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| Special Variation Application Form – Part B  Council application for 2015/16 |
| Gloucester Shire Council  Date Submitted to IPART:  Council Contact Person: Mr Danny Green  Council Contact Phone: (02) 6538 5250  Council Contact Email: danny.green@gloucester.nsw.gov.au |

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ISBN

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# 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]](#footnote-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.

## 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]](#footnote-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.

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.

## 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](http://www.ipart.nsw.gov.au/files/948b8fb1-2e6e-4647-b9d3-a10000a2552a/Local_Government_-_Council_Portal_User_Guide_-_November_2012.pdf) for the Portal will assist you with the registration and online submission process. If you experience difficulties please contact Himali Ranasinghe on (02) 9113 7710 or by email [himali\_ranasinghe@ipart.nsw.gov.au](mailto: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.

# Preliminaries

## 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]](#footnote-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.

Gloucester Shire Council and its community have embraced the transparency and strategic planning brought

by the IP&R framework and the planning and reporting suite of documents.

The original Community Strategic Plan was formally adopted by Council on 27 June 2012 after many months of consultation. The community, through the CSP process, identified five key messages that formed the foundation of our Plan.

* Community members are concerned about the state of our shire’s roads and bridges and want to see core infrastructure maintained.
* Our people care about Gloucester’s unique environment and want to ensure that it is nurtured and protected.
* A broad-based economy and opportunities for employment are fundamental to our region’s future
* We want to continue to build a vibrant, connected and caring community
* Our community values responsible leadership and wants to be involved in making decisions that will affect Gloucester’s future.

The supporting IP&R framework documents were adopted at this time also.These plans and documents were placed on public exhibition as appropriate as were the usual reports against performance and any amendments. Council introduced a committee structure aligned to each of the key themes of our CSP. These committees include external members of the public which enhances community input and understanding.

Following the council elections in September 2012, the new Council undertook a review of the Community Strategic Plan and associated plans, considering community needs and concerns. A minor amended copy of the Delivery program was adopted on 15 May 2013.

The condition of Council’s roads and bridges have historically been poor and reflected as such in the balance sheet. With the advent of a full service review and condition assessment of transport assets, the quantum and detail of this deficiency was identified and costed.

All subsequent IP&R planning documents included details of the asset renewal and maintenance backlog and the options Council proposed to resolve them.

This backlog identification and options for solution were developed and the community informed as the discussion and data collection proceeded over time. The process of making an SV application has been progressively worked through Council and the community. As more accurate data was determined and options assessed, these were endorsed by Council and included in planning documents in greater detail as the data was collected and quantified.

The amended planning documents were placed on public exhibition.

Key Supporting Documents

* Community Strategic Plan 2012 -2022
* Delivery Program
* Asset Management Plan
* Long Term Financial Plan

Copies of relevant documents are attached to this application and each specifically addressed the Special Variation as follows:

The Community Strategic Plan details the quantum and challenges in funding asset renewal and maintenance. It discusses our small rate base but large public infrastructure whereby our total replacement cost of assets equates to approx.$100,000 per resident. The Plan highlights the diminishing level of resources available and the reasons for this, that Council revenues currently allow only half the $8.3m required to keep our roads in an acceptable condition, and that our roads and bridges are deteriorating faster than we can repair them.

The CSP shows the outcome of the review of the condition of all roads and bridges which fully details how much backlog in renewals and maintenance we face. This shows that we currently have some $10 million worth of assets that have fallen below the minimum standard and that by 2021 we expect this will have increased to $74 million.

The Plan goes on to state that Council has developed a long-term maintenance and renewal plan but delivering on it will depend on our capacity to find additional income including rate increases.

The Delivery Program 2013 – 2016 outlines the need for additional revenues and TCorp comments were included to advise the community of the financial challenges. We advised that TCorp’s assessment has evaluated Council’s financial position as “very weak”, based on

Council’s initial assessment of the condition of its assets and our ability to meet costs associated with their maintenance and renewal. We advised the community that we will undertake an extended period of community engagement aimed at establishing community expectations of service levels for its infrastructure. This will allow a better determination to be made about maintenance and renewal requirements and the level of rates required to achieve these.

The Delivery Program goes on further to state that Council’s finances will continue to be constrained in the coming years. That there will be insufficient funds to complete all the activities and community projects that we would like to undertake and Council will be seeking a Special Variation to be in force during the period of this plan and beyond, to improve Council's financial sustainability.

Specifically itemised in the Delivery Program under Key Direction 1, Maintaining Core Infrastructure, Delivery Program Objective 1 is that Public Assets and Infrastructure will be planned, managed and funded to agreed levels of service. Strategy 1.2 to achieve this is “to conduct annual condition assessments and valuations” and “to evaluate asset maintenance and replacement requirements”. To achieve the funding component under Key Direction 5, Governance, Objective 4 is “to ensure ongoing financial sustainability” with Strategy 4.1 to achieve this through “the preparation of a Special Variation (SV) application for implementation from 2015-16 FY”.

Council’s Asset Management Plan details the standards of service , roads and bridge hierarchy, risks and costs together with a desired capital and maintenance works program set against our restrained funding plan. The definitive option of a SV is clearly identified in the Plan as a necessary resolution for this shortfall.

Council has defined service levels in two terms; Community Levels of Service and Technical Measures of Performance.

The Community Levels of Service (LOS) relate to the service outcomes that the community wants in terms of safety, quality, quantity, reliability, responsiveness, cost effectiveness and legislative compliance.

Community levels of service measures used in the asset management plan are:

* Quality How good is the service?
* Function Does it meet users’ needs?
* Safety Is the service safe?

Supporting the community service levels are operational or technical measures of performance. These technical measures relate to the allocation of resources to service activities that the council undertakes to best achieve the desired community outcomes.

Technical service measures are linked to annual budgets covering:

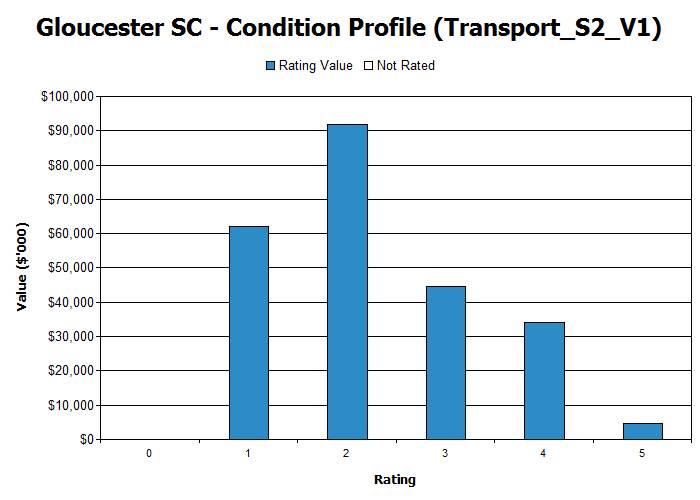
* Operations – the regular activities to provide services such as opening hours, cleansing frequency, mowing frequency, etc.
* Maintenance – the activities necessary to retain an assets as near as practicable to its original condition (e.g. road patching, unsealed road grading, building and structure repairs),
* Renewal – the activities that return the service capability of an asset up to that which it had originally (e.g. frequency and cost of road resurfacing and pavement reconstruction, pipeline replacement and building component replacement),
* Upgrade – the activities to provide an higher level of service (e.g. widening a road, sealing an unsealed road, replacing a pipeline with a larger size) or a new service that did not exist previously (e.g. a new library).

The standard of service must be balanced against the cost of providing the service. Council reviews the LOS in accordance with customer demand and industry trends.

Council’s current technical levels of service are detailed in the following table:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Service Criteria** | **Service Target** | | | **Compliance Measure** |
| Ongoing repair potholes | Repair wheel path potholes deeper than 50mm within two weeks of being identified | | | Less than 2 justified complaints per month |
| Average Routine Grade (Grader Roller Water cart) across the network | Rural Sealed (i.e. US Shldr)  Rural Unsealed | 0.1  2 | Grades/yr  Grades/yr | Less than 10 justified complaints per month |
| Progressively convert gravel collector road surfaces to sealed surfaces, excluding unsealed shoulders adjacent to table drains | No gravel surfaces by 2040 for top 4 Collector Roads | | | Annual budget allocations set to achieve target and spent each year. |
| Keep culvert inlet and outlets clean | Program routine maintenance of culverts every 4 years | | | Less than 2 justified complaints per month |
| Ensure signs are legible, accurate and correctly installed | Program works as required and within one month of being identified. | | | Less than 2 justified complaints per month |
| Attend asset replacement before assets become unserviceable | Allocate funding required to eliminate Condition 5 assets | | | 90% of required funding allocated each financial year’s budget |
| Control grass growth on unsealed shoulders or sealed roads | Slash at intervals to ensure a maximum height of 300mm is not exceeded. Twice per year (average) | | | Less than 2 justified complaints per month |

Council’s condition profile for assets included in the AMP is shown below. This an example of graphical depictions included in newsletters, brochures and direct public presentations. As can be seen, a significant portion is in the fair to poor category which means there are failure risks and attention is needed soon.



The following table uses IIMM Description of Condition and depicts terminology which were aligned to pictures of various road conditions and included in various presentations and information documents.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Condition** | **Condition Score** | **Condition Description** | **Wear** | **Maintenance Requirement** | **Functionality** |
| Excellent | 1 | Chance of failure is minimal | Negligible wear | No problem beyond normal maintenance | Easily performing required function |
| Good | 2 | Chance of failure is minimal | All wear within design tolerance | No problem beyond normal maintenance | Adequately performing required function |
| Fair | 3 | Chance of failure is low but present | Wear approaching allowable limits | Problem that will require prioritised attention | Performing function but possibly not effectively |
| Poor | 4 | There is a real chance of failure | Wear beyond allowable limits | Problem identified requiring immediate attention | At lowest level of acceptability in performing required function |
| Broken/ Damaged | 5 | Failed | Substantial deterioration | Dangerous or Broken down | Not performing function |

The Long Term Financial Plan outlines the financial shortfall and our inability to fund the backlog as well as demonstrates the additional rate revenue generated from a range of SV scenarios. Prior to adoption by council, the LTFP was placed on public exhibition. The scenario models were used as part of community information and consultation sessions for the SV process.

