	267,202	246,195	218,965	218,965
Cash & Cash Equivalents - end of the year											
Cash & Cash Equivalents - end of the year	507,769	387,920	360,042	341,084	322,441	303,117	285,765	267,202	246,195	218,965	218,965
Investments - end of the year	24,880,690	19,008,056	17,642,060	16,713,107	15,799,614	14,852,721	14,002,507	13,092,886	12,063,568	10,729,266	10,729,266
Cash, Cash Equivalents & Investments - end of the year	25,388,459	19,395,976	18,002,102	17,054,191	16,122,055	15,155,838	14,288,273	13,360,087	12,309,763	10,948,230	10,948,230

3.3 Financial indicators

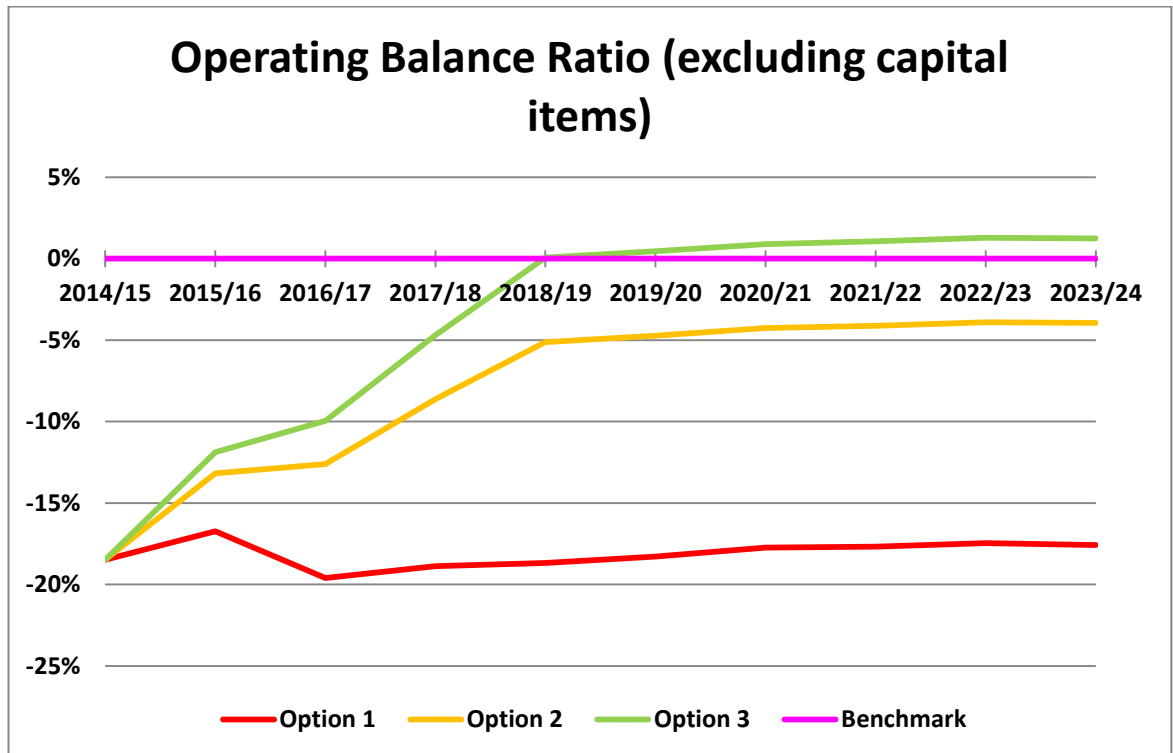
How will the special variation affect the council's key financial indicators (General Fund) over the 10-year planning period? Please provide an analysis of council's performance based on key indicators (current and forecast) which may include:

- ▼ Operating balance ratio excluding capital items (i.e., net operating result before capital grants and contributions as percentage of operating revenue before capital grants and contributions).
- ▼ Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities).
- ▼ Rates and annual charges ratio (rates and annual charges divided by operating revenue).
- ▼ Debt service ratio (principal and interest debt service costs divided by operating revenue excluding capital grants and contributions).
- ▼ Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs as per Special Schedule 7 divided by operating revenue).
- ▼ Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

Council's Long Term Financial Plan also incorporates consideration of the three funding scenarios on recognised industry performance indicators as follows:

Operating Balance Ratio

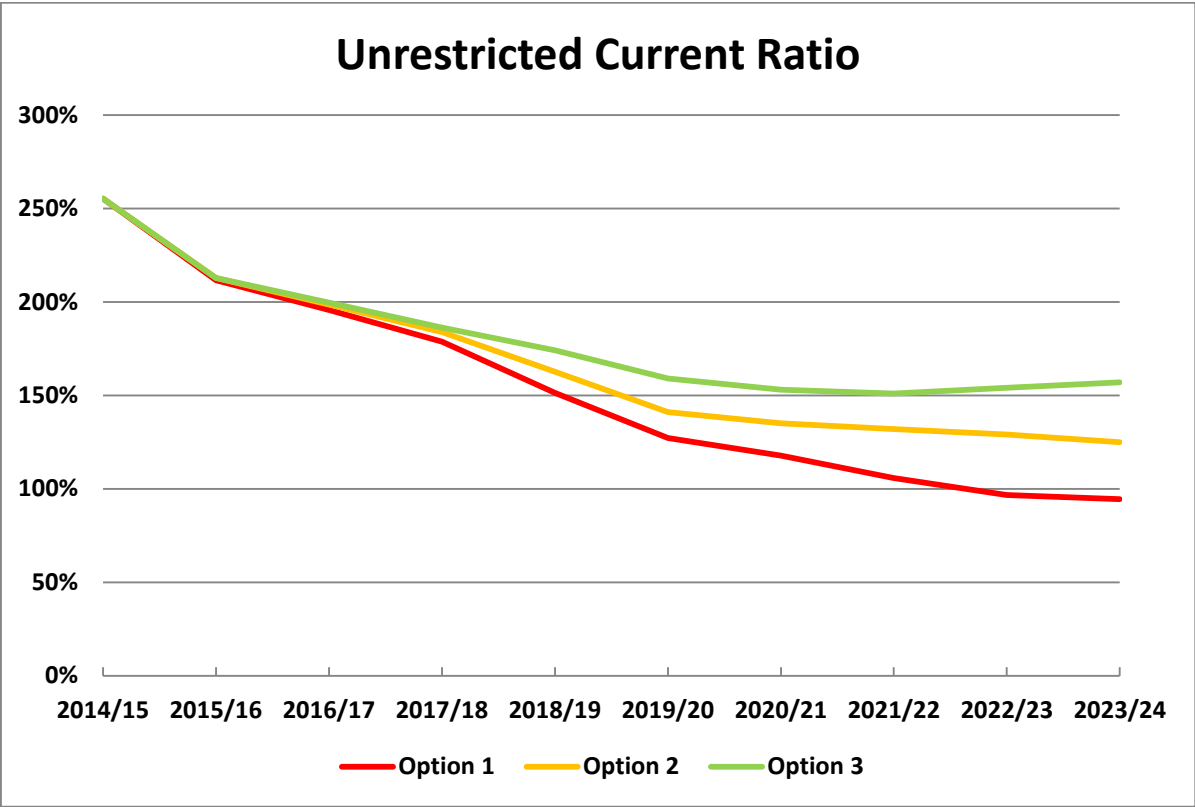
This ratio measures Council's achievement of containing operating expenditure within operating revenue. A ratio of greater than 0% indicates that Council is generating sufficient funds to provide the agreed level and scope of services to the community as identified through the Integrated Planning & Reporting process. As can be seen in the following graph, a positive result will only be achieved under Option 3.



Unrestricted Current Ratio

The unrestricted current ratio is an assessment of the adequacy of Council’s working capital and its ability to satisfy obligations (in relation to its unrestricted activities) in the short term.

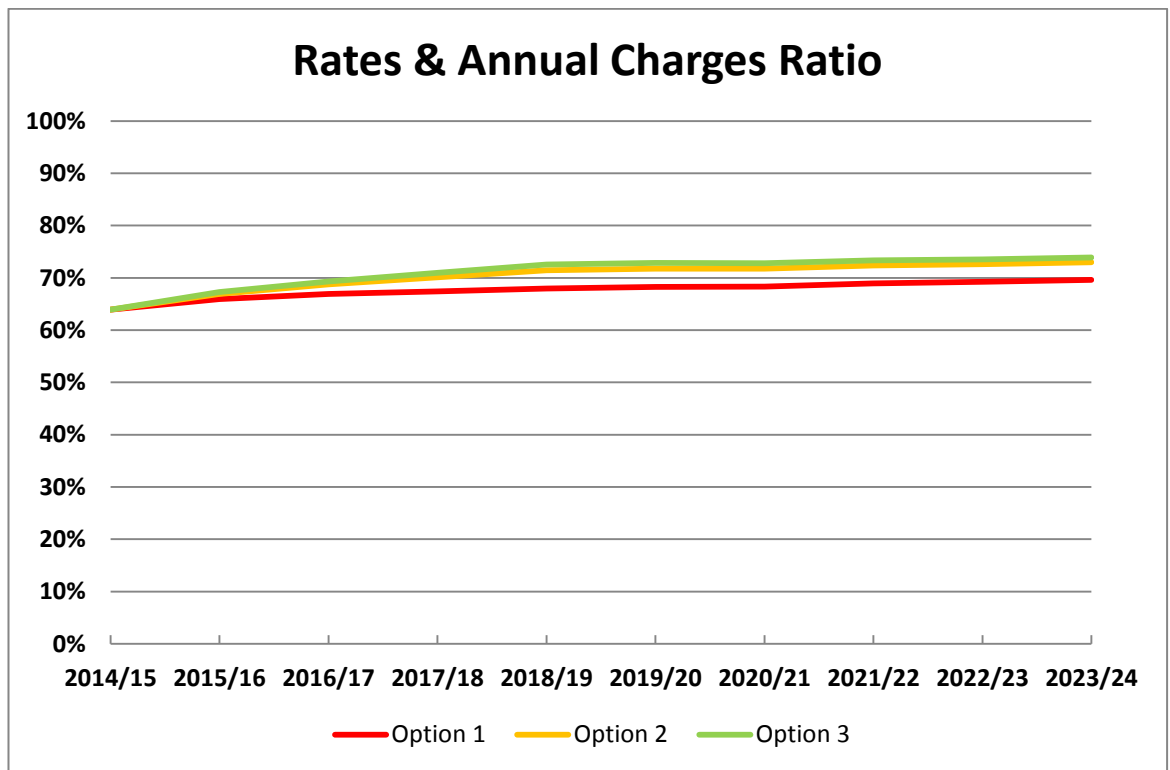
Under all three scenarios considered in Council’s LTFP it is anticipated that the short term unrestricted current ratio will remain well above the industry benchmark of 150%.



Rates and Annual Charges Ratio

This ratio measures the degree of Council's dependence upon revenue from rates and annual charges and helps to assess the security of Council's income.

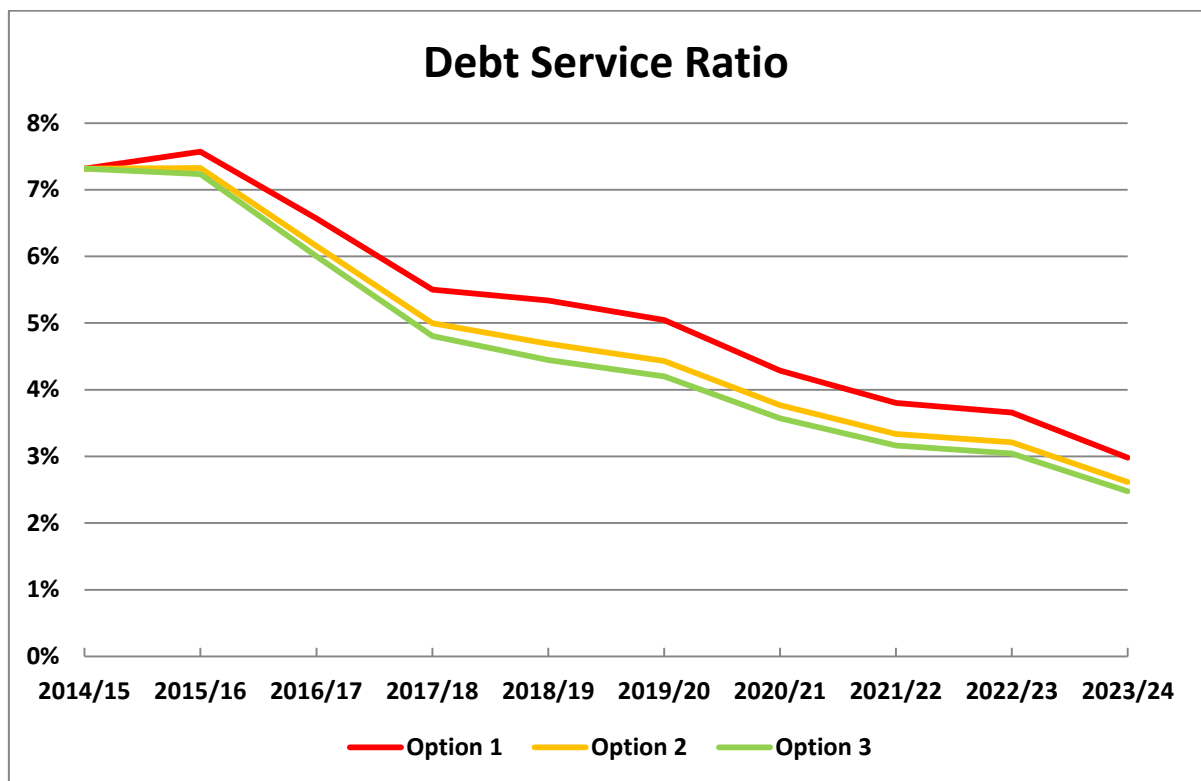
The graph below indicates that under each scenario, Council dependence on rate income will continue to gradually rise, although slightly more so under the proposed option 3 providing additional confidence regarding the security of Council's future income.



Debt Service Ratio

Council's Debt Service Ratio provides information on the extent to which Council's revenue from continuing operations is required for the repayment of debt. The industry benchmark is for the debt service ratio to not exceed 20%. Ideally, Council would like this ratio below 10% pa in order to keep the burden of debt at a manageable level with capacity to undertake further borrowing should the need arise.

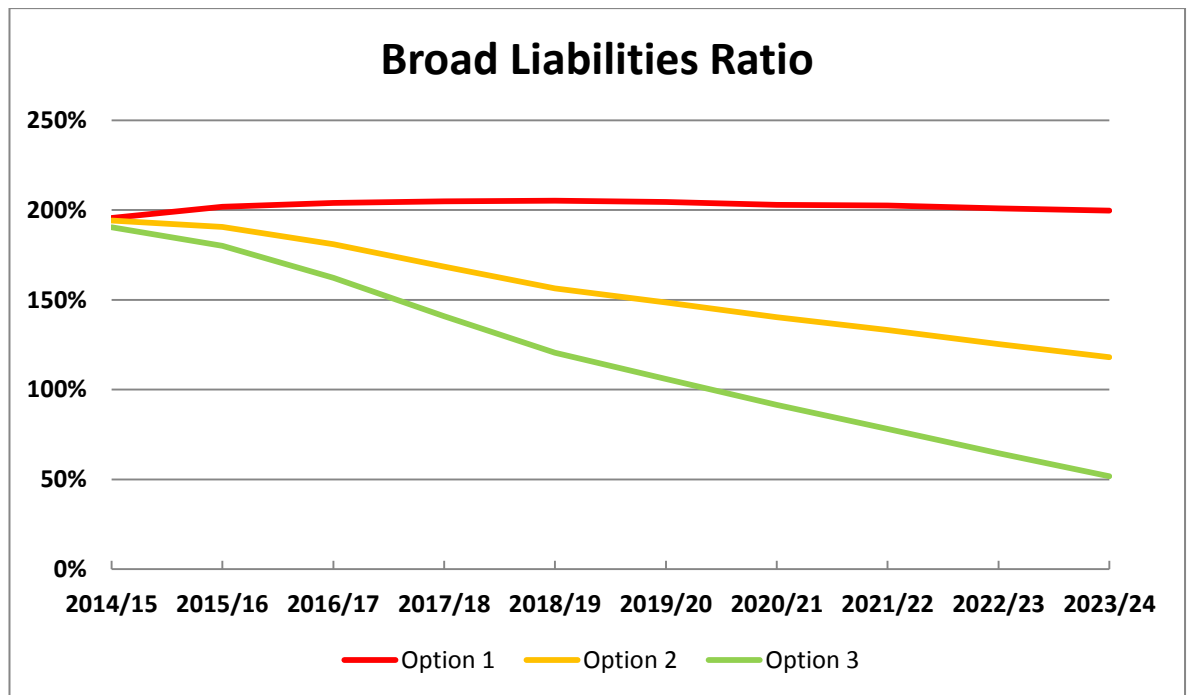
The debt ratio is calculated as being the proportion of debt servicing costs (i.e. principal and interest repayments) per year compared to the annual operating revenue (excluding capital grants & contributions). The graph below indicates that Council would expect to remain consistently below the 10% pa target under all three options.



Broad Liabilities Ratio

This ratio considers Council's capacity to clear all debts and infrastructure maintenance backlogs from operating revenue.

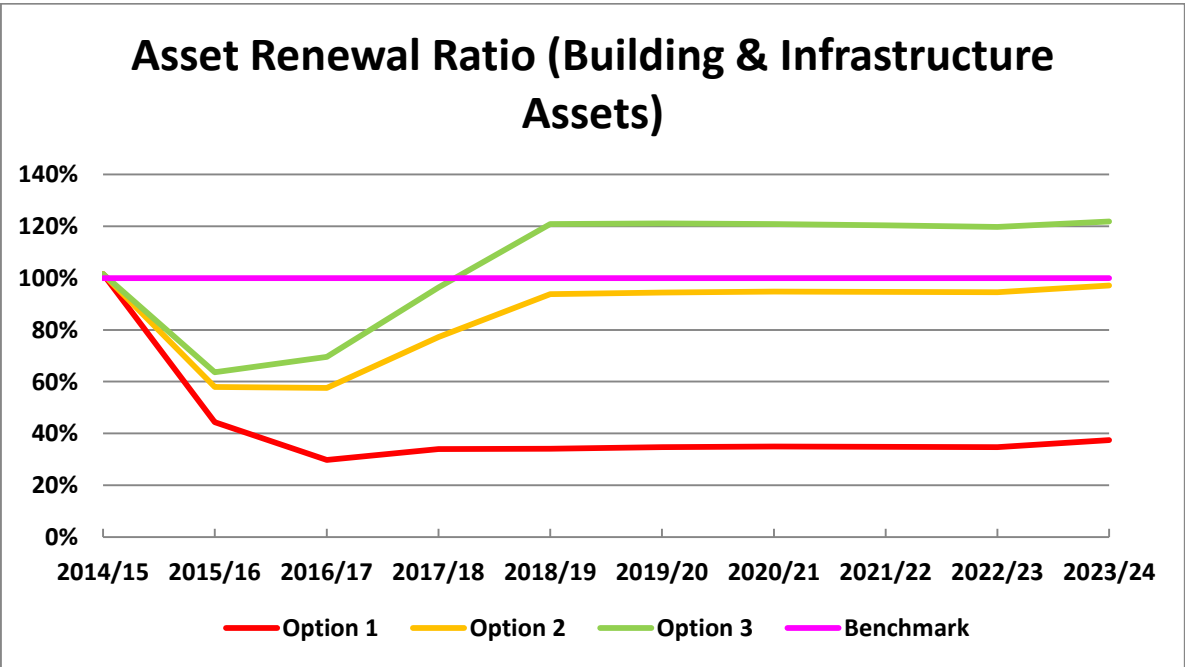
The following graph shows that only Option 3 will generate the required revenue to sufficiently reduce the backlog.



