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| Special Variation Application Form – Part B  Council application for 2015/16 |
| Insert Name of Council:  Date Submitted to IPART:  Council Contact Person:  Council Contact Phone:  Council Contact Email: |

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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.

## 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 |  |
| Enhance financial sustainability |  |
| Environmental services or works |  |
| Infrastructure maintenance / renewal |  |
| Reduce infrastructure backlogs |  |
| 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.

Council is applying for a Special Rate Variation to address issues around long term financial sustainability, in particular the renewal of its roads, bridges, and stormwater infrastructure.

Council is the custodian of approximately $450 million worth of public assets. Over the years, funding to maintain and renew this infrastructure has been reduced relative to the costs associated with the upkeep of the assets. This has resulted in a backlog of infrastructure renewals and has led to deterioration of assets, increased costs of maintenance and reduced levels of service.

Based on the Asset Management Plans and Strategy adopted by Council in 2012, the current backlog is in the order of $46 million. Council’s Long Term Financial Plan at the time forecast this amount to grow by around $4 million per year. These figures were then verified by independent reports from TCorp undertaken as part of the work of the NSW Independent Local Government Review Panel.

Following the release of the TCorp reports, Council engaged an independent financial sustainability analysis to be undertaken by consultants Review Today in April 2014. This report concluded that, under continuation of existing policy, the Councils financial outlook is rated as financially unsustainable. While the Councils total debt ratio is comfortable, the outlook under continuation of existing policy conditions is for a burgeoning infrastructure backlog ratio and ongoing large annual operating deficits. The Review Today report recommended a series of long term financial sustainability indicators and targets for Council, including identification of a “Red Zone” for each indicator, where the resulting measure was considered unsuitable over the medium term.

Following receipt of this report, Council undertook a review of its Financial Management Policy. The review of this policy led to a reduction in the minimum cash reserve levels previously included in the policy, as well as the inclusion of a series of financial sustainability indicators and targets, in line with those recommended in the Review Today analysis.

In September 2014, the NSW Government released its response to the Independent Local Government Review Panel’s final report, with the NSW Government branding its reform package as “Fit for the Future: a modern system of local government”. In its reform package, the NSW Government have set additional criteria for the measurement of financial sustainability, or criteria and benchmarks for “Becoming Fit for the Future”. These generally align with the financial sustainability targets Council has adopted as part of its Financial Management Policy, but in some cases set higher targets.

Council then embarked on a process to review the Long Term Financial Plan in an attempt to address these issues, and to meet the financial sustainability targets set by Council and the NSW government.

After extensive consultation with our community, Council adopted a revised Long Term Financial Plan in December 2014. This LTFP included above rate pegging increases that require a Special Rate Variation to be issued by IPart for them to be implemented. Following the adoption of the LTFP Council undertook a review of its Operation and Delivery Plan to reflect the adopted LTFP and ensure its IP&R documentation was up to date and current to allow submission of an application to IPart for the Special Rate Variation.

## Capital expenditure review

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

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

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

# 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).

## 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 current Community Strategic Plan identified Improving the transportation and road network as one of Councils major issues and challenges (Section 3.3) and improving the quality of infrastructure to our residents as one of the major priorities (section 4). In the action tables a series of strategies and targets around this priority area were identified, including working towards an increased funding base, responsible asset management, continual review of construction and maintenance practices and the upgrading of bridges to improve service levels and lower annual maintenance costs.

A series of community surveys have been undertaken with the consistent message that this is still the major priority for the community, with a majority of residents prepared to pay more to see things improve in these areas.

The asset management plans and strategy completed in 2012 reinforced the issues around the renewals gap and backlog of capital works required in these areas, reinforcing the message that the existing financial practices were unsustainable in the medium and long term. This was particularly evident in the areas of transport and stormwater.

The financial sustainability assessments prepared by TCorp and Review Today also served to reinforce these issues. Council then commenced a process to review its financial management practices and its long term financial plan.

As part of the review of the LTFP, Council developed a series of scenarios based on the levels of service that could be achieved under various revenue and expenditure options. As part of the process of preparing the draft LTFP for consideration by the broader community, possible reductions in levels of services and expenditure across all functions of Council were identified and included within the strategies to improve the sustainability of Council. It was however evident from this process that increases to own source revenue were also necessary to achieve a satisfactory position.

The scenario eventually adopted utilises increased user charges in other areas to try to bring these functions to as close as possible to a self funding user pays basis. This was aimed at avoiding any cross subsidies or additional strain on the general revenue stream obtained through ordinary rates.