The Asset Management Plan, Delivery Program and Long Term Financial Plan included detailed scenarios for a range of rate increases each associated with a discrete works program. Each works program was developed to achieve a certain road or bridge condition or service level.

## 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 | x |
| Enhance financial sustainability |  |
| Environmental services or works |  |
| Infrastructure maintenance / renewal | x |
| Reduce infrastructure backlogs | x |
| New infrastructure investment |  |
| Other (specify) |  |

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.

The purpose of the variation is to address the backlog in community transport assets (i.e. road, bridges and road furniture) which is significantly greater than Council’s ability to fund with current revenues.

Council has been aware for some time that the condition of our roads and bridges has reached a very poor state. To quantify this condition we conducted a detailed and exhaustive asset condition and assessment project. This project enabled us to inform our community, to develop a prioritised works program and to seek funding. It also enabled accurate costs for backlog renewal and future maintenance to be calculated and to develop the associated long term financial resource plan.

This project clearly identified the need for significant additional revenues with the key component of this, an application for a special variation. Whilst a SV is, and will not be, the sole focus of Council’s attention with regard to addressing financial sustainability, rates do form a significant proportion of revenues and as such feature strongly in any solution. All other areas of revenues and efficiencies were reviewed and will continually be assessed.

Council has investigated all options with some gains already achieved and will continue to pursue as appropriate. However realistically, some of these options will contribute only a small portion of the significant funding required.

Council’s first run Long Term Financial Plan was prepared as part of the initial CSP but failed to fully cost the strategies, actions and aspirational targets identified in the CSP. Transport assets (roads, bridges, etc.) comprise 93% of all asset values and therefore asset renewal and maintenance was identified as being the most important and expensive shortfall.

The detailed analysis showed that we currently have $10m in assets that had fallen below the minimum standard which by 2021 would increase to $74m. Additionally to maintain them at an appropriate level once achieved would require $8.3m per annum.

To understand the impact of the backlog and revenue required, various scenarios were developed that showed a range of work programs and the resultant service level on road performance against various ranges of SVs and the impact these would have on future rates. These levels were visually depicted in our direct presentations, newsletters and other information/consultation methods.

Transport connections and freight access are vital in this region with half of our ratepayer revenue derived from the category “Farmland”. Agriculture is a significant economic driver and employer and depends on good and safe road connections. Gloucester has no state roads in the shire and has responsibility for all roads. It is noted however that some state funds are received for maintenance and some capital grants made available on an ad hoc basis.

In consultation with the community, presentations on a SV of 18% (cumulative for 5 years) inclusive of CPI were demonstrated as the amount required to bring roads to an average condition across the shire of 2.9/5. (Condition categories range from 1 or best to 5 or worst/failed condition). The engagement process showed that there was not the community acceptance or capacity for this level of increase and the SV application modified to 13% (cumulative for 3years) inclusive of CPI. If the SV application is not successful, roads and bridges will continue to deteriorate. Early intervention is obviously cheaper in the long term with the risk that some assets will move beyond the point of remediation into the realms of full replacement at much higher cost.

## 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 **X** |
| If *Yes*, has a review been done and submitted to OLG? | Yes | No |

# 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).

Like most councils, Gloucester has felt the escalating costs of providing services over recent years as well as an expectation to provide a broader range of services. At the same time income levels to fund services have not kept pace; not only have Councils’ rates been pegged to CPI, but State and Federal Governments have shifted costs to local government and decreased the funding disbursements that are crucial to the ongoing viability of local government. This continued decline in other sources of funding is almost certainly going to continue into the foreseeable future and is an integral part of a council’s sustainability.

The recent federal budget decision to freeze the indexation of federal grants will cost Australian councils an estimated $925 million by 2017-18. Like many smaller rural and remote councils the impact will hit Gloucester hardest. We will continue to lobby for the value of FAGs to be restored to a level equivalent to one percent of tax revenue, the level they were at in 1996. In recent years the value has slipped to 0.7 percent, but by 2017-18, on current trends, that figure will have fallen to just 0.53 percent.

Until now this council has managed these declines in funding by suffering the resultant deterioration in our assets. While our reduced works and operations, together with some efficiency savings have gone some way to maintaining service levels in the face of decreased income, we have needed to postpone important operational and capital works. This has led to a backlog of work required to maintain aspirational targets outlined in the Community Strategic Plan relating to roads and bridges.

In our endeavours to meet our obligation to the community to utilise ratepayer’s funds frugally and as a further attempt to address our tightening financial situation, we have completed a number of efficiency and quality improvement reforms.

Whilst a SV will not be the sole focus of our attention with regard to generating additional income, rates do form a significant proportion of revenues. In pursuing options to increase revenues and reduce costs we have introduced efficiencies and improvements such as the following:

* All operations have been reviewed for possible efficiencies and resultant savings. Costs and services provided for each service unit have been analysed and performance indicators identified for progressive benchmarking.
* Organisational management responsibility and reporting has been restructured with a reduction in 4 senior staff. This generates a direct annual saving in our employee costs of approx. $500,000 per annum going forward in current dollars or in excess of 8% of total employee costs. In addition we have introduced a moratorium on other work force employment.
* We have implemented a project management methodology, a quality approach and enterprise risk management into our operations.
* The need and optimal use of assets has been assessed. A property portfolio developed with some land sold and others ongoing.
* Our ability to provide the services and aspirational targets identified by the community in the CSP has been critically appraised. Prioritised road and bridge programs have been developed to ensure the reduced resources available are focused on a priority basis. A reduced works program and associated resourcing has been implemented for our Parks and Gardens and opening hours of our pools modified achieving a reduction in variable costs.
* We will continue to explore options for shared resources, partnerships or entrepreneurial activities with government agencies, local groups and the private sector.
* We have an active Grants Working Group that monitors all grant opportunities to maximise and value add to identified projects. We will continue to pursue grant opportunities
* A revised Waste Management Strategy has been introduced that will reduce waste to landfill and minimise the state imposed waste levy. Except for waste, other fees and charges are only a minor component but these have been reassessed to ensure that they cover costs of provision. Some fees are statutory however.

With rates our most significant revenue source, this has been critically analysed over a long period. This Council has never sought a special rate variation, choosing to stay within the constraints of the rate peg which was imposed in 1977. With costs running far above the rate peg CPI, increasing statutory and regulatory demands, a reduction in grant funds, cost shifting impositions, increased community expectations and deteriorating assets, it is clear that a rate increase through a special variation is critical to our financial sustainability.

Our ability to borrow has been considered as a further option. Whilst this does not generate new funds it does permit savings when projects are able to be aligned in a more efficient manner. However the repayment is an issue to be managed.

We are a member of regional organisations of councils and utilise all appropriate resource sharing and joint projects. The review into local government presently before us has seen considerable internal and external appraisal of our operations and future sustainability. We are involved in Hunter Council’s Joint Organisation pilot. We have been actively involved in an extensive resource sharing/shared service study with MidROC Councils. There were significant savings identified and such opportunities will be pursued.

Gloucester Council has not previously applied for a special variation and has not adequately aligned this diminishing revenue to the increasing cost paradigm. For example when compared to the construction cost indicator, for just the period 2003 to 2012, the gap has widened by 30 points or so. This impact can be seen in the following diagram for recent years since data has become available.

Recent assessment by T-Corp has evaluated Council’s financial position as “very weak”, based on an initial assessment of the condition of its assets and our ability to meet costs associated with their maintenance and renewal. In response, Council commenced community engagement aimed at establishing community expectations of service levels for its infrastructure. This will allow a better determination to be made about maintenance and renewal requirements and the level of rates required to achieve these. Our finances will, however, continue to be constrained in the coming years. There will be insufficient funds to complete all the activities and community projects that we would like to undertake and therefore seeking a Special Variation is vital to improve Council's financial sustainability.

The Local Government Independent Review Panel has recently concluded an extensive review regarding the future sustainability of Local Government in this State. In the case of Gloucester Shire, the panel has suggested a merger with Greater Taree City Council and with Great Lakes Council and the formation of a Joint Organisation (such as Mid Coast Regional Council). At this point we are in facilitation and business case mode with Great Lakes. We are also working as active members of our 2 local ROCs, Hunter Councils and MidROC, to develop JO arrangements and enhanced service delivery models.

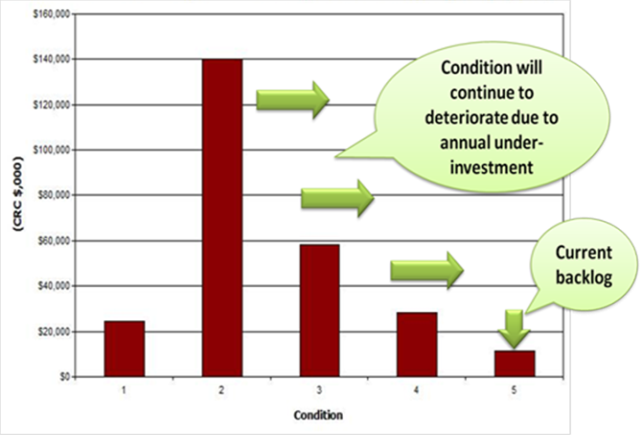
The Panel’s report identifies benefits for this Shire but also raises significant concerns in terms of identity, independence and support for local and district communities.  Gloucester fulfils an important role as a district centre that services and influences a community extending beyond the boundaries of the Shire. We need to understand the potential from such a merger and to contrast this against the natural desire and advantages of remaining independent within our community and district.

While navigating these major and related issues of sustainability and amalgamation, it will be important to not lose sight of delivering the Community's goals and aspirations and, in particular, continuing to make Gloucester 'a better place' to live, work and play.

Council will work in partnership with the community, State and Federal governments and other key stakeholders to ensure that positive change is achieved in meeting these complex challenges.