Asset Renewal Ratio (Buildings & Infrastructure Assets)

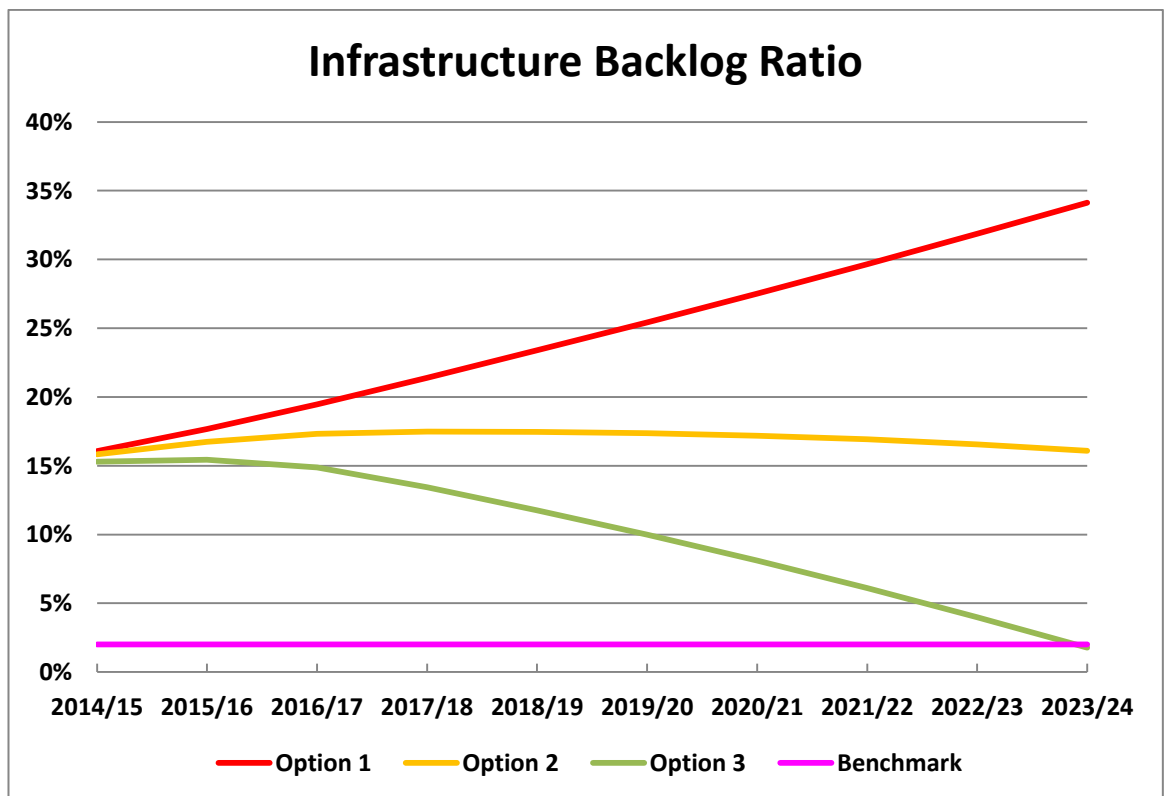
This indicator assesses the rate at which Council’s assets are being renewed relative to the rate at which they are depreciating.

A ratio of less than 100% indicates that (in general terms) the existing quality of infrastructure will deteriorate while a ratio of more than 100% indicates that the quality of existing infrastructure may improve. Whilst option 2 will see stabilisation in the condition of Council’s buildings and infrastructure, the general condition and quality of Council’s infrastructure will only begin to improve once the ratio is consistently above 100% - and this will only be achieved through Option 3.



Infrastructure Backlog Ratio

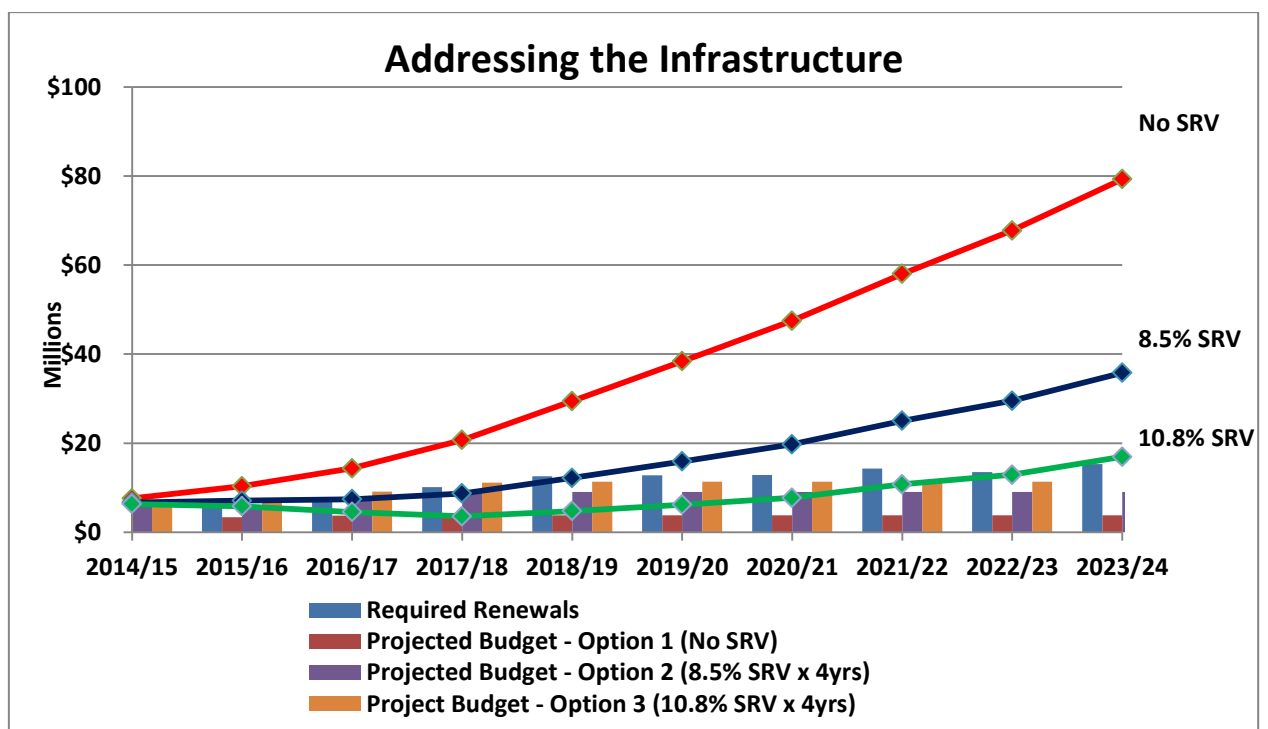
This ratio shows what proportion the infrastructure backlog is against the total value of a Council's Infrastructure. It is clear from the graphs below that Option 3 is the only scenario where the backlog will be reduced. Option 2 will see it stabilize, whereas under Option 1 the backlog will dramatically increase over time.



Asset Management Strategy and Plans

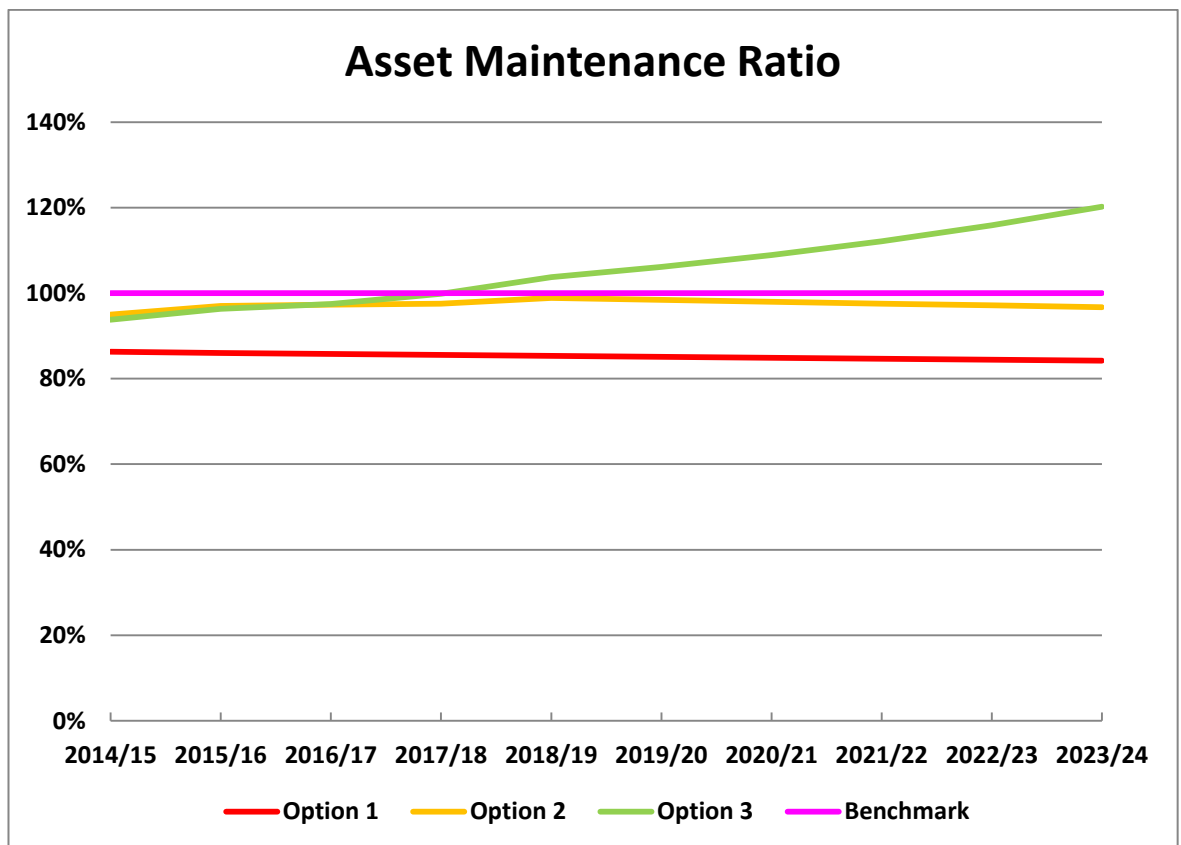
Council's Asset Management Plans (AMP's) for Transport, Buildings and Open Space assets further confirm the need for a Special Rate Variation. The AMP's confirm that at current expenditure we are under funding these assets by, an average of \$9,368,000 per annum over the next ten years.

The following graph shows that under Option 3 approximately \$9m per annum will be available to address the backlog across these major asset categories.



Asset Maintenance Ratio

This ratio compares actual versus required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog from growing. As can be seen from the graph below, there will be insufficient maintenance carried out under Option 1, therefore under this scenario the backlog will increase. Under Option 2, there will be sufficient maintenance and renewal works undertaken to stop the backlog from growing; however, the backlog will not get any smaller. Under Option 3 there will be additional maintenance and renewal works done which will see the backlog steadily decrease over time.



3.4 Contribution plan costs above the cap

You should complete this section if the special variation seeks funding for contributions plan costs above the development contributions cap. Otherwise, leave this section blank.

Please explain how the council has established the need for a special variation to meet the shortfall in development contributions.

For costs above the cap in contributions plans, a council must provide:⁴

- ▼ a copy of the council's section 94 contributions plan
- ▼ a copy of the Minister for Planning's response to IPART's review and details of how the council has subsequently amended the contributions plan
- ▼ details of any other funding sources that the council is proposing to use
- ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council's planning documents (e.g., LTFP and Asset Management Plan (AMP)).

Not Applicable

4 Assessment criterion 2: Community awareness and engagement

Criterion 2 within the OLG Guidelines is:

Evidence that the community is aware of the need for and extent of a rate rise. The IP&R documentation should clearly set out the extent of the General Fund rate rise under the special variation. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure an opportunity for community awareness and input to occur.

In responding to this criterion, the council must provide evidence that:

- ▼ it has consulted and engaged the community about the special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases
- ▼ it provided opportunities for input and gathered input/feedback from the community about the proposal
- ▼ the IP&R documents clearly set out the extent of the requested rate increases.

⁴ See Planning Circular 10-025 dated 24 November 2010 at www.planning.nsw.gov.au and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act* 1979. See also Planning Circular PS 10-022 dated 16 September 2010.

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

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

More information about how the council may engage the community is to be found in the OLG *Guidelines*, the IP&R manual, and IPART's Fact Sheet *Community Awareness and Engagement for special variation applications*, October 2014.

Box 4.1 Where a council is renewing or replacing an expiring special variation

The council's application should show how you have explained to its community:

- ▼ There is a special variation due to expire at the end of the current financial year or during the period covered by the proposed special variation. This needs to include when the expiring special variation was originally approved, for what purpose and the percentage of (General Fund) general income originally approved.
- ▼ The corresponding percentage of general income that the expiring special variation represents for the relevant year.
- ▼ Whether the temporary expiring special variation is being replaced with another temporary or a permanent increase to the rate base.
- ▼ The percentage value of any additional variation amount, above the rate peg, for which the council is applying for through a special variation.
- ▼ If the proposed special variation was not approved ie, only the rate peg applies, the year-on-year change in rates would be lower, or that rates may fall.

The council also must attach, to its application to IPART, a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

4.1 The consultation strategy

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

The council is to provide relevant extracts of the IP&R documents that explain the proposed rate rises under the special variation and attach relevant samples of the council's consultation material.

Wollondilly Shire Council has been open with the community about the challenges we face in relation to our infrastructure maintenance backlog and long term finances. This has been highlighted in our LTFP, CSP and Delivery Plan and has also been addressed and discussed with the community in a range of community consultation activities.

Specifically, Wollondilly Shire Council has made reference to the need for a Special Rate Variation (SRV) on pages 8-9 of the Wollondilly Delivery Program 2013/14-2016/17 & 2014/15 Operational Plan adopted by Council in June 2014. The heading 'we need to talk with you' indicated that Council needs the community's assistance in order to reach a position of financial sustainability into the long term. Additionally, the Draft 'Revised' Wollondilly Delivery Program 2013/14-2016/17 & 2014/15 Operational Plan gave further information on Council's 'Addressing Your Future Needs' campaign on pages 8-9 and detailed information about the need for a Special Rate Variation on pages 8-11, 13, 34-59 and Appendices 120-133.

In 2011 Council applied for a SRV for the purpose of reducing the backlog in infrastructure maintenance and renewal. Council's analysis identified that we needed an additional \$60 million over 10 years in order to bring our infrastructure up to a satisfactory level. This equated to a rate increase of 8% per annum over 7 years.

After extensive community consultation, Council applied to IPART for a SRV of 6.7% per annum over 7 years, and was successful in obtaining a rate increase of 6% per annum over 3 years, which generated \$17 million over 10 years.

Although this was less than Council identified as necessary to address the infrastructure maintenance backlog and to assist in becoming financially sustainable in the long term, Council was able to implement a number of projects to improve infrastructure within the community. The SRV also enabled Council to

access the State Government's Local Infrastructure Renewal Scheme (LIRS) loans to enable the early delivery of a number of much needed infrastructure works.

With the significant shortfall in funding generated from the 2011 SRV, it was quite clear from the outset that Council would need to consult the community again in the future regarding another SRV, in order to address the continuing deterioration of our assets and infrastructure and to become financially sustainable.

As a result, Council began the conversation with the community about the continuing need for a further SRV through the exhibition of our IP&R document suite in May 2014.

Engagement Aim

"Our community wants to feel that their interests and aspirations are represented in the decision making process. People are Wollondilly's greatest asset and they should have a say in the decision making processes that affect their community."

Wollondilly Shire Council Community Strategic Plan 2033

Following on from the public exhibition of our IP&R document suite in May 2014, Wollondilly Shire Council developed a community engagement strategy to consult the community further about the need for another SRV.

The 'Addressing Your Future Needs' community engagement strategy (Refer to Attachment 5) was developed with the aim of making the community aware about the need for a SRV within Wollondilly and the options being considered; as well as highlight the implications of a SRV within the community with respect to rates and Council's services and facilities. Additionally the strategy aimed to empower the community to be involved in the conversation and provide feedback to inform the decision making process.

Council also identified the need to instil confidence in the community regarding Council's ability to manage and allocate SRV funds efficiently and effectively.

Community Engagement Principles

Engaging with the community in an open and transparent manner in order to enable the community to inform the decision making process, and actively engage in the conversation is an integral part of Wollondilly Shire Council's role within the community.

The Council has formalised its dedication to ongoing community engagement and recognises the importance of community participation in decision making, through its adopted Community Engagement Policy and Framework (Attachment 5A). This policy and framework underpins all community engagement activities carried out by Wollondilly Shire Council and has formed the basis of the 'Addressing Your Future Needs' community engagement strategy.

Wollondilly Shire Council is also committed to the social justice principles of access, equity, participation and rights and has used these as guiding principles for the development of the 'Addressing Your Future Needs' community engagement strategy. SRV community engagement activities were designed to allow equitable access to information, a range of opportunities for participation and for everyone's opinions to be heard.

The 'Addressing Your Future Needs' community engagement strategy was also based on the International Association for Public Participation (IAP2) Public Participation Spectrum principles. IAP2's Public Participation Spectrum outlines the fundamental principles of community engagement and aims to assist in determining the purpose and level of community participation in community engagement activities. The principles utilised within the 'Addressing Your Future Needs' engagement strategy include:

- **INFORM:** to provide the public with balanced and objective information to assist them in understanding the problems, alternatives, opportunities and/or solutions. Possible engagement activities that could be utilised to inform community members include:
 - Fact Sheets
 - Websites
 - Open Houses
- **CONSULT:** to obtain public feedback on analysis, alternatives and/or decisions. Possible engagement activities that could be utilised to consult community members include:
 - Public Comment
 - Focus Groups
 - Surveys
 - Public Meetings
- **INVOLVE:** to work directly with the public throughout the process to ensure that public issues and concerns are consistently understood and considered. Possible engagement activities that could be utilised to involve community members include:
 - Workshops
 - Deliberative polling

Additionally, Wollondilly Shire Council utilised our Assets to Opportunities Maps 2010 (Refer to Attachment 5C) to inform the development of the community engagement strategy, in particular in determining how best to communicate the SRV key messages in each village and town.

In addition to these principles, Wollondilly Shire Council also took into account IPART's community awareness and engagement guidelines when developing the community engagement strategy. These guidelines identify the need to ensure that the community is aware of the need for and extent of a rate rise; and that an appropriate variety of engagement methods are used to ensure ample opportunities for community awareness and input to occur.

These principles provided a sound basis for Wollondilly Shire Council to develop the 'Addressing Your Future Needs' community engagement strategy in order to effectively consult with the community about the Special Rate Variation proposals being considered.

Engaging Wollondilly

For the purpose of developing and delivering the community engagement strategy a number of key stakeholders were identified. As it was acknowledged that the SRV proposal being considered would be relevant to a large majority of the community, it was important that the whole community had the opportunity to be involved in the SRV conversation.

The community identified within this engagement strategy encompassed:

- Residents
- Ratepayers (residential, business, farmland and mining)
- Local business and industry
- Farmers
- Mining companies
- Community service providers
- Local committees, forums and reference groups
- Visitors to the Shire
- Council facility and service users

In addition to the community, Wollondilly Shire Council identified a number of other key stakeholders that it was essential to engage with regarding the SRV proposal being considered. Including:

- Office of Local Government
- Independent Pricing and Regulatory Tribunal

- Wollondilly Shire Council Councillors
- Local Members of Parliament
- All Wollondilly Shire Council Staff including office and outdoor staff

Key Messages

It was identified during the planning phase of the 'Addressing Your Future Needs' community engagement strategy that the need for a SRV and how this will impact the community is a complex topic to communicate. As a result, a number of key messages were developed to convey essential information about the SRV proposal being considered.

The key messages used throughout the community engagement strategy included:

- Council is committed to informing and consulting the community about the need for a SRV and genuinely listening to the community's views
- Council is committed to ensuring the community are actively involved in the decision making process
- Council has an insight into what the community wants through our IP&R activities and community engagement initiatives; and knows that our community places a high priority on the Shire's infrastructure, in particular roads
- Council understands that rate rises of any kind are never welcome but believes that a SRV is a necessary course of action to maintain our essential infrastructure and services
- Council's IP&R documentation outlines the financial challenge we are currently facing and our long term financial modelling currently estimates that we are facing an \$80 million shortfall at the end of 10 years
- Council has been working hard to reduce operating costs
- Council has improved our asset management processes
- Our Shire is vast in relation to our low population; as a result we have high infrastructure costs, particularly on roads, relative to a small rate base
- Council is responsible for over half a billion dollars of assets including 840 kilometres of road
- Council applied for a SRV in 2011 to address the infrastructure maintenance backlog; however, we didn't receive what we needed and as a result our assets have continued to deteriorate
- Although we received less than we expected with the last SRV in 2011; we were still able to effectively administer the funds from the previous

SRV and able to deliver some much needed projects earlier by securing LIRS Loans

- A Special Rate Variation is an important step towards becoming 'Fit for the Future'
- Many Councils across NSW are facing the same challenges as Wollondilly Shire Council

Methodology

The 'Addressing Your Future Needs' community engagement strategy employed a range of communication methods to ensure that all target audiences were aware of Council's SRV proposal, Council's intention to seek community support for or against a rate rise, and the various engagement opportunities and avenues to provide feedback and be involved in the conversation.