The adopted scenario will see the annual renewals gap closed, and a gradual reduction in the infrastructure backlog over time. This is to be achieved through an increased level of own source revenue, additional borrowings, and use of the existing cash reserves to leverage additional external funding wherever possible, as well as through asset disposals, reduced service levels in some areas, and other efficiency improvements designed to reduce costs and/or increase productivity.

## Financial sustainability

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

You should explain below:

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

As mentioned in response to Item 2.2, Councils financial sustainability was assessed by TCorp, and then again by Review Today, both of which concluded that Council was not financially sustainable with a continuation of current practice. The purpose of the Special Rate Variation is to improve the financial sustainability of Council, and to improve the projected performance when measured against the identified financial sustainability indicators. The main area of focus is around the renewal of existing infrastructure, and reducing the infrastructure backlog. The areas where this is of most concern are the sealed road network, the timber bridges, and the urban stormwater systems.

As part of the process around the review of the LTFP a scenario was included where Council was able to meet the financial sustainability indicators adopted in its Financial Management Policy by the end of the 20 year planning horizon. However this scenario required an above rate pegging increase of 46% over the first seven years of the plan. Council reached a compromised position after consultation with the broader community, with a reduced rate increase of 22% above rate pegging introduced over the first five years. This still allows the financial sustainability targets to be met within the 20 year planning horizon, with the exception of the operating balance ratio, however this ratio is significantly improved and trending towards the target range. This will allow Council to achieve financial sustainability over the longer term.

## 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).

Council has adopted a series of financial indicators and target values as part of its Financial Management Policy, including some consistent with those listed above. The outputs from the LTFP model in relation to these indicators is summarised in the table below for the General Fund Only, both with the Special Rate Variation and without over the first ten years of the 20 year LTFP.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Key Performance Indicator** | **Target in Councils Financial Management Policy** | **Projected 2015 Result (General Fund Only)** | **Projected 2025 Result With SRV (General Fund Only)** | **Projected 2025 Result Without SRV (General Fund Only)** |
| Total Debt Ratio = total debt as a % of operating revenue | <50% | 1.91% | 0% | 0% |
| Debt Service Ratio = net debt service cost as % of operating revenue | <10% | 0.06% | 6.07% | 0.11% |
| Infrastructure Backlog Ratio = infrastructure backlog as % of total replacement value of infrastructure assets | <5% | 10.21% | 4.39% | 12% |
| Annual Renewals Gap = required annual renewals capex less actual annual renewals capex as a % of required annual renewals capex | <10%pa | -44.71% | -19.27% | 34.64% |
| Operating Balance Ratio = net operating result as % of operating revenue (both excluding capital items) | 0 to 2½% | -30.60% | -19.26% | -33.04% |
| Unrestricted Current Ratio (additional indicator from Ipart forms) | N/A | 4.41 | 2.32 | 4.75 |
| Rates and Annual Charges Ratio (additional indicator from Ipart forms) | N/A | 26% | 30% | 27% |
| Broad Liabilities Ratio (additional indicator from Ipart forms) | N/A | 203% | 86% | 248% |
| Asset Renewal Ratio (additional indicator from Ipart forms) | N/A | 145% | 119% | 65% |

As can be seen from this summary, whilst some targets are not met in the first ten years of the LTFP, there is an improvement in all indicators, and trend is towards these targets. The adopted LTFP with the Special Rate Variation provides improvements in all indicators when compared to the result without the Special Rate Variation over the first ten years of the LTFP. Of particular importance are those ratios around the annual renewal of infrastructure.

## 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).

|  |
| --- |
| N/A |

# 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.

Council adopted its original Integrated Planning and Reporting Documentation during the course of 2012. The Asset Management Plans identified significant issues around the shortfall of funding around Councils major infrastructure assets, in particular Transport and Urban Stormwater. Council then presented this information to the community through a series of fact sheets leading up to the 2013 residents and ratepayers survey. These fact sheets and the survey report are included in the attachments to this application.

As part of the work of the Independent Local Government Review process, TCorp released a report on the financial sustainability of Kyogle Council in March 2013. The elected Council undertook a visioning exercise in January 2014 as the first step in developing a process around addressing the issues identified through the IP&R process and the TCorp Report. Council commissioned an additional financial sustainability report through consultants Review Today, which was completed in April 2014.

In the lead up to the review of the LTFP and CSP, Council adopted a comprehensive Community Engagement Strategy in July 2014. A copy of this document is provided in the attachments to this application. The first stage of the process involved the review of the existing Financial Management Policy, with a draft revised document presented to the community for review in July 2014, before being adopted in August 2014.