However Council in its consultation has shown that a solution to the asset problem must be reached now. We understand how important sound infrastructure is to our region if we wish to continue to attract economic investment, foster agricultural growth and grow our tourism potential. We also understand through our extensive discussion and information sessions that reliable roads and bridges are critical to our community and way of life.

The condition of the majority of our assets is in the average state of 2 or 3. Over time they will move toward a poor or 5 state, without significant attention.



The actual number of rateable properties is very small and to gain an increase of the magnitude required, a significant increase in rates will be needed.

We have held much discussion, information and consultation with the community and modelled several scenarios to identify the appropriate increase needed to fund the works program developed.

The cost to bring our key assets to a good average condition is $74m and the annual maintenance to keep them at this level would be $8.3m. This is detailed in the following tables:





Council presented to the community a range of works programs generated from levels of road condition (service) further linked to the funding required (SV). Whilst 18% cumulative for 5 years (inclusive of CPI) enables total average roads and bridges condition to reach a good average condition of 2.9/5, the feedback shows that a SV of 13% only for 3 years cumulative (and inclusive of CPI) was the optimum at this time for the community.

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## Case for special variation - community need

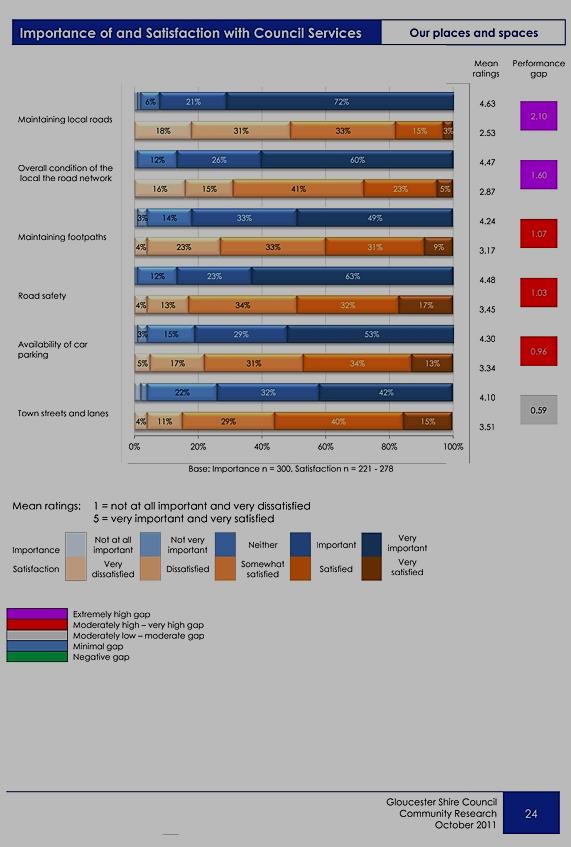
Summarise and explain below:

* 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 Gloucester Community’s need for significant additional funding to address a deteriorating condition in its roads and bridges has been known and evidenced for some time. The deteriorating condition has been anecdotal and complaint based but more significantly identified through audit reports and Special Schedule 7 analysis.

The Shire receives feedback on the condition of its roads and bridges from professional road users such as school bus operations, emergency services, local state agencies, truck operations as well as ratepayers.

While most residents agreed that Council was “doing a good job” with what funding it had, there was an understanding that we are consistently underspending on road maintenance and renewals within our shire due to lack of resources. A significant gap has opened between Council’s capacity and community expectations with regard to roads and bridges. A recent survey of customer expectations shows this significant gap between importance rating vs satisfaction with service.

As a reflection of this performance gap, through the community’s involvement in the development of the CSP as well as an extensive information and engagement program over the past 18 months, it was made clear that the community is concerned about the state of the shire’s roads and bridges with a key theme -” Community members are concerned about the state of our shire’s roads and bridges and want to see core infrastructure maintained.”

The Shire has an extensive transport network including 278 bridges and causeways, 330 km sealed roads, 444 km unsealed roads, 51 km kerbs and gutter, 12.7 km footpaths plus roadside furniture. These have a replacement value of $323m, and a projected operation, renewal and upgrade cost over the 10 year planning period of $151m. To put this in perspective, Council’s rate revenue per annum is $3.9m. and hence a significant funding shortfall is obvious. The requirement to bring these assets into a good average (2.9/5) condition is $74m over 10 years.

The purpose of this SV application is to enable Council to increase rates above the CPI peg to undertake a defined and detailed asset renewal and maintenance program. Gloucester Shire Council has conducted a detailed and exhaustive asset condition and assessment project. This enabled accurate costs for backlog renewal and future maintenance to be quantified and to develop the associated long term financial resource plan.

Council utilises recognised IPWEA asset software and is actively involved with other Councils through ROCs, to coordinate and standardise condition assessments, costing, valuation, depreciation, reporting and disclosure of assets. At the 2013/14 audit, our auditors included a review of our condition methodology and agreed with the model and its application.

A road hierarchy has been developed to ensure that risks are known, that works programs aligned and that available funds go to highest risk/demand assets.

## 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, e.g., 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.

In developing options to address our financial sustainability challenge, it was informative to consider the findings of the TCorp report. This report was performed in March 2013 and provides a detailed analysis based on our financial position and trends at that time.

T Corp’s report stated in summary that Council’s financial position has been deteriorating over the review period, and has been further impacted on a consolidated basis by the transfer of its water and sewer assets to Midcoast Water in 2012. Council has been unable to achieve operating surpluses when capital grants and contributions are excluded during the review period and the deficits have grown year on year. Some other observations by TCorp at the time include:

* Council’s underlying operating performance, as measured by EBITDA, has decreased to $1.8m in 2012 following the transfer of the water and sewer assets, from $2.2m in 2009
* Council’s liquidity has remained adequate to meet short term liabilities throughout the review period however they have been below the 1.50x benchmark in the past three years indicating limited flexibility
* Within the General Fund alone, Council has increased borrowings from $2.5m in 2009 to $3.6m in 2012
* Council’s Own Source Operating Revenue Ratio has been below the benchmark in each year indicating Council’s reliance on grants and contributions
* Council experienced large increases in wages and salaries costs in 2010 and 2011 before they decreased in 2012 following the water and sewer asset transfer
* Council has a low reserve for leave entitlements that will need to be funded in future years

Council reported $32.6m of Infrastructure Backlog in 2012 which represents 30.2% of its infrastructure asset value of $108.0m. TCorp observed:

* The Backlog has reduced from $54.3m in 2009, partly due to the transfer of the water and sewer assets that had a combined backlog total of $23.0m in 2011
* Council has been unable to meet the benchmark for the Asset Maintenance Ratio, Building and Infrastructure Asset Renewal Ratio, and Capital Expenditure Ratio in the past two years and this will lead to an increase in the Backlog if these trends are not reversed

The key observations from TCorp’s review of Council’s 10 year forecasts for its General Fund were:

* Operating deficits are projected to remain and increase over the forecast period under the ‘Status Quo’ scenario
* Council has modelled three alternative SV scenarios of varying amounts to indicate the financial benefit of Council receiving an approved SV application
* Council has listed a summary of strategic actions that cover various options to raise revenues, provide efficiencies and reduce expenses
* Council’s liquidity is projected to continue to be adequate but with limited flexibility with a forecast Unrestricted Current Ratio below the 1.50x benchmark in each year

TCorp also stated that if Council is successful with one of the possible SV applications then they may have the capacity to undertake additional borrowings. Until the details of any approved SV’s are available it is not considered prudent to recommend any additional borrowings.

In respect of the long term Sustainability of the Council TCorp’s key observations were:

* Based on Council’s LTFP, Council has forecast increasing operating deficits which is Unsustainable. The current service levels cannot be maintained with the existing revenue and expense base.
* The current forecast LTFP will likely lead to a deterioration of Council’s asset base
* It is important that Council reviews all the possible options to raise revenues and decrease expenses in order to improve their future financial position
* Council should continue to explore the viability of a SV application that will increase rates revenue to assist the objective of becoming financially Sustainable in the long term
* Council needs to follow the summary of strategic actions within the LTFP to enable them to explore the most suitable way to become Sustainable in the long term
* Council has limited financial reserves and does not have sufficient resources to withstand any significant unforeseen financial events

Results of modelling

TCorp’s status quo scenario shows increasing cash deficits and infrastructure liabilities for Council over the next 10 years. The forecast predicts cash deficits ranging from $46,000 to $136,000 and, if depreciation is included, deficits will range from $4.8M to $6.7M.

These deficits vary according to the timing of major infrastructure works and their financing. However, this does not address the significant infrastructure backlog.

Council’s usual operations, with minimal capital works, are not sustainable in the longer term*,* given increasing inflationary costs such as materials, electricity, fuel and wages. Compounded by the need to find extra resources for improved infrastructure management, the status quo scenario would result in serious economic and community impacts for the shire over the longer term.

Impact on infrastructure

The model shows a cumulative infrastructure maintenance shortfall of $53.7M over the next 10 years, being $50M for Transport infrastructure, $2.5M for Recreational Facilities and $1.2M for Buildings. This will result in some 20% of the Shire’s depreciating infrastructure base falling to below the minimum standard by 2022.

At these levels, economic and community activities within the shire will be significantly impacted. Road standards will deteriorate and the possibility of critical failure of wooden bridges will increase.

TCorp concluded that the status quo scenario does not reflect the best community outcomes for the Shire and would limit Council’s capacity to provide sound governance and responsible management of community resources in the coming years.

The assessment by TCorp did not surprise. Council is aware of the financial situation and is working to solve its sustainability problem which is also a central element of the LG Review. Modelled solutions were developed that considered all efficiency and revenue options. These are shown in the following section.

## 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 (ie, 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).

**Review of Financial Forecasts**

Council has modelled 3 forecast scenarios:

* one based on the status quo position,
* one on an 18% cumulative SV for 5 years and
* one based on our adopted approach of a 13% cumulative for 3 years.

These SVs are inclusive of the rate pegged CPI increase.