The consultation methods utilised throughout the community engagement strategy included:

- Councillor Workshops
- Council Reports
- Static Displays
- Train Station Engagements
- Informal information sessions utilising the Dilly Wanderer
- Information distribution at community events
- Community Meetings
- Information and Drop-In Session
- Drop-In Q&A Sessions
- Information Kits
- Correspondence
- Newsletter
- Media Releases
- Radio Interviews
- Articles in the Bush Telegraph and Mayor's Column
- Newspaper Advertising
- Flyer Distribution
- Information Stalls
- Social Media Posts
- Website
- Telephone Survey

Community Engagement Structure

The 'Addressing Your Future Needs' community engagement strategy involved five key phases including the planning, implementation, assessment, review/reporting and evaluation phases.

Planning Phase:

Wollondilly Shire Council developed a community vision in partnership with the community during the development of the CSP, and this vision is consistent throughout all of Wollondilly Shire Council's IP&R documents. The development of the CSP involved a comprehensive community consultation process which included community workshops, information kiosks, distribution of comprehensive information across the community, and engagement with a diverse range of stakeholders.

Following on from the development of the shared community vision, Wollondilly Shire Council with the community also identified priorities and needs for the Shire, as outlined in the CSP.

Building on from this, the planning phase also involved the confirmation of the funding options and financial needs of the Shire as identified in the LTFP and draft Asset Management Plans (AMPs); in order to be consistent with the community aspirations for Wollondilly with respect to infrastructure maintenance and renewal.

Once the community's priority areas and needs were identified along with the funding options, Wollondilly Shire Council developed a community engagement strategy and a number of key messages that were to be conveyed to the community throughout the engagement period. The key messages aimed to increase community awareness of the SRV proposal and the impact of the SRV options on the ratepayer and within the community.

Lastly, engagement resources were developed during the planning phase of the engagement strategy. These resources were developed in order to effectively and clearly convey the key messages of the SRV proposal being considered and were designed in line with the IAP2's Public Participation Spectrum and Wollondilly Shire Council's Assets to Opportunities Maps 2010.

Implementation Phase:

In September 2014, Council resolved to begin a formal conversation with the community about the need for a SRV and the options being considered by Council. As a result, Wollondilly Shire Council embarked on a comprehensive community engagement program.

The main focus of the implementation phase of the community engagement strategy was to establish community awareness and understanding around the SRV proposal being considered by Council.

As a result a number of community engagement methods were utilised to actively engage with the community about the proposal, deliver key messages and receive community feedback.

Wollondilly Shire Council also contracted an external research company in order to assess whether the community generally supported a SRV and how aware the community was of Council considering a SRV. This was achieved using a telephone survey.

In addition, the implementation phase involved the public exhibition of the Draft Revised Delivery Program 2013/14-2016/17 & Operational Plan 2014/15.

The results of each stage of the 'Addressing Your Future Needs' community engagement strategy were reported to Council throughout the process at Council meetings between September 2014 and February 2015.

Assessment Phase:

Following the implementation phase of the community engagement strategy, Council conducted an assessment process to address and respond to community concerns that had been identified, and to assess community support for a SRV.

While Council endeavoured to be as responsive as possible to community concerns raised throughout the implementation phase, some aspects of community concern needed to be addressed after the implementation phase had been completed.

An extensive review of all submissions received during the implementation phase was conducted. As a result, all community members who made a submission as part of the community engagement period received acknowledgement that their submission was being considered as part of the decision making process. All submissions were reviewed by Council officers and concerns were addressed where possible. All community members who made a submission were notified that any concerns they made in their submission would be addressed following Council's meeting in February 2015.

In addition to assessing the submissions received, Council also assessed the following:

- Number of community members who participated in each of the engagement activities and initiatives
- Number of enquiries and submissions received

- Number of visits to the Addressing Your Future Needs webpage
- Social media coverage and reach
- Media coverage
- Number of people aware of the SRV engagement (identified in surveys)
- Number of people supportive of a SRV (identified in surveys)
- Number of SRV resources distributed to community members

Review/Reporting Phase:

The fourth phase of the community engagement strategy involved submitting a report to Council regarding the outcomes of the community engagement strategy. Along with that report, Councillors received a copy of all submissions received during the engagement period. This information was provided to Councillors in order for them to gain a greater sense of community sentiment regarding a SRV, and to make an informed decision as to whether Council would make an application to IPART for a SRV.

Additionally, the review/reporting phase involves the ongoing reporting, communication and awareness to the community about the SRV. Specifically, Wollondilly Shire Council is committed to continuing to inform the community about the SRV process and what will happen now that Council has resolved to make an application to IPART for a SRV of 10.8% over 4 years.

Evaluation Phase:

A complete evaluation of the 'Addressing Your Future Needs' community engagement strategy will be carried out following IPART's decision regarding Council's SRV application to assess whether the engagement strategy has successfully met the aims set out in the strategy.

4.2 Feedback from the community consultations

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

Where the council has received submissions from the community relevant to the special variation, the application should set out the views expressed in those submissions. Please refer to Section 1.2 concerning how the council should handle confidential content in feedback received from the community. The council should also identify and document any action that it has taken, or will take, to address issues of common concern within the community.

The engagement methods employed, along with the outcomes are detailed below.

- ***Councillor Workshops:***

Councillor Workshops were held before and during the community engagement period. These workshops focused on the fundamental need for a SRV taking into account Council's financial and asset data. Additionally, the workshops focused on reviewing the community engagement strategy, in particular the engagement methods to be utilised; review of promotional material and consultation information; a presentation from the telephone survey external contractors regarding methods used to survey the community and confirmation of the SRV options to be considered.

- ***Council Reports:***

6 reports (all publicly available) were submitted to Council between September 2014 and February 2015. These reports informed Councillors about the SRV proposal and community engagement progress; as well as the Draft Revised Delivery Program 2013/14-2016/17 & Operational Plan 2014/15. Reporting to Council not only informed Councillors further about the SRV community engagement but also enabled another avenue for community members to be aware of the SRV proposal and submit questions to Council at community forums. No questions were submitted to Council at any of the community forums regarding any of the SRV related reports.

- ***Static Displays:***

Static displays were at Picton Library, Wollondilly Tourist Information Centre, Wollondilly Shire Council's Children Services and Wollondilly Shire Council Administration Building. Displays included posters, flyers, 'Addressing Your Future Needs' newsletter and 'Addressing Your Future Needs' bookmarks.

- ***Train Station Engagement:***

Due to the fact that a large proportion of our population travel outside the Shire for work, Council officers distributed SRV information to commuters at three of Wollondilly's most used train stations. Council officers attended Picton, Tahmoor and Bargo train stations between 5:30am-8:00am on the 16th, 17th and 18th of September 2014. Council officers distributed newsletters, FAQs and flyers to commuters and were available to answer any community questions. 144 commuters received information about the SRV proposal.

- ***Information Stalls with the Dilly Wanderer:***

Wollondilly Shire is geographically large and as a result Wollondilly Shire Council has developed a number of mobile community service initiatives in an effort to better reach and service our community. One such service is the Dilly Wanderer – a mobile community engagement and information service – which regularly travels across the Shire to provide information to the community. Council officers held information stalls in conjunction with the Dilly Wanderer service during the implementation phase to speak with the community about the SRV proposal and answer any community questions. These information stalls were widely promoted across the Shire. The Dilly Wanderer SRV Information Stall visited the following towns and villages:

- Yanderra
- The Oaks
- Tahmoor
- Oakdale
- Bingara Gorge
- Buxton
- Appin
- Bargo
- Silverdale
- Douglas Park
- Thirlmere
- Warragamba
- Picton

A total of 26 people received information about the SRV at the Dilly Wanderer Information Stalls.

- ***Community Events:***

During the implementation phase of the community engagement strategy a number of Council Officers attended community events on weekends. As a result, Council Officers distributed information about Council's SRV proposal to community members. SRV information was available at the following events:

- Sunday 21st September 2014: Tahmoor Uniting Church Community Garden Family Day
- Saturday 11th October 2014: Bargo School Fete
- Sunday 19th October 2014: DamFest (community festival in Warragamba)

35 people received information about the SRV at these events.

- ***Community Meeting:***

In an effort to ensure community members could engage with Council regarding the SRV proposal, Council held three evening community meetings from 6:00pm-8:00pm across the Shire. A presentation was delivered to all attendees at the meeting and community members were able to ask questions to Council Officers. Additional information was distributed to attendees and attendees were able to submit feedback about the SRV proposal. Community meetings were held on the following dates:

- Thursday 25th September 2014 at Warragamba Town Hall
- Thursday 16th October 2014 at Tahmoor CWA Hall
- Thursday 23rd October 2014 at Appin Community Hall

These locations were selected for evening community meetings as Council wanted to ensure that an 'out of hours' engagement opportunity was held in each ward within Wollondilly. This was done in an effort to cater to our population who work out of the area. As a result, Council reviewed the geographic locations within each ward along with population statistics to determine the ideal locations of the evening meetings.

27 people in total attended the 3 community meetings.

- ***Information & Drop-In Session:***

An additional evening information and drop-in session was organised for Warragamba. This was held in response to community requests at the first Warragamba Community Meeting identifying that this would allow more community members the opportunity to participate in the SRV

conversation. Residents were encouraged to drop-in to Warragamba Town Hall between 6:30pm and 8:30pm on the 15th October 2014 to ask questions and receive information about the SRV proposal. This information and drop-in session was widely promoted throughout the community. One community member attended the information and drop-in session.

- ***Drop-In Q&A Sessions:***

Four drop-in sessions were held at Picton Shire Hall from 12:00pm-2:00pm for four consecutive days. Community members could drop-in to the Shire Hall during the allocated time to discuss the proposal and ask questions. The Hall also had displays of how Council allocated the funds generated from the previous SRV for the community's information. Drop-In Q&A Sessions were held on the following days:

- Tuesday 7th October 2014
- Wednesday 8th October 2014
- Thursday 9th October 2014
- Friday 10th October 2014

20 community members attended the Drop-In Q&A Sessions over the four days.

- ***Information Kits:***

Information kits were distributed to key stakeholders throughout the engagement period in an effort to increase awareness about the SRV proposal. The following stakeholders received information kits:

- Wollondilly Shire Council Councillors
- Local Members of Parliament
- Wollondilly Shire Council Staff. While all staff members received information about Wollondilly Shire Council's SRV proposal, staff members who dealt directly with the public were invited to an information session or provided with more detailed information.

These staff members included:

- Library Staff
- Customer Request Staff
- Customer Service Staff
- Children Service Staff
- Social Media Team

- ***Correspondence:***

A number of key stakeholders received direct correspondence about the Addressing Your Future Needs community engagement campaign and proposal. This was in an effort to increase community awareness and understanding. The following stakeholders received direct correspondence:

- 93 Council Committee Members
- 146 Community Directory Contacts
- 383 Business Directory Contacts
- 8 Community Members who attended the Warragamba Community Meeting

- ***'Addressing Your Future Needs' Newsletter:***

Hard copy newsletters were mailed to all ratepayers in Wollondilly Shire. 16,936 ratepayers were sent a newsletter. In addition to mailing out the newsletter to all ratepayers, newsletters were also made available at all community engagement activities. Refer to Attachment 5G.

- ***Phone Enquiries:***

During the 'Addressing Your Future Needs' community engagement period, the SRV Project team was available to take any community calls regarding the SRV proposal and receive phone submissions. During this time Wollondilly Shire Council received 17 enquiries regarding the SRV proposal.

- ***Radio:***

Two radio interviews were conducted during the implementation phase to discuss the SRV and promote the community engagement opportunities and ways for the community to be involved in the conversation.

- 24th September 2014: Macarthur Community Radio
- 30th September 2014: ABC Illawarra Radio

- ***Media Release:***

Media releases were distributed regularly throughout the engagement period. Specifically 9 media releases were distributed to the following media outlets:

- Southern Highlands Radio
- ABC Western Sydney
- MP Angus Taylor's Office

- Macarthur Chronicle
 - C91.3
 - Warragamba Website
 - Penrith Press
 - Illawarra Mercury
 - 2UE
 - MP Jai Rowell's Office
 - Wollondilly Advertiser
 - Network Ten
 - Prime TV
 - Informer
 - Seven News
 - Sydney Morning Herald
 - The District Reporter
 - The Land
 - What's Happening in Warragamba and Surrounds
 - Win News
 - ABC Wollongong
- ***Bush Telegraph Coverage:***
- Wollondilly Shire Council has a full page article called the Bush Telegraph which is published each week in the newspaper, and contains the Mayor's column and other relevant Council information. From September to October, the Bush Telegraph was printed in the Advertiser, Chronicle and District Reporter. From November onwards, the Bush Telegraph was printed in the Advertiser and District Reporter. Bush Telegraph coverage included:
- 2 Bush Telegraph Articles regarding the SRV proposal
 - 5 Bush Telegraph Articles about the public exhibition of the Draft Revised Delivery Program 2013/14-2016/17 & Operational Plan 2014/15
 - 3 Articles in the Mayor's column about the SRV proposal
 - 1 Bush Telegraph Advertisement about the SRV
- ***Newspaper Advertising:***
- 1 quarter page advertisement was printed in the Advertiser, Chronicle and District Reporter at the beginning of the implementation phase.
- ***Media Coverage:***

The Special Rate Variation proposal Council is considering was featured in a number of local newspapers during the engagement period.

- ***Flyer Distribution:***

Flyers and posters were distributed across the Shire to local Businesses and facilities to increase community awareness. Specifically, 111 businesses received flyers and posters, 1 neighbourhood centre received flyers and posters and 1 preschool. These flyers were distributed in the following towns and villages:

- Tahmoor
- Warragamba
- Silverdale
- Appin
- Douglas Park
- Thirlmere
- Picton

- ***Shopping Centre Information Stalls:***

SRV information was distributed at two of the major shopping centres in Wollondilly. SRV Project Team members were also available to answer any community questions about the SRV proposal.

- Thursday 9th October 2014: 30 people received information about the SRV at Tahmoor Shopping Centre
- Monday 27th October 2014: 49 people received information about the SRV at Picton Mall

- ***'Addressing Your Future Needs' Business Cards:***

In response to outdoor staff receiving questions from the community regarding the SRV proposal business cards were printed. The business cards provided details for community members as to where they could access further information about the SRV. 200 business cards were distributed to outdoor staff for use.

- ***Social Media:***

Wollondilly Shire Council's Facebook page has 2,197 likes and 724 followers on Twitter. During the 'Addressing Your Future Needs' community engagement period a total of 46 posts were made on Social Media regarding the SRV, public exhibition of the Draft Revised Delivery

Program 2013/14-2016/17 & Operational Plan 2014/15 and community consultation opportunities. In total the 46 social media posts resulted in:

- 14,079 People Reached
- 1303 Post Clicks
- 42 Likes
- 71 Shares
- 75 Comments

As a result, on average each post reached 306 people, generated 28 post clicks, 0.9 likes, 1.5 shares and 1.6 comments.

- ***'Addressing Your Future Needs' Webpage:***

During the planning phase of the community engagement strategy, Wollondilly Shire Council developed a microsite in order to provide detailed information to the community about the SRV. The microsite was attached to Council's already existing IP&R website 'Wollondilly 2033'. From the 15th of September to the 30th October 2014 'Wollondilly 2033' received 819 visitors of which 571 were new visitors to the site and 248 were returning visitors to the site. On average people were on the site for 2 minutes and 52 seconds and visited 3.05 pages per session during this time. The 'Addressing Your Future Needs' microsite homepage was the most visited page on the site during this time.

Wollondilly Shire is geographically large and as a result Council acknowledges that providing opportunities for all community members to participate in the Special Rate Variation conversation is difficult. However, Council took all practical steps to ensure the community had every possible opportunity to join the conversation about the SRV proposal. As a result, in addition to the physical engagement opportunities Council ensured that our 'Addressing Your Future Needs' webpage and newsletter had detailed information about the Special Rate Variation proposal to ensure this information would allow community members to make informed decision even if they could not physically attend an engagement opportunity. Furthermore, Council was available to take feedback and answer questions via phone, mail, email and in person at the Council Administration Building in Picton and at all engagement opportunities.

Throughout the implementation phase of the 'Addressing Your Future Needs' community engagement strategy, Wollondilly Shire Council received 165 formal submissions regarding the SRV proposal and zero submissions for the public exhibition of the Draft Revised Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15.

Submissions were taken via email, mail, phone, in person and web. The number of submissions received for each submission method is as follows:

- 53 Email Submissions
- 23 Mail Submissions
- 13 Phone and In Person Submissions
- 76 Web Submissions

All submissions received during the community engagement period were deemed as valid and were included in the community engagement outcomes. Even where community members submitted more than one submission, Council still considered all their submissions. This was done in an effort to ensure complete transparency with the community regarding community sentiment towards the SRV proposal.

Of the 165 submissions received 39 submissions indicated support for a SRV; 107 submissions indicated that they were not supportive of a SRV and 19 submissions did not specify being supportive or not supportive of a SRV.

Furthermore, out of the 165 submissions received during the engagement period the following submissions stated a preferred SRV option:

- Option 1 preferred: 35 submissions
- Option 2 preferred: 14 submissions
- Option 2 or 3 preferred: 6 submissions
- Option 3 preferred: 13 submissions
- Preferred option not specified: 97 submissions

It can be seen from the submissions received throughout the community engagement period, the small sample of the community who voluntarily provided feedback to Council, is largely not supportive of a SRV. Council anticipated that direct community feedback during the community engagement period would be mostly against a SRV.

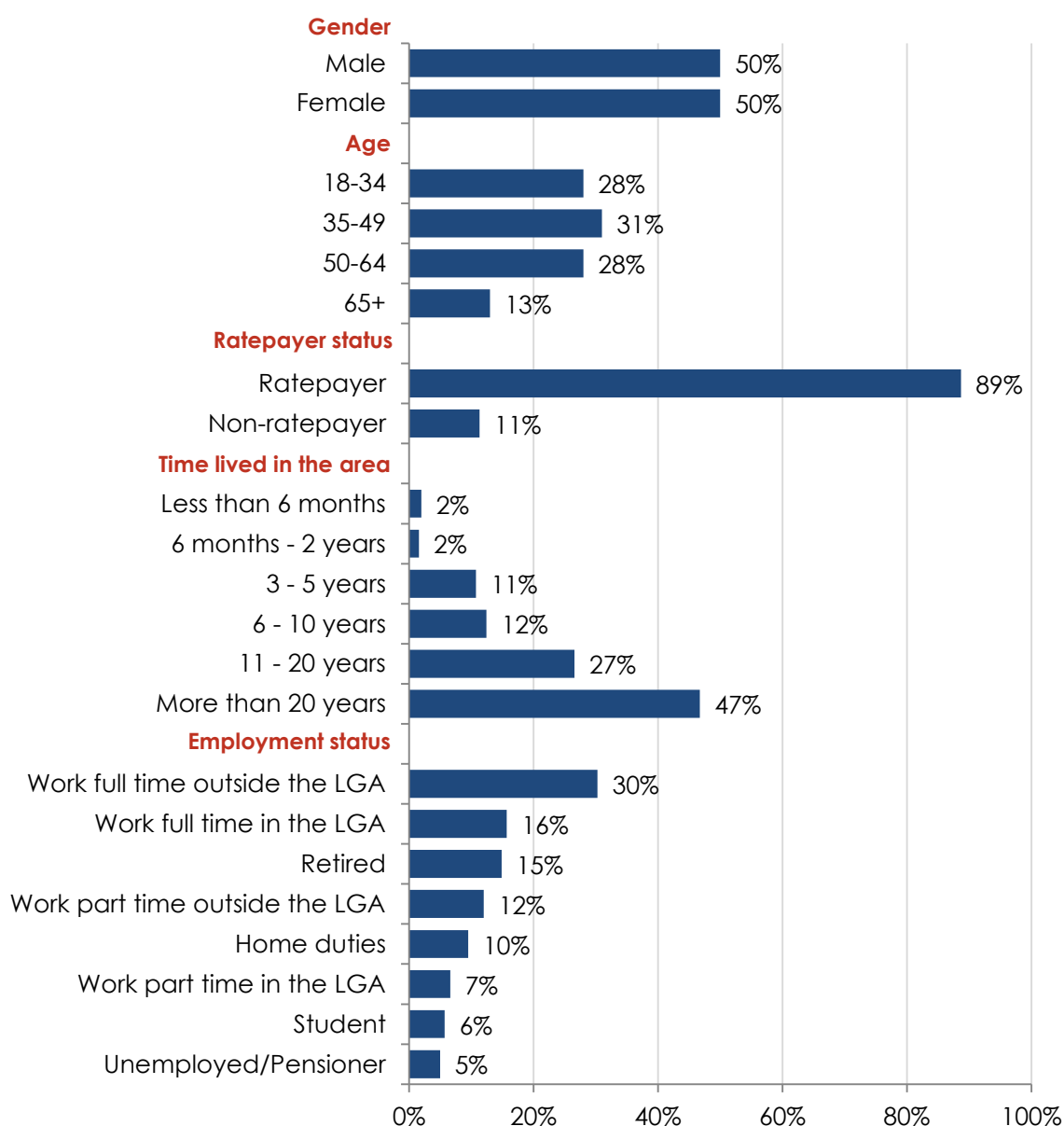
In addition to taking direct community feedback regarding the SRV proposal through formal submissions; Wollondilly Shire Council also contracted an external research company to conduct a telephone survey of the Wollondilly community.