As part of the adopted community engagement process, five Focus Groups with community representation were established in August 2014 around the key areas for the Community Strategic Plan review process. These are;

-Aging in Place, Disability and Respite Care

-Village Life

-Visitor Attraction

-Agriculture

-Governance and Community Services

The elected Councillors and senior staff then undertook a series of workshops in August and September 2014 to work through the review of the existing LTFP model and assumptions, and to present a comprehensive review of service levels to establish the political appetite for service level reductions in particular. Based on these workshops, a draft LTFP was prepared for formal consideration by the elected Council.

The draft LTFP was placed on public display on October 22, 2014 with advice that submissions would close on November 24, 2014. There were a number of mechanisms used to engage the community during this time, using various delivery messages, to ensure that as many people as possible were given the opportunity to provide input and feedback on the draft LTFP. The main methods of engagement were;

-Newspaper advertisements

-Distribution of hard copy documents across the LGA

-Councils website

-Councils newsletter

-Listening posts at community events

-Woodenbong Yowie Markets Saturday October 25

-Bonalbo Memorial Hall Tuesday October 28

-Kyogle Farmers Markets Saturday November 1

-Preparation of community information Brochures, fact sheets and rates comparisons

-Community Surveys

Samples from the various consultation methods are included with the attachments to this application.

## Feedback from the community consultations

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

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

The initial feedback came from the series of Listening Posts held in the main villages across the LGA of Woodenbong, Bonalbo and Kyogle. This allowed Council staff to make contact with members of the community when they were in a relaxed environment, rather than through a formal public meeting. At the Woodenbong Listening Post 24 people took the time to stop and discuss their views with Councillors and Council staff in attendance. At Bonalbo there were a further 21 people, and another 64 at the Kyogle Listening Post. A total of 50 written submissions were also received. A summary of the main points raised through the community consultation process is as follows;

-Concern with rates being higher in the rural areas than in the villages

-issues created by the non-rateable properties not paying rates, eg State Forests, Crown Lands and support for Council to address this inequity

-need for initial sealing of highly trafficked unsealed roads and village streets

-support for the motor bike trail rides and events such as the Lions TT and Border Ranges Rally recognising the economic benefit, but some concern around Council providing support for event organisers, particularly where road damage can occur

-understanding that a rate rise above rate pegging is inevitable, with general support for the 22% proposal instead of the 46%

-Lack of support for amalgamation

-Concern about rate rise leading to increased rent for those who can least afford it

-support for extra income being allocated to roads and bridges as proposed in the draft LTFP

-very limited support for the inclusion of the non-replacement of existing bridges

-limited support for the inclusion of returning some sealed roads to gravel

-concerns about the impact of bridge load limits on emergency services and transport of produce

-perceived inefficiency of some road maintenance practices

-concern over proposed closure of one of the waste transfer stations

-condition of public amenities west of the range in particular

-need for increased tourism and associated promotion of the area

-issues around pensioners being able to afford the proposed rate increases

-concern about level of representation of Council was amalgamated

-some were prepared to pay more to ensure the local identify was maintained

-the financial incentives offered by the NSW Government were inadequate

-Council should decrease administration staff to reduce costs

-Council should be seeking additional funding from the State and Federal governments

Based on feedback received early in the process, Council then established a community survey through the on-line Survey Monkey system, with hard copies also distributed across the entire LGA on November 17, 2014. The survey results are provided in the attachments to this application. Key results were;

-71% of respondents had read the draft LTFP

-87% of them said they understood it

-50% believed the LTFP was achievable, and 50% did not

-73% believed the information provided by Council adequately explained the proposed rate rises and how they would be applied

-80% had read the community information brochure distributed by Council

-88% agreed that Council needs to find additional funds to maintain its infrastructure

-88% understood why Council was hoping to apply to IPart for above rate pegging increases

-54% were in favour of the above rate pegging application to IPart

-52% agreed that the proposed rate rises would be affordable to them

-60% agreed that Council should further explore the options around amalgamation

Whilst it was never expected that the community would show majority support for an above rate pegging increase, it was clear that the majority of the community understood the issues to be addressed, and the need for the additional revenue. Based on the feedback received during the consultation process, it was considered that the main areas of concern had been adequately addressed in the draft LTFP put to the community, and it was recommended to Council that the document be adopted.

Council adopted the LTFP in December 2014, as per the draft document placed on public display. This included service level reductions in a number of areas, however the service level reductions around the non-replacement of bridges and returning low traffic volume sealed roads to gravel, were cause for further concern amongst the effected members of the community. In response to concerns subsequently raised by the community, Council revised the LTFP at its meeting in February 2015 to remove the service level reductions in these areas, and update the LTFP accordingly.