Status Quo

The status quo forecasts that for FY2016 Council will suffer a $3.169m loss before capital grants and gains on disposals of assets. This is a negative 26.25% operating ratio. The target for the operating ratio is to break even or better. Under the status quo scenario Council will have a continuing average loss of more than $3m each year of the 10 year Plan. The result sees a continuing negative operating ratio, which improves slightly over the 10 year period due to a reducing depreciation spend.

Depreciation is reducing because more assets are reaching the end of their useful lives and are not being renewed through a capital works program. This is reflected in the building and infrastructure asset renewal ratio which, going forward from FY2015 year, sits at around a negative 50% when the target is between 90-100% (or 100% average over 3 years).

As no new loans have been factored into the LTFP the Debt Service Cover ratio sits at a comfortable level, well within the target. Loans are considered to accelerate a capital works program, however this needs to be balanced between the low level of maintenance Council is currently able to allocate and the additional interest and capital repayments which would be payable on a loan.

Assets will continue to deteriorate as funds will not be available to renew them. This in turn increases Council's public liability as some road assets for example may become dangerous and subject to closure or not be maintained.

As assets deteriorate they will require further funds to be spent on operations such as inspections, and unbudgeted reactive work to fix deteriorated assets. Possible claims could result from unmaintained assets.

As staff time is taken up with reactive works, less time will be able to be spent on implementing Council’s action plan. This could create a difficult downward spiral of diminishing returns.

It is noted that the status quo scenario is a 'worst case' scenario where no further grant funds will be received for existing services, no further efficiencies are found, or extra activities which fulfil Council's long term goals.

18% (including CPI) SV cumulative for 5 years

In this scenario, Council has modelled a special variation that would enable an average standard road condition of 2.9/5 (where 1 is best and 5 is worst). This scenario was included in the widespread consultation and information sessions. The feedback from the community is that they neither accepted nor could afford this rate increase. The model was developed to enable a direct comparison of the higher levels of outcomes possible.

The extra funds raised will go towards tackling the backlog of works outstanding on Council’s infrastructure (mainly roads), which make up 93% of Council assets.

This is the optimal plan for Council to enable all KPI’s to be met over the 10 year period.

The Operating performance result moves into a surplus. Own source revenue exceeds the 60% benchmark and the additional revenue generated can be allocated to clear the backlog of capital works taking the Building and Infrastructure Asset Renewal Ratio above the targeted 100% which is required if the backlog is to be cleared.

Again the additional SV funds over the 10 year period go towards clearing Council’s backlog of capital works, and will allow Council to implement better strategic asset management systems to ensure work plans are accurately forecast, carried out and documented.

Council would still carry out Its Action Plan and the range of improvements but it would have the resource to not only maintain current service levels, but to improve them, and be able to start resourcing other long term goals in the community strategic plan to a greater extent.

These benefits would flow to the Shire in an earlier timeframe, enable Council to implement ‘Best Practice’ processes making use of current technology, and could also generate resource sharing to gain further scale and capacity as required by State Government.

An 18% increase in rates cumulative for 5 years will see on average rates increasing by 128.78% (more than double), compared to a 15.25% increase with just the standard CPI or rate pegged increase.

Although the 18% would clear the backlog and enable Council to fulfil elements of the Community Strategic Plan which are currently unfunded, it is considered currently not acceptable to impose such a huge increase in rates.

Therefore even though Council is aware what increase is required at this stage to clear the backlog and implement the maintenance routine to optimise the use of the renewed assets, it is unable to raise the revenue required to fund the program. Council therefore has to go back to its action plan and rethink its service levels, moderate its long term goals, and reconsder how the goals can be reached without the financial impact currently forecast.

A modified SV will be sought.

13% (including CPI) SV cumulative for 3 years

In this scenario, which represents the application made to IPART, a Special Variation of 13% (including the Rate Peg increase) has been sought for 3 years cumulative i.e. 13% in each of the next 3 years, starting in the 2015/16 year. This increase will remain in the rate base.

The extra funds raised will fund a defined works program that starts the long haul of tackling the backlog of works outstanding on Council’s infrastructure (mainly roads), which make up 93% of Council assets.

This is the scenario adopted by council for its SV submission. However it does not fully resolve the financial issues, particularly the backlog. Whilst the net operating result improves from a deficit of $3.388m in 2016 to a deficit of $1.738m loss in 2025, our loss position remains.

This shortfall is reflected in the Building and Infrastructure asset renewal ratio which only improves from 62.9% in 2016 to 73.4% in 2025 against the target of between 90-100% (or 100% average over 3 years). It is an improvement on the status quo model.

When average rates are compared to Councils 5 neighbouring local government areas, the current rates in all categories (except mining) fall in the middle range. It is noted that some of the neighbouring areas already have special rate variations granted which will be in force in the 2015/16 year.

Council understands that its population has a high proportion of older retirees who are pensioners, and who have moved to the area to take advantage of relaxing in a beautiful environment where opportunities abound in joining in with local community groups and other activities.

Council has considered the findings of an affordability analysis and believes this option is affordable for its residents. However it acknowledges that there may be some hardship caused by the increases, and therefore it has introduced a hardship policy to allow households to apply for different options to help in paying their rates.

This model suggests that Council would greatly improve its ability to maintain its assets while maintaining current service levels in other areas of council. Council will still need to maintain its focus on achieving full resolution of its deteriorating assets and looking at additional revenue sources. Council also will need to continue finding innovative and alternative routes to delivering its long term goals.

The Action Plan contained in the LTFP together with other revenue and efficiency options would continue and grow as further possibilities to gain strategic capacity are uncovered which would allow Council to deliver more of its long term goals for the community.

A 13% increase in rates for 3 years will see on average rates increasing by 44.29%, compared to 8.64% increase with just the standard CPI or rate pegged increase.

Council will still not achieve the State Government KPI targets for Operating Surplus and Building and Infrastructure asset renewals over the 10 year period without additional revenues or introducing further efficiency gains and changes in working practice.

However whilst outcomes from the Status Quo scenario worsened as time went on, under this scenario at the end of the model 10 year period, Council will be in a better situation than at present.

It is considered that this option is viable if taken alongside the action plan to increase Council’s strategic capacity and create efficiencies. The Scenario also requires a reassessment of the community strategic plan and corresponding service levels and if necessary apply for further increases after the three year SV period has concluded.

The financial and asset ratios arising from the 3 scenarios show that the movement over the 10 years of the LTFP using this model moves Council reasonably and affordably toward achieving the benchmark ratios as measures of sustainability.

|  |  |  |  |
| --- | --- | --- | --- |
| **Improvement in financial sustainability ratios over the term of Council’s LTFP** |  | **2015/16**  **%** | **2024/25**  **%** |
| **Operating Balance ratio excluding capital items** | Status Quo | -16 | -13 |
|  | 13% (3yrs) | -12 | -3 |
|  | 18% (5yrs) | -10 | 12 |
| **Unrestricted Current ratio** | Status Quo | 50 | 106 |
|  | 13% (3yrs) | 50 | 110 |
|  | 18% (5yrs) | 50 | 136 |
| **Rates and Annual Charges ratio** | Status Quo | 42 | 43 |
|  | 13% (3yrs) | 44 | 48 |
|  | 18% (5yrs) | 44 | 56 |
| **Debt Service ratio** | Status Quo | 4 | 1 |
|  | 13% (3yrs) | 3 | 1 |
|  | 18% (5yrs) | 3 | 1 |
| **Broad Liabilities ratio** | Status Quo | 6.05 | 6.08 |
|  | 13% (3yrs) | 5.85 | 5.42 |
|  | 18% (5yrs) | 5.75 | 4.42 |
| **Asset Renewal ratio** | Status Quo | 46 | 37 |
|  | 13% (3yrs) | 54 | 65 |
|  | 18% (5yrs) | 59 | 116 |

**Sustainability assessment from review**

Council is in an unsustainable financial position if current operating conditions continue. We have reported an operating deficit in each of the past five years when capital grants and contributions are excluded and have forecast a deteriorating position each year of the forecast period.

We need to consider all possibilities to raise additional revenues and/or reduce expenses to enable the continuation of the current levels of service to the community. The process of applying for a SV is one of the options that will assist to reverse the declining operating results.

In considering longer term financial sustainability the following arise:

* The ‘Status Quo’ forecast highlights operating deficits will continue and are likely to increase, making it impossible for Council to maintain the current service levels and their asset maintenance and renewals funding at an acceptable level
* Council’s forecast capital expenditure remains below the required levels and is forecast to decrease to well below the level required to maintain the quality of Council’s asset base
* Council has limited financial reserves and does not have sufficient resources to withstand any significant unforeseen financial events
* If a SV application is approved, it may not generate sufficient additional revenues to improve Council’s operating results to a sustainable position. Further options to raise revenues and/or reduce expenses will need to be introduced as detailed within the LTFP
* Council is cognisant of controlling employee expenses having terminated or not replaced 4 senior staff. Further a moratorium on all positions is in place. An identified action will be to better align our employee functions to a revised CSP.
* Capital projects identified in the current S94 Plan (developer contributions) and associated Asset Management and Risk Management plans have been included in the model. It should be noted, however, that the S94 is currently going through a review and projected expenditure for specific projects may be impacted. It should also be noted that not all S94 contribution “cash” will be available in the year identified for the commencement of the project.

In support of the works program attached to the additional revenues generated by the SV Council, will adopt the following specific transport asset strategies as part of the overall implementation of wider efficiency strategies:

* Continue the community engagement process on service levels for our transport infrastructure,
* Further developing and refining our Asset Management System to ensure it reflects comprehensive and current information regarding our transport infrastructure,
* Making continuous improvements to our road maintenance activities in order to gain maximum efficiency and value for money
* Make submissions to State and Federal Governments for funding assistance to address our infrastructure funding crisis
* Establishing policies to direct rural subdivision and dwelling construction to areas where acceptable road standards can provide access, or required road upgrading can be achieved to minimum public standards
* Reviewing section 94 contributions for essential capital upgrades, and where Council's unfunded liability can be achieved
* Minimising transport assets, by sale of surplus roads and refusal of transfer of assets from Government Authorities
* Monitor and report SV generated works program as to completion and review future rates revenue as to adequacy.