A total of 407 community members were interviewed and this provided a maximum sampling error of plus or minus 4.9% at 95% confidence. As a result, the research findings can be interpreted as not just the opinions of 407 residents, but as an accurate and robust measure of the entire community's attitudes.

Interviewing was conducted in accordance with Interviewer Quality Control Australia (IQCA) standards and the Market Research Society Code of Professional Conduct.

A sample profile of the respondents is detailed in Figure 1.1. The sample was weighted to reflect the 2011 ABS statistics for the Wollondilly Local Government Area.

Figure 1.1 Sample profile of telephone survey respondents



Respondents were asked a range of questions relating to Council performance and satisfaction with Council services; and were also read a concept statement relating to the three SRV proposals and asked specific questions regarding preferred options and level of support for the options Council is considering.

When respondents were asked how satisfied they were with Council's overall performance in the last 12 months; 81% of respondents said they were at least somewhat satisfied with the performance of Council. This is in line with the NSW Local Government Area Benchmarks.

Furthermore, 89% of residents were at least somewhat satisfied with the level of service provided by Council in the Shire. Additionally, when respondents were asked 'how satisfied are you with the quality of infrastructure and facilities provided by Council in the local area?' 65% of respondents identified that they were at least somewhat satisfied with the quality of infrastructure. While 35% of respondents expressed that they were not very satisfied to not at all satisfied with the quality of infrastructure and facilities in Wollondilly.

Following on from this, respondents were also asked 'how important is it for Council to provide better infrastructure and facilities?' 99% of respondents identified that it was at least somewhat important for Council to provide better infrastructure and facilities.

These results indicate that currently residents within Wollondilly are generally satisfied with Council's overall performance and level of service. However, the majority of the community also places a greater importance on Council continuing to provide better infrastructure and facilities.

With respect to the three SRV options Council is considering, respondents were read a concept statement outlining Council's position on a SRV and the potential impacts of each option on ratepayers and within the community.

When respondents were asked how supportive they were of Council proceeding with each option, it found that the highest level of support was for Option 2 which includes the increase of rates by 8.5% for 4 years including the 3% rate peg. Specifically, 71% of residents were at least somewhat supportive of Option 2. Additionally, it was found that 52% of respondents were at least somewhat supportive of Option 3 and 51% of respondents were at least somewhat supportive of Option 1. Level of Support for the SRV Options can be seen in Figure 1.2

Respondents were then asked to rank the three options in order of preference; Figure 1.3 outlines the community's response. Specifically 46% of respondents nominated Option 2 as their first preference, while 30% of respondents chose Option 1 as their first preference and 24% of respondents chose Option 3 as their first preference.

However, the results also show that 70% of all respondents chose Option 2 or 3 as their first preference compared to 30% for Option 1. This result indicates that when the community is given the option, the majority of the community would prefer to introduce a SRV to rates in Wollondilly, rather than Option 1 which

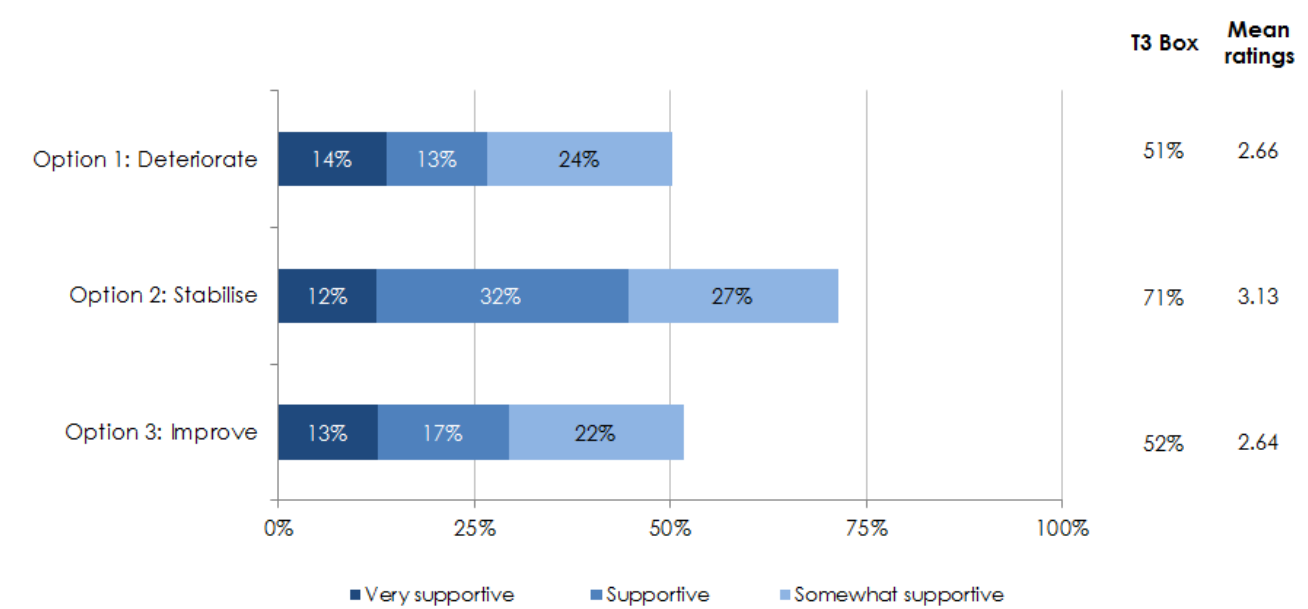
would result in no SRV and further deterioration of infrastructure and assets in Wollondilly.

In addition to this, one of IPARTs community engagement criteria focused on community awareness. As a result, Wollondilly Shire Council implemented a number of initiatives to ensure broad community awareness about the SRV proposal. During the telephone survey, respondents were asked if prior to the call they were aware that Council was exploring community sentiment towards a SRV. It was found that 49% of respondents were aware of Council’s SRV proposal, while 48% were not aware and 3% were not sure if they were aware of Council’s SRV proposal. Additionally, of the 49% of respondents who said they were aware of the SRV a total of 72% were made aware through the SRV newsletter mail out that was conducted during the implementation phase. The results of community awareness can be seen in Figure 1.4

Overall, the telephone survey results highlighted that the community is generally aware and supportive of Council making an application to IPART for a SRV.

To see a full copy of the telephone survey report and results please see Attachment 6A.

Figure 1.2 Level of support for SRV options



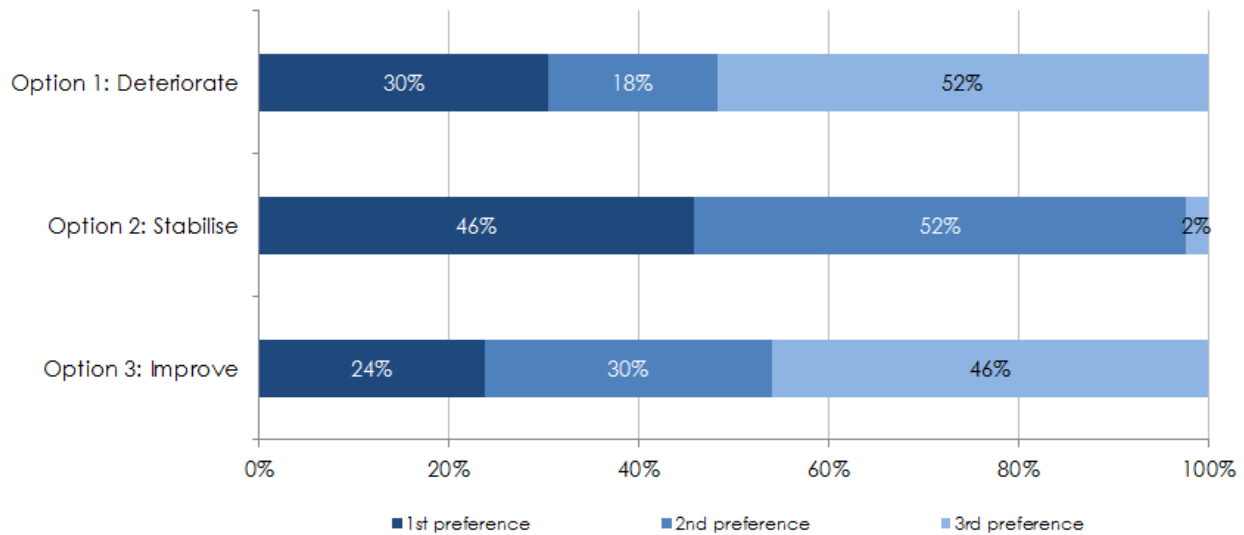
	18-34	35-49	50-64	65+	Male	Female	Ratepayer	Non-ratepayer	Overall
Base	114	126	114	53	204	204	361	46	407
Option 1 – Deteriorate	2.59	2.67	2.60	2.92	2.72	2.60	2.68	2.54	2.66
Option 2 – Stabilise	3.36	3.04	3.03	3.06	2.98	3.28▲	3.12	3.16	3.13
Option 3 – Improve	3.10▲	2.45▼	2.55▼	2.35▼	2.56	2.73	2.57	3.25▲	2.64

Q4. How supportive are you with Council proceeding with this option?

Scale: 1 = not at all supportive, 5 = very supportive

▲ ▼ = significantly higher/lower (by group)

Figure 1.3 Order of preference for SRV options



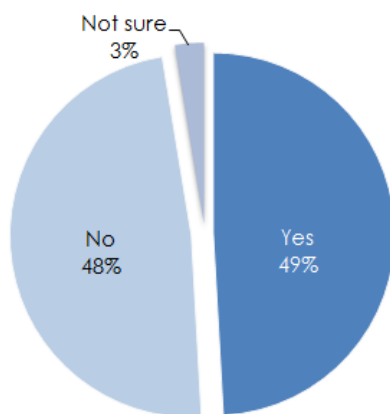
1 st Preference	18-34	35-49	50-64	65+	Male	Female	Ratepayer	Non-ratepayer	Overall
Base	114	126	114	53	204	204	361	46	407
Option 1 – Deteriorate	20%	31%	38%	37%	35%	26%	31%	25%	30%
Option 2 – Stabilise	53%▲	50%▲	34%▼	45%▲	41%	50%	47%	37%	46%
Option 3 – Improve	27%	19%	28%	18%	24%	23%	22%	38%	24%

Q5a. Please rank the 3 options in order of preference:

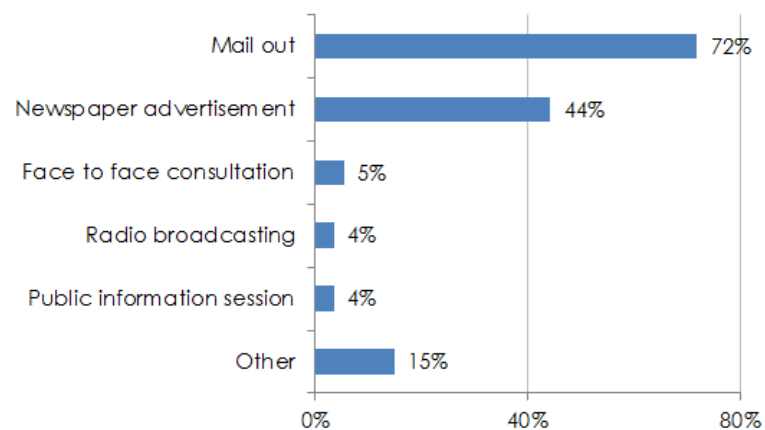
▲ ▼ = significantly higher/lower (by group)

Figure 1.4 Community awareness about SRV proposal

Q6a. Prior to this call were you aware that Council was exploring community sentiment towards a Special Rate Variation?



Q6b. How were you informed of the Special Rate Variation?



Base: n = 221

	18-34	35-49	50-64	65+	Male	Female	Ratepayer	Non-ratepayer	Overall
Base	114	126	114	53	204	204	361	46	407
Yes	30%▼	47%	64%▲	64%▲	50%	48%	54%▲	9%	49%
No	66%	52%	34%	33%	48%	49%	44%	83%	48%
Not sure	4%	2%	2%	3%	2%	3%	2%	9%▲	3%

▲ ▼ = significantly higher/lower (by group)

‘Addressing Your Future Needs’ Community Concerns

Throughout the ‘Addressing Your Future Needs’ community engagement period, Wollondilly Shire Council received a number of submissions about the SRV proposals being considered.

As part of the assessment phase of the community engagement strategy, Council Officers acknowledged receipt of all submissions and identified that any specific queries raised will be responded to after Council makes a decision in February 2015 regarding making an application to IPART for a SRV.

Council Officers reviewed all SRV submissions as part of the assessment process and identified responses and actions to community concerns.

In addition to the submissions received, Council officers also received verbal feedback from the community highlighting concerns about the SRV proposal.

The community concerns raised throughout the ‘Addressing Your Future Needs’ community engagement period are detailed below, along with Council’s response to the common community concerns. All submissions will be responded to in the months following on from the February 2015 Council meeting to address community concern, and to raise community awareness about Council’s decision to apply to IPART for a SRV of 10.8% over 4 years.

In addition to these responses, Council anticipated a number of common community concerns and responded to these through our Frequently Asked Questions (FAQs) document. Our FAQs were available on the ‘Addressing Your Future Needs’ microsite and at all community engagement activities, and addressed a number of common questions the community had during the engagement period.

<i>Concern</i>	<i>Details and Response</i>
Accountability	<p><i>The community raised questions about how Council currently allocates and spends rate income. Additionally, the community was interested in knowing how funding was distributed across soft services, administration and direct services.</i></p> <p>Council remains accountable to the community through our IP&R documentation. Council reports annually to the community about our yearly revenue, expenditure and outcomes. Additionally, Council's CSP, LTFP, AMP and Delivery and Operational Plans set out Council's long term directions as identified based on community feedback.</p>
Affordability	<p><i>It was suggested that the proposed rate increase will be unaffordable for many in Wollondilly.</i></p> <p>Council acknowledges that a SRV may be challenging for some individuals across the Shire. However, Council believes that the proposed increase is reasonable for the wider community. Council's view is based on a detailed analysis of Wollondilly's Socioeconomic Indexes for Areas (SEIFA), employment status, household income, housing rates including rental payments and loan repayments.</p>
Alternative revenue sources	<p><i>Several respondents suggested that Council should consider other income generation options to address the funding shortfall. Suggested that Council should review and dispose of excess land holdings.</i></p> <p>Council continually evaluates its property holdings and disposes of holdings where appropriate. However, disposal of land holdings will not provide a long term solution to the funding shortfall Council is currently facing.</p>

<p>Amalgamation</p>	<p><i>The issue of amalgamation was raised in a number of submissions. Many respondents believed that amalgamation with one of our neighbouring Council's or review of our borders would be an appropriate solution to the funding shortfall Council is facing.</i></p> <p>The State Governments recent review of local government in NSW identifies a number of Councils for potential amalgamation. Wollondilly was not one of the Councils identified for amalgamation. Additionally, considerable debate still exists as to the financial benefits of amalgamations.</p>
<p>Asset Management</p>	<p><i>A number of respondents wanted to know what Council's plan was for infrastructure maintenance in the future.</i></p> <p>Council's Asset Management Plans identify how Council's funds will be expended across the Shire, under each SRV scenario. The infrastructure maintenance and renewal program for the future will be based on the outcome of Council's application to IPART for a SRV. However, the Asset Management Plans clearly outline the works that can be achieved depending on the outcome of the SRV proposal.</p>
<p>Coal Royalties</p>	<p><i>Can Council look at coal royalties which are collected from local coal mining activities to address the funding shortfall?</i></p> <p>Council has been lobbying the State Government strongly to secure a share of coal royalties and will continue to do so.</p>

<p>Community awareness about community engagement activities</p>	<p><i>A number of submissions identified that the community did not receive enough notice about the Warragamba Community Meeting.</i></p> <p>Council acknowledges that the SRV newsletter which detailed the community meeting dates did not arrive in Warragamba and Silverdale households as early as expected. However, Council also promoted all the community engagement activities including the Warragamba Community Meeting through a number of other mediums to ensure significant community awareness. Council promoted the meeting on Council's Facebook page, as well as through local media networks, flyer distribution, and correspondence with Council contacts. As attendance was low at the first Warragamba Community Meeting, Council responded by organising another informal information and drop-in session for the community. This meeting was held at a later time to try and accommodate more people and was again widely promoted through the same networks, as well as flyer distribution to local businesses in Warragamba and Silverdale and promotion through attendees at the first Warragamba Community Meeting. One community member attended this session.</p>
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<p>Development</p>	<p><i>A number of submissions touched on the fact that significant development is happening in Wollondilly and is expected to continue into the future. It was suggested that the funding gap should be made up by developers and Council's Growth Management Strategy should allow land owners to sell sections of their land or subdivide to address the issue. Also, queries were made about the fact that development and growth will bring in additional ratepayers which should address the issue.</i></p> <p>Under current legislation Council cannot increase the rates developers pay, which are for new assets to support the population of the new development areas, to address the funding shortfall. Also, developer contributions are capped by legislation. Additionally, Council's Growth Management Strategy strategically plans for growth, services and infrastructure for the future. For this reason, Council cannot approve all development applications relating to property subdivision. Furthermore, although rates from new residential growth will significantly fund new infrastructure, it will not cover the maintenance and renewal costs of our existing infrastructure as it will need to be allocated for the operational costs in the development areas as well as the maintenance and eventual renewal of the additional assets.</p>
<p>Economic Growth</p>	<p><i>It was identified in some submissions that economic development needs to be encouraged and addressed in Wollondilly. It was also suggested already existing businesses in Wollondilly may suffer from a rate rise.</i></p> <p>Council is placing a strong focus on economic development and is currently reviewing its economic development strategy to ensure our community benefits from the opportunities available through the growth we are experiencing. Additionally, Council has undertaken an analysis of all ratepayers' capacity to pay a rate increase and based on this information Council believes that the increase would be reasonable for the broader community including businesses.</p>

<p>Efficiency</p>	<p><i>A number of submissions identified concerns that Council may not be as efficient as it could be, and has not clearly demonstrated its efficiency to the community.</i></p> <p>Council has an ongoing program identifying and implementing efficiency improvements. Additionally, efficiency improvements were detailed during the community engagement period. Council's data suggests that we are currently an efficient organisation. Furthermore, Council's application to IPART will include detailed information about organisational efficiencies.</p>
<p>Equity</p>	<p><i>A number of submissions identified that the community don't want to pay an increase in rates for other areas of the Shire to benefit instead of their own community.</i></p> <p>To date, Council's infrastructure maintenance works have been completed based on priority due to the fact that Council faces a funding shortfall in excess of \$5 million per year to maintain all the Shire's assets. Over time without a SRV, this gap will grow to \$9 million per year. Council's Asset Management Plan will help to determine how funds will be utilised across all assets in the Shire based on the three funding proposals Council is currently considering. If Council is successful in receiving a SRV, this will enable Council to provide more infrastructure maintenance works across the whole Shire.</p>
<p>Grants</p>	<p><i>A common view within the community related to Council seeking additional funds from State and Federal Government by way of grants to assist with our infrastructure maintenance and renewal needs.</i></p> <p>While Council is continually advocating and applying for additional funding from State and Federal Governments to address Wollondilly's needs; these opportunities are limited and are not enough to address all the issues we face with respect to infrastructure maintenance and renewal.</p>