Following on from the community consultation, it was identified that there was also a need to obtain more information in relation to the potential for mergers identified in the Independent Local Government Review Panel report, and subsequent Fit for the Future process initiated by the NSW Government. Whilst the community position appears to be that they do not support amalgamation, it is prudent to ensure that the option has been properly assessed, particularly if there is the potential for better value for money for the community. Council has also resolved to meet with the Councils of Richmond Valley and Lismore, to discuss the potential for mergers with either or both of these Councils. These discussions may or may not lead to merger in the future, and as such, it is prudent that Council has a plan for the future should it remain a stand-alone Council, and the proposed special rate variation included in the LTFP is key to this.

# Assessment criterion 3: Impact on ratepayers

Criterion 3 within the OLG Guidelines is:

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

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

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

## 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.

The rating structure is not proposed to change in order to implement the proposed special rate variation. The existing rating categories will remain as per the 2014/15 structure. The proposed special rate variation is to be applied in equal percentages across the existing rating categories.

There will be an additional Special Rate applying to residential and business rating categories associated with Stormwater and Flood management, and this will replace the existing $25 Stormwater Management Charge which applies to these same categories. The Special Rate is proposed to include a minimum charge initially of $86, with increases in the next four years of 3%, then in line with rate pegging limits thereafter. The minimum charge will see all residential assessments paying the minimum amount, with only business assessments in the higher end of the land values paying the ad valorum component. This would see the maximum charge under the Special Rate at just under $300 in 2015/16.

### Minimum Rates

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

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

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

The rate peg percentage

The special variation percentage

Another amount  Indicate this amount \_\_\_\_\_\_\_\_\_\_\_\_\_

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.

Note as discussed in Item 5.1 that whilst there is no existing minimum rates, the new Special Rate proposed for Stormwater and Flood Management is proposed to include a minimum amount, with this minimum amount to increase at 3 for the first four years after introduction, then in line with rate pegging.

## 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.

Council has long recognised that the communities within the Kyoigle LGA are some of the most disadvantaged with regards to a number of socio-economic factors. The Socio-Economic Indexes for Areas (SEIFA) published by the Australian Bureau of Statistics in March 2013 provide the evidence to support this presumption with;

-the Kyogle LGA ranked 70th poorest out of the 563 LGAs within Australia

-the Kyogle LGA ranked 11th poorest out of the 152 LGAs within NSW

Council commissioned the preparation of an economic brief for the Kyogle LGA through Lawrence Consulting in May 2013. Per capita income for the Kyogle LGA was estimate at $14,338 in 2009/10. The Community Strategic Plan identifies a median weekly income of $305, which would equate to around $15,860 per year. The average household size is 2.5 persons, giving an average household income of $39,650 per year. The impact of the proposed special rate variation, combined with the increases in other charges, peaks at $334/year, or ($6.40/week) by 2021/22. This represents approximately 0.8% of the average annual household income.

During the consultation with the over the last two years, there have been a number of rating comparisons prepared and provided to the community. These are included in the attachments to this report. When the impact of the proposed special rate variation is considered in the context outlined above, it appears to be reasonably modest, and within the capacity of the community to pay.

## Addressing hardship

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

|  |  |  |
| --- | --- | --- |
| Does the council have a Hardship Policy? | Yes | No |
| If Yes, is an interest charge applied to late rate payments? | Yes | No |
| Does the council propose to introduce any measures to limit the impact of the proposed special variation on specific groups in the community? | Yes | No |

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

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

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

Council already has in place a Debt Recovery and Hardship Policy that includes measures to address the recovery of rate payments over time when the ratepayer faces a period of financial hardship. Council also already has in place a Pensioner Concession Policy which provides, amongst other provisions, that there will be no interest on late rate payments applied to pensioners. Due to the relatively modest size of the proposed above rate pegging increases in the LTFP, it is considered that the existing provisions are sufficient to limit the impact on the most vulnerable groups, and no additional new measures have been proposed specifically relating to this special rate variation.

# 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)

- Operation and Delivery Plan updated to reflect LTFP placed on public display December 17, 2014 and adopted February 9, 2015

- Long Term Financial Plan placed on public display October 22, 2014 adopted by Council December 8, 2014, updated February 9, 2015

- Community Engagement Strategy LTFP and CSP Review adopted July 14, 2014

- Core Infrastructure Risk Management Plan adopted June 25, 2013

- Community Strategic Plan endorsed by current Council June 24, 2013

-Workforce Management Plan adopted June 25, 2012

- Community Strategic Plan placed on public display April 2012, adopted 26 June 2012

- Asset Management Plans and Strategy adopted July 23, 2012

Copies of extracts from the minutes from December 17, 2014 and February 9, 2015 are included in the attachments to this application.