## 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]](#footnote-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 (eg, LTFP and Asset Management Plan (AMP).

|  |
| --- |
| NA |

# 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.

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.

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| 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. |
|  |

## 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.

## 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.

**Community Engagement Process:**

Since June 2013 Council has presented to community service clubs, organisations and public gatherings at 41 individual sessions around the shire to make attendance as easy as possible for all ratepayers. Council spoke to several general meetings of the Business Chamber, held an information desk at the library and a display booth at the Agricultural Show in an endeavour to connect with a wide community audience. These sessions were advertised per the local newspaper (Gloucester Advocate), by direct mail out to specific area addresses, via emails and newsletters. As well some coverage was achieved on local radio and television stations.

A total of 836 persons which represents 27% of total rate assessments, attended these sessions. A copy of the PowerPoint presentations used are attached.

The full list of these sessions and numbers attending is attached. The key comments are noted below.

A community engagement strategy was adopted and implemented.

As well, Council emailed directly to contact lists, maintained all documents and information on the website, sent direct mail outs to each ratepayer, provided brochures and newsletters.

The presentation clearly set out the financial challenges Council faces; how the current situation was reached, what options and actions we are taking culminating in the renewal and maintenance backlog, the levels of service and associated impact on rates for several scenarios, and the resultant need for a significant increase in rate revenues.

**Community Engagement Results:**

A total of 836 persons attended the presentations. Feedback from each session was recorded. Direct comments were received from 128 per mail, email or feedback form**.** All these have been responded to with any specific queries directly addressed. A media release on the process and outcomes was placed.

The overwhelming response was of an inability to pay the increase. This response was received from all sectors – residents, aged, business and farmers. There was good understanding of the issues and the solution but those who agreed to a significant increase did not accept the magnitude of Council’s optimum solution as proposed. (i.e. an 18% inclusive of CPI increase at 5 years cumulative) as affordable.

Whilst there was general agreement in lifting the rates to attend to the asset problem, the matter of affordability was the constant theme. This was common across all sectors.

There were other general comments made, some of which were fairly common among the respondents. These were:

* Low cattle prices – “at present would need to sell 32 weaners to meet rates, 18% would increase to 70”.
* Council should cut expenses – cars, staff, pay cut, new building, mismanagement , wastage
* One off increase is acceptable but not a compounding one
* Council have got us here so get us out
* Some comments both for and against amalgamation as the solution
* Problem should have been fixed long ago
* Council to increase its productivity and quality, use contractors
* Don’t waste money on things that don’t need it – e.g. Meeting Place, Town Centre Strategy
* Will impact on investment in properties, increase rents
* Roads that people worry about are not in our shire
* Shops will shut, consumer confidence down
* Council is poor and slow on planning approvals
* Mid Coast Water charges also increasing
* If lived within budget in the past why can’t we now?
* What do we get for our rates?
* No option as the state won’t assist.
* Too much spent in town and not on country roads.
* Roads not “too bad”
* Pool hours cutback a good step
* Money to stop mines but none for roads
* Want the extension of sealed roads

|  |  |
| --- | --- |
| **Community engagement activity** | **Comments** |
| Presentations | Went to outer areas, time after for questions, enabled specific local issues, enabled individual queries |
| Media | Regular articles, advertised meetings, specific elements presented, feedback at end of process |
| Newsletters and brochures | Sent as a series of 4 with graphs and full details – included feedback form.  Calculation matrix to enable estimates of likely impacts on individual properties |
| IP&R Process | Amendments as made to the Delivery Program were placed on public exhibition.  Regular status reports on Council’s Operational Plan and Delivery Program that identified designated actions to achieve SV were on public record and display. |
| Other | A significant email list of contacts was targeted.  Actively pursued sectors e.g. via school P&C groups |

**Communicating the Outcomes:**

|  |  |  |
| --- | --- | --- |
| **Stakeholder group** | **What was communicated** | **How communicated** |
| General ratepayers | An initial media release that summarised the response.  Individual responses (with specific queries addressed) to all who provided feedback. | Newspaper  Email/letter |

**Activities for consultation and feedback**

**2012**

Community Newsletter - *Gloucester Community Strategic Plan* issued to all community members via post and also available on website following adoption of the Community Strategic Plan.

Media articles appearing in the Gloucester Advocate:

* 16 May
* 23 May
* 4 July
* 8 August
* 10 October
* 24 October
* 5 December

Council Reports and Resolutions:

|  |  |
| --- | --- |
| Meeting Date | Details of Resolution |
| 16 May | Adoption of Community Strategic Plan, Delivery Program and Operational Plan for public exhibition until 15 June 2012 |
| 27 June | Adoption of Community Strategic Plan, Delivery Program, Operational Plan and Resourcing Strategy |

**2013**

Community Consultation Newsletters issued to all community members via post and also available from Council’s Administration Centre, Library and website:

1. March - *Community Assets*
2. July – *The Condition of our Assets – Where are we now?*

Request for community feedback regarding the contents of the Newsletters was contained within each newsletter and advertised in the local paper and on Council’s website

Public Meetings held across the Shire – advertised in the local newspaper and individual invitations forwarded to all residents:-

* Stratford Hall Meeting – 15 April
* Stratford Hall Meeting – 20 June
* Barrington Hall Meeting – 27 June
* Business Proprietors/Operators Meeting – 16 July
* Waukivory Hall Meeting – 15 July
* Graziers & Primary Producers – NSW Farmers (Gloucester Branch) – 25 July
* Rawdon Vale Meeting – 3 September
* Bundook Meeting – 31 October
* Rookhurst Meeting – 19 November
* Rawdon Vale Meeting – 16 December

Response letters were forwarded to those unable to attend any of the public meetings and enquired as to the outcome of the meeting

Media articles appearing in the Gloucester Advocate:

* 17 July
* 31 July
* 14 August
* 28 August
* 23 October
* 30 October
* 4 December

*“From the Mayor’s Desk”* appearing in the Gloucester Advocate:

* 7 August
* 2 October
* 13 November

Council Reports and Resolutions:

|  |  |
| --- | --- |
| **Meeting Date** | **Details of Resolution** |
| 20 February | Review of Delivery Program for period 1 July to 31 December 2012 |
| 15 May | Adoption for public exhibition of Delivery Program 2013-14 and Operational Plan 2013-14 |
| 26 June | Adoption of 2012-2011 Community Strategic Plan, 2013-2017 Delivery Program and 2013-2014 Operational Plan, adoption of general rates for the 2013-14 financial year. |
| 21 August | * Review of Delivery Program 2013-2017 * Endorsement of Community Engagement Action Plan re: SRV |
| 16 October | Resolution to make a submission to IPART for a SRV for implementation July 2015 |
| 18 December | Detailing the following items for consideration at Council’s Ordinary Meeting to be held in February 2014:   * Financial Sustainability * SRV Action Plan * Review of the CSP |

2012/13 Annual Report – on display and also direct mail out with comments to contact list.

**2014**

Community Consultation Newsletter issued to all community members via post and also available from Council’s Administration Centre, Library and website:

1. July – *The Need to Increase rates*

The Newsletter was also forwarded to key community groups via email.

Request for community feedback regarding the contents of the Newsletter was contained within the newsletter and advertised in the local paper and on Council’s website

Public Meetings held across the Shire – advertised in the local newspaper and individual invitations forwarded to all residents:-

* Rawdon Vale – 11 June
* Barrington Hall – 26 June
* Stratford Hall – 1 July
* Bundook – 10 July
* Rookhurst – 14 July
* Senior Citizens Centre Gloucester – 15 July
* Waukivory – 11 August

Media articles appearing in the Gloucester Advocate:

* 5 March
* 12 March
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*“From the Mayor’s Desk”* appearing in the Gloucester Advocate:

* 4 June
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Council Reports and Resolutions

|  |  |
| --- | --- |
| **Meeting Date** | **Details** |
| 20 February | Adoption of Review of Delivery Program 2013-2017 |
| 19 March | Question from Public Gallery as to progress of SRV |
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| 17 September | Review of Delivery Program 2012-2016 |
| 15 October | * Resolution that Council make application for a SRV OF 10.5% above the standard 2.5% CPI increase to commence 1 July 2015 and to compound for the following 2 years * The allocation among the individual rate categories be reviewed * Six months prior to the expiration of this SRV (ie December 2017) the situation be assessed with the view to making a new application * The Delivery Program be amended to reflect this SRV * The Hardship Policy be endorsed |

2014/15 Annual Report – on display and also direct mail out with comments to contact list.

**2015**

Media articles appearing in the Gloucester Advocate:

* 21 January
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Council Reports and Resolutions

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| 14 January | Resolution to adopt allocation |

**General**

* Community Strategic Plan 2014-2024
* Delivery Program – 2012-2016
* Challenges May 2014 - Key Messages for Councillors
* Challenges May 2014 – A Message to all Council Staff
* Grow Gloucester – Community Information and Discussion Presentation
* Assets – Presentation
* Consideration of a Special Rate Variation (Affordability) Document – as presented to the Ordinary October Council Meeting
* Hardship Policy – adopted by Council at the Ordinary October Council Meeting
* Summary of public presentations regarding the proposed SRV
* Direct advice to email contact list on amended documents and information for feedback

# 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 affordability issue has been the underlying concern for Council. Internal analysis was conducted and the Hunter Research Foundation was engaged to conduct an affordability analysis of the community. A report on affordability was considered as part of the final determination by Council.

The proposed SV will significantly increase our rating base and was considered in terms of the Shire ratepayers’ ability to meet the cost of such increases. Gloucester Shire Council has reviewed a number of SV scenarios ranging from 5.5% to 18% pa. These increases include 2.5% as the estimated CPI annual routine rate lift.

The financial outcome of various SV options on additional funding generated toward this backlog is shown in the chart, below. It is clear that to achieve depreciation (the blue line in the graph below) as a measure of asset deterioration, a significant SV is required.