<p>Hardship</p>	<p><i>Some respondents identified that the proposed increase would be too much to pay. It was suggested that the rate rise coupled with the increases to household living and general expenses would place a greater strain on families, as well as farmers, businesses, pensioners, self-funded retirees and mining companies.</i></p> <p>Council's analysis suggests that the proposed rate increase is reasonable for the broader community. However, Council recognises that some ratepayers may experience financial difficulties in meeting rate commitments. In such situations, Council will make arrangements with ratepayers to pay off their outstanding rates and charges through regular payments over the course of a year. Additionally, Council provides a generous pensioner rebate to eligible residents. Council was active in promoting these policies throughout the 'Addressing Your Future Needs' community engagement period to ensure the community was aware that Council does provide assistance in times of hardship.</p>
<p><i>If Council gets this Special Rate Variation are they going to need another one in the future?</i></p>	<p><i>Community members regularly wanted to know if Council will need another SRV in the future if they get the SRV they are proposing.</i></p> <p>If Council is successful in implementing a SRV of 10.8% for four years, this will generate the necessary funds over the next 10 years to address the \$80 million deficit Council is facing. Although, Council cannot guarantee that it will never have to consult the community again in the future about the need for a SRV; a 10.8% increase over four years will provide a sound basis for Council to address infrastructure maintenance needs and in becoming financially sustainable. If Council receives less than 10.8% per annum over the next four years, then it will definitely need to apply for another SRV in the future in order to make up the funding shortfall.</p>

<p><i>Infrastructure maintenance should be more sustainable</i></p>	<p><i>A number of respondents suggested that Council should provide infrastructure maintenance particularly on roads that is of a higher quality and that provides a long term solution.</i></p> <p>Council currently has inadequate funds to undertake the major road works required across the Shire. Road works are prioritised and take place when funds are available. At times, Council will need to conduct infrastructure maintenance that is sometimes only a temporary fix to ensure the road is safe for use. The SRV proposal will enable Council to take a more strategic approach to infrastructure maintenance and renewal which will allow us to undertake work that will provide a more long term solution to the problem.</p>
<p><i>Legal Costs</i></p>	<p><i>Concerns were raised about Council spending too much money on legal fees and that this money should instead be used to address the funding shortfall.</i></p> <p>Council incurs legal expenses in circumstances where Council has an obligation to enforce legislation or when individuals instigate legal action against Council.</p>

<p>Pensioner Rebate</p>	<p><i>Concerns were raised that a SRV would have a significant impact on pensioners and self-funded retirees.</i></p> <p>Council recognises that some pensioners may experience financial hardship in meeting their rate commitments. As a result, eligible pensioners are entitled to a rebate on their rates, comprising the State Government's mandatory \$250 annual rebate, plus an additional rate rebate of \$45 for the year and up to 50% of the waste service charge. Pensioners are also exempt from Council's annual Stormwater Management Charge. The majority of NSW Councils do not offer rebates in addition to those required by the State Government and a comparison with those that do offer rebates shows Council's policy to be generous. However, Council does acknowledge that the Pensioner Rebate does not include self-funded retirees.</p>
<p>Previous Special Rate Variation</p>	<p><i>Concerns were raised about the fact that Council consulted the community previously in 2011 for a SRV and now Council is asking for another SRV.</i></p> <p>While Council did consult the community in 2011 for a SRV of 8% per annum over 7 years; Council was only successful in obtaining an increase of 6% per annum over 3 years. This fell substantially short of providing the required funds to address the mounting infrastructure maintenance gap. As a result infrastructure has continued to deteriorate and Council believes another SRV is a necessary course of action to address the infrastructure needs of the Shire and funding shortfall.</p>

<p>Staff Costs</p>	<p><i>A number of community members believe that a decrease in staff wages would assist in addressing the funding shortfall Council is facing.</i></p> <p>A decrease in staff wages would not address the funding shortfall Wollondilly Shire Council is currently facing. Council staff are paid in accordance with the State Award and for senior staff, industry standards. In addition, Council staff are a key component of the delivery of services to the community and the required additional funding is greater than 55% of the current total staff costs. Closing the funding gap solely through staff cost savings would require more than halving the current deployment with a cessation of the majority of Council's services to the community.</p>
<p>Rate Increase</p>	<p><i>A number of community members expressed concern about the proposed rate increase being retained in the rate base after the 4 year SRV period. Additionally, concerns were raised about Council applying each SRV as permanent and with a cumulative effect.</i></p> <p>Councils LTFP estimates that Council currently faces an \$80 million deficit at the end of ten years unless there is a significant change to expenditure or revenue. As a result of this funding deficit, Council has consulted the community about three funding proposals which will have varying outcomes within the community. If Council did not retain the rate increase in the rate base after the four year period Council would more than likely have to consider another SRV in the future as the required funds would not be generated.</p>

<p>Rating Structure</p>	<p><i>Concerns were raised about Council's rating structure in particular for people working from home and still paying residential rates and even distribution of rates across all properties.</i></p> <p>In accordance with section 516(1) of the Local Government Act 1993 a property is to be categorised as residential for rating purposes if (a) its dominant use is for residential accommodation (otherwise than as a hotel, motel, guest-house, backpacker hostel or nursing home or any other form of residential accommodation (not being a boarding house or a lodging house) prescribed by the regulations). Providing that the 'dominant use' of the property remains residential Council must categorise the property for rating purposes as Residential and cannot recategorise a Residential property to increase rates due to a resident working from home. Additionally, Council rates are set in accordance with the requirements in the Local Government Act and as such Council is not permitted to introduce a flat rate.</p>
<p>Review of Council services and project delivery</p>	<p><i>It was identified by a number of respondents that Council should reduce the services they currently provide and should seek cost recovery through increasing fees and charges.</i></p> <p>If Council does not introduce a SRV, Council would need to consider a significant reduction in services to address the funding shortfall issues. Council would also need to review its fees and charges. However, Council also acknowledges that a reduction in services and an increase in fees and charges would not provide a sustainable solution to the problem.</p>

<p>Transport</p>	<p><i>Council should be advocating for better transport and transport infrastructure, to assist in keeping cars off the road.</i></p> <p>Council continues to lobby for better public transport options in Wollondilly. Furthermore, public transport is a key issue in our State Issues discussions. Public transport will continue to be a key issue for Wollondilly, particularly as the Shire continues to grow and Council is committed to continuing to advocate for better public transport in the region.</p>
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5 Assessment criterion 3: Impact on ratepayers

Criterion 3 within the OLG Guidelines is:

The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The IP&R processes should:

- *clearly show the impact of any rises upon the community*
- *include the council's consideration of the community's capacity and willingness to pay rates and*
- *establish that the proposed rate increases are affordable having regard to the local community's capacity to pay.*

The impact of the council's proposed special variation on ratepayers must be reasonable. To do this, we take into account current rate levels, the existing ratepayer base and the purpose of the special variation. We also review how the council's IP&R processes have assessed whether that the proposed rate rises are affordable having regard to the community's capacity and willingness to pay.

5.1 Impact on rates

Much of the quantitative information we need on the impact of the special variation on (General Fund) rate levels will already be contained in Worksheet 5a and 5b of Part A of the application.

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

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

Councils should also indicate the impact of any other anticipated changes in the rating structure.

Rating Structure

Wollondilly Shire Council has adopted an ad valorem rate structure with a minimum rate. In accordance with Section 514 of the Act, before making an ordinary rate, Council must declare each parcel of rateable land to be within one of the following categories:

1. Farmland
 - Any parcel of rateable land valued as one assessment and its dominant use is for farming which:
 - has a significant and substantial commercial purpose or character; and
 - is engaged for the purpose of profit on a continuous or repetitive basis (whether or not a profit is actually made).
2. Residential:
 - Any parcel of rateable land valued as one assessment, and:
 - its dominant use is for residential accommodation (excluding hotels, motels, nursing homes etc);
 - if vacant land, it is zoned for residential purposes; or
 - it is rural residential land.
3. Mining:
 - Any parcel of land valued as one assessment & dominant use is for a coal mine or metalliferous mine.
4. Business:
 - Land is to be categorised business if it cannot be categorised as in 1, 2 or 3. The main land uses that will fall into this category are commercial and industrial

Vacant land not categorised under 1-4 is to be categorised according to the use permitted under the applicable zoning, after taking into account any

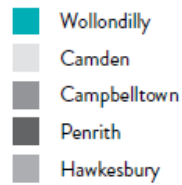
improvements on the land and the nature of surrounding development. These four categories have been broken down at Wollondilly into the following sub-categories:

Category	Sub-Category
1. Farmland	Primary Production
2. Residential	a. Residential Town Centres
	b. Rural Residential
	c. Residential
3. Business	a. General (i.e.: Commercial/Industrial)
	b. Light Industrial Centres
4. Mining	a. Mining Activities
	b. Mining Coal Rights

Following is an excerpt from Council's Revised Delivery Program 2013/14 – 2016/17 and Operational Plan 2014-15 showing a comparison of current rates within Wollondilly Shire to those of neighbouring Councils.

RATES COMPARED TO OTHER COUNCILS

The table below highlights the average residential rate, business rate and farmland rate for Wollondilly, Camden, Campbelltown, Penrith and the Hawkesbury. (Circular to Councils 14/17 – Comparative Information on NSW Local Government 2012-13)



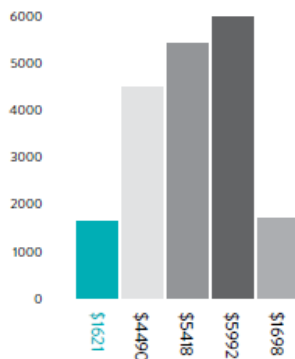
Population



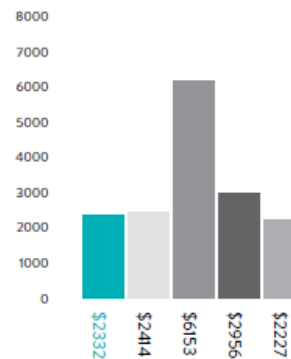
Average Residential Rate



Average Business Rate



Average Farmland Rate



Impact on Rates

Throughout Council's IP&R processes and Community Engagement surrounding Council's intention to apply for an SRV, considerable focus has been placed on communicating to our ratepayers the likely impact of each of the three options on their rates. These details can be seen at Attachments 2 and 5 of the application.

At the time of our community engagement activities, the Valuer General's land valuations for the 2015/16 year were not available. As this was the case, it was not possible to provide the community with the exact value that their individual rates would be increased by. As such, guidance on the likely increases due to the SRV was given by indicating the increase amount on a variety of levels – ratepayers could select the value closest to their current rates and see the increase in dollar terms and percentage.

The following, in conjunction with Application Form A is an overview of each category's rate increase should our proposal for 10.8% over each of the four years 2015-16 to 2018/19 be approved by IPART.

Residential Rates

Council currently has 16,197 assessments categorised as Residential, split between the sub-categories as shown in the following table:

Land Value (\$)	No. Assessments			
	Res Town Centre	Rural Res	Residential	TOTAL
0 to 99,000	510	27	75	612
100,000 to 199,999	3,558	22	311	3,891
200,000 to 299,999	4,233	58	606	4,897
300,000 to 399,999	1,359	615	790	2,764
400,000 to 499,999	430	1,452	372	2,254
500,000 to 599,999	27	798	53	878
600,000 to 699,999	19	387	27	433
700,000 to 799,999	7	186	16	209
800,000 to 899,999	4	68	10	82
900,000 to 999,999	1	32	11	44
1,000,000 to 1,499,999	4	47	29	80
1,500,000 to 1,999,999	1	5	16	22
2,000,000 to 2,999,999	2	5	11	18
3,000,000 & greater	5	2	6	13
	10,160	3,704	2,333	16,197

Residential Town Centre

The average rate for assessments within the sub category “Residential Town Centre” will increase under the SRV from the current rate of \$1,049.22 to \$1,575.77 in year 2018/19. This is a cumulative increase of 50.19% compared with 11.89% under standard rate pegging.

As the 2015/16 year will be subject to a general land revaluation, the actual cumulative impact will differ across assessments. The following table gives an indication of how this will apply.

Residential Town Centre - with SRV of 10.8%					
Land Value (\$)	2014/15	2015/16	2016/17	2017/18	2018/19
0 to 99,000	\$ 892.00	\$ 960.00	\$ 1,063.68	\$ 1,178.56	\$ 1,305.84
100,000 to 199,999	\$ 892.00	\$ 960.00	\$ 1,063.68	\$ 1,178.56	\$ 1,305.84
200,000 to 299,999	\$ 1,117.14	\$ 1,121.40	\$ 1,242.51	\$ 1,376.71	\$ 1,525.39
300,000 to 399,999	\$ 1,564.00	\$ 1,569.96	\$ 1,739.52	\$ 1,927.39	\$ 2,135.55
400,000 to 499,999	\$ 2,010.86	\$ 2,018.52	\$ 2,236.53	\$ 2,478.07	\$ 2,745.70
500,000 to 599,999	\$ 2,457.71	\$ 2,467.09	\$ 2,733.53	\$ 3,028.75	\$ 3,355.86
600,000 to 699,999	\$ 2,904.57	\$ 2,915.65	\$ 3,230.54	\$ 3,579.43	\$ 3,966.01
700,000 to 799,999	\$ 3,351.43	\$ 3,364.21	\$ 3,727.54	\$ 4,130.12	\$ 4,576.17
800,000 to 899,999	\$ 3,798.28	\$ 3,812.77	\$ 4,224.55	\$ 4,680.80	\$ 5,186.32
900,000 to 999,999	\$ 4,245.14	\$ 4,261.33	\$ 4,721.55	\$ 5,231.48	\$ 5,796.48
1,000,000 to 1,499,999	\$ 5,585.71	\$ 5,607.01	\$ 6,212.57	\$ 6,883.53	\$ 7,626.95
1,500,000 to 1,999,999	\$ 7,820.00	\$ 7,849.82	\$ 8,697.60	\$ 9,636.94	\$ 10,677.73
2,000,000 to 2,999,999	\$ 11,171.43	\$ 11,214.03	\$ 12,425.14	\$ 13,767.05	\$ 15,253.90
3,000,000 & greater	\$ 13,405.71	\$ 13,456.83	\$ 14,910.17	\$ 16,520.47	\$ 18,304.68

Rural Residential

The average rate for assessments within the sub category “Rural Residential” will increase under the SRV from the current rate of \$1,735.97 to \$2,625.00 in year 2018/19. This is a cumulative increase of 51.21% compared with 11.9% under standard rate pegging.

As the 2015/16 year will be subject to a general land revaluation the actual cumulative impact will differ across assessments. The following table gives an indication of how this will apply

Rural Residential - with SRV of 10.8%					
Land Value (\$)	2014/15	2015/16	2016/17	2017/18	2018/19
0 to 99,000	\$ 943.00	\$ 1,044.00	\$ 1,156.75	\$ 1,281.68	\$ 1,420.10
100,000 to 199,999	\$ 943.00	\$ 1,044.00	\$ 1,156.75	\$ 1,281.68	\$ 1,420.10
200,000 to 299,999	\$ 943.00	\$ 1,044.00	\$ 1,156.75	\$ 1,281.68	\$ 1,420.10
300,000 to 399,999	\$ 1,182.79	\$ 1,324.52	\$ 1,467.57	\$ 1,626.06	\$ 1,801.68
400,000 to 499,999	\$ 1,520.73	\$ 1,702.95	\$ 1,886.87	\$ 2,090.65	\$ 2,316.44
500,000 to 599,999	\$ 1,858.66	\$ 2,081.39	\$ 2,306.18	\$ 2,555.24	\$ 2,831.21
600,000 to 699,999	\$ 2,196.60	\$ 2,459.82	\$ 2,725.48	\$ 3,019.83	\$ 3,345.98
700,000 to 799,999	\$ 2,534.54	\$ 2,838.26	\$ 3,144.79	\$ 3,484.42	\$ 3,860.74
800,000 to 899,999	\$ 2,872.48	\$ 3,216.69	\$ 3,564.09	\$ 3,949.01	\$ 4,375.51
900,000 to 999,999	\$ 3,210.42	\$ 3,595.12	\$ 3,983.40	\$ 4,413.60	\$ 4,890.27
1,000,000 to 1,499,999	\$ 4,224.24	\$ 4,730.43	\$ 5,241.31	\$ 5,807.37	\$ 6,434.57
1,500,000 to 1,999,999	\$ 5,913.93	\$ 6,622.60	\$ 7,337.84	\$ 8,130.32	\$ 9,008.40
2,000,000 to 2,999,999	\$ 8,448.48	\$ 9,460.85	\$ 10,482.62	\$ 11,614.74	\$ 12,869.14
3,000,000 & greater	\$ 10,138.17	\$ 11,353.02	\$ 12,579.15	\$ 13,937.69	\$ 15,442.96

Residential

The average rate for assessments within the sub category “Residential” will increase under the SRV from the current rate of \$1,342.79 to \$2,032.52 in year 2018/19. This is a cumulative increase of 51.37% compared with 11.90% under standard rate pegging.

As the 2015/16 year will be subject to a general land revaluation the actual cumulative impact will differ across assessments. The following table gives an indication of how this will apply.

Residential - with SRV of 10.8%					
Land Value (\$)	2014/15	2015/16	2016/17	2017/18	2018/19
0 to 99,000	\$ 943.00	\$ 1,044.00	\$ 1,156.75	\$ 1,281.68	\$ 1,420.10
100,000 to 199,999	\$ 943.00	\$ 1,044.00	\$ 1,156.75	\$ 1,281.68	\$ 1,420.10
200,000 to 299,999	\$ 943.00	\$ 1,044.00	\$ 1,156.75	\$ 1,281.68	\$ 1,420.10
300,000 to 399,999	\$ 1,242.55	\$ 1,345.43	\$ 1,490.73	\$ 1,651.73	\$ 1,830.12
400,000 to 499,999	\$ 1,597.56	\$ 1,729.84	\$ 1,916.66	\$ 2,123.66	\$ 2,353.01
500,000 to 599,999	\$ 1,952.58	\$ 2,114.24	\$ 2,342.58	\$ 2,595.58	\$ 2,875.90
600,000 to 699,999	\$ 2,307.59	\$ 2,498.65	\$ 2,768.51	\$ 3,067.51	\$ 3,398.80
700,000 to 799,999	\$ 2,662.61	\$ 2,883.06	\$ 3,194.43	\$ 3,539.43	\$ 3,921.69
800,000 to 899,999	\$ 3,017.62	\$ 3,267.47	\$ 3,620.35	\$ 4,011.35	\$ 4,444.58
900,000 to 999,999	\$ 3,372.63	\$ 3,651.88	\$ 4,046.28	\$ 4,483.28	\$ 4,967.47
1,000,000 to 1,499,999	\$ 4,437.68	\$ 4,805.10	\$ 5,324.05	\$ 5,899.05	\$ 6,536.15
1,500,000 to 1,999,999	\$ 6,212.75	\$ 6,727.14	\$ 7,453.67	\$ 8,258.67	\$ 9,150.60
2,000,000 to 2,999,999	\$ 8,875.35	\$ 9,610.20	\$ 10,648.10	\$ 11,798.10	\$ 13,072.29
3,000,000 & greater	\$ 10,650.42	\$ 11,532.24	\$ 12,777.72	\$ 14,157.72	\$ 15,686.75

Business Rates

Council currently has 557 assessments categorised as Business, split between the sub-categories as shown in the following table:

Land Value (\$)	No. Assessments		
	Business	Bus Light Industrial	TOTAL
0 to 99,000	122	35	157
100,000 to 199,999	77	5	82
200,000 to 299,999	96	18	114
300,000 to 399,999	51	21	72
400,000 to 499,999	30	20	50
500,000 to 599,999	22	9	31
600,000 to 699,999	12	5	17
700,000 to 799,999	4	1	5
800,000 to 899,999	3	0	3
900,000 to 999,999	7	1	8
1,000,000 to 1,499,999	7	1	8
1,500,000 to 1,999,999	2	0	2
2,000,000 to 2,999,999	3	0	3
3,000,000 & greater	5	0	5
	441	116	557

Business

The average rate for assessments within the sub category “Business” will increase under the SRV from the current rate of \$2,121.11 to \$3,207.80 in year 2018/19. This is a cumulative increase of 51.23% compared with 11.88% under standard rate pegging.

As the 2015/16 year will be subject to a general land revaluation the actual cumulative impact will differ across assessments. The following table gives an indication of how this will apply.