# 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 undertaken considerable efforts over a number of years to ensure that a process of review and continual improvement is in place across all functions to identify and implement measures to reduce costs and improve efficiencies and productivity. In the broader sense, arrangements are in place for some functions that take advantage of regional co-ordination or delivery such as;

-weed management function delivered through the Far North Coast County Council

-Rural Fire Service function delivered through partnership with Richmond Valley Council and Lismore City Council

-Library services delivered through regional library with Richmond Valley Council and Lismore City Council

-regional collaboration on water and sewerage management through Memorandum of Understanding

-regional co-ordination and co-operation in relation to Risk, Human Resources, Work Health Safety, Tourism and Economic Development and Natural Resource Management

-regional co-ordination and common standards for development, design and construction specification across the region (excluding Tweed Shire Council)

-development of a regional procurement road map through NOROC

Council has implemented an energy efficient street lighting retrofit program programs to improve efficiencies and reduce costs of this function.

Other areas where processes are in place to review the way Council delivers its services to provide productivity gains include;

-customer service functions

-introduction of a new waste management charge to ratepayers not serviced by Domestic waste to remove or reduce existing cross subsidies from general rating revenues

-continuous improvement program around the delivery of road and bridge maintenance, design and construction functions.

-review of existing procurement policies and procedures and development of a procurement road map using external consultants ArcBlue

Council commissioned a report from external consultants Complete Urban in 2012 to review the organisational structure and the technical services function delivery. There were a series of recommendations identified in this report, and Council is undertaking a program to implement these recommendations. The organisational structure was changed based on the recommendations of this report in 2012, with the implementation of this new structure now completed.

Additional cost reduction, productivity and efficiency programs identified in the adopted LTFP include;

-energy efficiency programs across community buildings, swimming pools, depots and administration buildings, including solar system retrofits

-efficiency dividend of 0.5% per year applied to the cost areas of contracts and materials across all administrative functions for the life of the 20 year LTFP

-utilising existing cash reserves and additional borrowings to ensure sufficient funds are available to take advantage of external funding opportunities that arise in key areas where matching funding is normally required

-implementation of an initial sealing program for the most heavily trafficked unsealed roads to reduce life cycle costs

-moving the Art Gallery operations from a rented building to an existing Council building, being the Kyogle Memorial Institute Hall

-disposal of excess community buildings

-provision of a weigh bridge at the Kyogle landfill site to minimise payments under the NSW Governments tax applied as a levee on landfilling activities

-closing of one waste transfer station

-conversion of the Woodenbong landfill to a waste transfer station, with diversion to the Kyogle landfill via the new weigh bridge

-increased capital renewal funding for sealed roads to reduce life cycle costs by reducing the need for increased maintenance and costly rehabilitation caused by delays in capital renewal expenditure

-reduction and eventual elimination of timber bridges to reduce annual maintenance costs for the bridge network as a whole

-reduced funding for areas where benefits are to specific groups or individuals and not necessarily related to Councils core strategic pathways such a Futures Funding and Self Help funding

-reduced budgets for external consultancies in the delivery of Councils planning functions

-reduced expenditure levels in lower priority areas to increase available funds for higher priority areas

Council will also be working closely with its regional partners in the implementation of the Joint Organisations of Councils proposed as part of the NSW governments Fit for the Future reforms. It is expected that this process will identify opportunities for delivery of some functions at a regional level, with subsequent cost reductions for Kyogle Council. AT this stage there is no specific proposal for the region, as the implementation of the JO’s is in its early stages, but Council will be actively involved in the process for this region to ensure that these opportunities are realised as the JO model for this region is developed.

# 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 eg, 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) | N/A |
| Attachment 12: Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program |  |
| Attachment 13: Other (Community Engagement Strategy July 2014) |  |
| Attachment 14: Other (Review Today Report April 2014) |  |
| Attachment 15: Other (Complete Urban Report 2012) |  |
| Attachment 16: Other (Resident and Ratepayer Survey 2013) |  |
| Attachment 17: Other (Kyogle Economic Brief 2013) |  |
| Attachment 18: Other (please specify) |  |

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

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

Name of council: Kyogle Council

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

General Manager (name): Arthur Piggott

Signature and Date: Feb 12, 2015

Responsible Accounting Officer (name): Glenn Rose

Signature and Date: Feb 12, 2015

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

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)