Overlaying the issue of affordability, Council wanted the community to understand that as can be seen in the above chart, only an 18% cumulative SV for 5 years will lift rates sufficiently toward achieving the necessary funding to bring the asset backlog to a desired condition.

**Magnitude of Rate Increases**

In assessing affordability, Council determined the magnitude of the annual rate increase for each of the Shires 6 rating categories and the impact over the period, from 2014/2015.

The chart below is for the year 2014/2015 which shows the current rates by Rating Categories, the number of Assessment in each Category, the average Rate Assessment Value and the Rate Revenue per Category. Note that Council also imposes rates on various mining categories. However as there are only a total of 4 assessments and as the rate revenue is very high they are deleted from the graph to avoid confusing the presentation. These categories will also be impacted by any rate increase.

The following chart shows the revenue, number and average assessment for each rating categories for the year 2023/24 after a 13% SRV is applied for 3 years cumulative.

It should be noted that in order to gauge affordability, the averages shown in the subsequent 2 charts refer only to the SV component of the rate increase and exclude the annual CPI increase.

At the time of the affordability analysis, the SV amount was applied equally to each of the rating categories (except mining). This assumption is based on all ratepayer groups contributing equally to the Shire’s financial needs and is subject to discussion and review.

The proposal of a 13% (10.5% SRV plus CPI 2.5%) will see total rates increase by 44% over 3 years with the SV impact at 35%.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Total increase CPI + SRV** | | |  | **18** | **15** | **13** | **5.5** |
| Total at year 3 | |  | **$** | 3,746 | 3,468 | 3,290 | 2,677 |
| Increase $ |  |  | **$** | 1,466 | 1,188 | 1,010 | 397 |
| Total % Increase at 3 years cumulative | | | **%** | 64 | 52 | 44 | 17 |
|  |  |  |  |  |  |  |  |
| **Total increase due to SRV** | | |  | **15.5** | **12.5** | **10.5** | **3.0** |
| Total at year 3 | |  | **$** | 3,513 | 3,246 | 3,076 | 2,491 |
| Increase $ |  |  | **$** | 1,233 | 966 | 796 | 211 |
| SRV % Increase at 3 years cumulative | | | **%** | 54 | 42 | 35 | 9 |

### Gloucester Household Income

The following table sets-out the household income for residents in the Gloucester LGA as per the 2011 ABS Census.

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***Family*** | ***Non-family*** |  |
| ***Annual Income*** | ***households*** | ***households(b)*** | ***Total*** |
|  |  |  |  |
| Nil/Negative income | 14 | 15 | 29 |
| $52 - $10,349 | 34 | 12 | 46 |
| $10,400 - $15,548 | 12 | 66 | 78 |
| $15,600 - $20,748 | 28 | 186 | 214 |
| $20,800 - $31,148 | 188 | 106 | 294 |
| $31,200 - $41,548 | 160 | 66 | 226 |
| $41,600 - $51,948 | 171 | 46 | 217 |
| $52,000 - $64,948 | 121 | 28 | 149 |
| $65,000 - $77,948 | 115 | 10 | 125 |
| $78,000 - $103,948 | 152 | 19 | 171 |
| $104,000 - $129,948 | 78 | 5 | 83 |
| $130,000 - $155,948 | 66 | 24 | 90 |
| $156,000 - $181,948 | 30 | 0 | 30 |
| $182,000 - $207,948 | 20 | 0 | 20 |
| $208,000 or more | 18 | 0 | 18 |
| Partial income stated(c) | 130 | 10 | 140 |
| All incomes not stated(d) | 36 | 35 | 71 |
|  |  |  |  |
| **Total** | **1,373** | **628** | **2,001** |

Generally, the majority of household incomes within the Gloucester Shire fall within the range between $20,000pa and $100,000pa, particularly for residents owning rateable property. At the maximum annual rate-increase amounts, this increase would represent between 0.3% and 1.5% of gross household income which is considered both affordable and significantly below annual increases experienced by ratepayers in terms of day-to-day items such as fuel, electricity, supermarket prices and the like.

The analysis also considered data provided by the Hunter Research Foundation which shows for the year 2011:

**Age and Income Profile**

* Median weekly individual income in Gloucester is $422 per week compared to $561 per week in NSW
* Gloucester is marked by an older age profile and lower incomes in older age groups compared to NSW.
* Younger people in Gloucester (10-29 years) are slightly less likely to be earning no income than in NSW as a whole, but also less likely to be earning incomes above the median income band ‘$20,800- $31,199’ per year. One in four (25%) Gloucester residents aged 10-29 years earn over $31,199 per year compared to 36% of NSW residents.
* In Gloucester LGA less 30-49 year olds are earning over $31,199 a year compared to NSW, with 49% of Gloucester residents aged 30-49 years in this category compared to 65% of NSW residents for the same age-group. Gloucester’s share of this age group earning above median incomes, is also lower than Liverpool Plains (53%) and Dungog (60%) LGAs.
* Significantly less 50-69 year olds within Gloucester earn over $31,199 a year compared to 50-69 year olds across the state. Only 38% of Gloucester residents aged 50-69 years earn more than $31,199 per year compared t0 50% of persons aged 50-69 years within NSW. In Liverpool Plains the share of this age group with above median incomes is also 38%, while in Dungog the figure is higher at 43%.
* This trend is similar for those aged 70-79 years (14% in Gloucester versus 17%in NSW) and residents aged 80 years and over (10% in Gloucester compared to 15%in NSW), although less pronounced.

**Occupation and Income Profile**

* Looking at Table A2 Gloucester LGA has a higher share of ‘Managers’, ‘Community and Personal Service Workers’,‘Labourers’ and ‘Machinery operators and drivers’ than NSW as a whole. It has a much higher share of ‘Farmers and farm managers’ (a sub-group of the Managers category), 13% in Gloucester versus 2% in NSW.
* Generally the share of each occupational group within Gloucester earning personal incomes above the median personal income band of ‘$20,800- $31,199 per year’ is lower than that for the state with the exception of ‘Machinery operators and drivers’ and ‘Labourers’.
* ‘Farmers and Farm Managers’ are more likely to be earning under the median personal income band than many other occupational groups (with the exception of sales workers and community and personal service workers), both within Gloucester and across the state.
* The share of ‘Farmers and Farm Managers’ earning over $31,199 per year is particularly low with Gloucester, 43% compared to 50% for NSW as a whole. The proportion of Gloucester’s Farmers and Farm Mangers earning over $41,600 per year is 28.6%. The share of this occupational sub-group earning above median personal income of over $31,199 per year is 55% in Dungog and 58% in Liverpool Plains.
* The proportion of ‘Managers’ earning above $31,199 per year is only 53% in Gloucester compared to 84% of ‘Managers’ across the state in 2011. The share of Managers earning above median incomes is 50% in Dungog and Liverpool Plains LGAs.

**Income and Mortgage/Rental Payments**

* In 2011 Gloucester had a higher proportion of dwellings owned outright than the state overall (48.7% compared to 33.3% in NSW). Gloucester had a smaller share of dwellings owned with a mortgage (23% compared to 33.4% for NSW) and a smaller share of dwellings rented (24.8% compared to 30% for NSW) compared to the state.
* Median weekly household income in Gloucester was $971 per week compared to $1,477 per week in NSW as a whole.
* Rental stress is defined as the proportion of households who are renting, who spend 30% or more of their household income on rent. Gloucester 36.9% of households in rented dwellings are spending 30% or more of their household income on rent.
* This is below the share of households in ‘rental stress’ for NSW as a whole, 41.1%. The share of households in ‘rental stress’ is approximately on par with the figure in Dungog LGA 36.4%, but higher than the figure in Liverpool Plains LGA 27.2%.
* Mortgage stress is similarly defined as the proportion of mortgage holding households who spend 30% or more of their household income on their mortgage. Gloucester 37.9% of households in dwellings purchased via a mortgage are spending 30% or more of their weekly household income on their mortgage.
* This is again below the share of mortgage holding households within NSW who spend 30% or more of their household income on their mortgage, a figure of 42.9%. In Dungog LGA the share of mortgage holders in ‘mortgage stress’ is slightly higher than Gloucester at 39.7% and in Liverpool LGA the figure is lower at 31.9%.
* Looking at low income households, within Gloucester 19% of mortgage holding households are households whose income is in the median income band for the LGA or below and are in mortgage stress. This figure compares to 15% in Dungog, 16% in Liverpool Plains and 13% in NSW.

The Australian Tax Office provides postcode level statistics based on a summary of information taxpayers report to the ATO. The main source of information is income tax returns. However, data is also sourced from annual returns for fringe benefits tax (FBT) and goods and services tax (GST), business activity statements (BAS) and instalment activity statements (IAS), and capital gains tax (CGT) schedules.

* The latest ATO data for 2011-12 available at the postcode level indicate that the average income from Gloucester is $53,984 based on reported taxable income, and a slightly higher sum of $54,090 less total deductions. This compares to a slightly higher average income of $59,216 in Dungog and an average of $59,266 less total deductions, and a roughly comparable figure of $54,698 average taxable income or loss ($54,787 less total deductions).
* Looking at net income or loss from a business the average figure is $19,374 in Gloucester compared to $12,572 in Dungog and $24,092 in Liverpool Plains.

### Comparative Regional Rating-Categories

The following chart shows ad-valorem rate charges for neighbouring regional councils:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Rating  Category | Ad-Valorem Rate (cents/$) | | | |
| Gloucester Shire | Upper Hunter Shire | Muswellbrook | Dungog |
| Township | 0.5075 | 0.6760 |  | 0.4641 |
| Villages | 0.3885 | 0.4755 |  | 0.2287 |
| Rural Residential | 0.3920 | 0.3636 |  | 0.2375 |
| Farmland | 0.4145 |  |
| Business (Urban) | 0.8540 | 0.9248 |  | 0.4220 |
| Mining | 3.5550 | 37.1119 |  | N/A |

Information below is for the year 2012/13 and does not reflect any recent changes. For example Gloucester introduced base rates to all categories in this year.