Business Total - with SRV of 10.8%					
Land Value (\$)	2014/15	2015/16	2016/17	2017/18	2018/19
0 to 99,000	\$ 943.00	\$ 1,044.00	\$ 1,156.00	\$ 1,280.00	\$ 1,418.00
100,000 to 199,999	\$ 943.00	\$ 1,044.00	\$ 1,156.00	\$ 1,280.00	\$ 1,418.00
200,000 to 299,999	\$ 1,446.82	\$ 1,576.70	\$ 1,746.98	\$ 1,935.66	\$ 2,144.71
300,000 to 399,999	\$ 1,927.88	\$ 2,124.09	\$ 2,353.49	\$ 2,607.66	\$ 2,889.29
400,000 to 499,999	\$ 2,377.01	\$ 2,644.24	\$ 2,929.82	\$ 3,246.24	\$ 3,596.83

500,000 to 599,999	\$ 3,031.06	\$ 3,339.16	\$ 3,699.79	\$ 4,099.37	\$ 4,542.10
600,000 to 699,999	\$ 3,577.02	\$ 3,941.90	\$ 4,367.62	\$ 4,839.32	\$ 5,361.97
700,000 to 799,999	\$ 4,274.57	\$ 4,673.92	\$ 5,178.70	\$ 5,738.00	\$ 6,357.70
800,000 to 899,999	\$ 5,199.14	\$ 5,599.54	\$ 6,204.29	\$ 6,874.35	\$ 7,616.78
900,000 to 999,999	\$ 5,563.09	\$ 6,047.05	\$ 6,700.13	\$ 7,423.74	\$ 8,225.51
1,000,000 to 1,499,999	\$ 7,319.85	\$ 7,956.64	\$ 8,815.96	\$ 9,768.09	\$ 10,823.04
1,500,000 to 1,999,999	\$ 10,704.10	\$ 11,528.46	\$ 12,773.53	\$ 14,153.07	\$ 15,681.60
2,000,000 to 2,999,999	\$ 15,291.58	\$ 16,469.23	\$ 18,247.90	\$ 20,218.67	\$ 22,402.29
3,000,000 & greater	\$ 18,349.89	\$ 19,763.07	\$ 21,897.48	\$ 24,262.41	\$ 26,882.75

Business Light Industrial

The average rate for assessments within the sub category “Business Light Industrial” will increase under the SRV from the current rate of \$1,490.01 to \$2,252.73 in year 2018/19. This is a cumulative increase of 51.19% compared with 11.90% under standard rate pegging.

As the 2015/16 year will be subject to a general land revaluation the actual cumulative impact will differ across assessments. The following table gives an indication of how this will apply.

Business Light Industrial - with SRV of 10.8%					
Land Value (\$)	2014/15	2015/16	2016/17	2017/18	2018/19
0 to 99,000	\$ 943.00	\$ 1,044.00	\$ 1,156.00	\$ 1,280.00	\$ 1,418.00
100,000 to 199,999	\$ 943.00	\$ 1,044.00	\$ 1,156.00	\$ 1,280.00	\$ 1,418.00
200,000 to 299,999	\$ 1,007.66	\$ 1,202.17	\$ 1,332.01	\$ 1,475.86	\$ 1,635.26
300,000 to 399,999	\$ 1,410.72	\$ 1,683.04	\$ 1,864.81	\$ 2,066.21	\$ 2,289.36
400,000 to 499,999	\$ 1,813.79	\$ 2,163.91	\$ 2,397.61	\$ 2,656.56	\$ 2,943.46
500,000 to 599,999	\$ 2,216.85	\$ 2,644.78	\$ 2,930.42	\$ 3,246.90	\$ 3,597.57
600,000 to 699,999	\$ 2,619.92	\$ 3,125.65	\$ 3,463.22	\$ 3,837.25	\$ 4,251.67
700,000 to 799,999	\$ 3,022.98	\$ 3,606.52	\$ 3,996.02	\$ 4,427.59	\$ 4,905.77
800,000 to 899,999	\$ 3,426.04	\$ 4,087.39	\$ 4,528.82	\$ 5,017.94	\$ 5,559.87
900,000 to 999,999	\$ 3,829.11	\$ 4,568.26	\$ 5,061.63	\$ 5,608.28	\$ 6,213.98
1,000,000 to 1,499,999	\$ 5,038.30	\$ 6,010.86	\$ 6,660.04	\$ 7,379.32	\$ 8,176.29
1,500,000 to 1,999,999	\$ 7,053.62	\$ 8,415.21	\$ 9,324.05	\$ 10,331.05	\$ 11,446.80
2,000,000 to 2,999,999	\$ 10,076.60	\$ 12,021.73	\$ 13,320.07	\$ 14,758.64	\$ 16,352.57
3,000,000 & greater	\$ 12,091.92	\$ 14,426.07	\$ 15,984.09	\$ 17,710.37	\$ 19,623.09

Farmland Rates

Council currently has 369 assessments categorised as Farmland.

The average rate for assessments within the Farmland category will increase under the SRV from the current rate of \$2,488.49 to \$2,754.32 in year 2018/19. This is a cumulative increase of 10.68%, which is consistent with the increase that would be experienced under standard rate pegging because Council does not intend to pass the special rate increase onto the Farmland category, instead apportioning the difference across the other rate categories.

As the 2015/16 year will be subject to a general land revaluation the actual cumulative impact will differ across assessments. The following table gives an indication of how this will apply.

Farmland - with SRV of 10.8%					
Land Value (\$)	2014/15	2015/16	2016/17	2017/18	2018/19
0 to 99,000	\$ 943.00	\$ 1,044.00	\$ 1,156.00	\$ 1,280.00	\$ 1,418.00
100,000 to 199,999	\$ 943.00	\$ 1,044.00	\$ 1,156.00	\$ 1,280.00	\$ 1,418.00
200,000 to 299,999	\$ 943.00	\$ 1,044.00	\$ 1,156.00	\$ 1,280.00	\$ 1,418.00
300,000 to 399,999	\$ 943.00	\$ 1,044.00	\$ 1,156.00	\$ 1,280.00	\$ 1,418.00
400,000 to 499,999	\$ 1,026.46	\$ 1,093.98	\$ 1,126.80	\$ 1,160.60	\$ 1,195.42
500,000 to 599,999	\$ 1,254.56	\$ 1,337.08	\$ 1,377.20	\$ 1,418.51	\$ 1,461.07
600,000 to 699,999	\$ 1,482.66	\$ 1,580.19	\$ 1,627.59	\$ 1,676.42	\$ 1,726.72
700,000 to 799,999	\$ 1,710.77	\$ 1,823.30	\$ 1,877.99	\$ 1,934.33	\$ 1,992.36
800,000 to 899,999	\$ 1,938.87	\$ 2,066.40	\$ 2,128.39	\$ 2,192.24	\$ 2,258.01
900,000 to 999,999	\$ 2,166.97	\$ 2,309.51	\$ 2,378.79	\$ 2,450.16	\$ 2,523.66
1,000,000 to 1,499,999	\$ 2,851.28	\$ 3,038.83	\$ 3,129.99	\$ 3,223.89	\$ 3,320.61
1,500,000 to 1,999,999	\$ 3,991.79	\$ 4,254.36	\$ 4,381.99	\$ 4,513.45	\$ 4,648.85
2,000,000 to 2,999,999	\$ 5,702.55	\$ 6,077.65	\$ 6,259.98	\$ 6,447.78	\$ 6,641.21
3,000,000 & greater	\$ 6,843.06	\$ 7,293.18	\$ 7,511.98	\$ 7,737.33	\$ 7,969.45

Mining Rates

Council currently has 46 Mining assessments, with 7 of the assessments belonging to the sub-category of Mining, plus an additional 39 assessments in the Mining Coal Rights sub-category.

Mining

The average rate for the 7 assessments within the Mining sub-category will increase under the SRV from the current rate of \$153,011.04 to \$229,815.29 in year 2018/19. This is a cumulative increase of 50.2% compared with 11.9% under standard rate pegging.

As the 2015/16 year will be subject to a general land revaluation, the actual cumulative impact will differ across assessments. The following table gives an indication of how this will apply.

Mining – with SRV of 10.8%					
Land Value (\$)	2014/15	2015/16	2016/17	2017/18	2018/19
0 to 99,000	\$ 2,155.36	\$ 2,951.81	\$ 3,270.61	\$ 3,623.83	\$ 4,015.21
100,000 to 199,999	\$ 6,466.07	\$ 8,855.43	\$ 9,811.82	\$ 10,871.50	\$ 12,045.62
200,000 to 299,999	\$ 10,776.78	\$ 14,759.06	\$ 16,353.03	\$ 18,119.16	\$ 20,076.03
300,000 to 399,999	\$ 15,087.49	\$ 20,662.68	\$ 22,894.25	\$ 25,366.82	\$ 28,106.44
400,000 to 499,999	\$ 19,398.20	\$ 26,566.30	\$ 29,435.46	\$ 32,614.49	\$ 36,136.85
500,000 to 599,999	\$ 23,708.92	\$ 32,469.92	\$ 35,976.67	\$ 39,862.15	\$ 44,167.27
600,000 to 699,999	\$ 28,019.63	\$ 38,373.54	\$ 42,517.89	\$ 47,109.82	\$ 52,197.68
700,000 to 799,999	\$ 32,330.34	\$ 44,277.17	\$ 49,059.10	\$ 54,357.48	\$ 60,228.09
800,000 to 899,999	\$ 36,641.05	\$ 50,180.79	\$ 55,600.31	\$ 61,605.15	\$ 68,258.50
900,000 to 999,999	\$ 40,951.76	\$ 56,084.41	\$ 62,141.53	\$ 68,852.81	\$ 76,288.91
1,000,000 to 1,499,999	\$ 53,883.90	\$ 73,795.28	\$ 81,765.16	\$ 90,595.80	\$ 100,380.15
1,500,000 to 1,999,999	\$ 75,437.46	\$ 103,313.39	\$ 114,471.23	\$ 126,834.12	\$ 140,532.21
2,000,000 to 2,999,999	\$ 107,767.80	\$ 147,590.55	\$ 163,530.33	\$ 181,191.60	\$ 200,760.30
3,000,000 & greater	\$ 129,321.36	\$ 177,108.66	\$ 196,236.40	\$ 217,429.93	\$ 240,912.36

Mining Coal Rights

The sub-category of Mining Coal Rights has 39 assessments which generates rate income of just over \$1,200 per year (i.e.: an average of \$31.71 per annum). Due to the immaterial amounts associated with this sub-category, it is not intended to make any adjustments to the ad valorem rate, therefore there will be no financial impact on any of the 39 assessments.

5.1.1 Minimum Rates

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

Does the council have residential minimum rates? Yes ☒ No ☐

If Yes, Does the council propose to increase the minimum residential rate by:

The rate peg percentage ☐

The special variation percentage ☐

Another amount ☒ Indicate this amount _____

Council proposes to increase the minimum rate by the SRV percentage of 10.8% for all categories except

What will the residential minimum rate be after the increase? _____

The following table summarises the minimum rate for each category across each of the years where the SRV will be applying:

Proposed Minimum Rates					
Category	2014/15	2015/16	2016/17	2017/18	2018/19
Residential Town Centre	\$ 892.00	\$ 960.00	\$ 1,063.00	\$ 1,177.00	\$ 1,304.00
Rural Residential	\$ 943.00	\$ 1,044.00	\$ 1,156.00	\$ 1,280.00	\$ 1,418.00
Residential	\$ 943.00	\$ 1,044.00	\$ 1,156.00	\$ 1,280.00	\$ 1,418.00
Business	\$ 943.00	\$ 1,044.00	\$ 1,156.00	\$ 1,280.00	\$ 1,418.00
Business Light Commercial	\$ 943.00	\$ 1,044.00	\$ 1,156.00	\$ 1,280.00	\$ 1,418.00
Farmland	\$ 943.00	\$ 1,044.00	\$ 1,156.00	\$ 1,280.00	\$ 1,418.00

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

You should also explain the types of ratepayers or properties currently paying minimum rates, and the rationale for the application of the special variation to minimum rate levels.

Historically, Council has had consistent minimum rates across all categories and always increased the minimum amount each year in line with the approved annual rate increase percentage (ie: rate peg or approved special rate variation). The rationale for this approach was to try and keep the proportion of ratepayers who are on the minimum rate as a consistent level. When setting the rates for the 2014/15 financial year it became apparent that if the minimum rate levels for all sub-categories were increased by the rate peg amount, the Residential Town Centre sub-category would end up with more than half of its assessments being levied from properties on the minimum rate. The main reason for the change in proportion of properties in this sub-category on the minimum rate was because of a large number of supplementary levies being introduced during the year plus some valuation objections being upheld. The minimum rate for all categories of rates was \$922 in 2013/14, then in 2014/15 the Residential Town Centre minimum rate amount was reduced by 3.25% down to \$892 while all other sub-categories were increased by the 2.3% rate peg up to \$943.

Case law (*Sutton v Blue Mountains Council*) requires that rates are to be primarily and predominantly determined by the ad valorem method. Accordingly, Council has to ensure that at least 50% of the assessments from the particular rate is raised by way of ad valorem rate. To do this, it was necessary to adjust the minimum rate of the Residential Town Centre sub-category downwards and adjust the ad valorem rate accordingly to ensure the full notional yield was still achieved. This resulted in the Residential Town Centre sub-category having 49.94% of assessments on the minimum rate in 2014/15. Had the minimum rate been increased to \$943 (the same as the other sub-categories), there would have been 59.09% of assessments on the minimum rate and Council's rate structure would not have complied with legislative requirements.

A general land revaluation has been applied for the calculation of the proposed 2015/16 rates and when combined with the effects of further supplementary levies introduced during 2014/15, if the proposed special rate percentage increase is applied, the proportion of income from minimum rates within the Residential Town Centre sub-category will climb to around 56%. Accordingly, it has been necessary to apply a smaller increase to the minimum rate for the Residential Town Centre sub-category to keep the proportion of income derived from properties on the minimum rate to below 50%. Therefore, it is proposed to increase the minimum rate level in the Residential Town Centre sub-category by only 7.62% from \$892 to \$960 (and adjust the ad valorem rate accordingly to ensure the full notional yield is still achieved) and increase minimum rate levels for all other sub-categories by the proposed 10.8% from \$943 to \$1,044.

5.2 Consideration of affordability and the community's capacity and willingness to pay

The council is required to provide evidence through its IP&R processes, and in its application, of how it assessed the community's capacity and willingness to pay the proposed rate increases. This is to include an explanation of how the council established that the proposed rate rises are affordable for the community.

Evidence about capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable or neighbouring council areas.

As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

We may also consider how the council's hardship policy (see Section 5.3 below) might reduce the impact on socio-economically disadvantaged ratepayers.

In conjunction with Council's community engagement activities and community survey, Council has considered the Community's ability and capacity to pay, having regard to the community's social and economic status as indicated by Australian Bureau of Statistics comparative data, and also undertaken a comparison of rates to those of surrounding Councils. Full details of this review are referenced in Attachment 2: 'Revised' Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15 Page 50 and Appendix 3 - Community's Affordability & Capacity To Pay (Pages 133 – 144).

Capacity to Pay – Residential

In summary, the ABS Census of Population and Housing 2011 indicates that households within Wollondilly Shire are generally considered to be of less social disadvantage and relatively higher economic advantage than the average for Greater Sydney, New South Wales and Australia. This is measured using the ABS Socio-economic Indexes for Areas (SEIFA). Wollondilly Shire ranks 28th highest in New South Wales.

The below table provides a snapshot of the Shire's profile indicating relatively higher median incomes and lower unemployment than that of surrounding areas:

Population comparatives (2011)	Wollondilly	Camden	Campbelltown	Wingecarribee	Penrith	Hawkesbury	Liverpool	Greater Sydney	New South Wales
Median Age	36	34	33	45	34	36	33	36	38
Median weekly household income	\$ 1,478.00	\$ 1,727.00	\$ 1,251.00	\$ 1,094.00	\$ 1,398.00	\$ 1,385.00	\$ 1,299.00	\$ 1,447.00	\$ 1,237.00
Couples with children	43%	46%	38%	27%	39%	37%	46%	35%	32%
Older couples without children	9%	7%	6%	16%	6%	8%	6%	8%	9%
Medium and high density housing	5%	8%	20%	9%	19%	13%	26%	40%	31%
Households with a mortgage	48%	51%	41%	33%	42%	41%	40%	33%	32%
Households renting	16%	18%	29%	21%	26%	24%	29%	30%	29%
Median weekly Rental	\$ 270.00	\$ 360.00	\$ 260.00	\$ 260.00	\$ 300.00	\$ 280.00	\$ 295.00	\$ 351.00	\$ 300.00
Non-english speaking background	5%	9%	20%	5%	13%	6%	36%	26%	19%
University attendance	3%	3%	3%	2%	3%	3%	4%	5%	4%
Bachelor Degree or Higher	11%	13%	12%	18%	11%	11%	13%	24%	20%
Vocational	26%	24%	20%	21%	22%	25%	17%	15%	18%
Public transport (to work)	4%	7%	17%	2%	11%	5%	12%	20%	14%
Unemployment	4%	4%	8%	4%	6%	5%	7%	6%	6%
SEIFA index of disadvantage 2011	1034	1047	945	1024	996	1020	951	1011	996

Source: Australian Bureau of Statistics, Census of Population and Housing 2006 and 2011. Compiled and presented in profile.id by .id, the population experts.

Breaking the shire down into the separate locations (refer Attachment 2: Appendices A-E Pages 145 -150), indicates that all townships within the Shire are similarly ranked above our neighbouring councils, with the exception of the following areas which are also ranked below the NSW average of 995.8:

AREA	SEIFA Index
Warragamba	941
Tahmoor	960
Yanderra	969
Oakdale	990
Couridjah	991

Source: ABS Census of Population and housing 2011, as interpreted by Elton Consulting

Analysis of rating assessments within these townships indicates a significant proportion of assessments are rated at the minimum rate – 95% in Warragamba and 70% in Tahmoor. Similarly, a high proportion of assessments in these areas are receiving pensioner rebates which reduce the total rates paid.

It is important to note that the SEIFA index is only an indication that the collective socio-economic characteristics of an area are better or worse than another area. It is not an indicator that an individual living within the measured area is more or less disadvantaged.

Employment Status

Wollondilly Shire has a relatively high proportion of residents in employment relative to Greater Sydney and the total number of employed persons has grown by 1,876 in the period between 2006 and 2011. 62.5% of the population are employed full-time.

Employment status							
Camden Council area - Total persons (Usual residence)	2011			2006			Change
Employment status	Number	%	MACROC %	Number	%	MACROC %	2006 to 2011
Employed	28,762	96.0	94.0	24,753	96.1	93.9	+4,009
Employed full-time	19,295	64.4	63.0	16,577	64.4	63.1	+2,718
Employed part-time	8,854	29.5	28.6	7,472	29.0	27.8	+1,382
Hours worked not stated	613	2.0	2.4	704	2.7	3.0	-91
Unemployed (Unemployment rate)	1,207	4.0	6.0	1,000	3.9	6.1	+207
Looking for full-time work	703	2.3	3.8	623	2.4	4.0	+80
Looking for part-time work	504	1.7	2.2	377	1.5	2.0	+127
Total Labour Force	29,969	100.0	100.0	25,753	100.0	100.0	+4,216

Source: Australian Bureau of Statistics, Census of Population and Housing 2006 and 2011. Compiled and presented in profile.id by .id, the population experts.

The Shire has a slightly higher proportion of residents employed in managerial or professional roles than across the combined MACROC councils.

Occupation of employment				
Wollondilly Shire - Total persons (Usual residence)	Wollondilly	MACROC	Greater Sydney	NSW
Occupation	%	%	%	%
Managers	12.3	10.4	12.3	12.3
Professionals	15.2	15.3	15.2	15.2
Technicians and Trades Workers	18.3	15.6	18.3	18.3
Community and Personal Service Workers	9.3	9.9	9.3	9.3
Clerical and Administrative Workers	15.4	17.4	15.4	15.4
Sales Workers	8.3	9.6	8.3	8.3
Machinery Operators And Drivers	9.8	10.3	9.8	9.8
Labourers	9.6	9.8	9.6	9.6
Inadequately described	1.8	1.8	1.8	1.8
Total employed persons aged 15+	100.0	100.0	100	100

Source: Australian Bureau of Statistics, Census of Population and Housing 2006 and 2011. Compiled and presented in profile.id by .id, the population experts.

Household Income

Just over 50% (50.9%) of Wollondilly households have a weekly income of more than \$1,250 per week (\$65,000 p.a.) with 22.9% earning between \$1,500 per week (\$78,000 p.a.) and \$2,500 per week (\$130,000 p.a.). 29% are earning between \$400 and \$1,250 per week.