**Average Rates:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Council** | **Population** | **Residential** | **Farmland** | **Business** |
| Dungog | 8673 | 672 | 1901 | 749 |
| Uralla | 6287 | 458 | 3338 | 474 |
| Liverpool Plains | 7965 | 525 | 3519 | 1138 |
| Ave Group 10 | 7268 | 487 | 2124 | 1112 |
| Position in Group 10 | Second lowest | middle | middle | middle |
| Greater Taree | 48955 | 726 | 1158 | 2364 |
| Great Lakes | 35924 | 862 | 547 | 2331 |
| Port Stephens | 67825 | 822 | 1400 | 3323 |
| **Gloucester** | **5181** | **557** | **2554** | **1033** |

Reference to the above tables suggested that a review of Rating Category levels was warranted particularly in the case of Farmland Rating which is significantly higher than other rating categories and comparatively higher than regional LGA’s. This required the impact of any review on affordability across the rating categories to be reassessed. A review of rating categories was adopted by Council on 14 January 2015.

Council considers that the proposed special variation on ratepayers is reasonable. Council considered current rate levels, the existing ratepayer base and the purpose of the special variation. We have also reviewed how the council’s IP&R and SV consultation processes have informed the community and enabled appropriate feedback. The community consultation presented a range of scenarios that aligned rates revenue to standards or levels of service. The feedback was agreement to a significant increase but not to the level recommended. It is considered 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.

**Council’s Rates Modeling process**

The impact of an SV on Gloucester ratepayers was considered as to equitable outcomes and recent categorisation changes. Background issues included:

* The Rate peg for the 2015/16 year has been set at 2.4% by IPART.
* Council has resolved to apply for a special variation of 13% (including the Rate Peg) for 3 years starting in the 2015/16 year.
* The Valuer-General has completed a revaluation of all land in the Gloucester Shire which will come into effect in the 2015/16 year.

**The Revaluation process**

The VG land valuation completed in 2015 financial year saw land values remain similar in all categories except for:

- Farmland which saw a 3% drop in overall values

- Residential Gloucester which saw an 8% decrease in overall value and

- Business commercial/Industrial which saw a 7% decrease in overall value

In total the revaluation has seen land values decrease by 3%, mainly fuelled by farmland and residential Gloucester categories which make up 62.6% (42.4% and 20.2% respectively) of overall rates income, and 70% (57% and 14% respectively) of total land value in the Shire.

**Modeling the new rates for 2015/16**

The following factors have been taken into consideration when modelling the new rate structure:

* Average per assessment compared to prior year rates
* Percentage make up per rates category (compared to prior year)
* Percentage land value make up per category (compared to prior year)
* Average rates paid by all neighbouring councils

The following tables show current rates complete with the current % contribution and land values and the structure at a straight 13% increase. It includes an increase in the base of 52% which is also included in the proposed structure. The number of assessments and Land values have changed due to the revaluation process.

Current Rate Structure 2014/15



Comparison to Neighbouring/Similar Councils (2014/15 rates)



In commenting on the above comparative data, average rates were assessed against Taree, Dungog, Great Lakes, Uralla & Walcha. (Information from Upper Hunter was not accessible at the time of the assessment).

Average rates were taken for farmland, town, residential rural, village & business. It is noted that exact comparisons are not possible due to the differences in rates structures Councils have in place to deal with different areas of their shires. However it should be noted that for Great Lakes the town rate was taken as the Stroud rate and the village rate was the Nabiac rate as it was seen these urban areas were of best comparison to the Gloucester area.

Gloucester generally rated as the 3rd most expensive out of the 6 Council areas, which shows the suspected correlation to the land values of the different shires. Gloucester’s rates for each category were below the average rate for the other 5 shires except for the farmland, business, and residential rural rates (although the residential rural rate was very close to the average). Therefore attention was given to both farmland and business categories when setting the new rates.

The difference in strategy is apparent when comparing different councils side by side, for example Great Lakes put's a higher levy on their residential rates, and lifts the burden from its farmland, but Walcha goes the opposite way and puts the burden on the farmland, leaving the average residential rate much lower. Therefore when setting rates it is apparent that the process must follow the Shires strategic plan, but also take into consideration the average rates set for farmland and business, especially bearing in mind that the land values for both farmland and business have decreased.

**Proposed Rate Structure for 2015/16 including SV of 13% (including 2.4% Rate peg)**



A 13% increase in rates will substantially increase all rates assessments. To ease the burden on properties with higher values (and those who have seen an increase in land value) the base amount introduced in the prior year at a value of $230 has been increased by 52% to $350. The percentage of base to ad-valorum remains within the 50% limit, the closest being the residential rates which come to 45%. The remaining increase has been added to the ad valorum amount.

Over all, increases see most rates increase by 13% except residential village which rise by 15%. This is to equate the village rates to the town rates and access to services such as library and pool. This strategy is used in other Councils.

Mining (Gold) have risen by 31% which is in line with changes to the base rate.

Business and Farmland categories all have a reduced increase of 10% which takes into account the average rates paid compared to surrounding councils and recognises the burden placed on farmers. This also counteracts some of the increase borne by Businesses in the prior year, bearing in mind the decrease in land values both these categories have seen in the VG revaluation.

### Minimum Rates

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

|  |  |  |
| --- | --- | --- |
| Does the council have residential minimum rates? | Yes | No **X** |

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 \_\_\_\_\_\_\_\_\_\_\_\_\_

What will the residential minimum rate be after the increase? \_\_\_\_\_\_\_\_\_

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.

## 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.

See section 5 above

## 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 **X** | 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’s Hardship Policy is designed to provide a decision making framework to assess financial assistance requests from ratepayers who may experience genuine financial hardship with payment of rates and charges.

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

Criterion 4 within the OLG Guidelines is:

*The relevant IP&R documents[[5]](#footnote-5) 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.

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]](#footnote-6)

The inaugural Community Strategic Plan was developed through a wide consultative process and adopted by Council in July 2012. This documented the condition of Council’s assets and the need for additional revenues. The supporting Delivery Program and Operational Plan further detailed the situation and need for action. The associated resource plans detailed the backlog and presented SV scenarios.

Following the election of a new council in September 2012, a revised Delivery Program was adopted by Council on 15 May 2013that built on the backlog and financial position and included specific objectives to achieve a special variation.

These revised plans and strategies were publicly exhibited as required.

A Community Engagement Strategy was adopted in August 2013 and exhibited accordingly

Throughout the year, status reports on Council’s Operational Plan and Delivery Program performance and achievement are presented to Council and made publicly available.

The following is a list of various community engagement events and information documents all of which were included on our web site.

**2012**

Community Newsletter - *Gloucester Community Strategic Plan* issued to all community members via post and also available on website following adoption of the Community Strategic Plan.

Media articles appearing in the Gloucester Advocate:

* 16 May
* 23 May
* 4 July
* 8 August
* 10 October
* 24 October
* 5 December

Council Reports and Resolutions:

|  |  |
| --- | --- |
| Meeting Date | Details of Resolution |
| 16 May | Adoption of Community Strategic Plan, Delivery Program and Operational Plan for public exhibition until 15 June 2012 |
| 27 June | Adoption of Community Strategic Plan, Delivery Program, Operational Plan and Resourcing Strategy |

**2013**

Community Consultation Newsletters issued to all community members via post and also available from Council’s Administration Centre, Library and website:

1. March - *Community Assets*
2. July – *The Condition of our Assets – Where are we now?*

Request for community feedback regarding the contents of the Newsletters was contained within each newsletter and advertised in the local paper and on Council’s website

Public Meetings held across the Shire – advertised in the local newspaper and individual invitations forwarded to all residents:-

* Stratford Hall Meeting – 15 April
* Stratford Hall Meeting – 20 June
* Barrington Hall Meeting – 27 June
* Business Proprietors/Operators Meeting – 16 July
* Waukivory Hall Meeting – 15 July
* Graziers & Primary Producers – NSW Farmers (Gloucester Branch) – 25 July
* Rawdon Vale Meeting – 3 September
* Bundook Meeting – 31 October
* Rookhurst Meeting – 19 November
* Rawdon Vale Meeting – 16 December

Response letters were forwarded to those unable to attend any of the public meetings and enquired as to the outcome of the meeting

Media articles appearing in the Gloucester Advocate:

* 17 July
* 31 July
* 14 August
* 28 August
* 23 October
* 30 October
* 4 December

*“From the Mayor’s Desk”* appearing in the Gloucester Advocate:

* 7 August
* 2 October
* 13 November

Council Reports and Resolutions:

|  |  |
| --- | --- |
| **Meeting Date** | **Details of Resolution** |
| 20 February | Review of Delivery Program for period 1 July to 31 December 2012 |
| 15 May | Adoption for public exhibition of Delivery Program 2013-14 and Operational Plan 2013-14 |
| 26 June | Adoption of 2012-2011 Community Strategic Plan, 2013-2017 Delivery Program and 2013-2014 Operational Plan, adoption of general rates for the 2013-14 financial year. |
| 21 August | * Review of Delivery Program 2013-2017 * Endorsement of Community Engagement Action Plan re: SRV |
| 16 October | Resolution to make a submission to IPART for a SRV for implementation July 2015 |
| 18 December | Detailing the following items for consideration at Council’s Ordinary Meeting to be held in February 2014:   * Financial Sustainability * SRV Action Plan * Review of the CSP |

2012/13 Annual Report – on display and also direct mail out with comments to contact list.

**2014**

Community Consultation Newsletter issued to all community members via post and also available from Council’s Administration Centre, Library and website:

1. July – *The Need to Increase rates*

The Newsletter was also forwarded to key community groups via email.

Request for community feedback regarding the contents of the Newsletter was contained within the newsletter and advertised in the local paper and on Council’s website

Public Meetings held across the Shire – advertised in the local newspaper and individual invitations forwarded to all residents:-

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* Hardship Policy – adopted by Council at the Ordinary October Council Meeting
* Summary of public presentations regarding the proposed SRV
* Direct advice to email contact list on amended documents and information for feedback

# Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 within the OLG Guidelines is:

*The IP&R document or the council’s application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.*

In this section, you must provide details of any productivity improvements and cost containment strategies that you have implemented in the last two years (or longer) and any plans for productivity improvements and cost containment during the period of the special variation.

These strategies, which may be capital or recurrent in nature, must be aimed at reducing costs and/or improving efficiency. Indicate if any initiatives are to increase revenue eg, user charges. Identify if the proposed initiatives (ie, cost savings), have been factored into the council’s resourcing strategy (eg, LTFP and AMP).

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.

Council has been on the journey of financial sustainability for several years with some efficiency measures already in process and others at various stages of implementation.

Employee costs

On a staffing level, we have implemented structural reform of the organisation that has resulted in a reduction of 4 senior staff and a moratorium on replacement of others. This has achieved a 10% reduction in salaries, a flatter more responsive management team and enhanced performance management and measurement. In addition, another senior officer will not be replaced on retirement.

Also Council has replaced some key staff with better qualified and progressive employees. For example we have employed a qualified and experienced Finance Manager who along with enhancing our budget reporting has minimized our insurance costs, introduced process review of expense lines such as grants, fuel, credit cards, stock issue, and cash handling. The review in property insurance saw the bill decrease by $18k from the 2014 to the 2015 year.

These staffing reductions have resulted in many staff roles being reconfigured to now perform more than one key role. For example:

* Manager Technical Services also carries out the roles of Operations Engineer, Strategic Engineer, Grants Officer, Design Engineer, Tech Services Office Manager, Engineering cost clerk and Construction/Maintenance oversight.
* Our Operation staff multi-function to cover vacancies in areas such as Mechanic, plant operators and skilled concrete and timber trades persons.
* Risk inspections (e.g. of council facilities and roads) are conducted on a wider basis and management and recruitment of volunteers is conducted as part of a wider role.
* The General Manager has taken on the roles of economic development and community development together with IP&R, Governance, HR Management and strategy development.

The restructure enabled a reallocation that has seen an internal promotion to create a dedicated HR Officer whereby a formal employee performance management system, aligning all staff to the long term goals of the community, can now be introduced. The staff bonus has been reallocated to a wider motivational rewards and recognition system.

Efficiencys

Council has identified the organisational discrete service units to enable KPIs to be defined, for authority levels to be appropriately applied and specific costs for that service delivery function to be quantified.

An efficiency working group has been formed from a cross section of council staff to take an objective perspective on certain aspects and systems. An early gain has been the introduction of the CRM customer response system that saves senior staff time by enabling more immediate and direct attention to customer queries and a process for follow up and analysis.

Formal Project Management has been implemented to improve preplanning and progressive monitoring of budget and outcomes. This includes implementation of Quality Assurance systems on all major and complex projects including construction and maintenance projects, quality engineering plans produced in house and the introduction of a corporate Risk Management system.

Demonstrated efficiencies achieved in areas of construction and maintenance include:

* Replacement of bridges on shire roads using skilled day labour has proven cost effective compared to the private sector. For example replacement bridges on the Bucketts Way, designed and constructed via tender have cost $3,000 to $4,000 per m2 of deck area. Council designed and constructed bridges on local roads have cost between $1000 and $2,000 per m2 of deck area.
* Refurbishment of many bridges rather than full replacement has resulted in significant savings (refurbishment costs of $500 to $1500 per m2 of deck area compared to $1000 to $4,000 for full replacements)
* Seal extensions (approx. 100km over last 15 yrs) have reduced high maintenance cost of gravel pavements and dramatically improved level of service to users. This also results in improved levels of safety and reduced environmental impacts (i.e. reduced environmental pollution of air and waterways, and reduced demand on scarce gravel resources).
* Seal extensions have also been used to eliminate high cost “nuisance” locations e.g. isolated gravel locations or “last mile” locations.
* Gravel maintenance system and techniques that maximise surface longevity and minimise costs i.e. condition maintenance adopted for gravel roads, with grading techniques of utilising quality gravel with high levels of compaction at optimum moisture to prolong pavement life and reduce gravel loss.
* Use of gravel potholing to extend life of gravel pavement and reduce grading frequencies.
* In house bitumen sealing of new and/or refurbished works not only results in reduced project costs but has the added benefits of retaining expenditure locally and allows projects to be sealed when they are ready (not when contractor can do, which means roads must be held at ready position until contractor arrives, resulting in increased costs).

Council has reconfigured its accounting monitoring and reporting, with enhanced budget development and analysis aligned to enhanced delegation and responsibility. A new Financial Statements template is now used that reduces the risk of not complying with legislation or allowing addition errors in the statements, and standardisation to most other councils.

Fees and Charges

Our fees and charges have been reviewed in line with our service unit analysis. Council’s fees and charges are regularly reviewed with a view to introducing user pays principles for key activities to increase revenue for community projects and understand the true cross subsidy effect

Assets

As part of its efficiency review, Council has revised how it assesses the condition of its assets, develops maintenance schedules and undertakes construction work, with a view to increasing the serviceable life of its assets. This includes implementation of stringent and accountable road assets condition assessment processes.

Detailed level of asset condition data allows for improved asset management programming and financial planning.

In our accounts the Fixed Asset Register is now correctly implemented to ensure the Asset register agrees to the financial statements, and that engineering staff are adequately resourced to use the financial system, rather than individual spreadsheets.

Council currently manages a number of assets, including open space reserves, which may be surplus to community needs. Council has developed a property portfolio and promoted saleable land to local estate agents. Several parcels have been sold such as for subdivision and a medical practice with projects for an aged care facility and child care facility planned on council owned land.

Resource Sharing

Council has been an active participant in regional organisations of councils including the development of a KPMG project led study into resource sharing opportunities. There will be opportunities for Gloucester to work in co-operation with neighbouring councils to share service provision or administrative responsibilities in a cost effective manner. There may also be opportunities for partnerships with community organisations or State and Federal government agencies to deliver services. This is an ongoing aim.

Joint purchasing through MIDROC and HROC for most of Councils high value commodities has resulted in many thousands of $ savings and negated the need for a dedicated purchasing officer. This includes Bitumen Emulsion, Ready Mixed Concrete, tyres, stationary, hardware, Signs and posts, pool chemicals, electricity, bulk fuel and lubricants, Traffic control services, contract labour hire, road safety barrier systems, Road Resurfacing (including resealing) etc.

Council will explore the possibilities for entrepreneurial activities and partnerships with private enterprise to deliver services. We have almost completed a significant water and flood study project with a resource extractor and are looking to arrange for a similar project regarding economic development.

Other Funding

Council will continue to aggressively pursue all avenues for state and federal grants which may improve its position. To support this endeavour a cross functional grants working group has been introduced. We will lobby local members and government Ministers for additional infrastructure funding.

Currently we are in negotiations regarding a direct share of resource royalties.

Council has commenced a review of our Section 94 plan to ensure that developer funding is appropriate and directed towards achievable community infrastructure programs.

Borrowings

Council’s current borrowing regime is conservative and there is scope for a limited increase in borrowing activity to fund specific capital works projects. Council’s capacity to borrow is limited by the debt service ratios prescribed by the State regulator, as well as its capacity to service the loan repayments. It may be that increased long term fixed revenues will enable forward borrowings that will achieve up front savings.

Rates Review

Gloucester Council has not increased rates above the standard rate peg (CPI) % annual increase in the 37 years since inception. This has resulted in consistent under-spending on asset maintenance and renewal due to lack of funds. A program of incremental rate increases would provide significant funding for community infrastructure. However, this program should reflect the general capacity of the community to meet the additional charges.

In line with the SV application the existing rating structure has been reviewed. Regular reviews will be conducted to ensure equity and adequacy.

The above list demonstrates that much has been achieved and much is currently in train. However Council will be continuing to:

* respond to changing customer priorities and needs
* determine the right mix of services
* assess plant, land and other assets to optimize usage including consideration of disposal
* align Council’s ability to provide services with the community’s vision
* review and optimise service levels
* build staff capacity and skills
* help in determining the role of local government and what is core business
* define statutory and non-statutory services, and to assess need for the non-statutory services
* consider alternative service delivery mechanisms
* consider the potential for divestment of services
* identify new business opportunities
* share the provision of services with other organisations
* to assess the potential for borrowing funds to bring forward asset renewals; current loans are reassessed to ensure minimal rates of interest accrue
* continue service unit analysis to enable a greater understanding of the cost drivers and user profiles that will enable maximisation of any user pay options for services
* Continue to investigate alternative or resource sharing arrangements for service delivery.



# 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) |  |
| Part B Application form (Word document) – this document |  |
| Attachment 1: Relevant extracts from the Community Strategic Plan |  |
| Attachment 2: Delivery Program |  |
| Attachment 3: Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format |  |
| Attachment 4: TCorp report on financial sustainability |  |
| Attachment 5: Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation |  |
| Attachment 6: Community feedback (including surveys and results if applicable) |  |
| Attachment 7: Hardship Policy |  |
| Attachment 8: Resolution to apply for the special variation |  |
| Attachment 9: Certification |  |
| **Other Attachments** |  |
| Attachment 10: Relevant extracts from the Asset Management Plan |  |
| Attachment 11: Past Instruments of Approval (if applicable) |  |
| Attachment 12: Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program |  |
| Attachment 13: Other (please specify) |  |

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

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

Name of council: Gloucester Shire Council

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

General Manager (name): Danny Green

Signature and Date:

Responsible Accounting Officer (name): Susie Jones

Signature and Date:

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

1. The Guidelines are available at [www.olg.nsw.gov.au](http://www.olg.nsw.gov.au) [↑](#footnote-ref-1)
2. See [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au). [↑](#footnote-ref-2)
3. The OLG’s October 2014 *Guidelines* and the IP&R Manual outline this link between the special variation and the IP&R process. [↑](#footnote-ref-3)
4. See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://www.planning.nsw.gov.au) and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010. [↑](#footnote-ref-4)
5. Relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan. [↑](#footnote-ref-5)
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/Intergrated-Planning-and-Reporting-Manual-March-2013.pdf [↑](#footnote-ref-6)