	Number households Wollondilly	Wollondilly %	Greater Sydney %	MACROC %	Wingecarribee Shire %	Camden %	Campbelltown %	New South Wales %
Weekly income								
Negative Income/Nil Income	138	1	1.6	1.0	1.2	0.9	1.0	1.4
\$1-\$199	160	1.1	1.5	1.3	1.5	1	1.4	1.6
\$200-\$299	276	2	2.5	2.3	2.6	1.4	2.7	2.9
\$300-\$399	594	4.2	5.1	5.1	6.7	3.8	5.9	6.4
\$400-\$599	1,033	7.4	7.6	7.8	10.5	6	8.6	9.4
\$600-\$799	989	7.1	7.1	7.7	9.4	6	8.5	8.3
\$800-\$999	1,012	7.2	6.8	7.2	9.3	6	7.6	7.6
\$1000-\$1249	1,027	7.3	7.3	8.2	8.5	6.8	9.0	7.5
\$1250-\$1499	1,045	7.5	6.8	7.6	7.6	6.9	7.9	6.8
\$1500-\$1999	1,800	12.8	11.3	13.0	11.0	14.3	12.6	10.8
\$2000-\$2499	1,414	10.1	8.4	10.6	7.0	13	9.9	7.7
\$2500-\$2999	1,154	8.2	9.5	7.5	6.5	10.1	6.3	7.9
\$3000-\$3499	816	5.8	5.7	4.7	3.4	6.8	3.6	4.7
\$3500-\$3999	372	2.7	2.9	2.3	1.5	3.1	1.9	2.3
\$4000-\$4999	321	2.3	2.8	2.0	1.1	2.8	1.6	2.1
\$5000 or more	207	1.5	2.7	1.1	1.1	1.5	0.8	1.9
Not stated	1,663	11.9	10.5	10.7	11.0	9.7	10.7	10.6
Total households	14,021	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Australian Bureau of Statistics, Census of Population and Housing 2011. Compiled and presented in profile.id by .id, the population experts.

Household incomes vary considerably within the Shire. Tahmoor has a total of 800 households (49%) with incomes under \$1,250. Of these 208 households indicated a household income of less than \$400 per week (\$20,800 annually). In the Bargo –Yanderra – Pheasants Nest area has 43% (792 homes) with an income below \$1,250 and 169 reported an income of less than \$400 per week. This is consistent with the SEIFA index for these areas.

Under option 3 the \$99.58 increase in year 2015/16 would represent an additional 0.15% of household income (based on a figure of \$1,250) expended towards rate payments and 0.48% for those earning \$400 a week. Ignoring increases in household income over the period, the increase of \$452.39 (compared to current rates) would represent an additional 2.18% of household income (households earning \$400 per week) being attributed to rates.

Housing

Housing tenure data provides insight into the socio-economic status of an area and is useful for analysis of housing affordability. In the period between 2006 and 2011 the total number of households in Wollondilly Shire increased by 991. The number of households living in fully owned properties increased by 205 and mortgaged properties by 494 on a base of 13,382 households.

Wollondilly has a higher proportion of residents living in properties they own or are making mortgage repayments on - 78.3% compared with 62.3% in Greater Sydney and 63.8% across NSW. This proportion is also notably higher than that of neighbouring councils such as Camden (76.7%), Campbelltown (64.2%) and Wingecarribee (73.3%).

Comparison of Monthly Household Loan Repayments						
Repayment Amount	Wollondilly	Greater Sydney	MACROC	Wingecarribee Shire	Camden	Campbelltown
<\$1000	11.90	11.80	12.36	16.81	8.79	14.22
>\$1000 and <\$ 2600	50.50	46.90	58.32	54.10	52.13	63.96
>\$2,600	31.70	36.10	24.09	23.42	34.16	16.73

Source: Australian Bureau of Statistics, Census of Population and Housing 2006 and 2011. Compiled and presented in profile.id by .id, the population experts.

The proportion of owned/ mortgaged versus rented accommodation varies across the Shire with those areas with typically lower incomes tending to have a higher proportion of rented accommodation. In the Tahmoor area (identified as having a higher proportion of lower income households earlier) 27.9% of households are living in rented accommodation. This is significantly higher than the Shire average but remains below the average for Greater Sydney and NSW overall.

Further detail of housing tenure variations within the Shire are shown at Attachment 2 Appendices A-E (Pages 145-150).

Rental Payments

Whilst renting households will not be directly affected by Council's proposed Special Rate Variation, it is probable that landlords will pass on all or some of any increase in rate charges on their rental property. As such, it is necessary to give consideration to the impact that this may have on these households. This is of particular concern in locations where there may already exist an element of rental stress and is not limited to those households with low income.

The majority of renting households within the shire are making weekly payments of less than \$400. There are a slightly higher percentage (15.90%) of renting

households paying in excess of \$400 per week relative to neighbouring councils, Camden (12.94%) and Campbelltown (12.94%). However this is well below the 39.30% of all households in Greater Sydney.

Weekly rental amount	Wollondilly	Camden	Campbelltown	MACROC	Greater Sydney	NSW
	%	%	%	%	%	%
<250	37.40	37.97	37.97	37.97	23.70	35.18
>250 <400	42.00	45.00	45.00	45.00	33.50	33.06
>400	15.90	12.94	12.94	12.94	39.30	28.08

Rental payments exceeding \$400 per week are considered to be in the top 25% of rentals paid within Australia so considered to be a relatively high rental charge but may not be an indicator of affordability. The five areas within the Shire with the highest percentages of renting households incurring rental payments of greater than \$400 per week in 2011 were:

- Camden Park - Mount Hunter - Cawdor (45.9%)
- Menangle - Razorback (31.9%)
- Orangeville - Werombi and District (24.3%)
- Wallacia - Warragamba - Silverdale (23.9%)
- Douglas Park - Wilton (22.9%)

Census of Housing and Population data 2011 indicated that very few household in these areas reported that they were suffering from rental stress suggesting that the higher rental payments remain affordable. However, as shown below the Census of Housing and Population data 2011 indicated 663 renting households within Wollondilly Shire were experiencing rental stress. This equates to 28.9% of renting households compared with 25.1% across Greater Sydney and 27.7% in the MACROC region.

Comparing this to the below table indicating rental stress, it can be seen that the number of households reporting rental stress within these areas remained low in 2011.

Rental stress, 2011			
Wollondilly Shire - Enumerated			
Area	Number	Total renting households	Percent %
Appin - Cataract - Darkes Forest	21	93	22.6
Bargo - Yanderra - Pheasants Nest	70	239	29.3
Buxton - Couridjah	20	84	23.8
Camden Park - Mount Hunter - Cawdor	23	68	34.1
Douglas Park - Wilton	15	149	10.0
Menangle - Razorback	15	77	19.5
Oakdale - Nattai - National Park	43	90	47.8
Orangeville - Werombi and District	22	111	19.8
Picton - Mowbray Park - Maldon	115	325	35.4
Tahmoor	157	472	33.3
The Oaks - Belimbla Park - Glenmore	39	124	31.5
Thirlmere - Lakesland	64	244	26.3
Wallacia - Warragamba - Silverdale	61	180	33.9
Wollondilly Shire	663	2,298	28.9
Greater Sydney	122,165	487,404	25.1
MACROC	5,574	20,133	27.7
Wingecarribee Shire	1,176	3,625	32.4
New South Wales	201,792	756,821	26.7
Australia	590,163	2,348,901	25.1

Source: Australian Bureau of Statistics, Census of Population and Housing 2011. Compiled and presented in atlas.id by .id, the population experts.

In order to estimate the possible impact of the SRV on rental payments, Council has used the median weekly rent which idProfile have identified as \$270 per week for Wollondilly Shire in the below table.

Impact on Median Weekly rental payments if rate increase passed on in full by landlords					
	2014/15	2015/16	2016/17	2017/18	2018/2019
No SRV	\$ 270.00	\$ 270.61	\$ 271.23	\$ 271.88	\$ 272.54
		0.61	0.63	0.64	0.66
Cumulative % increase		0.23%	0.46%	0.70%	0.94%
SRV at 10.8%	\$ 270.00	\$ 272.19	\$ 274.61	\$ 277.30	\$ 280.27
		2.19	2.42	2.68	2.97
Cumulative % increase		0.81%	1.71%	2.70%	3.80%
CPI impact on \$270 rental	\$ 270.00	\$ 278.10	\$ 286.44	\$ 295.04	\$ 303.89

*Based on the annual increase to residential town centre rates

The Australian Bureau of Statistics Household Expenditure Survey 2009-10 found that households with incomes in the medium high and high quartiles (Wollondilly has over 30% of its households falling within these income quartiles), average weekly expenditure exceeded \$1,500 and private rentals could account for up to 27.3% of total weekly expenditure. At the current median rate of \$270, rental payments would equate to 18% of total weekly expenditure and increase to 18.7% if the requested 10.8% SRV increase is approved, assuming no other increases. It is generally accepted that rental may increase by CPI each year suggesting that any flow on increase from rate rises would be well within normal expectations for households. Comparison of the results of the ABS household Expenditure Survey 2009-10 to that undertaken in 2003-2004 indicated that average weekly rental payments increased by 68% over a similar period to the proposed SRV term.

Loan Repayments

Given the proportion of households within the Shire identified as making mortgage payments, it is important to consider the level of these payments relative to household income in order to identify possible areas of stress.

2011 Census data shows that overall, 31.7% of Wollondilly households were paying high mortgage repayments (greater than \$2,600 per month). This is lower than the proportion of households across Greater Sydney and neighbouring Council, Camden. However, the proportion is considerably higher than Campbelltown and Wingecarribee councils but is not inconsistent with comparisons of household incomes in these Council areas.

Comparison of Monthly Household Loan Repayments						
Repayment Amount	Wollondilly	Greater Sydney	MACROC	Wingecarribee Shire	Camden	Campbelltown
<\$1000	11.90	11.80	12.36	16.81	8.79	14.22
>\$1000 and <\$ 2600	50.50	46.90	58.32	54.10	52.13	63.96
>\$2,600	31.70	36.10	24.09	23.42	34.16	16.73

Source: Australian Bureau of Statistics, Census of Population and Housing 2011. Compiled and presented in profile.id by .id, the population experts.

Monthly housing loan repayments						
Wollondilly Shire						
Monthly repayment amount	%	Greater Sydney %	MACROC %	Wingecarribee Shire %	Camden	Campbelltown
Nil repayments	1.7	2.2	1.5	3.1	1.3	1.6
\$1-\$149	0.5	0.7	0.5	0.6	0.4	0.5
\$150-\$299	0.7	0.7	0.8	1.2	0.6	0.9
\$300-\$449	1.5	1.4	1.5	1.8	1.2	1.6
\$450-\$599	1.3	1.3	1.4	1.8	0.9	1.6
\$600-\$799	2.6	2.3	2.8	3.4	1.9	3.3
\$800-\$999	3.6	3.2	3.9	5.0	2.6	4.7
\$1000-\$1199	5	4.4	5.3	5.9	3.7	6.1
\$1200-\$1399	5.3	5.2	6.5	7.6	4.7	7.7
\$1400-\$1599	5.5	5.2	6.7	6.4	5.0	7.9
\$1600-\$1799	7.4	6.6	8.8	8.4	6.6	10.4
\$1800-\$1999	6.1	5.5	8.1	6.5	6.8	9.4
\$2000-\$2199	11.4	10.4	12.3	10.7	12.2	12.6
\$2200-\$2399	5.4	5.1	6.3	5.2	7.2	6.2
\$2400-\$2599	4.4	4.5	4.3	3.3	5.9	3.6
\$2600-\$2999	10	9.3	9.6	7.3	13.5	7.6
\$3000-\$3999	13.5	14.7	9.9	9.0	15.1	6.1
\$4000-\$4999	5.4	6.2	2.9	3.7	3.6	1.7
\$5000 and over	2.8	5.9	1.7	3.4	1.9	1.3
Not stated	6.1	5.2	5.2	5.7	4.9	5.1
Total households with a mortgage	100	100	100.0	100.0	100.0	100.0

Source: Australian Bureau of Statistics, Census of Population and Housing 2011. Compiled and presented in profile.id by .id, the population experts.

As with weekly rental payments, average loan repayments vary considerably within the Shire, with the majority of townships identified as making monthly loan repayments within \$1,000 to \$2,600. However Shire wide average is impacted by significant numbers in the following areas:

- Camden Park - Mount Hunter - Cawdor (53.7%)
- Menangle - Razorback (46.6%)
- Orangeville - Werombi and District (50.9%)

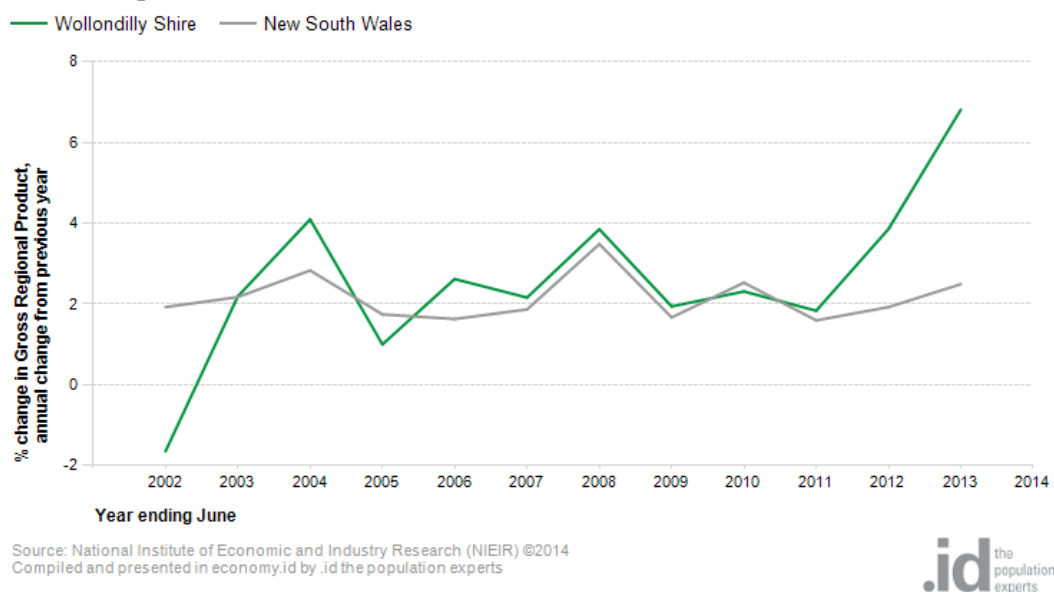
Tahmoor households, identified earlier as typically having lower household incomes, are reported as having 19.7%, of the reported 614 households with a mortgage, paying \$2,600 or more per week.

Consideration of the available data in relation to household income and expenditure in the Shire indicates that the community generally has a capacity to pay the proposed rate increase. Those areas with lower socio-economic status have been identified as having properties predominately rated at Council's minimum rate, which is increasing at a lower rate taking this into account. Despite this it is acknowledged that there may be individuals whose circumstances may make the proposed increase unaffordable, and Council has measures in place to assist on a case by case basis as outlined in Council's hardship policy.

Capacity to Pay – Business Rating Category

Wollondilly Shire Council has experienced steady growth in Gross Regional Product (GRP) since 2011 resulting in GRP of \$1.58 billion (0.3% of total state GRP) at end 2013. The LGA is ranked 65th out of 152 Councils in New South Wales. Neighbouring councils Camden (GRP: \$2.4b), Campbelltown (GRP \$5.2b) and Wingecarribee (GRP \$1.9b) are ranked 51st, 24th and 56th respectively.

Gross Regional Product



The largest industry contributing to Wollondilly's GRP is construction, followed by mining and manufacturing and the total number of jobs within the Shire as at 2013 is reported as 13,372, up 460 since 2011. Whilst of smaller size than neighbouring council's, positive growth in GRP and employment suggests a positive outlook.

The total number of rateable Business Category assessments as at 1 July 2014 is 557 split between Business (General) and Business Light Industrial. It should be noted that existing rate charges for business categories are considerably lower than those of Camden, Campbelltown and Wingecarribee councils.

It is not anticipated that the proposed increase would have an impact on business decision making.

Notwithstanding this, businesses within the Shire are expected to see offsetting benefits from increasing trade as a flow on effect of Council's initiatives in the

areas of economic development following a recent restructure intended to increase focus on this aspect.

Capacity to Pay – Farmland Rating Category

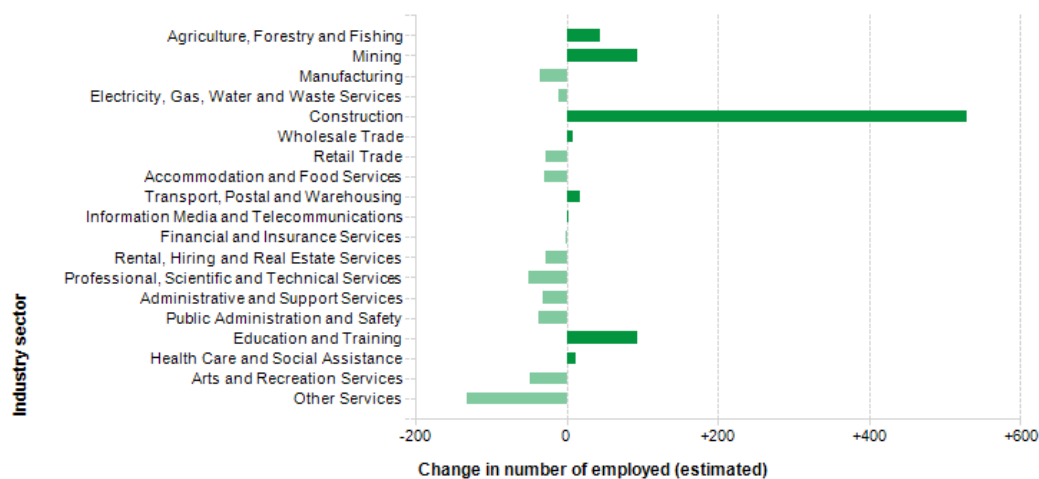
As at 1 July 2014, there are 369 assessments in the Shire categorised as Farmland for rating purposes. The average annual rate for farmland assessments in neighbouring Councils Camden, Penrith and Wingecarribee were higher than Wollondilly Shire in the 2012/13 financial year. It is not proposed to pass the SRV onto the Farmland category.

Capacity to Pay – Mining Rating Category

A total of 47 Mining rates assessments exist within the Shire. Whilst employment growth in the sector has slowed, the sector continued to show employment in growth in the 2013 financial year and generated \$671.9 million in sales in the 2013 financial year.

Change in employment (total) by industry, 2011/12 to 2012/13

Wollondilly Shire



Source: National Institute of Economic and Industry Research (NIEIR) ©2014
Compiled and presented in economy.id by .id the population experts

.id the population experts

Given the small number of assessments and the substantial variation in land values, there is significant variation in the rates paid within this category. Under the proposed SRV the majority of assessments will be unaffected.

Outstanding Rates Ratio

Another indicator of the community's capacity to pay is the number of ratepayers with accounts in arrears. This is measured by the Outstanding Rates Ratio. The Office of Local Government guidelines consider an outstanding rates ratio between 5% and 10% to be reasonable. Outstanding rates within the Shire have been reducing over the past 5 years despite rates including an SRV increase of 6% over 3 years for the period 2011 – 2013 inclusive.

Year	Wollondilly	Camden	Campbelltown	LGA Group Average
2010	8.06		5.39	Not reported
2011	9.35	6.79	5.66	Not reported
2012	9.11	6.31	5.36	Not reported
2013	7.64	6.10	4.82	6.70
2014	7.14	4.20	4.29	Not available

When viewed in conjunction with the community's response to the various engagement activities and, in particular, the telephone survey results, it is apparent that whilst Council's request for a 10.8% SRV increase is a significant increase, the community supports the need for our infrastructure to be maintained and recognises that this cannot be achieved without significant revenue increases. Furthermore the survey result indicates that a majority of our community would see a rate increase as preferred, with 70% of respondents choosing either Option 2 or Option 3 as their first preference when asked to rank the options.

Council's consideration of the affordability of the proposed increase and the community's capacity to pay under each of the rating categories, has identified that the socio-economic standing of the community is better than that of neighbouring communities. Looking more closely at related indicators such as housing costs and household incomes has suggested that the general community have the capacity to pay and where individual's circumstances may differ from the larger group, Council has processes in place to assist on a case by case basis.

5.3 Addressing hardship

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

Does the council have a Hardship Policy? Yes ☒ No ☐

If Yes, is an interest charge applied to late rate payments? Yes ☒ No ☐

Does the council propose to introduce any measures to limit the impact of the proposed special variation on specific groups in the community? Yes ☐ No ☒

You should attach a copy of the Hardship Policy and explain below who the potential beneficiaries are and how they are assisted.

Please provide details of any other measures addressing hardship to be adopted, or alternatively, explain why no measures are proposed.

The council is also to indicate whether the policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided).

Council recognises that some ratepayers may experience financial difficulties in meeting rate commitments. Council has a debt recovery policy and a hardship policy which set out the process for recovering overdue rates, as well as recognising that some ratepayers experience financial difficulties on meeting rate commitments. In such situations, Council will make arrangements with ratepayers to pay off their outstanding rates and charges through regular payments over the course of a year.

In conjunction with consulting the community regarding an SRV increase, these policies have been reviewed internally and found to be reasonable and effective. It is anticipated that the reviewed policies, with no changes, will be presented to Council for adoption at the April 2015 meeting.

Both documents can be found on council's website and are referenced in Council's Revised Delivery Program 2013/14 - 2016/17 Appendix 2 (Page 124) . A copy of both policies is included as Attachment 7 of this application however a summary of the key features follows.

Council's Hardship Policy provides the following relief:

- Write-off of interest charges accrued over a period of twelve months from the date of debt, subject to the debt being paid in the agreed period.
- Reduce interest by one-half over a period of eighteen months on ratepayer accounts where significant changes to the rateable valuation of land have resulted in financial hardship.

- Limited to the single property owned and occupied (jointly or not) by the applicant.

There are options available to provide assistance to ratepayers suffering from genuine financial hardship under the Local Government Act 1993 and the Local Government (General) Regulations 2005. The sections which are used by Council to assist ratepayers are as follows:

Hardship resulting from certain valuation changes (s 601 Local Government Act 1993)

Any Ratepayer who incurs a rate increase in the first year following a revaluation of land values can apply to Council for rate relief if the increase in the amount of rates payable would cause them substantial hardship. In these cases Council has the discretion to waive, reduce or defer whole or part of the payment of any part of the increase.

Applications must be made in writing within the first year of a new land revaluation being used by Council. If an application is made during the first year then subsequent applications under that valuation base date may be considered.

Writing off of Pensioner rates and charges (s 582 and s 583 Local Government Act 1993)

Council may waive or reduce rates, charges and interest due by any ratepayer who is in receipt of a pension, benefit or allowance under the Social Security Act 1991. Under Clause 135 of the Local Government (General) Regulation 2005 a ratepayer can make an application for a reduction to their Council rates via a pension concession. The maximum pension concession currently offered by Council is fifty percent of the Ratepayers domestic waste charge plus a sum of two hundred and fifty dollars being the standard Government rebate.

Agreement as to periodic payment of rates and charges (s 564 Local Government Act 1993)

Council may accept payment of rates and charges that differ from the quarterly instalments under S 564 of the Local Government Act 1993. A ratepayer can enter into an arrangement with Council to pay their rates weekly, fortnightly or monthly. Council offers the availability for these arrangements to be set up through direct debit to further assist the ratepayer in making the agreed payments on the agreed dates. Council requests all such arrangements to be formalised in writing. The full guidelines for arrangements under S564 can be found in the Debt Recovery Policy.

Writing off accrued interest (s 567 Local Government Act 1993)

If payment of accrued interest would cause the Ratepayer hardship then Council may consider writing off any accrued interest or deferring interest for a period of up to 12 months. The Ratepayer may be requested to attend an interview to determine whether they are eligible for relief and for Council to understand the issues causing hardship. Each application will be dealt with on a case by case basis.

Pensioner Concessions

Council also recognises the fixed nature of income available to pensioners and has in place a number of concessions that are available to eligible pensioners. All eligible pensioners are entitled to a rebate on their rates, comprising the State Government's mandatory \$250 annual rebate, plus an additional rate rebate of \$45 for the year and up to 50% of the waste service charge. Pensioners are also exempt from Council's annual Stormwater Management Charge. The majority of NSW Councils do not offer rebates in addition to those required by the State Government and a comparison with those that do offer rebates shows Council's policy to be generous.

6 Assessment criterion 4: Public exhibition of relevant IP&R documents

Criterion 4 within the OLG Guidelines is:

The relevant IP&R documents⁵ must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.

Briefly outline the significant IP&R processes the council has undertaken to reach the decision to apply for a special variation. Include the details of and dates for key document revisions, public exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.

You should also include extracts from council minutes as evidence that the documents were adopted.

⁵ Relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan.

The council is reminded that amendments to the Community Strategic Plan and Delivery Program require public exhibition for at least 28 days prior to adoption, while amendments to the Long Term Financial Plan and Asset Management Plan/s do not require public exhibition.⁶

Local councils in NSW are required to undertake their planning and reporting activities in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2005.

The purpose of Wollondilly's corporate business planning documents (IP&R) is to focus on the short - medium term operations of Council and long-term strategic planning and to set priorities and aspiration all through community consultation.

Council's current Corporate Business Planning documents are:

- Wollondilly Community Strategic Plan 2033
- Wollondilly Revised Resourcing Strategy 2013/14 – 2022/23
 - Long Term Financial Plan
 - Asset Management Strategy
 - Workforce Management Plan
- Wollondilly 'revised' Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15
- Wollondilly Reporting – Quarterly Reviews & Annual Report

Council's decision to seek assistance from the Community in our efforts to reach a position of financial sustainability over the long term and to apply for a special rate variation is documented in:

- Wollondilly Resourcing Strategy 2013/14 – 2022/23
- Wollondilly Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15
- Wollondilly Revised Resourcing Strategy 2013/14 – 2022/23
- Wollondilly Revised Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15

April 2014 - On 22nd of April 2014 Council resolved to place the Wollondilly draft Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15 on exhibition

⁶ Office of Local Government (the then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5 - 6. See <http://www.olg.nsw.gov.au/sites/default/files/Integrated-Planning-and-Reporting-Manual-March-2013.pdf>

and also resolved that Council commence a community engagement process investigating the need for a potential future special rate variation.

Minutes of the Ordinary Meeting of Wollondilly Shire Council held in the Council Chamber, 62-64 Menangle Street, Picton, on Tuesday 22 April 2014, commencing at 6.32pm

Governance

GO4 **Exhibition of Draft Wollondilly Operational Plan 2014/15** TRIM 5473-7
39MCHA

59/2014 **Resolved on the motion of Crs Amato and Gibbs:**

1. That endorsement be given for the draft Wollondilly Operational Plan 2014/15 (including the proposed 2014/15 fees and charges) to be placed on public exhibition for the period 23 April to 21 May 2014.
2. That Council commence a Community engagement process investigating the need for a potential future special rate variation.

On being put to the meeting the motion was declared CARRIED.

Vote: Crs B Banasik, Law, Terry, M Banasik, Gibbs, Hannan, Mitchell, Amato and Landow

The Wollondilly Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15 clearly demonstrate on pages 8, 9 and 39 (see Attachment 13) “we need to talk with you” detailing Council’s needs in seeking community assistance in its efforts to reach a position of financial sustainability into the long term.

Council conducted extensive consultation over April and May 2014 which included advertisements in the local paper (see Attachment 21 – IP&R exhibition advertisements) and on Councils website.

June 2014 - No submissions were received on the draft Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15. On June 16, 2014 Council resolved to adopt the Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15 and commence a Community Engagement process for a Special Rate Variation.

WOLLONDILLY SHIRE COUNCIL

Minutes of the Ordinary Meeting of Wollondilly Shire Council held in the Council Chamber, 62-64 Menangle Street, Picton, on Monday 16 June 2014, commencing at 6.30pm

Governance

GO5 Adoption of Wollondilly Operational Plan 2014/15 TRIM 5473-7
39MCHA

105/2014 Resolved on the Motion of Crs B Banasik and Hannan:

1. That the Wollondilly 2014/15 Operational Plan be adopted.

16. That Council commence a Community engagement process investigating the need for a potential future special rate variation.

Public Exhibition of Revised Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15 Revised

November 2014 - On November 17, 2014 Council endorsed the draft 'Revised' IP&R Documents to be placed on exhibition for the period from 18 November 2014 – 19 December 2014. The draft revised Wollondilly Delivery Program & Operational Plan details the three Special Rate Variation options being considered against the context of an estimated \$80 million shortfall over the next 10 years with varying consequences. The Revised Delivery Program 2013/14 -2016/17 & Operational Plan 2014/15 was informed by the 'revised' Resourcing Strategy 2013/14 – 2022/23.

WOLLONDILLY SHIRE COUNCIL

Minutes of the Ordinary Meeting of Wollondilly Shire Council held in the Council Chamber, 62-64 Menangle Street, Picton, on Monday 17 November 2014, commencing at 6.31pm

Governance

GO3 **Draft “Revised” Integrated Planning & Reporting (IP&R) Documents for the Proposed Special Rate Variation**
39MCHA TRIM 1862-3

225/2014 **Resolved on the Motion of Crs M Banasik and Hannan:**

That endorsement is given for the draft “Revised” IP&R Documents to be placed on exhibition for the period from 18 November 2014 – 19 December 2014.

The revised Wollondilly Delivery Program 2013/14 -2016/17 & Operational Plan 2014/15 were placed on public exhibition from the 18 November 2014 – 19 December 2014. The exhibition included advertisements in local papers (see Attachment 21 – IP&R Exhibition advertisements) and Councils’ website. Council also had representatives from the Corporate Planning team on hand at all of the SRV Engagement events to answer any questions on the ‘revised’ Wollondilly Delivery Program 2013/14 -2016/17 & Operational Plan 2014/15.

February 2015 - The draft ‘revised’ Delivery Program 2013/14 – 2016/17 & 2014/15 Operational Plan was adopted by Council on Monday 9th February 2015. The adopted ‘revised’ Wollondilly Delivery Program & Operational Plan details the three Special Rate Variation options being considered against the context of an estimated \$80 million funding shortfall over the next 10 years with varying consequences.

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Where possible, the council is to quantify in dollar terms the past and future productivity improvements and cost savings.

The council may also provide indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and OLG data provided to us.

As Council is seeking higher rate payments from our community, it is understandable that our community expects in return for Council to be as efficient and effective as possible in using our resources wisely. Being an efficient and effective Council is a core focus of the organisation and will continue to be central to the way we do business given our financial challenges ahead.

Efficiency is about doing more for less and effectiveness is about working smarter. Council's commitment is to be efficient "doing the thing right" and to be effective "doing the right thing".

After years of rate-pegging we have, by necessity, needed to constantly improve our efficiency. The table below demonstrates our efforts to date with comparisons to other Councils with a range of comparative data.

In its 2012 review of NSW Councils, the Department of Local Government found that relative to other councils, Wollondilly compares favourably in terms of operating costs.

(Circular to Councils 14/17 - Comparative Information on NSW Local Government 2012-13)

Comparative Data 2012/13	Wollondilly	Camden	Campbelltown	Penrith	Hawkesbury
No. Equivalent Full Time Staff	208	304	623	1042	273
Population	45,322	60,546	152,612	186,938	64,592
Total Revenue	\$45.9m	\$129.5m	\$131.4m	\$217.2m	\$75.99m
Total Expenditure	\$44.9m	\$71.4m	\$133m	\$171.1m	\$64.7m
Total Revenue per capita	\$1013	\$2139	\$861	\$1161	\$1176
Expenditure per capita	\$990	\$1,179	\$871	\$915	\$1002
Governance and Admin Expense per capita	\$115	\$272	\$157	\$165	\$70
Roads and Bridges expenses per capita	\$315	\$270	\$107	\$166	\$183
Metre road length per capita	19m	8m	5m	6m	16m

Council is focused on continuous improvement and “best practice” approaches to all of our operation. Council keeps abreast of new knowledge, techniques and developments related to our industry.

We continually review the ways our services are conducted and we have implemented a wide range of initiatives to ensure we use our resources wisely, these include:

- **Budget Process**

Council’s annual budget process places a high level of focus on minimising increases to operational expenditure budgets for existing services. This has been the case for a number of years and has compelled budget managers to continually identify savings within their areas of control while maintaining service levels.

- **Procurement Practices**

Electricity Contract

Council has entered cooperative contracts with other Councils (through Local Government Procurement) for energy supply for large and small sites as well as street lighting, which has delivered cost savings. Entering a further round of new energy contracts, on preliminary assessments, will further reduce future costs (additional to any carbon price reductions).

Insurance Premium Saving

Council has reduced Property and Public Liability insurance premiums by \$269,728 through a Request for Proposal (RFP) process with some savings being kept to cover under excess claim costs and the balance being available as organisational savings.

Panel Contracts

The Works Section has created and built strong relationships with suppliers. We operate several panel contracts including: plant hire, material supply, civil works (kerb & gutter, footpath, asphalt, spray seal). The creation of these formal panel contracts has resulted in substantial time efficiencies for people delivering projects. Under Council adopted policy for works over \$5000 it is necessary to obtain at least three written quotations. Under the panel contracts, potential contractors offer legally binding rates which cover a period of up to 2 years. Therefore Council meets its responsibilities under probity regulations and also has an efficient way of getting work done. Council's current panel contracts have been written and administered internally by the Works Section.

Audit Committee

Council established an Audit Committee in 2010. The membership of the committee comprises two external representatives and two Councillors. The chair of the committee is an external representative. The Audit Committee works with the Internal Auditor to develop a risk based strategic audit plan. The plan targets areas of high risk to examine processes and the controls implemented to reduce risk.

Energy Efficiencies

Council has replaced the Administration Centre air conditioning plant (at the end of its useful life) with a new energy efficient system with reduced operating costs. Council has also installed solar tube lighting and 60,000 litre water tanks at the Community Nursery in an effort to reduce water use fees and power costs.

In addition to these initiatives, Council has undertaken power and water use audits of all Council buildings in order to obtain baseline information for

Council infrastructure projects to improve power and water efficiency and develop water and energy use plans. All irrigation systems and operations at Council sportsgrounds are being reviewed in order to reduce water usage at Council facilities and Council is incorporating sustainability principles into new building design such as Council's Library refurbishment to ensure reduced power and water usage is achieved in new or retrofitted facilities.

Information technology

Energy efficiency and environmental impact now have significant weighting in the selection of new technologies. During a recent PC replacement program, ultra small form factor units were chosen due to the very low power consumption of each device. For the data centre refresh, blade technology was chosen due to the significant power saving and reduced ongoing costs.

Council has also implemented a pull print system across the entire organisation requiring each user to manually release print jobs at the printer with any unreleased jobs cleared at the end of each day. This has had a significant reduction in paper and costs associated with toner and servicing.

Service Review, Process Improvements & SEE Change

Over the past 4 years Wollondilly Shire Council has continually reviewed the services it provides and looked for ways to improve the processes which deliver the services.

- **SEE Change**

In 2009 strength based initiative called The S.E.E. Change project was implemented across Council. This project documents Wollondilly Shire Council's journey towards a sustainable, efficient and effective organisation showcasing areas of leadership, exemplary performance and potential improvement and delivers snapshots across a period of time outlining a reflection of Council's achievements and an evaluation of how Council does business.

The Project has enabled a space to reflect upon the activities and functions of Council and documents the achievements of Wollondilly Shire which are communicated to all our stakeholders. The SEE change document is continually reviewed and refined as we improve our processes and is a useful communication tool to demonstrate Council's ongoing improvements.

The SEE Change project has documented successes which can be built upon and demonstrates outstanding value for money in regards to projects and

resource allocation. The highlighting of strategic alliances and partnerships, facilitated through the process, has provided a sound understanding of the structure for the gathering of evidence-based knowledge. Initiatives that have been put into place as a result of this project have included the review of the Wollondilly Community Strategic Plan 2030, a strengths based approach to Advocacy through the development of Council's State and Federal issues papers, development of a draft governance plan, refinement of our performance management system, risk management system and enhancement of our internal auditing systems.

As a result cross divisional working groups to address gaps and issues have been implemented. The development and implementation of resource sharing MOU's and partnership opportunities with Wingecaribbee Council and Tharawal Lands Council are good examples of staff beginning to think outside the square, especially in the areas of service delivery, asset management, customer service and engagement initiatives. The project highlighted the increasing focus on the financial pressures facing local government particularly in terms of limited resources, burgeoning infrastructure maintenance and renewal costs, increasing legislative complexity and rising community expectations. The implementation of a strengths based approach, where strengths are highlighted and solutions to issues are identified by using the resources that are available locally, has assisted in Wollondilly Shire Council leveraging resources and getting others on board to take ownership of the solutions.

As part of this reflective process Council used the framework to work together with the U.S.U. and surveyed all employees on their views and ideas on where Council can save money and where processes or procedures can be improved. 15 mandatory workshops were conducted in partnership with the USU and 230 staff members. All comments and suggestions were recorded during each workshop and at the conclusion of the workshops a total of 592 comments and or suggestions were recorded

- **Success Management Program**

Wollondilly Shire Council (through the Executive Team) has been proactive with the Success Management Program (SMP). SMP is Council's program aimed at refocusing on our values, culture and the effectiveness of Council's business operations through our people, processes, performance and plans. Council has initiated SMP for the following major reasons:

- To respond to significant growth – a projected population increase from 45,000 to potentially as high as 140,000 is anticipated over the next 25 to 30 years. Wollondilly Shire is a major growth sector in the Sydney

metropolitan region and therefore the Council has consequent high level responsibilities.

- Customer Service - drive to improve organisational values and management to underpin on-going improvement in the delivery of customer service; external and internal.
- To address resource constraints - human and financial. Quality systems and processes are crucial to maximise efficiency, effectiveness, flexibility and performance.
- Working relationships, perceptions and complaints – as with many Councils, improved working relationships with applicants, the community and other Council sections are needed.
- Performance issues – looking at staff workloads, prioritisation of work and the use of current resources to achieve outcomes.

- **Asset Management Improvement Plan**

Increased pressure from the community for improved levels of service at minimum cost; and changes in legislation requiring the identification and depreciation of infrastructure assets means that Council must critically assess the way in which it manages these assets. It is not a matter of necessarily spending more money on maintaining or renewal of its assets, but is rather a realistic strategic focus to achieve maximum value from its infrastructure assets for the funds spent, within the resources that the community is willing to agree to.

Through the implementation of a more formalized approach to asset management, Council will achieve significant benefits including:

- More informed decision making
- Reduction of maintenance costs, by focusing on preventive maintenance rather than a “worst first” approach
- Greater resource efficiency

For further information refer to Wollondilly Delivery Program 2013/14 – 2016/17 & Operational Plan 2014/15 Pages 54 – 59 (Attachment 19).

For further information on the Asset Management Improvement Plan refer to Wollondilly Resourcing Strategy 2013/14 – 2022/23 Pages (Attachment 22).

8 List of attachments

The following is a list of the supporting documents to include with your application. Some of these attachments will be mandatory to all special variation applications e.g., Attachment 1, extracts from the Community Strategic Plan. Other attachments will be required from some, but not all, councils. For example, Attachment 10, extracts from the Asset Management Plan, would be required from a council seeking approval of a special variation to fund infrastructure. Councils should submit their application forms and attachments online through the Council Portal in the following order.

Item	Included?
Mandatory forms and Attachments	
Part A Section 508A and Section 508(2) Application form (Excel spreadsheet)	<input checked="" type="checkbox"/>
Part B Application form (Word document) – this document	<input checked="" type="checkbox"/>
Attachment 1: Relevant extracts from the Community Strategic Plan	<input checked="" type="checkbox"/>
Attachment 2: Delivery Program	<input checked="" type="checkbox"/>
Attachment 3: Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	<input checked="" type="checkbox"/>
Attachment 4: TCorp report on financial sustainability	<input checked="" type="checkbox"/>
Attachment 5: Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation	<input checked="" type="checkbox"/>
Attachment 6: Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Attachment 7: Hardship Policy	<input checked="" type="checkbox"/>
Attachment 8: Resolution to apply for the special variation	<input checked="" type="checkbox"/>
Attachment 9: Certification	<input checked="" type="checkbox"/>
Other Attachments	
Attachment 10: Relevant extracts from the Asset Management Plan	<input checked="" type="checkbox"/>
Attachment 11: Past Instruments of Approval (if applicable)	<input type="checkbox"/>
Attachment 12: Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program	<input checked="" type="checkbox"/>
Attachment 13: Other (please specify)	
o 13: Mayor and General Manager's Message	
o 14: Addressing Your Future Needs – "We need to talk with you"	
o 15: Mayor and General Manager's Message (Revised Plan)	
o 16: Addressing Your Future Needs (Revised Plan)	
o 17: Addressing Your Future Needs – The needs for a SRV	<input checked="" type="checkbox"/>
o 18: Further information for a SRV	
o 19: Productivity Improvements & Cost Containment Strategies	
o 20: Financial Information – Rates	
o 21: Advertising IP&R Exhibition documents	
o 22: Wollondilly Resourcing Strategy 2013/14 – 2022/23	

9 Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: **Wollondilly Shire Council**

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

General Manager, **Luke Johnson**:

Signature and Date: 16 February 2015

Responsible Accounting Officer, Manager Financial Services, **Ashley Christie**:

Signature and Date: 16 February 2015

Once completed, please scan the signed certification and attach it as a public supporting document online via the Council Portal on IPART's website.